

# THE ANALYSIS OF THE EFFECT OF PROFITABILITY, LIQUIDITY, AND COMPANY SIZE ON TIMELINESS OF FINANCIAL REPORTING (CASE STUDY OF ENERGY SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE 2019-2022)

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## Abstract

This study aims to determine the effect of profitability, liquidity, and company size on the timeliness of financial reporting of energy sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2022. The type of research used in this research is a quantitative approach. This research uses secondary data from the annual financial reports of energy sector companies listed on IDX for 2019-2020. The population in this study included all energy sector companies listed on the IDX in the 2019-2022 period. The sampling technique used in this research was purposive sampling, so the sample used was 18 companies. The data analysis used to test the hypothesis is logistic regression with a significance level of 5% and using SPSS version 29. The results of this study indicate that profitability and company size do not affect the timeliness of corporate financial reporting, as evidenced by the significance value  $> 0.05$  in the hypothesis test results. Liquidity is proven to affect the timeliness of corporate financial reporting, with a significance value in the hypothesis test  $< 0.05$ .

**Keywords:** Profitability, Liquidity, Company Size, Timeliness, Financial Reporting

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## INTRODUCTION

In line with the increasing complexity of business operations and investment growth, investors, as one of the stakeholders, require more relevant and timely information. Statement of Financial Accounting Standards (PSAK) Number 1 (2015) states that financial statements result from various company financial activities in the form of data used by internal and external parties for decision-making. The financial information in the financial statements can be helpful for its users if presented on time. According to PSAK, it follows the qualitative characteristics of useful financial information: understandable, relevant, reliable, complete, comparable, and timely.

Companies that go public must present financial reports prepared by financial accounting standards and have been audited by accountants registered with the Financial Services Authorization on time. The importance of the timeliness of submitting financial reports is also regulated in Law No. 8 of 1995 concerning the Capital Market and further regulated in the Decree of the Chairman of Bapepam No. 80/PM/1996. This regulation states that issuers and public companies are required to submit annual financial statements that have been audited by independent accountants by the end of the fourth month (120 days) after the date of the Company's financial statements. However, then Bapepam tightened the regulations by issuing a Decree of the Chairman of the Capital Market Supervisory Agency Number 36/PM/2003 concerning the Obligation to Submit Periodic Financial Statements. In its appendix, namely Bapepam regulation Number X.K.2, it is stated that the annual financial statements

must be accompanied by an accountant's report with a customary opinion and submitted to Bapepam no later than the end of the third month (90 days) after the date of the financial statements.

At the end of 2019, the IDX announced that 26 companies still needed to submit their financial reports, which increased in 2020. Eighty-eight listed companies on the IDX still needed to submit annual financial reports. In 2021, 91 listed companies still need to submit yearly financial reports. Meanwhile, in 2022, there were 61 listed companies on the IDX that still needed to submit financial reports ending December 31, 2022 ([www.idx.co.id](http://www.idx.co.id)). Some of them are companies included in the energy sector.

Table 1. Data on the Number of Delays in Company Financial Reporting

Year of Financial Report	Notes	Total
2019	Peng-SPT-00008/BEI.PP1/08-2020	26
2020	Peng-LK-00005/BEI.PP1/06-2021	88
2021	Peng-LK-00003/BEI.PP1/05-2022	91
2022	Peng-LK-00009/BEI.PP1/05-2023	61

Source: Indonesia Stock Exchange (IDX)

When the Company is late submitting the information in its financial statements, it will also cause an adverse reaction from capital market players (Muliantari & Latrini, 2017). This condition can occur because the financial statements also contain information related to the net profit generated by the Company, which can then impact the considerations that investors will take to buy or sell their share ownership.

Based on some of the descriptions above, researchers are encouraged to research the factors influencing the timeliness of corporate financial reporting in Indonesia, especially in the energy sector. The reason for choosing energy sector companies as an empirical study in this study is because energy sector companies have a large scale and influence on the economy. The energy sector is one of the most critical sectors in a country's economy because it provides the energy needed to support economic and social activities. The energy sector is susceptible to external factors such as oil price fluctuations, government policy changes, and geopolitical dynamics. It makes it a dynamic environment and can contribute to understanding how these factors affect the timeliness of financial reporting.

The events of the Russia-Ukraine war have significantly impacted the world economy. The issue of Russia's invasion of Ukraine began to emerge in November 2021, and finally, Russia began to invade Ukraine in February 2022. As a result, the United States and the European Union imposed sanctions on Russia, including an embargo on Russian energy commodities such as natural gas, coal, and crude oil (Deng et al., 2022). The impact of the Russia-Ukraine war on energy commodities is also likely to affect the capital market in Indonesia. It can be seen by observing the movement of stock indices. The energy sector index significantly increased compared to 11 other sectoral indices (Indonesia et al., 2022).

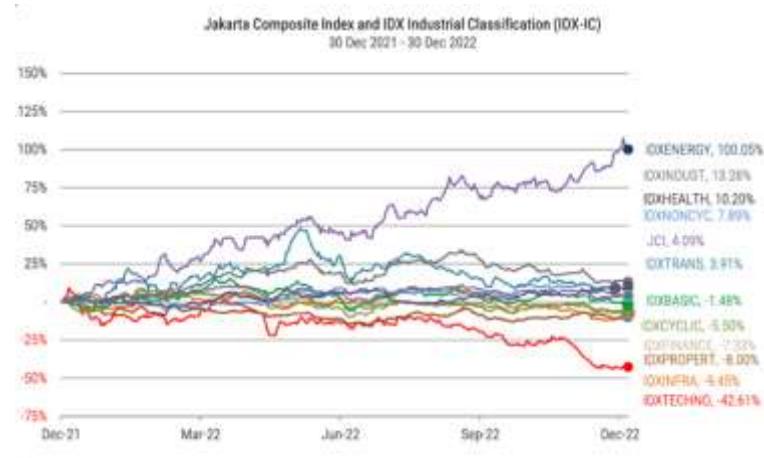


Figure 1. Sectoral Index Data Chart

Source: Indonesia Stock Exchange (IDX) 2022

## Compliance Theory

The attitude of compliance in each individual tends to comply with all rules or laws considered by values and norms. Compliance demands also apply to regulating the performance of the Company. In capital markets, every Company registered and became an issuer must comply with the rules. Compliance with the timeliness of submitting financial reports on companies going public has been regulated in Law No. 8 of 1995 concerning Capital Markets; the regulation explains that every Company going public must submit its financial reports to Bapepam-LK. Compliance means being obedient and subject to teachings and rules (Azhari & Nuryatno, 2019). The timeliness of submitting financial reports is also regulated in Bapepam regulation Number X.K.2, Attachment to the Decree of the Chairman of Bapepam Number: KEP-36 / PM / 2003 concerning Obligation to Submit Periodic Financial Statements.

## Timeliness of Financial Reporting

Timeliness is also the basis for the foundation of the trust of users of financial statements. Timeliness does not guarantee relevance, but information relevance is impossible only possible with twitches (Effendi, 2018). Because the Company is on time, the Company's financial statements are considered excellent and healthy and can benefit the Company. Companies that are off time in submitting their financial reports will get sanctions if they have exceeded the existing regulatory limits. The Company is also not only given sanctions if it is late, but the Company will also follow existing regulations.

## Profitability

Profitability is an indicator of the Company's success in generating profits, so the higher the profitability of a company, the higher the Company's ability to generate profits. Profitability can be

interpreted as the ability of a company to generate profits during a specific period. This study measures profitability using Return On Asset (ROA).

### **Liquidity**

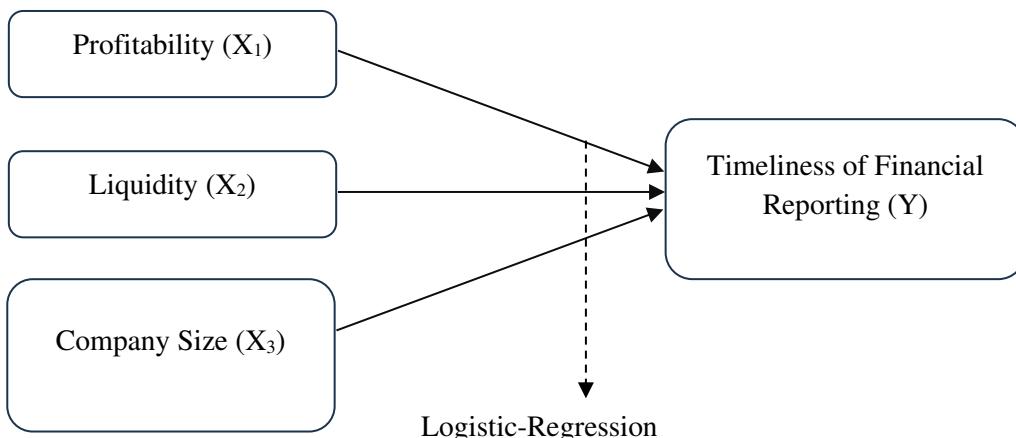
The liquidity ratio measures the Company's expertise in paying its short-term obligations (Rahmawati, 2021). That said, liquidity can be used to measure the extent of the Company's ability to pay off its short-term obligations that are due soon. Liquidity is measured using the Current Ratio (CR).

### **Company Size**

Company size is divided into three categories, namely large companies, medium companies, and small companies. The Size of the Company is based on the total assets owned by the Company. Company size is the Size of the total assets owned by a particular company (Hidayat, 2019). The natural log of total assets can measure company size (firm Size).

Based on the theory to be used and the relationship between the variables to be studied, it can be described in the following framework:

Figure 2. Framework of thought



Source: Researcher (2024)

### **The Effect of Profitability on Timeliness of Financial Reporting**

Profitability is the Company's ability to generate profits; the higher the profitability figure, the higher the profit earned, and vice versa. In previous research, the results of (Handayani et al., 2021) state that the results of logistic regression testing show that profitability affects the timeliness of financial reporting, in contrast to the results of research conducted by (Carolina & Tobing, 2019), which state that profitability does not affect the timeliness of financial reporting submission.

**H<sub>1</sub>: Profitability affects the timeliness of financial reporting.**

### **The Effect of Liquidity on Timeliness of Financial Reporting**

Liquidity is the ability of a company to fulfill its short-term obligations that will soon be due; the higher the Company's liquidity figure, the better the condition will be, and vice versa. In previous research, the results (Prakoso & Wahyudi, 2022) state that the results of logistic regression testing show that liquidity affects the timeliness of financial reporting.

The effect of company size on timeliness in financial reporting differs from the results of research (Diliasmara & Nadirsyah, 2019), which states that liquidity does not affect the timeliness of financial reporting submission.

## **H<sub>2</sub>: Liquidity affects the timeliness of financial reporting**

### **The Effect of Company Size on Timeliness of Financial Reporting**

Company size is a measure that indicates the Size or Size of a company. A high total asset value indicates that the Size of the Company is significant, and vice versa; if the total asset value is low, it indicates that the Company is small. In previous research, the results (Daru et al., 2020) stated that company size positively affects the timeliness of financial reporting. This study's results differ from research conducted by (Handayani et al., 2021), which shows that company size does not affect the timeliness of financial reporting.

## **H<sub>3</sub>: Company Size affects the timeliness of financial reporting.**

### **METHOD**

The type of research used in this research is a quantitative method with secondary data to obtain information about the variables studied. The object of this research is timeliness in financial reporting, with the research limitation being that it will only use energy sector companies listed on the Indonesia Stock Exchange in 2019-2022. In this research, there are two categories of variables, namely independent variables and dependent variables. The dependent Variable in the research is the timeliness of financial reporting, while the independent variables are profitability (X<sub>1</sub>), liquidity (X<sub>2</sub>), and company size (X<sub>3</sub>). The data source for this research comes from annual reports and financial reports of energy sector companies listed on the Indonesia Stock Exchange for the 2019-2022 period. This data was obtained from the website [www.idx.co.id](http://www.idx.co.id), the official website of the Indonesian Stock Exchange.

Based on data taken from the IDX, the population of companies is 83; according to the sample selection criteria, the companies used in this research were 18 companies over four years, so the total number of data observed in this research was 72 samples. The following are the names of the companies used as research samples, namely as follows:

**Table 2. Research Sample**

No	Code	Company
1	AKRA	AKR Corporindo Tbk.

2	AIMS	Akbar Indo Makmur Stimee Tbk.
3	ARTI	Ratu Prabu Energi Tbk
4	BOSS	Borneo Olah Sarana Sukses Tbk.
5	CNKO	Exploitasi Energi Indonesia Tbk.
6	DWGL	Dwi Guna Laksana Tbk.
7	ELSA	Elnusa Tbk.
8	FIRE	Alfa Energi Investama Tbk.
9	TIPS	Indah Prakasa Sentosa Tbk.
10	KOPI	Mitra Energi Persada Tbk.
11	PKPK	Perdana Karya Perkasa Tbk
12	PTBA	Bukit Asam Tbk.
13	RUIS	Radiant Utama Interinsco Tbk.
14	SMMT	Golden Eagle Energy Tbk.
15	SMRU	SMR Utama Tbk.
16	SURE	Super Energy Tbk.
17	TCP	Transcoal Pacific Tbk.
18	TEBE	Dana Brata Luhur Tbk.

Source: Indonesia Stock Exchange (IDX)

They analyze data using the SPSS (Statistical Package for the Social Science) version 29. The method for analyzing is logistic regression. The tests that need to be carried out are descriptive statistics and hypothesis testing, which consists of Overall Model Fit, Model Feasibility Test, Coefficient of Determination, and Regression Coefficient. Logistic regression in this study was used to test whether the variables profitability, liquidity, and company size influence the timeliness of financial reporting. The logistic regression model used in this research is as follows:

$$\ln(KW/1-KW) = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Description:

$\ln(KW/1-KW)$  = Dummy variable timeliness (category 0 for companies that are not on time and category 1 for companies that are on time)

$X_1$  = Profitability

$X_2$  = Liquidity

$X_3$  = Company Size

$\alpha$  = Constant

$\beta$  = Regression Coefficient

$e$  = Error (Interference Variable)

## RESULTS AND DISCUSSION

### Descriptive Statistic

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	72	-1.122	.341	-0.03672	.205460
Likuiditas	72	.020	146.130	3.59411	17.158026
Ukuran Perusahaan	72	21.736	35.055	30.69563	3.743683
Valid N (listwise)	72				

Source: researcher (2024)

Table 3 shows the N value with a total of 72 data. The profitability variable, as measured by Return on Assets (ROA), has a minimum value of -1.122 and a maximum value of 0.341. The average value (mean) is -0.03672, and the standard deviation is 0.205460. As measured by the Current Ratio (CR), the liquidity variable has a minimum value of 0.020 and a maximum value of 146.130. The average value is 3.59411, and the standard deviation value is 17.158026. Meanwhile, the Company size variable, as measured by the natural log of total assets, has a minimum value of 21.736 and a maximum value of 35.055. The average value is 30.69563, and the standard deviation is 3.743683.

Table 4. Descriptive Dummy Variable Data Timeliness

Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Telat pelaporan keuangan	10	13.9	13.9	13.9
	Tepat waktu pelaporan keuangan	62	86.1	86.1	100.0
	Total	72	100.0	100.0	

Source: researcher (2024)

Table 4 above shows that the entities that carry out annual financial reporting not on time amount to 10 company data or 13.9% of the total testing for 72 company data, then the entities that carry out annual financial reporting on time amount to 62 company data or amount to 86.1% of the total number of tests for 72 company data, so it can be interpreted that fewer companies submit annual financial reports on time than companies that submit financial reports on time.

## Overall Model Fit

The test compares the initial -2log likelihood value indicated by block number= 0 and the final -2log likelihood value indicated by block number= 1. If the value of -2log likelihood block number = 0 is greater than the value of -2log likelihood block number = 1 or it can be said that there is a decrease that occurs from block number = 0 to block number = 1, which means that the regression model fits the data (Ghozali, 2021).

Table 5. Overall Model Fit Test Blok 0

Iteration History <sup>a,b,c</sup>			
Iteration	-2 Log likelihood	Coefficients	
		Constant	
Step 0	1	59.385	1.444
	2	58.040	1.781
	3	58.024	1.824
	4	58.024	1.825

Source: Researcher (2024)

Table 6. Overall Model Fit Test Blok 1

		Coefficients			
Iteration	-2 Log likelihood	Constant	Profitabilitas	Likuiditas	Ukuran Perusahaan
Step 1	1	54.154	1.825	2.395	.014
	2	51.228	2.757	3.562	.027
	3	50.675	3.098	3.900	.053
	4	47.831	2.795	3.363	.299
	5	43.191	2.294	2.278	.999
	6	39.151	.880	.877	2.292
	7	38.353	.368	.593	3.013
	8	38.306	.251	.551	3.221
	9	38.306	.245	.549	3.237
	10	38.306	.245	.549	3.237

Source: Researcher (2024)

Based on the overall model fit test data table above, from block number = 0 to block number = 1, there is a decrease in -2 log-likelihood. The initial -2log likelihood value at block number = 0 is 58.024, and the final -2log likelihood value at block number = 1 is 38.306. From the initial and final -2log likelihood values, it can be concluded that the -2log likelihood value has a decrease of  $58.024 - 38.306 = 19.718$ , which means the regression model fits the data.

### Model Feasibility Test

The feasibility test of the regression model with the Hosmer and Lemeshow Goodness of Fit is used to test the null hypothesis and whether the empirical data fits the data so that the model is fit. If the Hosmer and Lemeshow Goodness of Fit value is less than 0.05 (significant value), hypothesis 0 is rejected, which means there is a significant difference between the model and the data. Conversely, if the Hosmer and Lemeshow Goodness of Fit value is more than 0.05 (significant value), hypothesis 0 is accepted and the model fits the data (Ghozali, 2021).

Table 7. Model Feasibility Test

### Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	7.214	8	.514

Source: Researcher (2024)

Based on the table above, the significant value from the Hosmer and Lemeshow Test is 0.514, which means the value is greater than the significant value. So, the null hypothesis is not rejected, which means the model can be accepted because the observation data fits; this regression model is feasible and can be used in the future.

#### **Coefficient of determination test (*Cox and Snell's r Square and Nagelkerke's R Square*)**

In the table below, the coefficient of determination test results with Cox And Snell R Square and Nagelkerke R Square are 0.433. The influence of profitability, liquidity, and company size on the timeliness of financial reporting as the dependent Variable is 43.3%.

Table 8. Nagelkerke R Square value Model Summary

<b>Model Summary</b>					
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square		
1	38.306 <sup>a</sup>	.240	.433		

Source: Researcher (2024)

#### **Regression coefficient**

The t-test in logistic regression in assessing the significance of constants. Each independent Variable can be seen in the Variable in the Equation table. Decision-making is based on value. If the probability result is  $> 0.05$ , then accept H0. Then, conversely, if the probability result is  $<0.05$ , reject H0 (Ghozali, 2021). Table 8 shows the coefficient test results:

Table 8. Regression coefficient

<b>Variables in the Equation</b>						
	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup>						
Profitabilitas	.549	1.947	.080	1	.778	1.732
Likuiditas	3.237	1.190	7.401	1	.007	25.450
Ukuran Perusahaan	-.026	.110	.054	1	.816	.975
Constant	.245	3.591	.005	1	.946	1.277

a. Variable(s) entered on step 1: Profitabilitas, Likuiditas, Ukuran Perusahaan.

Source: Researcher (2024)

In the table above, the significance value for the profitability variable is 0.778. The liquidity variable is 0.007. The company size variable is 0.816. It shows that the liquidity variable is smaller than 0.05, so it can be stated that the liquidity variable in this study affects the timeliness of financial reporting. In contrast, the profitability and company size variables have a value greater than 0.05, which states that the profitability and size variables of The Company do not influence the timeliness of financial reporting. So H2 is accepted, and H1 and H3 are rejected.

## CONCLUSION

From the results of the analysis and discussion through the tests carried out, it can be concluded that:

1. Profitability does not affect the timeliness of financial reporting of energy sector companies for 2019-2022. When a company can generate high or low profits, it does not affect the timeliness of the Company's financial reporting.
2. Liquidity affects the timeliness of financial reporting of energy sector companies for 2019-2022. When the Company can pay off its short-term obligations or vice versa when the Company's liquidity level is low, this will affect the timeliness of financial reporting.
3. Company size does not affect the timeliness of financial reporting of energy sector companies for 2019-2022. When a company has a large company size, it will not affect the timeliness of financial reporting.

Suggestions that can be made are that future researchers can add other variables, expand the sample to be studied, and develop research more broadly. If subsequent researchers use the same variables, they can use different proxies to produce new research results. This research has limitations: Energy sector companies are listed on the Indonesian Stock Exchange (IDX) in 2019-2022. From the results of this research, it is hoped that companies going public in the energy sector will be listed on the Indonesia Stock Exchange, and investors will be able to find out why and what causes the Company's delays in submitting its financial reports. Investors can also be more careful in making decisions and consider this for the future.

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