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Research Article

Company financial performance and timeliness financial reporting: Evidence from Indonesia Mining Companies

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Abstract

This study investigates whether the company financial performance can affect the timelines financial reporting in Indonesia mining companies. By following signaling theory, this study argues that the better a company financial performance then the company will be on time in reporting its financial statements, in vice versa. The factors which are investigated consist of current ratio, debt to equity ratio, total assets turnover, and net profit margin from Indonesia mining companies listed on the Indonesia Stock Exchange for the period 2014-2019. Sample selection used purposive sampling and obtained 220 samples from 240 populations. Technique analysis in this research is logistic regression. The results of this research show that the current ratio and debt to equity ratio have not affect the timeliness financial reporting. While, the total assets turnover and net profit margin tend to affect the timeliness financial reporting.

Keywords

Financial Performance, Timeliness Financial Reporting

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Introduction

Nowadays, companies are required to carry out many intensive improvements in various financial fundamental factors in facing of a new era of competition. The estuary of intensive improvements will be shown in the presentation of its financial statements and company value in capital market with the impact on the company's stock trading activities (Dupont et al., 2010; Rakićević, Milošević, Petrović, & Radojević, 2016).Financial statements are the final product of a series of processes for recording and summarizing business transactions. The intention of presenting financial statements is provide information about the financial position, financial performance, and cash flow of the company that is beneficial in making economic decisions for stakeholders (Hasibuan, 2016). Every information from the components of the financial statements has an interrelated relationship and must be viewed as a unified whole in order to avoid mistakes in decision making (Sekhon & Kathuria, 2019).

Information from the presentation of financial statements will be useful if it is presented in a timely manner and has the quality relevance of the value information in decision making (Robinson, 2020). It means that timeliness financial reporting implies that financial statements should be presented at a certain time interval and it is expected can explain the response of company changes in decision making (Candila, 2021; Suadiye, 2019). Hence, delays in the presentation of financial statements tend to increase uncertainty over the steps that will be taken by an investor and management. The more timely in financial reporting will reduce insider trading, leaks and rumors that may exist in the capital market (Owusu-Ansah, 2000).The non-controlling investors as company owners from external parties are aasumed to have different interests with controlling investors from internal parties. This happens because the company's owners from external parties are not directly involved in the company's daily business affairs. Therefore, the owner of the company from external parties are assumed very interested in timelines of presenting information from financial statements (Scott, 2015).Moreover, the increase of demands from stakeholders has implications for management to provide information on time for in making decision process. In the context of Indonesia, publicly traded companies have a mandatory to deliver financial statements to the Financial Services Authority no later than the end of the third month (90 days) after the date of the annual financial statements. The financial statements have been prepared by complying with financial accounting standards and it has been audited. This provision is based on the attachment to the Decree of the Chairman of Bapepam and Financial Institutions Number: KEP-346/BL/2011 concerning The Submission of Periodic Financial Reports of Issuers or Public Companies.

The go public companies in Indonesia will be subjected to sanctions and fines when they exceed the deadline for submitting financial statements (Regulation KEP-307/BEJ/07-2004). They will be subjected to 1st warning letter when the financial statements submission delays up to 30 days calendar. They also will be subjected to additional fines for IDR 50 millions and IDR 150 millions when their financial statements delay up to 60 days and 90 days calendar, respectively. The harsh sanction is given by temporary suspend in stock market when the financial statements is submitted more than 90 days calendar. However, there were still some public companies that submit financial reports delayed and have received sanctions and fines after the provisions for sanctions and fines have been implemented. During period of 2014-2019, several Indonesian mining sector companies were subjected sanctions in form of paying fines and suspending in stock market. Each year, on average there were 3 to 5 Indonesian companies (in cumulatively 19 companies) in the mining sector that are subjected to sanctions in the form of payment fines and temporary suspension of trading in the stock exchange during 2014-2019.It is considered that the mining sector companies for the last 5 years as the largest number have received sanction for the highest suspended companies in Indonesian stock market. In fact, this sector rank was in the third of market capitalization after the financial sector and infrastructure, utilities and transportation sector (Sun, Ding, Fang, Zhang, & Li, 2019). The mining sector of market capitalization value reached of Rp 458.7 trillion or 12% of the total market capitalization of Rp 2877.5 trillion. Hence, the case of timeliness submission of financial reports in the mining sector will certainly have a fairly large impact on the stock market in general.

This study follows the signaling theory, which argues that the market's signal depend on the company financial performance information (Akerlof, Spence, & Stiglitz, 2001). Investors' decision will be determined based on on the companies' signal regarding their financial performance. The signal will be captured by the market, thus, the market is expected will be able to discriminate as good or bad companies' quality. Hence, company performance information such as good or bad in liquidity, leverage, activity and profitability performance are considered as good news or bad news. Therefore, the signal must be considered effective, when it can be predicted and perceived by the market well. It is not easily to be imitated by companies with poor quality (Wijayanti, 2020).Timeliness is an important aspect regarding information deemed relevant. Therefore, if the information can be obtained after the decision has been determined beforehand, then the information is considered useless (Stice & Stice, 2013). Recently, financial reporting is heavily criticized for its timeliness. This is because users of financial statements increasingly want to obtain information in a short time by utilizing advanced technology in providing information

Companies that have confidence in having good impressions in the future tend to communicate the news to investors immediately (Wijayanti, 2020). According to Elton, Gruber, Brown, and Goetzmann (2009) who stated that the information has published become as a signal for investors in the process of investment decisions making. When, the information is considered to have positive or negative value, then the market is expected will react according to the content of information. Examples of good news include high levels of liquidity or profitability and or activity, low levels of leverage and receiving unqualified opinions from public accounting firms. Saputra, Indayani, and Yungata (2020) argue that the existence of bad news causes companies to tend to delay the submission of their financial statements. Vice versa, when the company has good news, it tends to be more on time in submitting its financial statements (Saputra et al., 2020).

In Indonesia, some of previous studies have been done to examine the relationship between company performance and timeliness of financial reporting. Raihani, Prasetyo, and Dharma (2019) found that companies' liquity have positive influence on timeliness financial reporting. Companies with a high level of liquidity reflect to high ability to pay off its short-term liability. It is considered as good news, so that companies tend to more on time to submit their financial statements. However, Fanani (2011); Setyawati and Amelia (2018) and Al-Ghanem and Hegazy (2011) found that liquidity have not significant influence on timeliness financial reporting. Murti (2021) who stated that company's leverage has positive significantly effect on timeliness financial reporting. However, the company with high-leverage profile reflects to the company's high financial risk. The high financial risk represents the company is experiencing financial difficulties. Financial distress is considered as bad news, which causes company tend to postponement the submission of financial reports (Raihani et al., 2019). Most of previous studies failed to find the influence of leverage on timeliness financial reporting (Raihani et al., 2019; Sausan, Korawijayanti, & Ciptaningtias, 2020; Wijayanti, 2020).

Research from Raihani et al. (2019) and Sausan et al. (2020) found that company activities have positive influence on timeliness financial reporting. Companies that have high activity can be interpreted that all assets can be turned around more quickly in achieving profits. It is reflects that the company is more efficient in the use of overall assets. Therefore, it is considered as good news so companies tend to submit financial reports in a timely manner. However, Hamilah (2020) found that the company's activity proxied by total assets turnover had no effect on the timeliness financial reporting. Research of Kim, Pierce, and Yeung (2021); Raihani et al. (2019); Šušak (2020) and Hamilah (2020) found that profitability have positive influence on timeliness financial reporting. The company's profitability affected the company's speed in publishing good news of on its financial reporting (Owusu-Ansah, 2000). However, research from Sausan et al. (2020) found that profitability has not positive influence on timeliness financial reporting. The empirical evidence above showed that there were inconsistencies in the results of previous studies. Hence, the authors intend to re-examine the influence of the current ratio, debt to equity ratio, total assets turnover, and net profit margin on timeline financial reporting in Indonesia mining sector for period 2014-2019.

Research Frameworks and Hyphothesis Development

The Influence of Company Liquidity on Timeliness Financial Reporting

Company with high liquidity level represents the high ability to pay-off its short-term obligations. This information will be caught both of investor and company it self as a good news. Hence, company will submit its financial statementen tend to be on time (Raihani et al., 2019).

This study argues that company liquidity which is measured by the current ratio has a significant positive influence on timeliness financial reporting. Therefore, the hypothesis is proposed below:

H_1: The liquidity has positive significantly on timeliness financial reporting

The Influence of Company Leverage on Timeliness Financial Reporting

The high leverage companies will be considered to have the high of financial risk. The high of financial risk reflects that company suffers of financial difficulties. The financial difficulty is considered as bad news, so that company tends to postpone its financial reporting (Raihani et al., 2019). Based on the statements above, the hypothesis is proposed below:
H_2 : The leverage has negative significantly on timeliness financial reporting.

The Influence of Company Activities on Timeliness Financial Reporting

Companies with high business activity show that all assets can be turned around more quickly in achieving profits. In addition, this also shows the more efficient use of assets, for example the total assets on sales. It is considered as good news, so that companies with high level of companies' activities tend to submit on time for their financial reports.
Research from Sausan et al. (2020) stated that company activity has a significant positive effect on the timeliness financial reporting. Based on this explanation, the hypothesis proposed in this study:
H_3 : The company activity has positive significantly on timeliness financial reporting.

The Influence of Company Profitability on Timeliness Financial Reporting

The company profitability represents the firm's achievement to make profits. The high level of profit can be considered as good news for the company. Hence, the company will deliver any information immediately that contains good news. Therefore, high profile of company's profitability tends to be more on time in publishing their financial reports. In contrast, the company with low profile of profitability will postpone for submitting their financial reporting.
Research of Kim et al. (2021); Raihani et al. (2019); Šušak (2020) and Hamilah (2020) found that profitability have positive influence on timeliness financial reporting. Hence, the hyphothesis proposes for this study as mention below:
H_4: The profitability has positive significantly on timeliness financial reporting.

Research Methodology

Research Data

This study employs panel data which are obtained from company financial statements from Indonesia mining companies. The panel data consist of a combination from the time series and cross section data. The research object is the company financial statements which are characterized into company performance. The proxies consist of current ratio, debt to equity ratio, total assets turnover, net profit margin and timeliness of financial report submission. The data are taken from www.idx.co.id and each company website.
The populations in this study were 240 financial statements from 48 Indonesia mining companies for period 2014-2019. The company's financial statements were re-selected based on certain criterias to determine the research sample. The final sample is an unbalanced data panel of 220 financial statements.

Research Analysis

This study is a replication from the research of Raihani et al. (2019) and Sausan et al. (2020). However, this study uses different periods and industrial sectors as well as the addition of independent variables. The dependent variable consists of timeliness financial reporting, while the independent variables consist of company's performance. The indicators of company's performance are proxied by current ratio, debt to equity ratio, total assets turnover and net profit margin.

This stud analyze by a binary logistic regression model or what is often referred to as the logit model. The logit model is a non-linear regression model that produces an equation where the dependent

variable is categorical. According to Candila (2021) logistic regression is utilized to analyze whether the likelihood of of related variables occurred to predict with the explanatory variables. The logistic regression model is described as follows:

$$Time = \alpha + \beta 1CR + \beta 2DER + \beta 3TATO + \beta 3NPM$$

While the logit model of this study:

$$Time = \frac{exp^{\alpha + \beta 1CR + \beta 2DER + \beta 3TATO + \beta 3NPM}}{1 + exp^{\alpha + \beta 1CR + \beta 2DER + \beta 3TATO + \beta 3NPM}}$$

Notes:
TIME : Timeliness, (dummy variable, category 0 = companies that submit financial reports on time, and 1 = companies that do not submit financial reports on time).
α : constant .
β1CR : Regression coefficient of liquidty variable which is proxied by current ratio.
β2DER : Regression Coefficient of leverage variable which is proxied by *debt to equity ratio*
β3TATO : Regression coefficient of activities variable which is proxied by total asset turnover ratio
β4NPM : Regression coefficient of profitability variable which is proxied by net profit margin ratio.

This study conducts Hosmer and Lemeshow's Goodness of Fit Test to asses feasibility of the null hypothesis in the regression model. Candila (2021) stated that result model can be interpreted as a fit model by testing the null hypothesis on the empirical data which are suitable with the model. Furthermore, this study also conduct the overall model fit test. Thus, this study observes the value of Nagelkerke R Square to measure the coefficient determination in the logistic regression. The Nagelkerke R Square is value of varies from zero to one which is modified from the coefficients of Cox and Snell (Candila, 2021).

Findings

Descriptive Statistic Analysis

Table 1
Descriptive Statistics

	X1_CR	X2_DER	X3_TATO	X4_NPM	Y_TIME
Mean	2.6652	1.4923	0.5345	-1.2872	0.5091
Std. Error of Mean	0.56330	.28459	0.03261	0.54461	0.03378
Median	1.5350	.8250	0.3750	0.0400	1.0000
Std. Deviation	8.35508	4.22117	0.48372	8.07790	.50106
Variance	69.807	17.818	0.234	65.252	0.251
Range	111.26	49.88	2.01	88.62	1.00
Minimum	0.05	-15.82	0.00	-74.64	0.00
Maximum	111.31	34.06	2.01	13.98	1.00

The research samples consist of 220 financial statements of mining companies in Indonesia. Table 1 show that the mean value of timeliness financial reporting is 0.51 which means that 51% of 220 data or as many as 112 samples shows that they have been on time in submitting their financial statements. Meanwhile, 108 samples or 49% of the samples were late in submitting their financial reports. This shows that there were still quite number of the mining companies in the Indonesia Stock Exchange delayed in submitting their financial reports.
Table 1 show that the mean of liquidity which is proxied by current ratio is 2.66. It was smaller than the standard deviation of 8.35. This result indicates high data variability for the current ratio variable in the sample, or it can be said to have a large deviation. It was indicating the data distribution does not vary or was relatively homogeneous in the current ratio variable. The minimum value is 0.05 from PT. Astrindo Nusantara (BIPI) in 2016. The highest value is 111.31 which come from PT. Perdana Karya Perkasa Tbk in 2018.
Table 1 show that the mean is 1.49, which is smaller than the standard deviation of 4.22. These results indicate high data variability for the debt to equity ratio variable in the sample, or it can be said to have a large deviation. It was indicated the distribution of data that did not vary or is relatively homogeneous. The lowest value is -15,82, which come from PT. Energi Mega Persada

Tbk in 2016. Meanwhile, the highest value comes from PT. Atlas Resources Tbk in 2018 by 34,06.
Table 1 show that the mean of the total asset turnover is 0.53 which is greater than the standard deviation. It was indicated that the total asset turnover data tends to be spread out or relatively heterogeneous. The lowest value is 0.00 which comes from PT. Astrindo Nusantara Infrastruktur Tbk in 2016 and 2017, PT. Bumi Resources Tbk in 2017, PT. Cita Mineral Investindo Tbk in 2015, PT. Central Omega Resources Tbk in 2014, 2015 and 2016, PT. Garda Tujuh Buana Tbk in 2016 and PT. Merdeka Copper Gold Tbk in 2015 and 2016. Meanwhile, the highest value comes from PT. Mitrabara Adiperdana Tbk in 2015 by 2.01
Table 1 show that the mean of the net profit margin is -1.29 which is smaller than the standard deviation of 8.08. These results indicate high data variability for the net profit margin in the sample. It can be said to have a large deviation which is indicated that the data distribution did not vary or is relatively homogeneous. The lowest value of the net profit margin is -74.64, which comes from PT. Astrindo Nusantara Tbk in 2016. Meanwhile, the highest net profit margin came from PT. Bumi Resources Minerals Tbk in 2017 by 13,98.

The Goodness of Fit Test

The initial step of logistic regression test is to test the regression model. The test employs Hosmer and Lemeshow test to analyze the Chi-Square value as describe below:

Table 2:
Hosmer and Lemeshow Test

Step	Chisquare	df	Sig.
1	7.941	8	0.439

Table 2 present the Chi-square value of 7.941 (sig.value of 0.439). It means the significant value is higher than p value (0.439 > 0.05). It can be determined that H_0 is fail to reject (accepted) which means that the logistic regression model matches with the observation data.

The Overall Model

The second step is to assess the overall regression model. The statistics used are based on Likelihood that the hypothesized model describes the input data.

Table 3:
Overall Model Test

Block Number = 0 -2 Log Likehood	Block Number = 1 -2 Log Likehood
304,912	257,350

Table 3 can be interpreted by comparing the value for -2 Log Likehood (-2LL) in (*Block Number = 0*) with the value of -2 Log Likehood (-2LL)in (*Block Number = 1*). Table 3 show that the decline value of -2LL (*Block Number =0*) from 304,912 to become the value of -2LL (*Block Number = 1)* is 257,350 which is the model is fit with the data.

Table 4:
Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	257.350[a]	.194	.259

Table 4 present the Negelkerke R Square value is 0.259. It show that the timeliness financial reporting is effected by explanatory variables which are proxied by current ratio, debt to equity ratio, total asset turnover and net profit margin affect by 25.9%. While, remaining of 74.1% is explained by other variables which are not explained in the model.

Logistic Regression Model

The logistic regression model is tested by looking at the Wald Statistical value compared to the p-value and the 5% significance value (a).

Table 5:
The logistic regression equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	X1_CR	0.029	0.024	1.449	1	0.229	1.029
	X2_DER	-0.006	0.035	0.027	1	0.870	0.994
	X3_TATO	1.875	0.375	24.993	1	0.000	6.518
	X4_NPM	0.161	0.077	4.324	1	0.038	1.174
	Constant	-0.946	0.257	13.512	1	0.000	0.388

Table 5 shows that all explanatory variables, except the companies' liquidity and leverage ratios, are highly significant which mean H_0 is rejected. The independent variables that have a significant effect on the timeliness of submitting financial statements are companies' activitiy and profitability ratios which were proxied by total asset turnover and net profit margin ratios, respectively. This is indicated by the significance values of the Wald test are less than 0.05. Moreover, it can also be seen that the significance values of the companies' liquidity and leverage ratios are greater than the 0.05. Therefore, it gives a decision failed to reject H_0. The independent variables that have not a significant effect on the timeliness of submitting financial statements are companies' liquity and leverage ratios which were proxied by current ratio and debt to equity ratio, respectively.
Based on Table 5, it can be interpreted that for every one-unit increase in total asset turnover and net profit margin ratios, we expect 6.518 and 1.174 times increase in the odds of timeliness financial reporting, respectively. The odd ratio value of 6.518 indicates that an increase in total asset turnover will increase the tendency of companies to submit financial reports in a timely manner by 6.518 times higher than companies that do not have experience an increase in total asset turnover. The higher of total asset turnover will accelerate of submission of financial reports in Indonesia mining sector companies.
Furthermore, the odd ratio value of 1.174 indicates that an increase of net profit margin will increase the tendency of speed in submiting financial reports by 1.174 times higher than companies that do not have experience an increase in net profit margin. The higher of net profit margin will accelerate speed of submission of financial reports in Indonesia mining sector companies. Table 5 shows that for every one-unit decrease in debt to equity ratio will not increase the odds of speed in submitting financial reporting by 0.994 times. The odd ratio value of 0.994 indicates that an decrease in the debt to equity ratio will not increase the tendency of companies to deliver of financial reports by 0.994 times higher than companies that do not have experience decrease in debt to equity ratio. It can be interpreted that higher of the debt to equity ratio does not affect delay on submission of financial statements in Indonesia mining sector companies.
The logistic regression equation is shown below:

$$\mathrm{Ln}\frac{\mathrm{TIME}}{1-\mathrm{TIME}} = -0{,}946 + 0{,}029\mathrm{CR} - 0{,}006\mathrm{DER} + 0{,}375\mathrm{TATO} + 0{,}077\mathrm{NPM}$$

Note:

Time : timelines financial reporting
CR : *Current ratio*
DER : *Debt to equity ratio*
TATO : *Total asset tur over*
NPM : *Net profit margin*

Discussions

The Influence of Company's Liquidity on Timeliness Financial Reporting

The results in Table 5 show that company's liquidity has not significant affect timeliness financial reporting submission. The result indicates that the company's liquidity has a tendency to be on time in presenting financial statements. In other words, the higher company's liquidity had not necessarily tended to accelerate the time for submitting financial statements.
Hypothesis 1 was rejected. According to the data, there were 35 companies which show the company's liquidity ratio above the average value. Among them, 19 companies have delayed to submit their financial statements. In contrast, there were 185 companies in which their liquidity leve; show below the average value with 96 companies on time in presenting their financial statements. In this case, it showed that the high company's liquidity ratio has not necessarily to be on time to submit financial statements. Likewise, companies with low liquidity level have not necessarily delay to submit their financial statements.
This result supported the research from Fanani (2011); Setyawati and Amelia (2018) and Al-Ghanem and Hegazy (2011) who found that the timeliness in submitting financial statements have not determined by the company's liquidity level. Although, the level of liquidity can attracts the attention of investors and creditors. Companies with high or low of liquidity level want to publish immediately their financial statements. Likewise, it occur the possibility that investors have not consider the level of liquidity when they buy shares of a company.

The Influence of Company's Leverage on Timeliness Financial Reporting

The results in Table 5 show that company's leverage has not significantly affect timeliness financial statement submission. It is indicate that company's leverage ratio has not a tendency delay to submit its financial statements. In other words, the higher of company leverage have not necessarily have a tendency to delay the time for submitting financial statements.
Hypothesis 2 was rejected. It can be explained by the data which show that 59 companies have leverage ratio above the average value with 26 companies on time to submit their financial statements. In addition, the study found that 161 companies have leverage ratio below the average value with 75 companies delayed to submit their financial statements. In this case, it shows that the company's high leverage is not a reason to delay the submission of financial statements. Vice versa, the low leverage of the company does not necessarily encourage the company to be on time in submitting its financial statements.
This result is in line with the research from Wijayanti (2020) and Raihani et al. (2019) who stated that the company's leverage has no effect on the timeliness financial statements. It means that the company can solve debt problems through a debt restructuring process. In conditions of recovery from the economic crisis, debt problems are considered normal as long as the company has possibility to settlement guaranteed on the loan payment.

The Influence of Company Activity on Timeliness Financial Reporting

The statistical test results in Table 5 show that company's activity has significantly affect the timeliness financial statement submission. The result indicates that company's activity performance tend to push the company to be more on time in presenting its financial statements. In othe words, the higher of company's activity performance have a tendency to accelerate the time for submitting financial statements.
Hyphothesis 3 was accepted. In this case, total asset turnover reflects that all assets can be turned around more quickly to make a profit. It also shows the most efficient of the company to use overall assets on sales. It is good news for investor. Hence, companies that have a high asset turnover tend to convey financial reports in a timely manner. It supports by the data that reveals there were 200 companies that have total asset turnover ratio above the average value with 111 companies on time in submitting their financial statements. This results support by Sausan et al. (2020) who stated that total asset turnover has positive affect on the timeliness of submitting financial statements.

The Influence of Profitability on Timeliness Financial Reporting

The result in Table 5 shows that company's profitability have positive significantly affect the timeliness financial statement submission. The result indicates that company's profitability has a tendency to be punctually to presenting its financial statements. In othe words, the higher of company's profitability has a tendency to accelerate the time for submitting financial statements. Hyphothesis 4 was accepted. In this case, the high of company's profitability represent as good news. Hence, companies tend to submit on time their financial reports. This result in line with signaling theory which stated that company will not postpone any information that contains good news. The management will disclose immediately any prospective information for their investors and shareholders in order to increase its credibility.This results supports research from Kim et al. (2021); Raihani et al. (2019); Šušak (2020) and Hamilah (2020) who found that profitability have positive affect on timeliness financial reporting.

Conclussions

This research found that the company's activity and liquidity performance have a significant positive influence on timeliness financial reporting. The results guide for investors to determine decisions to invest their fund in a particular company, especially companies in the mining sector. The limitation in this study is that it only focuses on 4 types of company performance from mining companies. Therefore, the results cannot be indiscriminated apply when the research is carried out in other different sectors. Further research should make improvements by making comparisons using different industries based on different company performance factors, age of company and company size.

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