EFFECT OF GOOD CORPORATE GOVERNANCE, FINANCIAL DISTRESS, AND FINANCIAL PERFORMANCE ON TIMELINESS OF FINANCIAL STATEMENTS REPORTING

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ABSTRACT

This study was aimed to test empirically whether Good Corporate Governance (audit committee and managerial ownership), financial distress, and financial performance (profitability and liquidity) affect the timeliness of financial reporting on go public companies listed in Indonesian Stock Exchange. The data were the annual financial statements of companies listed in Indonesia Stock Exchange (IDX). Slovin's formula was used to select the sample of 220 firm-years from 2011 to 2012. The data were analysed using logistic regression analysis. The results indicated that *p*-values of audit committee (AC), financial distress (FD), and liquidity (CR) ≤ 0.05. These meant that audit committee (AC), financial distress (FD), and liquidity (CR) significantly affected the timeliness of financial statements reporting. Whereas, the logistic regression analysis of managerial ownership (MO) and profitability (ROA) indicated *p*-value ≥ 0.05, meaning that the two factors did not significantly affect the timeliness of financial statements of the go public companies.

Keyword: Timeliness, Audit Committee, Managerial Ownership, Financial Distress, Profitability, Liquidity.

INTRODUCTION

Go public companies in Indonesia are required to prepare financial statements periodically. Financial information in financial statements is very helpful for investor to make decision in their business. To provide timely and relevant financial reports to investors or stakeholders, financial statements should be submitted according to the predetermined timeline. However, company's awareness of submitting financial statements on time is still low in Indonesia. For example, the delay was experienced by PT. Bakrie Sumatera Plantations Tbk. This company is a subsidiary of PT. Bakrie & Brothers Tbk. (Bakrie Group). The company delayed submit the performance release because it was in trouble. Problem faced the company was debt entanglements and conflict management. The swelling of company's debt in 2011 up to 2012 Bakrie Group made investor's trustee be decreased. In running the business, Bakrie Group established a joint venture with more than 20 creditors. This debt later gives negative impact on the performance of companies Bakrie on the trading floor. According to Alfiansyah as

Head of Research Valbury Asia Securities, said that most of Bakrie Group's shares have decreased more related to fundamental factors. One of factors is the interest expense of their debts. The existence of large debt that sparked worries investors to buy Bakrie’s shares. They tend to hold the shares held or sell it. Investors tend to avoid the risk that they would receive if the Bakrie Group could not pay interest and debts to the creditors. The debt expense was added with the risk of foreign exchange dollars and rupiahs, when lately rupiahs were weakened. It was caused by a majority of Bakrie’s group loans derived from foreign creditors and denominated in dollar (Atmanto, 2012).

In addition, Republika Online (2013) indicated that conflict management also occur between Nathaniel Rothschild and Bakrie Group has blamed that Bakrie Group conducted fraud in the BUMI and Bumi Plc. Nathaniel Rothschild is a foreign entrepreneur who also has shares in Bumi Plc. He wanted to seize BUMI from Bakrie Group as majority shareholder through Bumi Plc. Rothschild has conducted variety ways to get BUMI from Bakrie Group from the board of director reshuffle of Bumi Plc with people who are pro with him until alleged existence of fraud of funds by Bakrie Group. The extraordinary general meeting of shareholders of Bumi Plc finally approved the separation Bakrie Group with this company. This caused in existence of internal holding case in the company that disturbed the balance of management performance.

Cases of delays were also occurred in other companies such as PT. Indofarma Tbk., PT. Semen Gresik Tbk., and PT. Telecommunication Indonesia Tbk. In fiscal year of 2001 and 2002, PT. Indofarma Tbk. made a mistake in submitting financial reports thereby inhibiting submission financial statements in the following year. PT. Semen Gresik Tbk. was late reporting its financial statements because of delays appointment of auditor to audit the consolidated financial statements in 2003. The other example is also experienced by PT. Telecommunications Indonesia Tbk. (Telkom). It caused by United States Securities Exchange Commission (SEC) rejected the financial statements in 2002 and should be done to reaudit. The rejection is caused by SEC question the authority of Telkom's public accountant, namely Grant Thornton Eddy Pianto and Telkom’s subsidiary company, namely PT. Telkom Seluler which did not submit a consent letter from the auditor. So, Telkom replaced Eddy with PricewaterhouseCoopers (PwC) to conduct reaudit. These problems lead to chain effect on the financial statements in 2003. In 2004, the SEC issued new rules that lead to PT. Telecommunications Indonesia Tbk. need more time to complete its financial statements. These problems cause effects for the year 2005 – 2007

According to data issued by Indonesian Capital Market Supervisory Agency (OJK) there are many go public companies that incur a fine in case on delay submission of financial statements. The company that late in submitting the financial statements on a time will be subject to administrative penalties and fines, in accordance with the provision set by law. According to the OJK’s data, the number of issuers who are late in submitting their financial statements is quite high (See Table 1.1).

Table 1.1
Number of issuers fined for late reporting and fines imposed on issuers in 2001-2009

Year	Number of issuers	Amount of fines (IDR Billion)
2001	64	2,745
2002	86	5,580
2003	83	5,680
2004	313	9,085
2005	238	7,600
2006	140	6,650
2007	136	6,730
2008	212	8,410
2009	288	8,700

Source: www.bapepam.go.id and www.okezone.com

The number of late issuers from year to year fluctuates. In 2001, there are 64 issuers were fined. However, in 2004, the number of late issuers increased significantly to 313 issuers. There were continuous decreases in 2005, 2006, and 2007, but the number was still above 100. This phenomenon is interesting to observe because of the timeliness of financial reporting is a reflection of the level of go public company compliance on the rules that have been set.

Accounting function is to provide information to attract parties over the economic activity of an entity. The most common information generated in accounting process in the form of financial statements. Based on the Government Regulations No. 64 in 1999 about the company’s financial information report explains that all go public companies must submit the annual report. Financial reporting is a medium of companies to disclose corporate information to stakeholders. The financial statements are expected to provide information to investors and creditors in making decisions related to their investment activities.

Demands for compliance to timeliness in the delivery of financial reporting of public companies in Indonesia is regulated in Law No. 8 in 1995 about Capital Market and Ministry Decision of OJK (which was formerly known as BAPEPAM) No.80/PM/1996 about the obligation to submit periodic financial reports. The regulation is appropriate with compliance theory argued by Tyler in Saleh (2004) that there are two basic perspectives on legal compliance including instrumental and normative compliances. According to X.K.2 rule issued by OJK and corroborated by OJK regulations, X.K.6 in December 7th 2006, the submissions of the audited annual financial statements is timely if it is submitted before or not later than the end of the third month after the date of the annual financial statements of public companies.

Investors prefers to use the most recent information in predicting the market of public companies and companies whose shares are listed on the stock exchange when the investors want to make an investment decision in the stock securities or doing trading activities in the stock market. Because the purpose of a public company is to provide information in the form of financial report that will be used by investors in decisions making, so timeliness is the most important element of the financial information for the accounting profession (Soltani, 2002).

Timeliness means having information that is available to make a decision before the information loses its benefits to affect the decisions. If the information is not available when it is needed or available but in a long time after the event is reported, then the report has no value for future action, no relevance, and no benefit (FASB, 2000). Timely submission of financial statements is a reflection of the credibility of the reported information quality and a reflection of the compliance level of a company to the existing regulations (Kadir, 2011). Timeliness of financial reporting will also contribute to build efficient performance in the stock market which has a function of evaluation and pricing, helping to reduce the level of leakage and insider trading as well as prevent rumours in the stock market (Owusu and Ansah, 2000).

Timeliness is measured as the number of days from indictment or bind over to final resolution of the case (Ostrom and Hanson, 2000). Baridwan (2000) stated that timely is defined as the information that should be published as early as possible to be used as the basis for economic decision making and to avoid delays in such decisions. Timeliness is affected by many factors. This study takes several variables such as Good Corporate Governance (GCG), financial distress, and financial performance which are considered as influencing factors on timeliness. The statement from Monks and Minow (2003) reinforce that GCG is the system for managing and controlling company’s operation in order to give value-added to the entire stakeholder. The shareholder has right to get proper information in the right time since it is the company’s obligation to disclose every activity related to the performance, ownership, and stakeholder of the company. Platt and Platt (2002) defined financial distress as the stage of the financial deterioration that occurred before the occurrence of bankruptcy or liquidation. Financial distress can be divided into four sub-intervals: deterioration of performance, failure, insolvency, and default. Whereas deterioration and failure affect the profitability of the company, insolvency and default are rooted in its liquidity. According to Opler and Titman (1994) and Whitaker (1999), as cited by Outecheva (2007), explained that financial distress is characterized by a sharp decline in the firm’s performance and value. The measurement of financial performance uses two factors: profitability and liquidity. Profitability ratio is used because it can be an indicator that shows company's success in generating profits. Thus, it can be said that profit means good news for the company so that the company will not delay the submission of the information that contains good news; further, liquidity ratio is also useful as an indicator that shows the ability of the company in payment of short-term obligations. If the company has a high level of liquidity, it implies that the company has a high ability to pay short-term obligations so that the submissions of information that contain company's good news with this condition tend to be presented on time.

The company market will immediately respond the information and events presented in the annual financial statements. Delay in the annual financial statements will change investor confidence and trust which can be seen from the capital market reaction. Late submission of annual financial statements will get a negative response from the investors who give funds the issuer’s activities (Jaswadi, 2004). Dyers and Mc Hugh’s research (1975) showed that a company that has an increasing profit tends to be on time in submitting it financial statement; on the other hand, if the company has a decreasing profit or even loss, it tends to be late in submitting its financial statements. Carslaw and Kaplan (1991, as cited by Rachmawati, 2008) found that companies, which experience declining profits and even losses, will ask the auditor to schedule the auditing process slower than it should so that the financial statement submission will be late. Both of those studies stated that the company will tend to delay the submission of financial statements when the company perceives that there is bad news in its financial statements. Bad news in financial statements has an effect on earnings quality. Late submission of financial statements is affected by several factors such as poor condition of company, reporting delays due to financial distress experienced by the company, the company's losses, and the emergence of opinion other than unqualified opinion from the auditor, as well as audit delay.

This study focused on the effect of Good Corporate Governance, financial distress, and financial performance on timeliness of financial reporting. Some of the indicators examined in this study are audit committee, managerial ownership, financial distress, profitability ratio, and liquidity ratio.

LITERATURE REVIEW AND HYPOTHESIS

Agency Theory

The communication in a company involves the relationship between managers and shareholders, as described in agency theory. Agency theory is developed by Jensen and Meckling (1976). This theory describes the asymmetry information that happens between agent (business management) and principal (business owner). Agent is the party that manages the company such as company manager or board of director who acts as the decision maker to run the company. Meanwhile, principal is the party that evaluates information provided by the agent. Management (agent) acts as financial statement maker who will be responsible to the principal (the company owner).

Signaling Theory

Signaling theory describes how the signals should indicate the success or failure of management (the agent) that was delivered to the owners of capital (principal) (Jogiyanto, 2000). Signaling theory states that a good quality company will deliberately give a signal to the public so it is expected that the company can differentiate whether it has good or bad quality (Hartono, 2005). Signal can be a promotion or other information declaration that the company is better than other companies. Signaling theory explains that the signal carried out by managers is to reduce asymmetry information.

Audit Committee

Audit committee is a committee that consists of independent auditors authorized to supervise financial reporting and external audit. In terms of financial reporting, the roles and the responsibilities of the audit committee are to monitor and supervise the audit of the financial statements and ensure that the applied financial standards and wisdom are fulfilled, as well as recheck the financial statements whether it is in accordance with the standards and policies and whether it is consistent with other information known by members of audit committee, and assessing service quality and cost reasonableness of the proposed by external auditor (KNKCG, 2002).

Some research has reported the relationship between audit committees and financial reporting quality. Some research tends to support the presence of audit committee because it is able to improve the quality of financial reporting (Felo et al., 2003; Klien, 2001; and Beasly & Salterio, 2001). Ika and Ghazali (2012) stated that the effectiveness of the audit committee can help to encourage management in publishing financial reports on time. The bigger number of audit committee members tend to help enhance the oversight audit of client's financial statement so it can be submitted on time (Abdullah, 2006 and Purwati, 2006).

Managerial Ownership

Managerial ownership is a situation where the manager has the company's shares as well as the shareholders (Sutojo and Aldridge, 2005). In a company with managerial ownership, manager who is at once shareholder usually aligns the interests between of manager and shareholder; whereas, in company without managerial ownership, the managers of the company are not the shareholders. Managerial ownership is a useful work mechanism to reduce the agency problem of managers by balancing the manager's interest with stakeholders' interest (Jensen and Meckling, 1976). Managerial ownership affects manager performance (Respati, 2004). Manager will be more responsible for managing company because of the sense of belonging to the company; thus, managers will optimize their efforts to achieve company's goals. Manager holds more authority over the elections in the use of accounting methods and company policies; therefore, it can be concluded that the ownership of the company is very important related to the company's internal control. The presence of managerial ownership causes company’s financial reporting to be on time.

Financial Distress

In general, financial distress is characterized by a sharp decline in the company’s performance and value. Lawrence’s research (1983) shows the companies in USA which experienced financial distress postponed the submission of financial statements. Beaver et al. (2011) defines financial distress as “the inability of a firm to pay its financial obligations as they are on their maturity time”. Based on the research from Firdausi (2012), financial distress can be defined as a stage of decline in a company's financial condition prior to the bankruptcy or liquidation. Company that has bad financial performance will have a reason to hide or delay the submission of the company's financial statements to prevent negative impression. Bad financial performance can be indicated by suffered in negative net income (loss) or not paying dividends for more than a year.

Profitability

Cited by Respati (2004), Ang (1997) explained that profitability ratio shows the company's success in generating profits. Profitability of a company reflects the level of effectiveness achieved from the company's operations (Saleh, 2004). This ratio is also useful to measure the efficiency of the use of corporate assets. Dyers and Mc.Hugh (1975) indicated that a company that is able to attain profits tends to submit financial statements on time and otherwise. Carslaw and Kaplan (1991, as cited by Rachmawati 2008) found that companies which suffered from losses asked the auditors for postponing the auditing schedule than it should be to make the submission of financial statements was late. Both of this study stated that the company tends to delay the submission of financial statements if the perceives bad news in the financial statements which influences earnings quality. Some research showed that profitability ratio affects the timeliness as stated by Marathani (2013), Hasniar (2011), and Respati (2004).

Liquidity

Liquidity indicates company's ability to meet its short term obligations which is on its maturity on time. Based on Kieso et al., (2011) liquidity outlines the amount of time that is expected to be required until an asset is realized or otherwise converted into cash or until the liability is paid. Shareholder uses the liquidity to evaluate the possibility of future cash dividends or repurchase stock. In general, the higher the liquidity means smaller risk of company failure (Kieso et al., 2011). Companies that have a high level of liquidity indicated that the company has a high ability to pay its short-term obligations (Hilmi and Ali, 2008). If the earnings announcement contains good news, then the management will tend to report on time and otherwise. According to research conducted by Hilmi & Ali (2008) and Ezat & El-Masry (2008), liquidity has a significant effect on the timeliness of financial reports.

Timeliness

The timeliness of financial report is important as a party wants to choose among different information that might be reported while the reliability is attained when the portrayal of an economic phenomenon is complete, neutral, and free from material error. This is called as precision in accounting practice (Iyoha, 2012). According to Dyers and Mc.Hugh (1975) there are three delay criteria to see the timeliness of financial statements reporting such as:

1. Preliminary lag, which is the open interval of numbers of days from year end to the receipt of the preliminary final statement by the Sydney Stock Exchange.
2. Auditor's report lag, which is the open interval of the number of days from the year end to the date recorded as the opinion signature date, and
3. Total lag, which is the open interval of the number of days from the year end to the receipt of the published annual report by the Sydney Stock Exchange.

The information will be beneficial if it is delivered on time so that the user can use it. If the information is not available when it is needed or available in a late time after the event is reported, then the report has no value for future action, no relevance and no benefit (FASB, 2000). This study used auditor's report lag to measure the timeliness of financial statements reporting.

Based on the previous research, the researcher formulates the hypothesis as follow:

H_1: Number of audit committee affects timeliness positively.
H_2: Managerial ownership affects timeliness positively.
H_3: Financial distress affects timeliness negatively.
H_4: Profitability affects timeliness positively.
H_5: Liquidity affects timeliness positively.

RESEARCH METHOD

Population and Sample

According to the Government Regulations No. 64 in 1999 about company's financial information report, it explains that all go public companies that are listed in IDX must submit the annual report. The population of this research is all of Indonesian public companies listed in Indonesia Stock Exchange (IDX) from 2011-2012; next, the total number of population is 490 companies. The sampling technique in this research refers to Slovin’s formula to determine the number of minimum sample for this research. The minimum sample got from Slovin’s formula is 220 companies, with 5% of error term. After getting the minimum sample, the researcher calculates the total sample divided by the total population in order to get ratio of minimal sample for each group. Later, it will be times with total number of firms in each group to determine sample that is representative for each group.

Table 3.1
Minimum Sample from Slovin Formula (error terms 5%)

No	Type of Industries	Total Companies	Ratio from Slovin *	Total Minimum Sample
1	Agriculture	20	0.45	9
2	Mining	40	0.45	18
3	Basic Industry and Chemicals	59	0.45	27
4	Miscellaneous Industry	43	0.45	19
5	Consumer Goods Industry	38	0.45	17
6	Property, Real Estate and Building Construction	57	0.45	26
7	Infrastructure, Utilities and Transportation	53	0.45	24
8	Finance	79	0.45	35
9	Trade, Sevices and Investment	101	0.45	45
	Total	490		220

*220/490

The objective of classifying companies into group is to get fair sample in each industry. Classifying sample into a group in this research is based on IDX website. After determining the sample, the researcher uses some criteria in choosing the sample: 1) public companies publishing complete annual report (including disclosure information) in the period of 2010 up to 2012; 2) public companies publishing financial statement on financial year ended on December 31 and using Rupiah as the currency. Subekti (2011) stated that the reason for choosing the same financial year end and currency is to avoid bias due to accounting period and currencies.

Type and Source of Research Data

The type of this research is quantitative research that uses secondary data collected from *Indonesian Stock Exchange (IDX)* database at *Pojok Bursa Efek Indonesia (BEI)* in University of Brawijaya and IDX website (www.idx.co.id). Data collection method is document study or literature study. This study was conducted by gathering data at IDX corner of Brawijaya University and searching from the website of the research objects to obtain the annual report. The website used in this research is www.idx.co.id. This research uses financial report published in 2011 and 2012 as a tool to conduct a research. The data that were used in this research is accounting number and auditor’s report retrieved from the annual report of the company. Data collection has been started since the end of 2013 so the researcher took the most update and complete data annual report which was for the years 2011 and 2012 and according to OJK's data there was still many company were late submitting their financial statements in 2011 and 2012.

Research Variables Measurement

The independent variables for this research are audit committee, managerial ownership, financial distress, profitability ratio, and liquidity ratio. In this research, timeliness will be the dependent variable. Timeliness (Y) is the due date of the submission of financial statements in the observation period in 2011-2012.

Audit Committee

The measurement for this variable was used the number of audit committee member that owned by company.

Managerial Ownership

For managerial ownership variable, it was used dummy variable because it can classify the company into two categories that were: 1 (one) for company that has managerial ownership and 0 (zero) for company that did not have managerial ownership.

Financial Distress

This variable indicated the company condition regarding the financial distress that the company experiences; it is 0 (zero) if the company is healthy and 1 (one) if the company suffers from financial distress. The company is suffering from financial distress if:

a. Two years suffering negative net income (Kartika, 2012; Platt & Platt, 2002 & 2006; Almilia, 2004; and Elloumi & Gueyie, 2001) and

b. Not paying dividends for more than a year (Nuraeni, 2014; Platt & Platt, 2002 & 2006; and Almilia & Kristiadji, 2003).

Profitability

Profitability was measured by using Return on Assets (ROA) because ROA describes company's ability in using its assets to attain profits. The use of this ratio has been done in prior research from Yuliyanti (2011) and Srimindarti (2008). The value of this ratio can be obtained from the annual report of the firm and Indonesian Stock Exchange website (www.idx.co.id) based on the following formula:

$$\text{ROA} = \frac{\text{Earning Before Tax (EBIT)}}{\text{Total of Assets}}$$

Liquidity

Liquidity indicates company's ability to meet its short term maturity obligations on time. Liquidity is calculated by using Current Ratio (CR). This proxy was also used in the research of Almilia & Setiady (2006) and Hilmi & Ali (2008). Here is the formula:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Timeliness

According to X.K.2 rule issued by OJK and corroborated by OJK regulations, X.K.6 in December 7th 2006, the submissions of the audited annual financial statements is timely if it is submitted before or no later than the end of the third month after the date of the annual financial statements of public companies. Usually, go public companies issues its financial statement at the end of the year (around December); it indicates that due date for submitting annual financial statements is in March 31st. Company is late to submit if the financial statement is reported after March 31st; whereas timely company is a company that submit its financial statements before March 31st**.** It can be seen from auditor's signature date in auditor's opinion in annual report. The measurement for this variable uses nominal scale where category 0 (zero) is for the not-on-time company and category 1 (one) is for the on time company.

Hypothesis Testing

This research uses logistic regression model to examine the hypotheses because the measurement of the dependent variable is in nominal scale. Logistic regression analysis is used to predict the amount of the independent variable. Logistic regression model aims to test the probability of the occurrence of the dependent variable that can be predicted by its independent variables. Binary variable is nominal type of data which only have two criteria, such as up and down, buy-no buy, failed-success, risk-not risk (Santoso, 2000:173). This research uses two categories on its dependent variable; the code is 1 (one) for company that is on time to submit its financial statements and 0 (zero) for company that is not on time to submit its financial statements. As the testing uses logistic regression, normality test is not necessary to do (Ghozali, 2006). According to Kristina (2005), logistic regression model which is used is as the following equation:

$$L_n \frac{TL}{1-TL} = \alpha + \beta_1\text{AC} + \beta_2\text{MO} + \beta_3\text{FD} + \beta_4\text{ROA} + \beta_5\text{CR} + \varepsilon$$

Where:

$L_n \frac{TL}{1-TL}$ = Dummy variable for timeliness (category 0 for not on time company and category 1 for the on time company)

AC = Audit Committee

MO = Managerial Ownership (category 0 for company does not have managerial ownership and category 1 for company has managerial ownership)

FD = Financial distress

ROA	=	Profitability (Return on Assets)
CR	=	Liquidity (Current Ratio)
β	=	Constanta and regression coefficient
ε	=	Error

The first step in logistic regression is seen whether the empirical data fit with the model. It can be seen in value of chi-square on Hosmer and Lemeshow's Goodness of Fit Test. If the statistic value indicated ≤ 0.05, the model was not feasible to be used. Whereas, good model is indicated by the statistic value was ≥ 0.05. The second step is Likelihood function. It is used to determine whether said to fit or not related to the statistical data. the researcher compared the number of beginning (Block number = 0) and ending (Block number = 1). If the number in the beginning is greater than number at the end, the model was good (Santoso, 2000:177). The next step is testing the regression coefficient. It can be seen in Variable in the Equation table. This test is conducted by looking at each significant independent variable. If the significant value ≥ 0.05, the independent variable must be eliminated from the model. Vice versa, if the significant value of independent variable ≤ 0.05, the variable is returned and proper to use in the model. It is also indicated whether hypothesis are rejected or accepted. The hypothesis is accepted when the results of significant value is ≤ 0.05. The hypothesis is rejected when the results of significant value is ≥ 0.05.

RESULTS AND DISCUSSIONS

Overview of Research Object

The object used in this study is the annual report of 220 companies in a two-year period of study in 2011-2012. From the 440 of the observed data, it is found that there are 41 companies which achieved timely submission of financial statements; yet, there are 399 companies which did not have timely submission of financial statements. To examine the 440 observations objects, this study uses logistic regression models.

The research object is go public companies that are grouped into two categories based on the timeliness of the submission of financial statements, namely:

1. The company that is timely to submit its financial statements to the Securities and Exchange Commission.
2. The company that is not timely to submit its financial statements to the Securities and Exchange Commission.

Category of companies that are late in submitting their financial statements based on reporting time are as follows:

Table 4.1
Number of company that are late in submission of financial statements based on time reporting

	<1 week	>1-2 weeks	>2-3 weeks	>3-4 weeks	> 1 month	Total
Number of company in 2011	6	1	4	7	4	22
Number of company in 2012	5	2	1	1	10	19

The percentages of go public companies which submitted their financial statements punctually and vice versa can be seen in Table 4.2.

Table 4.2
Percentages of Go Public Companies' Financial Statements Submission

	Number of Company	Percentage
After the due date	41	9.3
Before the due date	399	90.7
Total	440	100.0

Table 4.2 indicates that from the total of 440 companies for the period of 2011 - 2012, 399 companies (90.7%) submitted their financial reports timely; whereas, the remaining 41 companies (9.3%) submitted their financial statements late.

Descriptive Statistics

The table presents the descriptive statistics of timely companies and not timely companies to submit its financial statements; further, the whole description is presented in Table 4.3. the data used in this regression model are number of audit committee, Return on Assets (ROA), and Current Ratio (CR). The variables of managerial ownership and financial distress were not included in the calculation of descriptive statistics because managerial ownership and financial distress have nominal scales. Nominal scale is a scale of measurement for categories or groups (Ghozali, 2006).

Table 4.3
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Number of Audit Committee	440	0	8	3.24	0.808
Return on Assets	440	-0.756	9.743	0.08734	0.476059
Current Ratio	440	0.020	20.284	2.10535	2.041405

The descriptive statistics table shows the number of samples used in this study which is as many as 440 companies. From the 440 observed data, company has an audit committee at 3.24 in average with a standard deviation of 0.808; further, the minimum value is 0 and the maximum value is 8. The majority of companies in Indonesia have established an audit committee which the number of the committee has met the minimum requirement of 3 people (as the average value is 3.24).

Profitability variable in the form of ROA ratio shows an average of 0.08734 which means that the average yield of positive earnings among the sample companies during the period of 2011-2012. It means that the existing sample of company's ability to get a net profit is only 0.08734 compared to the all assets owned by the company. The minimum value is -0.756 which means that there are companies which are suffered from loss profit. However, the highest ROA is 9.743 which indicate that there are some companies which are able to generate greater profit. The standard deviation scores 0.476059 which means that the deviation limit of ROA is 0.476059.

The condition of the company's liquidity ratio has a minimum value of 0.020 at Bank Tabungan Negara Tbk in 2011; meanwhile, the maximum value of the liquidity level is 20.284 which achieved by Yulie Sekurindo Tbk in 2011. This shows that the level of liquidity that is owned by a company listed on the IDX in 2011-2012 is between 0.020 up to 20.284. This indicates that the level of liquidity owned by a company listed on the IDX in 2011-2012 is between 2.10535 at standard deviation of 2.041405. It shows that the variation of the sample company's liquidity level data is quite small.

Managerial Ownership

This variable is proxy in dummy variable. Category 1 (one) is for the company with managerial ownership and 0 (zero) is for company without managerial ownership. The existing condition of the managerial ownership among the companies is measured as dummy variable. The result is presented as follows:

Table 4.4
Managerial Ownership

	Number of Company	Percentage
Company without Managerial Ownership	254	57.7
Company with Managerial Ownership	186	42.3
Total	440	100.0

Table 4.4 above shows the majority of the sample firms do not have managerial ownership. As many as 254 companies or 57.7% among them do not have managerial ownership; yet, only 186 companies or 42.3% of the sample which have managerial ownership.

Financial Distress

This variable indicates the company condition regarding to whether the company experience financial distress or not. Category 0 (zero) is for healthy company and 1 (one) is for company that suffers from financial distress. The following criteria are used to measure this variable:

a. Two years suffering negative net income.
b. Not paying dividends for more than one year.

The conditions of companies that experience financial distress are measured as dummy variable which is presented in the following table:

Table 4.5
Financial Distress

	Number of Company	Percentage
Unidentified as Financial Distress Firm	254	57.7
Identified as Financial Distress Firm	186	42.3
Total	440	100.0

Table 4.5 shows that most of the companies sample did not experience financial distress since as many as 254 companies (57.7%) are free from financial distress. Yet, there are 186 companies (42.3%) which experience financial distress.

Statistics Result

Table 4.6
Results Analysis

		Coefficient	**Standard Error**	**Wald Value**	**Significance**
Step 1[a]	Audit Committee	0.524	0.304	2.969	0.0425
	Managerial Ownership	0.358	0.364	0.967	0.1625
	Financial Distress	-0.985	0.374	6.957	0.04
	Return on Assets	-0.391	0.274	2.042	0.0765
	Current Ratio	0.601	0.229	6.913	0.0045
	Constant	0.143	1.090	0.017	0.4475
Step	**-2 Log Likelihood**	**Cox & Snell R Square**		**Nagelkerke R Square**	
1	240.073[a]	0.071		0.155	

The result of Nagelkerke R Square (R2) = 15.5%. It indicates that the timeliness of submission financial statements as a dependent variable can be explained as many as 15.5% by the independent variables used in this study; meanwhile, the rest is explained by other factors which are not tested in this model.

From the output, the significance value of the audit committee is 0.0425 which is smaller than α = 5%; besides, the coefficient value is positive. Thus H_1 is statistically accepted with the positive direction. This indicates that the audit committee has an influence on the timeliness of the financial statements submission. It can be concluded that firms with the higher audit committee have a higher chance in presenting its financial statements on time.

From the output, the significance value of the managerial ownership is 0.1625 which is greater than α = 5%; also, it has positive coefficient. Thus H_2 is rejected. This indicates that the presence of managerial ownership does not affect the timeliness of company's financial statements submission.

From the output, the significance value of the financial distress is 0.04 which is lower than α = 5%; yet, it has negative coefficient value. Thus H_3 is statistically accepted with negative direction. Negative direction on the financial distress coefficient indicates that greater financial distress results in lower chances of the timeliness of financial statements submission of the company. It means that the greater amount of financial distress experienced by the company, the lower awareness of the company to present its financial statements on time. This indicates that financial distress affects the timeliness of the financial statements submission. It can be concluded that the company which is not experiencing financial distress tends to be punctual in reporting its financial statements.

From the output, the significance value of the profitability is 0.0765 which is bigger than $\alpha = 5\%$; also, it has negative coefficient value. Thus, H_4 is rejected. This indicates that profitability does not affect the timeliness on reporting the company's financial statements.

From the output, the significance value of the liquidity is 0.0045 which is smaller than $\alpha = 5\%$; further, it has positive coefficient value. Thus H_5 is statistically accepted with a positive direction. This indicates that liquidity affects the timeliness of financial reporting. It can be concluded that firms with higher liquidity have a higher chance to report its financial statements on time.

Results Discussions

Logistic regression results showed that audit committee affects the timeliness of financial reporting. The regression coefficient shown in the test results was in line with the hypothesis. This suggests that the greater the number of audit committee, the greater the chances of companies to submit financial statements on time. With the tight oversight of audit committee, management tends to obey the requirements because if they did not fulfill the requirements, they will get a punishment from the company. Existence of audit committee in a company was proven effective in preventing earnings management practice because the existence of audit committee aimed to oversee company’s activities in achieving company’s goals. The greater number of audit committee members tend to help enhance the oversight audit of client’s financial statement. Moreover, this result was also caused by minimum amount that was required in Good Corporate Governance. This study used proxy of number of audit committee members because based on previous research (Abdullah, 2006 and Purwati, 2006) were stated that this factor is very affect the timeliness in the financial statements reporting. It was supported by stakeholder theory. In that theory was stated that a reporting is no longer bound to the need of information, but rather to power and money factor, where the pressure will very influence to the quality and timeliness of financial statements reporting. In this study, the measurement is used the number of audit committee members are owned by the company

The results of this study are supported by previous research such as the studies conducted by Abdullah (2006), Purwati (2006), Klien (2001), Beasly & Salterio (2001). Ika and Ghazali (2012) stated that the effectiveness of the audit committee can help to encourage management in publishing its financial reports on time. However, the research results conducted by Harnida (2005) stated that the audit committee does not have any effect on the timeliness of reporting financial statements.

H_1 (accepted): Number of audit committee affects timeliness positively.

Logistic regression results showed that managerial ownership did not affect the timeliness of financial statement reporting. The regression coefficient shown in the test results was in line direction of the hypothesis. The results showed that the presence of managerial ownership did not have a strong influence to oversee the company in presenting the financial statements on time. This happened because the managerial ownership structure in Indonesia was still relative small and dominated by family. Managerial ownership structure has not been optimal controlling so that in the presence of managerial ownership structure has not been guarantee manager to reporting the financial statements on time. The result of this study was consistent with studies that have been conducted by Kristina (2005) and Respati (2004) which indicated that generally the percentage of ownership in a company is less than 50%. The small percentages of this managerial ownership affect the voting rights. This cause in voting rights (authority) of the company was also small so the role was not too big in determining the company's policy regarding to the terms of financial statements reporting. This result might be also caused by improper managerial ownership as a proxy of GCG. The non-significant result of this study indicated that market did not use information about managerial ownership for investment assessment. Moreover, the period of this study is only used data for two years so it less can describe the actual condition of company.

This finding indicates that the company which submits its financial statements timely is not affected by the presence of managerial ownership at a company. This study was consistent with a research conducted by Toding & Wirakusuma (2013), Ukago (2005), and Respati (2004). This result was prescribed with theory that stated by Jensen and Meckling (1976). The theory said that within low managerial ownership in a company, so the interests alignment between management with the owners or shareholders also low. Management would not be too concerned with the shareholder’s welfare and may be responsibility in managing company would be reduced because of the ownership’s sense by management is low so it can affect the declining performance of management. Management with a poor performance can cause a delay in submitting company’s financial statements (Respati, 2004). Yet, this study does not support the research conducted by Kadir (2011), Respati (2004), and Saleh (2004) which state that managerial ownership variable significantly influences the timeliness of company's financial statements reporting.

H_2 (rejected): Managerial ownership affects timeliness negatively.

Logistic regression results showed that financial distress affects the timeliness of financial reporting. Regression coefficient in the test results were in line with the hypothesis. It shows that the greater the level of financial distress experienced by the company, the greater probability of company financial statements was not timely. This results proven that the company which experiences financial distress tends to be late in submitting its financial statements. This study supports previous research conducted by Schwart and Soo (1996, as cited by Syafrudin 2004) which shows that the company which experiences financial difficulties tends not to be on time in submitting its financial statements. Lawrence (1983) also states that the companies in the USA that experience financial distress tend to postpone the submission of their financial statements.

H_3 (accepted): Financial distress affects timeliness negatively.

Profitability was measured by the ratio of Return on Assets (ROA) did not affect the timeliness of financial statements reporting. This result was consistent with the results of Kadir (2011) and Saleh (2004). This results were rejected the logic theory that profitable company will immediately submit financial statements as proof of its success. It indicated that either timely company or did not timely company in reporting their financial statements ignored the information about profitability. The indication was caused by unstable economic conditions so profitability problem for neither company with good news or company with bad news were considered normal and not an extraordinary problem. This time the shareholder did not any longer demanded good news but wanted a transparency which was where the shareholder wants to know the company’s actual condition. IAI (2009) confirmed that factors such as the complexity of company's operations did not sufficient to be a justification or company’s inability to provide financial statements on time. So the go public companies pay more attention to the rules set by capital market authority that timeliness is an important limitation on the publication of company's financial statements. The company was trying to collect financial statements on time in order to avoid fines. Considering the timeliness of accounting information in according to SFAC no. 8 is a qualitative characteristic of accounting information should be available to decision makers before it loses its capacity to influence decisions. This study contradicts the results of the research conducted by Marathani (2013), Hasniar (2011), and Respati (2004) which state that profitability affects the timeliness of financial reporting.

H_4 (rejected): Profitability affects timeliness negatively.

Liquidity was measured by Current Ratio (CR) which concludes that it had significant and positive impact on the timeliness of corporate financial reporting. Regression coefficient in the test results was in line with the hypothesis. The company condition as it has a high level of liquidity demonstrates that the company has a high ability to settle its short-term liabilities. Thus, this condition will encourage companies to immediately convey the good news to the public.

This study supports previous research conducted by Hilmi & Ali (2008) and Ezat & El-Masry (2008) which state that liquidity has a significant influence on the timeliness of financial reporting. However, this study was contradictory to the

research by Yusralaini et al. (2010) and Almilia & Setiady (2006) which state that liquidity level does not affect the timeliness of financial reporting.
H_5 (accepted): Liquidity affects timeliness positively.

CONCLUSION

Based on the test results, it was found that, from 440 observation data, there are 399 obtained observations that are on time to submit the financial statements; meanwhile, there are 41 observations which are not on time to submit financial statements. In addition, it was found that audit committee, financial distress, and liquidity influence the timeliness of financial statements reporting. This study did not prove the effect of managerial ownership and profitability on the timeliness of the financial statements submission. This finding proven that the company will soon submit its financial statements by considering the factors that may affect them.

The results of this study showed that GCG has significant effect on the audit committee. This result was consistent with the research conducted by Ika & Ghazali (2012), Abdullah (2006), Purwati (2006), and Beasly & Salterio (2001). Yet, this study was not consistent with the previous research conducted by Harnida (2005). Further, the test results of GCG through proxy managerial ownership were consistent with the research conducted by Toding & Wirakusuma (2013) and Ukago (2005). However, the test results for the managerial ownership was contradictory with the research conducted by Kadir (2011), Respati (2004), and Saleh (2004). This condition occurs due to the differences on the company sample of the previous research compared to this study. Previous research used company sample from manufacturing company industry; whereas, this study uses company sample from all industry sectors listed in Indonesia Stock Exchange.

In addition, the significant results regarding the variables which influence the timeliness of financial reporting are also demonstrated by financial distress and liquidity. The results of this study showed that financial distress has significant effect on timeliness. This finding was consistent with the research conducted by Lawrence (1983). Furthermore, results of this study on the significant effect of liquidity toward the timeliness of financial reporting was also consistent with the previous research by Hilmi & Ali (2008) and Ezat & El-Masry (2008); however, this study was not consistent with the findings of Yusralaini et al. (2010) and Almilia & Setiady (2006). Both of those previous studies used sample of all listed companies in IDX other than banking companies.

The results of this study demonstrates that profitability did not have significant effect on timeliness; this finding was consistent with the research conducted by Kadir (2011) and Saleh (2004). Yet, this finding was not consistent with the previous research conducted by Marathani (2013), Hasniar (2011), and Respati (2004). This condition takes place due to the differences of the company sample of the previous research compared to the company sample of this study. Previous research used company sample from manufacturing company industry; meanwhile, this study uses company sample from all industry sectors listed in Indonesia Stock Exchange.

Research Limitations

The limitation of this study was only considers some of the factors which affect the timeliness of financial statements reporting. The variables used in this research can only explain a little about the timeliness of financial reporting. Perhaps there are many other factors which can influence the timeliness of financial statements reporting other than the factors used in this study.

Suggestions for Future Research

Based on the conclusions and limitation explained before, the writer proposes a suggestion that was for further study, it was expected to find other factors that influence the timeliness of financial statements submission such as using other ratios (activity ratio, growth ratio, and valuation ratio), company's age, auditor reputation, auditor opinion, etc.

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