

THE EFFECT OF PROFITABILITY AND LIQUIDITY ON THE TIMELINESS OF FINANCIAL REPORTING

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Abstract

This study aims to analyze the influence of profitability and liquidity on the timeliness of financial reporting in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2021-2023 period. Profitability is measured using the return on assets (ROA) ratio, while liquidity is measured by the current ratio. This study is a quantitative study, the number of company samples is 30 samples from 10 manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for a period of 3 years, namely 2021-2023. This study uses secondary data obtained through the company's annual report. Data analysis uses logistic regression tests, several tests, namely, descriptive statistics, classical assumption tests (multicollinearity test), logistic regression analysis of regression model feasibility (geometry of fit), testing the whole model (overall model fit), classification matrix and hypothesis test (determination coefficient test (Nagelkerke R square), T test (partial test) and F test (simultaneous test). The results of the data analysis show that partially and simultaneously the profitability and liquidity variables have no effect on the timeliness of financial reporting in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2021-2023 period.

Keywords: Financial Management, Profitability, Liquidity, Timeliness of Financial Reporting

1. Introduction

The current economic development cannot be separated from the growth and progress of companies in Indonesia. Indicators that make the company develop and are widely known are by Go Public. Companies listed on the Indonesia Stock Exchange (IDX) with several provisions that have been regulated are Go Public. One of the companies listed on the Indonesia Stock Exchange (IDX) is a manufacturing company. A manufacturing company is a company that buys raw materials or raw materials to be processed into new products (Rustendi 2019). Manufacturing companies can also be companies related to companies engaged in the consumer goods industry sector.

The consumer goods industry sector is one of the industrial sectors that is urgently needed, because all consumer goods products are always in demand by the public, especially now that Indonesia is a very large country with a fairly large population. Of course, people need to consume basic necessities.

Companies listed on the Indonesia Stock Exchange (IDX) are required to submit their financial statements, of course, the financial statements have been prepared and audited by public accountants, according to the regulation of the Financial Services Authority of the Republic of Indonesia number 14/POJK.04/2022 article 4 which states that issuers or public companies are required to submit annual financial statements, and based on the decree of the board of directors of the Indonesia Stock Exchange Number Kep-

00015/BEI/01-2021 the company's annual financial statements that has gone through the audit process must be submitted to the OJK (Financial Services Authority) no later than 90 days from the end of the company's financial year and submitted to the IDX (Indonesia Stock Exchange) no later than the end of the month after the date of the annual audited financial statements.

However, there are still some companies that are late in submitting their financial reports. This is influenced by several factors from the company itself and externally. Factors that can affect delays in financial reporting include the first, namely profitability. According to Ratnasari, E., Herlambang, R. S., & Suprayoga, A. (2024) an important factor in influencing the development of a company is financial performance in producing good profitability. Profitability is an indicator that can determine the achievement of a company to attract profits, the high number of companies achieving profits due to a low increase in sales indicates that the company's achievements are weakening, low sales result in a decline in the company's performance process, while profits are very good news for the company. If the company loses money, they will be late in reporting their financial statements.

The second factor that can affect delays in financial reporting is liquidity. Based on Ratnasari, E., Herlambang, R. S., & Suprayoga, A. (2024) The Liquidity Ratio is a measure of a company's ability to meet its short-term obligations, this ratio aims to analyze the company's finances in meeting its short-term obligations and financial payment commitments. A company that has a high level of liquidity means that the company has a high ability to pay off its short-term obligations, so this can be good news and the company will not be late in reporting its financial statements.

Based on existing phenomena or events, the researcher will conduct a research study, especially companies in the consumer goods industry sub-sector listed on the Indonesia Stock Exchange, namely to see the extent to which profitability and liquidity affect the timeliness of financial reporting.

2. Theoretical Background

2.1 Timeliness of Financial Reporting

The timeliness of financial reporting shows the company's ability to submit audited financial statements to be recorded on the stock exchange at the end of each financial year, so that users of financial statements can feel the benefits. Timeliness of financial reporting according to (Olivia 2020) is one of the key factors to provide relevant information, this timeliness is a basic element of financial statements, while according to (Putri and Nugroho 2023) The timeliness of financial reporting is the success of financial statements in influencing decision-making lies in the availability of timely information for decision-makers before it loses its relevance, relevant information and presented on time can increase its influence in decision-making, while delays in presenting information can reduce its usefulness.

2.2 Profitability

The main goal that a company wants to achieve is to make a profit or profit. To measure the profit rate of a company, the profitability ratio is also known as the profit ratio. Profitability by (Harahap 2020) is the ability of the company to earn profits through all capabilities, and existing sources such as sales activities, cash, capital, number of employees, number of branches, and so on.

2.3 Liquidity

The higher the company's liquidity, the better its performance will be so that the company will be more likely to submit financial statements on time. The company's ability to describe the company's ability to meet short-term obligations (debt) is the definition of liquidity according to (Kasmir, S.E 2019).

3. Methods

3.1 Population and Sample

1) Population

According to Sugiyono (2020), a population is a collection of objects or subjects with certain qualities and characteristics that are determined by researchers to be studied and drawn conclusions. The population in this study is the annual financial statements of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) in 2021-2023. The population is 47 manufacturing companies in the consumer goods industry sector.

2) Sample

According to Sugiyono (2019:127), the sample is part of the number and characteristics possessed by the population. Based on the determination and selection of criteria in determining the research sample, the number of company samples was obtained as many as 30 samples from 10 manufacturing companies in the consumer goods industry sector listed on the Indonesian Stock Exchange (IDX) for the 2021-2023 period.

3.2 Hypothesis

The hypothesis proposed for this study is further proven through the statistics of the t-test (Student t-test) with $\alpha = 0.05$ (here a 2-party test is used so that $\alpha/2$ or 0.025) with the degree of freedom: $n - k = 30 - 2 = 28$).

3.3 Analysis Model Techniques

Carried out using logistic regression tests (Logistics Regression). Some of the tests are, Descriptive Statistics, Classical Assumption Test (multicollinearity test), logistic regression analysis, Regression Model Feasibility Test (Goodness of fit), testing the entire model (Overall Model Fit), Classification Matrix and Hypothesis Test (Determination Coefficient Test (Nagelkerke R Square), T Test (pasial test), and F Test (simultaneous test) with the help of statistical test tools, namely Statistical Product Service Solutions (SPSS) Version 26.0.

3.4 Descriptive Statistics

According to (Widyadhari 2022) Descriptive statistics are used to provide an overview of the data in the study through mean values (Mean), standard deviation, variance, maximum, minimum, total amount, Sum, range cortosis and Skewness.

3.5 Classical Assumption Test

Logistic regression analysis does not require normality tests, heteroskedasticity tests and autocorrelation tests on independent variables, but multicollinearity tests are still carried out (Ghozali 2016). The decision-making criteria related to the multicollinearity test are as follows (Ratnasari 2024) If the tolerance value is < 1 and the VIF value is $<$

10, then it can be concluded that there is no multicollinearity between independent variables in a regression model.

3.6 Logistic Regression Analysis

Logistic regression analysis is used to understand the relationship between independent and dependent variables in research. This method is chosen when the dependent variable is measured on a nominal scale of two categories that are dichotomous. In this study, logistic regression is applied because the dependent variable, namely the timeliness of financial reporting, is a dummy variable. The logistic regression analysis in this study includes three model tests: Goodness of Fit Test, Overall Model Test, and Classification Matrix.

1) Regression Model Feasibility Test (Goodness of fit)

Decision-making basis according to (Farista, 2019) is by paying attention to the value of Goodness of Fit Test at the bottom of the test Hosmer and Lemeshow. If the probability > 0.05 then H_0 is accepted. This means that the model can predict the value of its observations well or the model is considered to match the observation data.

2) Overall Model Fit

This test was carried out by comparing the value of -2 Log Likelihood at the beginning (block number = 0) with the value of -2 Log Likelihood at the end (block number = 1). A decrease in value between the initial -2 Log Likelihood (initial - 2LL function) and the -2 Log Likelihood value in the next step indicates that the hypothesized variable is in accordance with the data.

3) Classification Matrix

The 2x2 classification table calculates correct and incorrect estimates, the column shows the two predicted values of the dependent variable, while the row shows the actual observation value of the dependent variable. In a perfect model, all cases will be diagonal with a 100% accuracy rate.

3.7 Hypothesis Testing

The hypothesis testing in this study is related to determining whether or not there is an influence of independent variables on dependent variables.

3.8 Determination Coefficient Test (R^2)

If the value of R^2 is small, it indicates that the capacity of the independent variable in explaining the dependent variable is very limited and vice versa.

3.9 Partial Test (T-Test)

If the p-value (sig) < 0.05 (5%), then it can be concluded that the independent variable individually (partially) has a significant influence on the dependent variable (Ratnasari 2024).

3.10 Simultaneous Test (Test F)

According to (Ratnasari 2024) If the p-value (SIG) < 0.05 (5%), then it can be concluded that the independent variable simultaneously has a significant effect on the dependent variable and vice versa.

4. Results and Discussion

4.1 Descriptive Statistics

Table 1. Results of Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	30	-0,208	0,944	0,11534	0,20177
Liquidity	30	0,219	9,954	2,39795	2,19144
Timeliness	30	0	1	0,6	0,498
Valid N (listwise)	30				

Source: SPSS 26 Data Processing Results, 2024.

In the table, it can be seen that the amount of data used in this study is 30 data samples taken from the annual report of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2021-2023 period. Using certain criteria, the sample was taken from 10 manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange with a total period of 3 years, so that the total data is 30.

4.2 Multicollinearity Test

Table 2. Multicollinearity Test Results

Coefficients ^a								
Type	Unstandardized Coefficients			Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	
1	(Constant)	0,346	0,137		2,529	0,018		
	Profitability	0,601	0,432	0,243	1,392	0,175	1,000	1,000
	Liquidity	0,077	0,040	0,338	1,937	0,063	1,000	1,000

a. Dependent Variable: Timeliness

Source: SPSS 26 Data Processing Results, 2024

Based on the table above, it is known that the Inflation Factor (VIF) Variant value and the tolerance value of profitability and liquidity are 1,000. The VIF value is less than 10 (VIF < 10), it can be concluded that the two variables do not have multicollinearity.

4.3 Logistic Regression Analysis Test

Table 3. Logistics Regression Test Results

Variables in the Equation							
		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1a	Profitability	2,917	2,402	1,475	1	0,225	18,479
	Liquidity	0,524	0,32	2,68	1	0,102	1,689
	Constant	-0,981	0,74	1,757	1	0,185	0,375

a. Variable(s) entered on step 1: Profitability, Liquidity.

Source: SPSS 26 Data Processing Results, 2024

Based on the logistics regression model table above, the profitability coefficient value of 2.917 explains that profitability has a positive influence on the timeliness of financial reporting because it has a positive coefficient value and the liquidity coefficient value of 0.524 explains that liquidity has a positive influence on the timeliness of financial reporting because it has a positive coefficient.

4.4 Regression Model Feasibility Test (Goodness of Fit)

Table 4. Hosmer And Lemeshow Test Results

Hosmer and Lemeshow Test			
Step	Chi-square	Df	Sig.
1	6,301	8	0,614

Source: SPSS 26 Data Processing Results, 2024

Based on your Hosmer Lemeshow Test table above, the significant probability value of the Hosmer and Lemeshow Test output is 0.614 where greater than 0.05 then, the null hypothesis (H0) is accepted. It can be concluded that the regression model used in this study is worthy of further analysis, as there is no significant difference between the predicted classification and the observed classification. In addition, this model also matches existing data.

4.5 Overall Model Fit

Table 5. Test Results Block 0: Beginning

Block 2 Log Likelihood (-2 LL) Initial Iteration History ^{a,b,c}			
Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	40,381	0,4
	2	40,381	0,405
	3	40,381	0,405

a. Constant is included in the model.

b. Initial -2 Log Likelihood: 40,381

c. Estimation terminated at iteration number 3 because parameter estimates changed by less than ,001.

Source: SPSS 26 Data Processing Results, 2024

Table 6. Test Results Block 1: Method = Enter -2 Log Likelihood (-2 LL) Final

Iteration History ^{a,b,c,d}					
Iteration		-2 Log likelihood	Coefficients Constant	Profitability	Liquidity
Step 1	1	34,607	-0,615	2,402	0,308
	2	33,991	-0,891	2,86	0,466
	3	33,954	-0,975	2,912	0,52
	4	33,953	-0,981	2,917	0,524
	5	33,953	-0,981	2,917	0,524

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log Likelihood: 40,381

d. Estimation terminated at iteration number 5 because parameter estimates changed by less than ,001.

Source: SPSS 26 Data Processing Results, 2024.

Based on the table above, the feasibility test is shown by paying attention to the number at the beginning of -2 Log Likelihood (LL) Block Number = 0, which is 40.381. Then in table 4.14, -2 Log Likelihood (LL) Block Number = 1, obtaining a value of 33.953. This shows a decrease in the -2 Log Likelihood (LL) value of Block Number 0 and Block

Number 1 by $40,381 - 33,953 = 6,428$. The -2 Log Likelihood value decreased so that it can be concluded that the research model is a good model because it is fit with the data.

4.6 Classification Matrix

Table 7. Classification Matrix Test Results

Classification Table ^a					
Observed			Predicted		Percentage Correct
			Timeliness		
			Not on time	On time	
Step 1	Timeliness	Not on time	7	5	58,3
		On time	2	16	88,9
Overall Percentage					76,7

a. The cut value is ,500

Source: SPSS 26 Data Processing Results, 2024

Based on the table of 30 research samples, there are 18 samples that submitted financial statements on time. Thus, the ability of the regression model to predict punctuality in finance is 88.9%. And there were 12 samples that did not submit financial statements on time, so that the ability of the regression model to predict the submission of financial statements on time was 58.3%. The overall percentage of the classification accuracy results was 76.7%.

4.7 Coefficient of Determination Test (Nagelkerke R Square)

Table 8. Determination Coefficient Test Results

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	33,953A	0,193	0,261

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than ,001.

Source: SPSS 26 Data Processing Results, 2024

Based on the table above, the statistical value of Nagelkerke R Square is 0.261. This value is interpreted as the ability of the Profitability and Liquidity variables to influence the timeliness of financial reporting by 26.1% while the remaining 73.9 can be explained by other variables outside the research regression model. The R Square value of 26.1% indicates that the relationship between the variables used is weak or means that the independent variable is not strong enough to explain the relationship with the dependent variable.

4.8 T Test (Partial Test)

Table 9. Partial T Test Results

Coefficients ^a								
Type		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
		B	Std Error				Tolerance	VIF
1	(Constant)	0,346	0,137		2,529	0,018		
	Profitability	0,601	0,432	0,243	1,392	0,175	1	1
	Liquidity	0,077	0,04	0,338	1,937	0,063	1	1

a. Dependent Variable: Timeliness

Source: SPSS 26 Data Processing Results, 2024

Based on the results of the T test above, the significance value of the profitability variable has a significant value of 0.175 greater than 0.05 and a T-calculated value of 1.392 is smaller than the T-table of 2.052. Therefore, H1 was rejected stating that profitability had no significant effect on the timeliness of financial reporting. And the liquidity variable has a significant value of 0.063 greater than 0.05 has a T-calculated value of 1.937 smaller than the T-table 2.052. Therefore, H2 was rejected stating that liquidity had no significant effect on the timeliness of financial reporting.

4.9 Test F (Simultaneous Test)

Table 10. Simultaneous F Test Results

ANOVA^a

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1,268	2	0,634	2,885	,073b
	Residual	5,932	27	0,22		
	Total	7,2	29			

a. Dependent Variable: Timeliness

b. Predictors: (Constant), Liquidity, Profitability

Source: SPSS 26 Data Processing Results, 2024

Based on the table above, it can be seen that the F-count value is 2.885 which is smaller than the F-table 3.340, while the resulting significant value is 0.073 which is greater than 0.05. Thus, it can be concluded that H0 is accepted or H3 is rejected, meaning that Profitability and Liquidity simultaneously have no effect on the timeliness of financial reporting.

4.10 Discussion

1) The Effect of Profitability on the Timeliness of Financial Reporting

Based on the results of the study, it shows that the significant value in the profitability variable is 0.175, which means that the significance value is > 0.05 and has a T-count value of $1.392 < \text{from the T-table of } 2.052$. Therefore, it can be interpreted that profitability does not have a significant effect on the timeliness of financial reporting in manufacture companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2021-2023 period.

2) The Effect of Liquidity on the Timeliness of Financial Reporting

Based on the results of the study, it was shown that the significant value in the liquidity variable was 0.063, which means that the significant value was > 0.05 , and had a T-count value of $1.937 < \text{from the T-table of } 2.052$. Therefore, it can be interpreted that liquidity does not have a significant effect on the timeliness of financial reporting in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2021-2023 period.

3) The Effect of Profitability and Liquidity on the Timeliness of Financial Reporting

Based on the results of this study, the variables of profitability and liquidity simultaneously (together) have no effect on the timeliness of financial reporting. This is evidenced by the simultaneous regression test (F test) test with a significant value of 0.073 which is greater than 0.05 and has an F-count value of $2.885 < \text{from the F-}$

table 3.340. Thus, it can be concluded that H3 is rejected. So, from the analysis, it is said that profitability and liquidity simultaneously have no effect on the timeliness of financial reporting.

5. Conclusion

Based on the results of data analysis and discussions that have been carried out regarding profitability and liquidity to the timeliness of financial reporting. Here are some conclusions that the author can draw from the results of this study:

- 1) Profitability has no significant effect on the timeliness of financial reporting.
- 2) Liquidity has no significant effect on the timeliness of financial reporting.
- 3) Profitability and Liquidity do not simultaneously affect the timeliness of financial reporting.

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