Journal of Financial Supervision and Audit
Volume 3, Number 1, 2024

Determinants of Financial Reporting Timeliness in Indonesian Capital Market

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Abstract

Article history:
Received: January 6, 2024
Revised: February 25, 2024
Accepted: April 29, 2024
Published: June 30, 2024

Keywords:
Audit Committees,
Corporate Governance,
Firm Size,
Institutional Ownership,
Profitability.

Identifier:
Zera Open
Page: 30-44
https://zeraopen.com/journal/jfsa

The accelerated growth of Indonesia's capital market has heightened both investment interest and the complexity of financial activities, positioning financial statements as a critical source of information for investors. Timely submission of financial reports is vital for minimizing uncertainty, addressing information asymmetry, and sustaining investor trust, as mandated by the Indonesia Stock Exchange. Several factors are considered influential in determining reporting timeliness, including profitability, company size, institutional ownership, and the role of audit committees. This study seeks to examine the effects of these variables on the timeliness of financial reporting among firms listed in Indonesia and to provide useful insights for managers, regulators, and investors. Employing a Systematic Literature Review (SLR) method, the research identifies, reviews, and synthesizes prior findings to reveal how these determinants shape reporting timeliness. Results indicate that profitability and firm size significantly improve timeliness, while institutional ownership strengthens external monitoring and audit committees enhance internal governance. Sound corporate governance plays a central role in ensuring transparency and timely financial disclosure.

1. Introduction

The growth of Indonesia's capital market in recent years has demonstrated significant progress, signaling both rising public enthusiasm for investment and the increasing complexity of financial sector business activities. This development has intensified competition among publicly listed companies, all striving to secure investor confidence. To achieve this, companies must provide financial information that is accurate, relevant, reliable, and, most importantly, timely. Among the various forms of corporate disclosure, financial statements hold particular importance as they serve as the primary communication tool between management and external stakeholders who are interested in evaluating company performance (Ghani & Che, 2022). The timeliness of financial statement submission is a crucial determinant of the quality of information available to users. Prompt financial reporting helps minimize uncertainty in economic decision-making, reduces the problem of information asymmetry between managers and investors, and upholds public confidence in a company's integrity.

Conversely, delayed reporting undermines the usefulness of financial information, as outdated data loses predictive and confirmatory value, resulting in less effective investment choices by stakeholders. Investors, whether as shareholders or external owners, heavily rely on timely financial statements to evaluate returns on their capital and to guide decisions on whether to buy, hold, or sell shares in a company (Wahyuni, 2020). In the Indonesian context, the responsibility for submitting financial reports by publicly listed companies is governed by the Decree of the Board of Directors of PT Bursa Efek Jakarta Number Kep-306/BEJ/07-2004 concerning Regulation Number I-E. This regulation requires firms to file audited financial statements no later than three months following the end of their fiscal year. Compliance with this rule not only fulfills legal requirements but also reflects a company's adherence to principles of good corporate governance. Timely financial reporting creates additional value for users by enabling better decision-making in terms of both timing and accuracy. Consequently, companies indirectly benefit from investor decisions that are more informed and confident (Aldjoeffry & Raharja, 2022).

Several internal and external factors are considered influential in determining whether financial reporting is conducted on time. Profitability is one such factor, as highly profitable firms generally have stronger financial resources and better capabilities to prepare and present reports promptly. Similarly, firm size is expected to have a positive effect, since larger companies usually possess well-established reporting mechanisms and employ adequate human resources to manage the preparation of financial disclosures efficiently (Jusoh et al., 2022). Institutional ownership also plays an important role, as institutional investors typically pressure management to enhance transparency and adhere to reporting deadlines. These investors are deeply invested in the long-term sustainability of the company and therefore encourage compliance with established regulations. Additionally, the presence of an audit committee is a key element of good corporate governance, as it is tasked with monitoring the financial reporting process, ensuring adherence to reporting standards, and safeguarding the timeliness of financial disclosures (Alabi et al., 2021).

Given these factors, examining the influence of profitability, firm size, institutional ownership, and audit committees on the timeliness of financial reporting is highly relevant. This research employs a quantitative methodology, specifically regression analysis, to evaluate the relationships among these variables (Agyei, 2022). The data set consists of secondary information drawn from annual reports of companies listed on the Indonesia Stock Exchange. The results of this study are expected to provide practical implications for several stakeholders. For corporate management, the findings can help identify ways to enhance the quality of financial reporting. For investors, the research offers valuable insights that support more accurate and strategic investment decisions. For regulators, the conclusions can serve as a reference in designing and implementing more effective reporting policies. Beyond these, the study also aims to enrich academic discourse, offering a foundation for future research in the fields of accounting, financial reporting, and corporate governance.

2. Methods

This research employs a Systematic Literature Review (SLR) methodology to examine the role of profitability, firm size, institutional ownership, and audit committees in determining the timeliness of financial reporting within publicly listed firms in Indonesia. The selection of the SLR method is grounded in its ability to systematically identify, evaluate, and integrate previous studies that are directly relevant to the research problem. Through this structured approach, the study seeks to generate a broader and more in-depth comprehension of the various factors influencing the timeliness of reporting, while simultaneously contributing meaningful insights to the body of knowledge in accounting and corporate governance. The SLR process follows a transparent and rigorous framework for collecting and analyzing data from prior research.

The procedure involves several essential stages, beginning with the establishment of clear inclusion and exclusion criteria to determine which studies are relevant. Subsequently, an extensive search is conducted across reputable academic databases to ensure the comprehensiveness of the literature gathered. Finally, a critical assessment of the quality and reliability of the selected studies is undertaken to guarantee that the synthesis reflects valid and credible evidence. In this study, particular attention is given to four independent variables. Profitability is examined as it indicates the firm's ability to generate income, which may influence its capacity to prepare reports promptly. Firm size is considered due to the tendency of larger organizations to have more resources and structured reporting systems. Institutional ownership is analyzed for its role in pressuring management to be transparent and timely. Lastly, the role of audit committees is highlighted as part of governance mechanisms ensuring compliance with reporting standards and deadlines.

3. Results

3.1. Profitability, Firm Size, and Their Role in Reporting Timeliness

Ensuring timeliness in financial reporting is an essential component in maintaining transparency, accountability, and investor confidence among publicly listed firms. Evidence from research adopting a Systematic Literature Review (SLR) highlights profitability and firm size as two major determinants that strongly affect the punctuality of financial statement submission. Alongside corporate governance practices, these variables collectively help ensure that companies comply with regulations such as Regulation Number I-E of the Indonesia Stock Exchange, which mandates the filing of audited annual financial statements within three months after the close of the fiscal year (Tanulia & Osesoga, 2022).

Profitability, often assessed through indicators like Return on Assets (ROA), has consistently shown a positive association with reporting timeliness. Firms that generate higher profits usually display stronger financial performance, which motivates management to disclose reports punctually as a signal of transparency to investors and other stakeholders. Timely reporting in such cases also acts as a safeguard for preserving credibility and reputation in the competitive capital market. The literature demonstrates that firms with high ROA generally have better access to resources, allowing them to invest in sophisticated accounting systems and hire professional staff to streamline reporting processes. In addition, companies with strong profitability frequently face intense scrutiny from both regulators and the public, which further incentivizes compliance with deadlines to avoid reputational risks, regulatory sanctions, or investor distrust (Savitri et al., 2019).

Nevertheless, the connection between profitability and reporting timeliness is not always straightforward. Certain studies suggest that smaller firms with relatively low profitability can still achieve punctual submission of financial statements if supported by proactive leadership and effective governance. This highlights the role of intervening factors such as managerial efficiency and organizational culture, which may shape outcomes. For instance, a small company equipped with simple yet efficient accounting systems might overcome financial and resource limitations, meeting regulatory requirements on time. Thus, while profitability remains a core driver, organizational commitment to transparency and managerial dedication to efficiency also carry substantial weight in ensuring timeliness (Mohsin et al., 2021).

Firm size is another variable widely recognized as influencing reporting timeliness. Large companies generally benefit from well-established infrastructures, including advanced technological platforms and skilled human resources, which enable faster and more accurate preparation of reports. Additionally, such firms are subject to heightened scrutiny from both regulators, such as Indonesia's Financial Services Authority (*Otoritas Jasa Keuangan*/OJK), and market participants, leading to strong external pressure for compliance. This regulatory and public oversight compels large-scale firms to adopt more disciplined approaches to reporting deadlines. Empirical findings reveal that organizations with considerable assets or workforce sizes tend to maintain structured accounting divisions capable of addressing reporting complexities more effectively than smaller competitors (Abdillah et al., 2019).

However, firm size itself does not guarantee timeliness. Some evidence suggests that smaller companies, when managed with agility and supported by modern accounting technology, may outperform larger firms that struggle with bureaucratic inefficiencies. Lean organizational structures in smaller firms often provide greater flexibility in coordinating reporting tasks. By contrast, large corporations may encounter delays due to complicated interdepartmental procedures or communication barriers, even with ample resources. Therefore, the quality of governance and the effectiveness of reporting systems emerge as crucial elements that can determine success regardless of organizational scale (Ashraf et al., 2020).

Corporate governance plays a central role in reinforcing the influence of profitability and firm size on reporting timeliness. Effective governance mechanisms, particularly the presence of an independent and active audit committee, ensure that financial reporting processes align with accounting standards and regulatory requirements. An audit committee not only strengthens oversight but also reduces the likelihood of delays, thereby enhancing punctuality. Moreover, institutional ownership contributes significantly by applying external monitoring pressure. Institutional investors, with their vested interest in company performance, tend to demand timely and transparent reporting, which serves as a driver for management to prioritize compliance and accountability (Putra, 2019).

In summary, both profitability and firm size are crucial determinants of financial reporting timeliness, yet their effects are often mediated by governance structures, managerial efficiency, and organizational culture. This analysis underscores the importance for firms to maximize internal resources, invest in robust reporting infrastructures, and commit to strong governance practices to meet regulatory standards. For investors, recognizing these underlying factors allows for a more nuanced evaluation of risks associated with investment decisions. Meanwhile, for regulators, insights from the literature provide a valuable foundation for refining and strengthening reporting policies aimed at enhancing market transparency.

Ultimately, consistent and timely reporting not only benefits companies through improved investor trust but also supports the integrity and efficiency of the broader capital market system.

3.2. Institutional Ownership and Audit Committees in Enhancing Reporting Timeliness

The timeliness of financial reporting serves as a vital indicator of transparency and accountability for firms listed on the stock exchange, with corporate governance mechanisms playing a pivotal role in this regard. Among these mechanisms, institutional ownership and audit committees have been identified as central elements that strongly influence the punctual submission of financial statements. Findings derived from Systematic Literature Review (SLR) research confirm that both factors significantly contribute to ensuring that companies comply with regulatory deadlines, such as those stipulated in Regulation Number I-E of the Indonesia Stock Exchange, which requires audited annual reports to be submitted within three months after the fiscal year ends. Understanding the dynamics of institutional ownership and audit committees provides valuable insights not only for corporate management but also for investors and regulators seeking to enhance decision-making quality (Mathuva et al., 2019).

Institutional ownership, which consists of investment entities such as pension funds, financial institutions, and insurance companies, exerts considerable influence on reporting timeliness. Compared to individual investors, institutional shareholders benefit from broader access to analytical resources and professional expertise in evaluating corporate performance. Their involvement typically increases monitoring intensity, which in turn puts pressure on management to ensure timely disclosure of financial statements as a demonstration of transparency and accountability. Literature consistently shows that firms with higher proportions of institutional ownership are more likely to adhere to reporting deadlines because these shareholders often engage actively in oversight, whether through direct communication with executives or participation in shareholder meetings, to safeguard the accuracy and punctuality of reports (Kaawaase et al., 2021). Beyond monitoring, institutional investors frequently pursue long-term interests, which motivates them to encourage governance practices that uphold firm reputation within capital markets.

Nevertheless, their influence is not uniform across all contexts. For instance, in companies dominated by concentrated ownership, institutional investors may face limited authority if managerial decisions are controlled by majority shareholders. Hence, the extent to which institutional ownership drives reporting timeliness largely depends on ownership distribution and the degree of independence in managerial decision-making (Chukwu & Nwaboci, 2019). Alongside external monitoring by institutional investors, audit committees play a critical internal role in securing the timeliness of financial reporting. Positioned as one of the pillars of corporate governance, audit committees are tasked with overseeing the preparation of financial statements, ensuring adherence to accounting standards, and safeguarding the reliability of financial disclosures. Research highlights that the characteristics of audit committees such as independence, committee size, and frequency of meetings positively correlate with timely reporting.

Independent members, who do not maintain personal or business relationships with management, tend to evaluate reports more objectively, which helps streamline the reporting process and minimize delays (Martins & Ventura, 2020). Furthermore, audit committees that hold frequent meetings are better able to identify potential issues early in the reporting cycle, such as errors in financial data or inefficiencies in accounting systems. Their role extends to providing actionable recommendations that strengthen reporting accuracy and efficiency. Literature also underscores the importance of member expertise: committees staffed with professionals possessing accounting or financial backgrounds demonstrate greater effectiveness in ensuring reporting timeliness because they are better equipped to navigate complex financial standards and advise management accordingly (Hsu & Yang, 2022). However, similar to institutional ownership, the influence of audit committees is context-dependent. Studies indicate that their effectiveness diminishes in environments characterized by weak governance systems or limited regulatory enforcement.

In such contexts, audit committees may struggle with insufficient authority, organizational resistance, or managerial pressure to compromise on reporting quality. This finding suggests that the success of audit committees is contingent on broader governance frameworks, including board independence, organizational culture (Cooray et al., 2020), and robust regulatory support. In conclusion, both institutional ownership and audit committees emerge as vital mechanisms ensuring timely financial reporting through external and internal oversight, respectively. Institutional ownership contributes by applying external pressure for transparency, while audit committees function internally to uphold compliance and accuracy. Yet, their overall effectiveness is shaped by governance quality and regulatory strength. Strengthening audit committee independence and expertise, alongside encouraging active participation from institutional investors, is essential for firms to meet reporting deadlines consistently. For investors, awareness of these factors enhances the evaluation of corporate governance quality, whereas regulators can use these insights to refine policies aimed at bolstering compliance and market transparency.

4. Conclusion

This study concludes that profitability, firm size, institutional ownership, and audit committees collectively exert a positive effect on the timeliness of financial reporting among publicly listed firms in Indonesia. Companies with higher profitability and larger operational scales are generally more capable of meeting reporting deadlines, as they possess sufficient financial and human resources and are subject to tighter oversight. Institutional ownership functions as an external monitoring mechanism that encourages management to maintain transparency and accountability, ensuring financial information is disclosed promptly. At the same time, audit committees contribute internally by strengthening oversight processes, upholding compliance with accounting standards, and accelerating the reporting cycle through effective internal control systems. Good corporate governance stands out as the central factor that reinforces the influence of these variables, playing a crucial role in ensuring reporting compliance. The presence of strong governance mechanisms ultimately benefits managers, investors, and regulators by promoting timely and reliable financial disclosures.

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