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Factors Affecting the Timeliness of Interim Financial Reporting

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ABSTRACT

Presenting pertinent information effectively involves being timely. The interim financial reporting process is influenced by several major elements. Users of financial reports will feel more confident if the timely submission of financial reporting material is made. Based on the findings of an earlier study, identified variables that are related to the timeliness of interim financial reporting. So, the purpose of this research is to learn more about the variables that are most important and have a favorable impact on interim financial reporting timeliness. According to the study's findings the primary component namely leverage has a significant impact on interim financial reporting timeliness and a concomitantly favorable impact.

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1. INTRODUCTION

Financial reporting is a research process on financial reporting and its elements that aims to evaluate and predict the financial condition of a company or business entity and also evaluate the results the company has achieved (Wardoyo, 2022). Financial reports can be used to describe company performance. Quality financial reports can provide useful information for internal and external parties such as investors, creditors, and suppliers to make decisions. Financial reports are also useful information if the information provided is timely for decision-makers before the information loses its capacity to influence decision-making (Attarie, 2016).

This is in line with the increasing complexity of business operations and investment growth at this time investors require more relevant and timely information.

Timeliness is one of the important factors in the presentation of relevant information. Information will have benefits if it is delivered on time to the users for decision-making. The need for timeliness in financial reporting has been clearly stated in the basic framework for preparing the presentation of financial statements timeliness is one of the characteristics that must be met so that the financial statements presented are relevant for making decisions. The sooner the information is disclosed, the more relevant the information will be for users of financial statements. Users of financial statements need timely information to enable them to immediately analyze and make decisions about the capital that has been or will be invested in the company. This responsibility is addressed in the work of accountants who always try to work professionally to be timely in financial reports. Kim and Verrechia (Danna et al., 2022) state that financial reports submitted on time will reduce information asymmetry, which encourages the presentation of financial reports in full (full disclosure). The timeliness of financial reporting is an important characteristic of financial statements. In addition, financial reports that are reported in a timely manner will reduce the risk of inconsistent interpretation of the information presented. The timeliness of the presentation of financial reports to the public is a signal from the company that indicates the existence of useful information to meet the needs of investors in making decisions. The benefits of financial reports will be reduced if the report is not timely.

Timeliness is defined as the utilization of information by decision-makers before the information loses its capacity or ability to make decisions (Putri, 2020). Timeliness is information that is ready to be used before it loses meaning by users of financial statements and its capacity is still available in decision making. The timeliness of financial reporting is one of the important factors in presenting relevant information. The characteristics of relevant information must have predictive value and be presented on time. Over time, the benefits of the information contained in the financial statements will decrease if it is not submitted to users of financial statements on time. The sooner it is submitted, the more useful the information contained in it, and users of financial statements can make better decisions. Financial statements as information will be useful if the information they contain is provided on time to decision-makers before the information loses its ability to influence decision-making. The need for timeliness of financial reporting is clearly stated in the basic framework for the preparation of the presentation of financial statements timeliness is one of the qualitative characteristics that must be met so that the financial statements presented are relevant for decision making. The accounting profession also recognizes the need for timeliness of financial report submission. This is shown in the work of accountants who always try to be on time in presenting financial reports.

Financial reports are a very important tool for obtaining information regarding the financial position and results achieved by the company concerned. Financial data will be more meaningful to interested parties if the data is compared for two or more periods and further analyzed so that it can support the decisions to be made. Financial statements report the historical achievements of a company and provide a basis, along with business and economic analysis, for making projections and forecasts for the future. Financial reports are the result of an accounting process that can be used as a tool to communicate between financial data or activities of a company and parties with an interest in the data or activities of the company. According to (Wardoyo et al., 2022), financial statements are reports that show the company's financial condition at this time or within a certain period.

In Indonesia, there are several studies on the timeliness of financial reporting. Factors that affect the timeliness of financial reporting are profitability, liquidity, and leverage.

Profitability is a ratio that aims to determine the company's ability to generate profits during a certain period and also provides an overview of the effectiveness of management in carrying out its operations. The effectiveness of management here is seen from the profits generated on sales and company investment. Profitability is the company's ability to generate profits in a certain period. The profitability of a company reflects the level of effectiveness achieved by a company's operations. Profitability shows the company's success in generating profits. Thus, it can be said that profit is good news for the company so that the company will not delay the delivery of information containing good news.

Liquidity or working capital is the ability where the company can pay off the company's financial obligations on time according to the specified maturity (Wardoyo et al., 2022). liquidity is also very helpful for management to measure the efficiency of working capital used in the company.

This leverage ratio calculates how much a company is financed by debt (Wardoyo et al., 2022). A company that has high leverage means that it is highly dependent on external loans to finance its assets, while a company that has low leverage finances more of its assets with its capital.

2. RESEARCH METHOD

The type of research approach used in this research is a research approach with a proposal study in addition to other approaches. The type of research used is qualitative research. According to (Sugiyono, 2019), qualitative research is a method that is philosophically used to research on scientific object conditions using researchers as instruments, data collection procedures, and qualitative analysis that places more emphasis on meaning. The data sources used are secondary data sources, which consist of journals and previous research. Valid data collection is using the literature study method from journals and previous research. The data analysis technique in this study uses quantitative analysis in accordance with the type of research.

3. RESULTS AND DISCUSSIONS

Based on the results of the analysis in the literature study, previous researchers obtained factors that could affect the timeliness of interim financial reporting in manufacturing companies listed on the Indonesia Stock Exchange (IDX). Previous studies can be seen including the following:

a. Tiza (2013) conducted a research study on the factors that determine the timeliness of financial report submission on the research object of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2010-2012. Sample selection is done using various criteria. There are independent variables used such as profitability (ROA), liquidity (CR), leverage (DTA), company size (SIZE), audit opinion (WTP), and auditor quality (KAP). While the dependent variable used is the timeliness of financial reporting. Based on the results of the study, it is analyzed that profitability (ROA), liquidity (CR), leverage (DTA), and company size (SIZE) have a significant effect on the timeliness of financial report submission. Meanwhile, audit opinion (WTP), and auditor quality (KAP) have no significant effect on the timeliness of financial report submission.
b. Aisyah (2017) examines the factors that determine the timeliness of submitting financial reports on the research object of manufacturing companies for the 2012-2015 period. The process for retrieving research data is based on specific criteria. Independent variables are managerial ownership, company size, leverage, liquidity, and profitability. The dependent variable is the timeliness of financial report submission. After the analysis study, the research results obtained are company size and leverage have a significant effect on the timeliness of financial report submission. While managerial ownership, profitability, and liquidity have no significant effect on the timeliness of submitting financial reports.
c. Putri (2020) conducted an analytical study related to the factors that influence the timeliness of financial reporting on the object of research of manufacturing companies listed on the Indonesia Stock Exchange during the 2012-2016 period. Researchers used the purposive sampling method. The independent variables analyzed were profitability, leverage, liquidity, company size, the reputation of the public accounting firm, auditor opinion, and company age. While the dependent variable is the timeliness of financial reporting. After that, the results of the analysis state that leverage and liquidity have a positive effect on the timeliness of submitting financial reports. While profitability, company size, reputation of public accounting firms, company age, and auditor opinion have a negative effect on the timeliness of submitting financial reports.
d. Indriani & Nurhayati (2022) conducted an analysis related to various factors that affect the accuracy of financial report disclosure with the object of research on manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020. Sample selection is done through several criteria that meet. The independent variables used are company size, profitability, audit opinion, leverage, liquidity, and company age. After the analysis, the study results show that profitability and company age have a significant effect on the timeliness of financial statement disclosure. While company size, audit opinion, leverage, and liquidity have no significant effect on the timeliness of financial statement disclosure.
e. Marlina et al., (2022) conducted a research study related to factors that can affect the timeliness of financial report publication in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2018-2020. The sample selection method uses a purposive sampling technique. The independent variables used include profitability, liquidity, leverage, ownership structure, and company age. The dependent variable is the timeliness of financial report publication. After the analysis study was conducted, the research results showed that leverage and company age have a positive influence on the timeliness of financial report publication.

Meanwhile, profitability, liquidity, and ownership structure have a negative influence on the timeliness of financial report publication.

Based on the results of the analysis in the literature study, previous researchers obtained factors that could affect the timeliness of interim financial reporting in manufacturing companies listed on the Indonesia Stock Exchange (IDX). Previous studies can be seen including the following:

Table 1. Comparison of the Results of Previous Studies Related to the Determinants of Timeliness in *Interim Financial Reporting*

No.	Previous research	Factors Affecting Timeliness in Interim Financial Reporting		
		Leverage	Profitability	Liquidity
1.	Marathani (2013)	(+)	(+)	(+)
2.	Aisyah (2017)	(+)	(-)	(-)
3.	Putri (2020)	(+)	(-)	(+)
4.	Indriani & Nurhayati (2022)	(-)	(+)	(-)
5.	Kumalasari (2022)	(+)	(-)	(-)
	Total	4	2	2

Source: Data processed by the author (2023)

Based on the comparison results in previous studies, it is concluded that of all the factors studied, not all of them will have a significant effect on the timeliness of interim financial reporting. There are main factors that have the most effect simultaneously, namely the factors that appear most often as well as have a positive effect. The factor that often appears is leverage. Thus, leverage is the main factor that can affect the timeliness of interim financial reporting.

Conclusions can be obtained based on the formulation of the hypothesis which states that H3 has a large level of influence. This shows that H3 has a large effect simultaneously on the timeliness of *interim financial reporting.*

4. CONCLUSION

Based on the results of the analysis and discussion, it is obtained that the Factors Affecting Timeliness in Interim Financial Reporting are the factors that appear most frequently and have a positive effect. The factor that often appears is leverage. Thus, leverage is the main factor that can affect the timeliness of interim financial reporting. Conclusions can be obtained based on the formulation of the hypothesis which states that H3 has a large level of influence. This shows that H3 has a large effect simultaneously on the timeliness of interim financial reporting.

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