

THE EFFECT OF PROFITABILITY, AUDIT OPINION, LEVERAGE, AND OPERATIONAL COMPLEXITY ON THE TIMELINESS OF FINANCIAL REPORTING

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Abstract

The purpose of this study is to examine how Profitability, Audit Opinion, Leverage, and Operational Complexity affect the Timeliness of Financial Report Submission in companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. This study uses a quantitative approach. This study is based on the phenomenon of delays in annual financial reporting, where issuers' compliance with Otoritas Jasa Keuangan (OJK) regulations is crucial for capital market transparency. This study examined 166 companies. A sample of 59 companies was collected using a purposive sampling method, resulting in 236 panel data observed over four years. Logistic regression analysis was performed using SPSS version 25. The results showed that the Audit Opinion variable has a significant effect on the timeliness of financial reporting. Profitability, Leverage, and Operational Complexity were found to have no significant effect on the Timeliness of Financial Report Submission.

Keywords: Profitability, Audit Opinion, Leverage, Operational Complexity, Timeliness of Financial Reporting.

A. INTRODUCTION

Financial reports a crucial role in the accounting process as well as corporate governance by providing comprehensive data regarding financial position, performance, and cash flow during the relevant period. According to Manik et al. (2023), the primary objective is to give relevant information to those who require it, including managers, creditors, investors, and the government, so that reasonable economic arguments can be developed. According to the definition of timeliness of financial reporting, a company's capacity to accurately and effectively report financial data within regulatory timeframes (Attah et al., 2024). According to Law No. 8 of 1995 on the Capital Market, Indonesian public businesses must meet certain conditions (Satyaningrum & Kusumastuti, 2024). This was then further clarified by Regulation

Otoritas Jasa Keuangan (OJK) Number 14/POJK.04/2022, which outlines the specifics of the financial periodic reports for issuers and public companies.

Despite the enforcement of sanctions, non-compliance with financial reporting deadlines persists. The policies implemented by Otoritas Jasa Keuangan (OJK) have proven insufficiently effective in ensuring that financial statements are submitted on time. In reality, Bursa Efek Indonesia (BEI) continues to report a significant number of companies facing sanctions due to their failure to meet the required deadlines for periodic financial reporting.

The phenomenon of issuers' non-compliance in submitting financial statements on the Indonesia Stock Exchange (IDX) shows a significant trend from year to year, where the consumer cyclicals sector is consistently one of the largest contributors to delays. Data recorded that in 2021 there were 91 issuers (including 21 consumer cyclicals companies) that were fined for exceeding the interim reporting deadline. Although in 2022 the number of violators had dropped to 61 issuers, the number of non-compliance jumped sharply in the following years; A total of 129 issuers were recorded as late in submitting their reports for the 2023 financial year, and 128 other issuers failed to meet the annual reporting deadline ending on December 31, 2024. As a result of these repeated violations, the IDX has consistently imposed written warnings of Written Warnings I as administrative sanctions and Written Warnings II up to fines of IDR 50,000,000 rupiah to related companies, such as PT Mahaka Media Tbk, PT Sepatu Bata Tbk, and PT Marga Abhinaya Abadi Tbk.

This study examines how profitability, audit opinion, debt, and operational complexity affect issuers in the consumer cyclicals sector's timely financial reporting from 2021 to 2024 on the Indonesia Stock Exchange. Through the Agency Theory approach, this study examines efforts to reduce information asymmetry and agency costs, while Compliance Theory is used as a framework in photographing the use of sound corporate governance. The research's contribution includes strengthening the literature on reporting determinants, providing strategic evaluation materials for companies in improving regulatory compliance, and presenting empirical references for the development of research related to capital market efficiency in the future.

Literature Review

1. Agency Theory

The theory of agency is a framework for examining the contractual arrangement that governs how a business is conducted between the management (agent) and the owner or investor (principal). (Jensen and Meckling 1976) as cited by (Bolaji et al. 2025), this relationship forms when one or more owners delegate tasks to an agent to provide specific services. This process involves giving agents the authority to make strategic decisions on behalf of the investors.

2. Compliance Theory

The theory of compliance suggests that people are more likely to follow rules and standards when they are part of a social environment. This idea can help companies feel more responsible and encourage them to share financial reports on time as required (Vania & Prima, 2022).

3. Timeline Financial Reporting

The The deadline for submitting audited reports to OJK, beginning with the conclusion of the company's annual report preparation procedure, is referred to as the timely publication of financial statements (Wilestasi *et al*, 2024). Because it might indicate whether the data is current or out-of-date, the quality of financial accounts is significantly impacted by this level of accuracy. Recent information indicates good financial reporting quality. The timeliness of financial reporting is assessed in this study using a dummy variable (BOLAJI, D *et al*, 2025) with the formula:

Timely if disclosed within regulatory timeframe: 1
Untimely /Delayed : 0

4. Profitability

The capacity of a company to generate revenue or make money in a specific amount of time is measured by its profitability. (Videsia et al., 2022). The Profitability Ratio is an indicator of overall management effectiveness which can be seen from how much or small profit is obtained in relation to sales or investments. The more profitable a business is, the more accurately it represents its capacity to generate large profits. In this study, ROA was

chosen as a measure of the Profitability variable based on the formula proposed by (Iskandar & Wafa, 2024).

$$ROA = \frac{Net\ Income}{Total\ Assets} \times 100\%$$

5. Audit Opinion

Opini Audit is a statement made by an external auditor as the outcome of an assessment of the company's financial situation following the audit process (Famiyanti, 2025). Opini Auditor might affect investor confidence in keputusan development and ketepatan waktu in keuangan pelaporan for a certain company. According to Rissy et al. (2023), a company that has a clear opinion without a qualified opinion will undoubtedly be successful in evaluating its financial situation because the auditor's opinion is excellent news for investors or stock users. Wulan et al. (2024) used a dummy with the following specifications:

$$\begin{aligned} \text{Companies that get unqualified opinions} &= 1 \\ \text{Companies that get opinions other than unqualified opinions} &= 0 \end{aligned}$$

6. Leverage

When evaluating a firm's operations, leverage is a financial ratio that may be used to demonstrate how profitable the company is in relation to its assets (Vania & Prima, 2022). High leverage will result in a larger risk of kerugian, but there is also a chance that there will be a larger laba. Conversely, if a company has a lower leverage ratio, it also has a lower risk of a kerugian, especially when the economy is struggling. The rumus leverage used in the kan project with DER is as follows (Vania & Prima, 2022):

$$DER = \frac{Total\ Liabilities}{Equity} \times 100\%$$

7. Kompleksitas Operasi

The total number of subsidiaries a corporation owns determines how complex its operations are (Ningsih & Shanti, 2025). The complexity of Operations is indicated by the

amount of subsidiary ownership, as companies with subsidiaries usually encounter a more complex process of consolidating financial statements (Vania & Prima, 2022). So, to measure this variable, a nominal scale (dummy variable) is used with the following conditions:

Has business units/subsidiaries	= 1
Does not have subsidiaries	= 0

Conceptual Framework

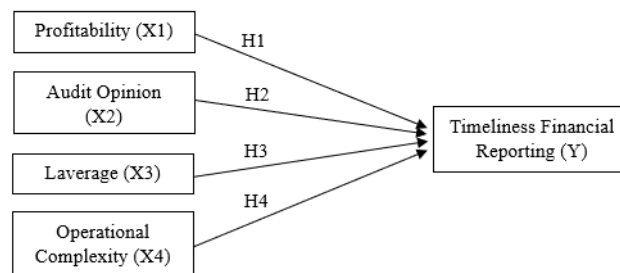


Figure 1. Conceptual Framework

- H1 : Profitability influences the timeliness financial reporting.
- H2 : Audit Opinion influences the timeliness of financial reporting.
- H3 : Leverage influences the timeliness of financial reporting.
- H4 : Operational Complexity influences the timeliness of financial reporting.

B. METHOD

This study examined businesses in the cyclical consumer sector using both individual companies and the official website of the Indonesia Stock Exchange (IDX), www.idx.co.id. 166 businesses that were listed between 2021 and 2024 on the Indonesia Stock Exchange (IDX) served as the study's subjects.

The research sample consisted of 59 companies during 2021–2024 multiplied by 4 years, resulting in 236 samples with panel data. The sample selection criteria were:

1. Businesses in the consumer cyclicals industry that were listed between 2021 and 2024 on the Indonesia Stock Exchange.

- Businesses that, during the 2021–2024 study period, released comprehensive audited yearly financial reports that were available on the IDX website or the business's official website.
- Businesses with comprehensive information on the variables used in the study.

C. RESULTS AND DISCUSSIONS

Descriptive Statistical Test

Table 1. Descriptive Statistical Test Results

	<i>N</i>	<i>Descriptive Statistics</i>				
		<i>Minimum</i>	<i>Maximum</i>	<i>Sum</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>Profitabilitas</i>	236	-.62	4.62	10.31	.0437	.31602
<i>Audit Opinion</i>	236	.00	1.00	230.00	.9746	.15774
<i>Leverage</i>	236	-1.25	8.43	154.85	.6561	.82952
<i>Kompleksitas Operasi</i>	236	.00	1.00	206.00	.8729	.33381
<i>Ketepatan Waktu Pelaporan Keuangan</i>	236	.00	1.00	221.00	.9364	.24448
<i>Valid N (listwise)</i>	236					

Source: SPSS 25, Data processing (2025)

- Profitability (N = 236): Minimum value of -0.62 and maximum of 4.62, with a mean value of 0.0437 and a standard deviation of 0.31602.
- Audit Opinion (N = 236): Minimum value of 0.00 and maximum of 1.00, with a mean value of 0.9746 and a standard deviation of 0.15774.
- Leverage (N = 236): Mean value of 0.6561 and a standard deviation of 0.82952.
- Operational Complexity (N = 236): Mean value of 0.6561 and a standard deviation of 0.82952.

Analisis Regresi Logistik

1. Overall Model Fit

Table 2. Overall Capital Test Results Step 0

<i>Iteration History^{a,b,c}</i>		
<i>Iteration</i>	<i>-2 Log likelihood</i>	<i>Coefficients Constant</i>
<i>Step 0</i>		
1	128.295	1.746
2	112.827	2.418
3	111.711	2.661
4	111.699	2.690
5	111.699	2.690

Source: SPSS 25, Data processing (2025)

Table 3. Results of the Overall Capital Test Step 1

<i>Iteration History^{a,b,c,d}</i>						
<i>Iteration</i>	<i>-2 Log likelihood</i>	<i>Coefficients</i>				
		<i>Constant</i>	<i>Profitabilitas</i>	<i>Audit Opinion</i>	<i>Leverage</i>	<i>Kompleksitas Operasi</i>
Step 1	120.521	-.041	.076	1.880	-.165	.068
2	101.202	-.078	.228	2.705	-.311	.141
3	99.010	-.084	.573	3.045	-.382	.200
4	98.855	-.044	1.154	3.038	-.393	.234
5	98.848	-.029	1.353	3.016	-.393	.245
6	98.848	-.029	1.354	3.016	-.393	.245

Source: SPSS 25, Data processing (2025)

The -2 Log-likelihood value at the beginning of the test (Step 0) in table 2 was 111.699, which then decreased to 98.848 at the final stage (Step 1) in table 3. Since the decrease in the -2 Log-likelihood value reflects an improvement in model quality, it may be said that this study's regression model has met the requirements for a good model.

2. Koefisien Determinasi (*Nagelkerke's R Square*)

Table 4. Determination Coefficient Test Results

<i>Model Summary</i>			
<i>Step</i>	<i>-2 Log likelihood</i>	<i>Cox & Snell R Square</i>	<i>Nagelkerke R Square</i>
1	98.848 ^a	.053	.141

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Source: SPSS 25, Data processing (2025)

The test results indicated that the dependent variable contributed an influence of 14.1% as evidenced by the Nagelkerke R Square coefficient.

3. Regression Model Feasibility Test (Goodness of Fit Test)

Table 5. Regression Model Feasibility Test Results

<i>Hosmer and Lemeshow Test</i>			
<i>Step</i>	<i>Chi-square</i>	<i>df</i>	<i>Sig.</i>
1	13.725	8	.089

Source: SPSS 25, Data processing (2025)

Two criteria are used to assess the model's viability. H₀ is rejected if the P-Value, or significance value, is less than 0.05, which shows that the model and the observed values disagree significantly. On the other hand, H₀ is approved if the P-Value, or significance

value, exceeds 0.05, suggesting that the model can correctly predict the observed values. The rectangle value of 13.725 with a df of 8 and a significance value of 0.089 is accepted, according to the step 1 test findings. Because H0 is accepted, the significance value of 0.089 is higher than 0.05. This suggests that the regression model is feasible (appropriate) because there is no significant difference between the actual observation frequency and the model prediction.

4. Mantriks Klasifikasi

Table 6. Regression Model Feasibility Test Results

Classification Table^a

		Predicted			Percentage Correct
		Tidak Tepat Waktu Pelaporan	Tepat Waktu Pelaporan	Tepat Waktu Pelaporan	
Step 1	Observed Ketepatan Waktu Pelaporan	3	20	13.0	
	Tidak Tepat Waktu Pelaporan	0	262	100.0	
Overall Percentage				93.0	

a. The cut value is .500

Source: SPSS 25, Data processing (2025)

Considering the outcomes of the tests in table 6 this model has a classification accuracy of 93%. This is evidenced by the Percentage Correct value, which reached 93%. This means that, out of the total observations, the model successfully predicted the timeliness financial reporting categories accurately in the majority of the sample.

Uji Hipotesis

Table 7. Logistic Regression Test Results

Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a Profitabilitas	1.354	2.397	.319	1	.572	3.871
Audit Opinion	3.016	.960	9.875	1	.002	20.405
Leverage	-.393	.231	2.901	1	.089	.675
Kompleksitas Operasi	.245	.804	.093	1	.760	1.278
Constant	-.029	1.084	.001	1	.979	.971

a. Variable(s) entered on step 1: Profitabilitas, Audit Opinion, Leverage, Kompleksitas Operasi.

Source: SPSS 25, Data processing (2025)

The following is an explanation of regression testing:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

$$\text{Timeline Financial Reporting} = -0.029 + 1.354X_1 + 3.016X_2 + (-393)X_3 + 0.245X_4$$

Regression formula as described above:

- a. The timeliness of financial reporting is not much impacted by profitability because the significance value of 0.572 is bigger than 0.05. However, the Exp(B) value of 3.871 indicates a potential increase in opportunities mathematically, but not statistically significant in this sample.
- b. Audit Opinion is the only variable that significantly impacts the promptness of financial reporting, with an Exp(B) value of 20.405 indicating
- c. Since the significance level of 0.089 is greater than 0.05, leverage does not significantly affect the timeliness financial reporting. The negative coefficient indicates a decreasing trend in timeliness as debt increases, but this relationship is not statistically strong enough.
- d. The operational complexity variable has no discernible impact on the timeliness of financial reporting, with a significance value of 0.760 higher than 0.05. This shows how complicated the company's operations are.

D. CONCLUSIONS

This study demonstrates a range of dynamics pertaining to the elements that impact financial reporting timeliness. It was found that the timeliness of financial reporting was not affected by profitability because cash flow is prioritized by management for primary operations rather than for speeding up the audit process. On the other hand, timeliness is greatly influenced by the audit opinion, as a positive opinion serves as an incentive for companies to promptly provide information to investors. At the same time, the accuracy of reporting times is not mainly determined by the level of leverage, although disciplined fund allocation is still encouraged for companies with high debt to avoid administrative penalties. Finally, punctuality isn't affected by the complexity of operations because companies that are complicated usually have advanced accounting systems and are closely monitored by regulators to stay disciplined even though their internal processes are quite involved. Only consumer cyclical businesses

that were listed between 2021 and 2024 on the Indonesia Stock Exchange (BEI) were included in this analysis. Measuring factors like profitability, audit opinion, leverage, and operational complexity in connection to the timeliness of financial reporting is the primary goal of the study. Specific objective of this study is to demonstrate empirically how these four independent variables affect how timely a company is with its reporting.

E. SUGGESTIONS

To have a more thorough understanding in future research, it is advised to include additional independent factors in future research, such as KAP size or corporate governance. In addition, the exploration of more varied variable measurement methods, for example for Operational Complexity, as well as the use of different methodological approaches such as quantitative and qualitative combinations, can enrich the analysis.

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