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# THE TIMELINESS OF FINANCIAL REPORTS SUBMISSION: PROFITABILITY AND SOLVABILITY IN IDX'S MANUFACTURING COMPANIES

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## ABSTRACT

Timeliness in financial reporting is an important element that not only reflects the company's accountability, but also influences investors' and creditors' perceptions of the company's performance. Research studied aims to test the effect of profitability and solvency on the timeliness of financial report submission. The population used for the study is all manufacturing entities operating in the consumer goods industry sector which have been registered on the Indonesia Stock Exchange that publish audited annual financial reports and announced on the Indonesia Stock Exchange for the period 2019-2023 as many as 41 companies. The sample selected was 21 companies using the purposive sampling method. Technique data collection using documentation, is a way to download annual financial information of manufacturing entities in the consumer goods industry in 2019-2013 on the Indonesia Stock Exchange from an official website called web.idx.id, \Analyze data using the SPSS. The results of the study indicate that profitability as measured by Return on Assets (ROA) does not have a significant effect on the timeliness of financial reporting, with a significance value of 0.390. This means that the sig value of 0.390 is greater than 0.05, so the hypothesis stating that there is an effect of profitability on the timeliness of reporting cannot be accepted. Likewise, solvency as measured by Debt to Asset Ratio (DAR) also does not show a significant effect on the timeliness of financial reporting, with a significance value of 0.371. This shows that solvency does not contribute to the timeliness of financial reporting, because the sig value of 0.371 is also greater than 0.05.

***Keywords:*** *Profitability; Solvency; Timeliness of Financial Reports Submission*

## Introduction

Accuracy time is an important thing that needs to be considered by public companies in conducting financial reporting, because delays in submitting financial information can result in decisions that are less qualified. The exact time for submitting financial information is stated in Law no. 8 of 1995 concerning the capital market, which states that public companies must report their financial statements to the Capital Market Supervisory Agency as well as Financial Reports, after which they announce them to the public (Imaniar, 2016).

Timeliness in financial reporting is an important element that not only reflects the company's accountability, but also influences investors' and creditors' perceptions of the company's performance. In an increasingly competitive business world, companies are required to not only produce accurate financial reports, but also to deliver them on time so that the information remains relevant to decision makers.

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Profitability, often measured by Return on Assets (ROA), indicates how efficiently a company generates profits from its assets. Research shows that companies with high profitability tend to be more disciplined in meeting their reporting obligations. This is due to the presence of better resources, including skilled finance teams and adequate information technology, which allows them to prepare financial reports more efficiently. In addition, profitable companies have a greater incentive to maintain their reputation with investors and the public, so they strive to meet reporting deadlines consistently.

Solvency refers to a company's ability to meet its long-term obligations. Although solvency is considered important in assessing a company's financial health, several studies have shown that not all aspects of solvency have a significant effect on the timeliness of financial reporting. For example, companies with high levels of debt may face additional pressure in managing their financial reporting, but this does not necessarily translate into late reporting. Previous studies have shown that solvency is not always a direct indicator of timeliness of reporting, as other factors such as internal management and audit procedures also play an important role.

Previous studies provide a mixed picture regarding the effect of profitability and solvency on the timeliness of financial reporting. A study by Rahmah & Mawardi (2021) found that profitability has a positive effect on the timeliness of reporting, while solvency does not show a significant impact. This finding is in line with research by Ginting & Natasha (2021), which also stated that the solvency variable does not have a significant effect on the timeliness of financial reporting. This suggests that although solvency is an important indicator of financial health, it may not be sufficient to explain variations in the timeliness of reporting.

This study is expected to contribute to further understanding of the relationship between profitability and solvency with the timeliness of financial reporting in the manufacturing sector. By analyzing data from various companies listed on the IDX during a certain period, this study aims to provide empirical evidence that can be used by company management and other stakeholders in making strategic decisions related to financial reporting. In addition, the results of this study are expected to enrich academic literature in the field of accounting and financial management and provide recommendations for best practices in financial reporting in Indonesia.

## Literature Review

### *Profitability*

According to Hanafi & Halim (2016: 81) the profitability ratio is a ratio that used to assess the effectiveness of a business activity in gaining profit at the level of assets, sales, and stock equity. This ratio has the aim of calculating the value potentially management runs operations within the company. The research studied, profitability is calculated using the Return on Assets (ROA) ratio. ROA explains the business activity's ability to obtain after-tax profits that utilize all assets. owned by him. The Return on Assets (ROA) formula is (Sudana, 2011: 22): ROA = Earnings After Taxes/Total Assets

### *Solvency*

According to Hery (2016: 70) the solvency ratio, also known as leverage, is a ratio that utilized in assessing the extent to which a company's assets are financed by liabilities. The solvency ratio is also

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called leverage used in calculating the amount of debt that must be charged by the company on activities to meet assets. The research studied; solvency is calculated using the Debt to Asset Ratio (DAR) ratio. This measurement is useful for calculating the funds provided by creditors to what extent the Debt to Asset Ratio (DAR) formula is (Hanafi & Halim, 2016: 79): DAR = Total Debt/Total Assets

*Accuracy Time of Submission of Financial Reports*

Hery (2016:2) defines financial statements as a series of activities in the process of recording and summarizing transaction data which is the final product. An accountant is required to be skilled in organizing all accounting data to produce financial statements. Timeliness is information that must be provided when needed, especially in every business decision making (Hery, 2016:167). This variable uses a nominal scale, assessed using a dummy variable. The category for companies that report financial reports on time is code 1, companies that report financial reports not on time is code 0.

Based on the explanation above, the hypothesis in this study is:

H1: Profitability has a significant effect on the timeliness of financial report submission in manufacturing companies listed on the IDX.

H2: Solvency has a significant effect on the timeliness of financial report submission in manufacturing companies listed on the IDX.

## Method

Research studied aims to test the effect of profitability and solvency on the timeliness of financial report submission. The independent variables used are profitability and solvency. The dependent variable used is the timeliness of financial report submission. The population used for the study is all manufacturing entities operating in the consumer goods industry sector which have been registered on the Indonesia Stock Exchange that publish audited annual financial reports and announced on the Indonesia Stock Exchange for the period 2019-2023 as many as 41 companies. The sample selected was 21 companies using the purposive sampling method.

Technique data collection using documentation, is a way to download annual financial information of manufacturing entities in the consumer goods industry in 2019-2013 on the Indonesia Stock Exchange from an official website called web.idx.id, a literature review was also conducted from journals, regulations, and research results from various sources, both from books and from libraries. Analyze data using the SPSS (Statistical Package for the Social Science) application for version 24. The method for analysis is logistic regression. The tests that need to be carried out are descriptive statistics and hypothesis tests consisting of overall model tests, determination coefficients, regression model feasibility, multicollinearity, prediction accuracy, regression coefficients and omnibus tests of model coefficients.

## Result and Discussion

### Profitability on Timeliness of Submission Financial Reports

Variable profitability (ROA) proves the positive regression coefficient result of 0.010 with a

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significance level of 0.270. The significance value is greater than 0.05 so that the timeliness of financial report submission is not significantly influenced by profitability (ROA). Profitability is not a primary benchmark that influences the timeliness of financial report submission. Companies with high and low profitability levels both want to submit financial reports on time without considering their profitability. A company that makes high profits does not necessarily describe good management performance, so the entity that can present financial information on time is an entity that makes profits that cannot be ascertained. The results of this research are in line with previous research conducted by Utami & Yennisa (2017) which proves that the timeliness of financial report submission is not significantly influenced by profitability.

**Solvency on Timeliness of Submission Financial Reports**

Variable solvency (DAR) shows a negative regression coefficient value of -2.113 with a significance level of 0.456. The significance value is greater than 0.05 so that the timeliness of financial report submission is not significantly influenced by solvency (DAR). Companies in carrying out their business activities certainly require loans from external parties, increasing debt brings opportunities for companies to have large capital. This large capital will greatly support the company in making a profit. So, even though the company has debt, the company is still able to make debt payments, therefore information about this debt is not a priority. The research results are the same as previous research conducted by Mutiara, Zakaria, & Anggraini (2018) which shows that the timeliness of financial report submission is not significantly influenced by the solvency variable.

## Conclusion

The results of the study indicate that profitability as measured by Return on Assets (ROA) does not have a significant effect on the timeliness of financial reporting, with a significance value of 0.390. This means that the sig value of 0.390 is greater than 0.05, so the hypothesis stating that there is an effect of profitability on the timeliness of reporting cannot be accepted. Likewise, solvency as measured by Debt to Asset Ratio (DAR) also does not show a significant effect on the timeliness of financial reporting, with a significance value of 0.371. This shows that solvency does not contribute to the timeliness of financial reporting, because the sig value of 0.371 is also greater than 0.05.

The results of this study indicate that although profitability and solvency are important indicators in assessing a company's financial health, both are not sufficient to explain variations in the timeliness of financial reporting. This may be due to other factors that are more dominant in influencing financial reporting discipline, such as management quality, accounting systems used, and organizational culture that supports transparency and accountability.

*Managerial Implications*

Theoretical implications of the results of this study are the need to develop a more comprehensive theory regarding the factors that influence the timeliness of financial reporting. This study shows that profitability and solvency alone are not enough to explain this phenomenon. Therefore, future research should consider other variables such as company size, operational complexity, and audit quality as additional factors that may have an influence. This can enrich the literature in the field of accounting and financial management and provide new insights for academics and researchers. Practical implications of the results of this study emphasize the importance of companies not only focusing on

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profitability and solvency to improve the timeliness of financial reporting. Company management needs to pay attention to other aspects that can support reporting discipline, such as improving accounting information systems and training for financial staff. In addition, companies must also build an organizational culture that encourages openness and accountability in the financial reporting process. Thus, companies can increase their credibility in the eyes of investors and other stakeholders through timely and accurate financial reporting.

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