CORPORATE GOVERNANCE STRUCTURE
AND TIMELINESS OF FINANCIAL REPORT

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Abstract
The main objectives of this research are to describe the obedience towards the regulation of timeliness financial report submission and to analyze the influence of financial performance and corporate governance structure to timelines of financial report submission. The research questions are tested by running Analysis of Variance (Anova) and two logistic regressions. Timelines (measured by dummy variable, 1 if the company comply financial report submission i.e. before and at 31 of March, while 0 for delayed submission) is the dependent variable both in Anova and in logistic regression. The independent variables in logistic regression consist of EAT, ROA, ROE, Leverage, concentration ownership by domestic institution, number of the Board of Directors, number of the Board of Commissioners and Industry Classification. The first main result of this study is that there is an increasing of timelines obedience. This suggests that the obedience of listed companies towards the regulation of timelines is increasing form time to time. The second main result of this study is that there is an influence of profitability (ROA), leverage and corporate governance structure (ownership concentration by Domestic Institution/HI_DOM) to the probability of timelines financial report submission. The positive and negative sign of ROA and leverage respectively, suggest that higher ROA and lower leverage tend to obey the regulation of timelines. The negative sign of HI_DOM suggest that the lower ownership concentration by Domestic Institution tend to obey the regulation of timelines.

Keywords: corporate governance, ownership concentration, timelines, financial performance

JEL Classification: O16, G3, G34
1. Introduction

There is a considerable debate about what actually constitute corporate governance, but its key elements concern the enhancement of corporate performance via the supervision, or monitoring of management performance and ensuring the accountability of management to shareholders and other stakeholders (Keasey and Wright, 1997). Good corporate governance is, thus, as much concerned with correctly motivating managerial behavior towards improving the business, as directly controlling the behavior of managers.

The need of supervision and accountability of directors arises because of the so-called divorce between ownership and control in large enterprises with diffuse ownership (Berle and Means, 1934; Hart, 1995). Supervision may take various forms ranging from systems where shareholders are outsiders with little direct incentive to monitor management, to systems where shareholders are insiders with very close involvement in the management enterprise. Prowsen (1998), instead, states that corporate governance is a tool to ensure that the boards of directors and managers (insiders) give their best performance in the interests of external investors (creditors and shareholders).

Organization for Economic Cooperation and Development (OECD) published OECD principles of Corporate Governance in 1999 and updated in 2004. The Principles are intended to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance. The Principles focus on publicly traded companies, both financial and non-financial. However, to the extent they are deemed applicable, they might also be a useful tool to improve corporate governance in non-traded companies, for example, privately held and state owned enterprises. The Principles represent a common basis that OECD member countries consider essential for the development of good governance practices. They are intended to be concise, understandable and accessible to the international community. They are not intended to substitute for government, semi-government or private sector initiatives to develop more detailed “best practice” in corporate governance.

The Principles presented in the first part of the document (OECD, 2004) cover the following areas: a) Ensuring the basis for an effective corporate governance framework, Corporate Governance Framework The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. b) The rights of shareholders and key ownership functions, the corporate governance framework should protect and facilitate the exercise of shareholders’ rights. c) The equitable treatment of shareholders, the corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights. d) The role of stakeholders, the corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises. e) Disclosure and transparency, The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company, f) The responsibilities of the board, The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board’s accountability to the company and the shareholders.

Indonesia has The National Committee on Governance (NCG) that was established on 30 November 2004 by virtue of the Coordinating Minister for Economic Affairs (Keputusan
Menteri Koordinator Bidang Perekonomian No: KEP-49/M.EKON/11/TAHUN 2004) to replace the former Komite Nasional Kebijakan Good Corporate Governance (National Committee on Good Corporate Governance) which was set up in 1999. Lately, the Coordinating Minister for Economic Affairs has reconfirmed the Decree No. KEP-14/ M.EKON/03/TAHUN 2008. NCG’s goal is to propagate the acceptance and application of Good Corporate Governance (GCG) principles nationwide and establish Indonesia’s reputation as a country where high standards of corporate governance are firmly embedded throughout the economy in public and corporate administrations.

NCG published GCG Codes in 2001 and then revised it in 2006, based on the revision of Principles Corporate Governance in 2004 by OECD. One (among another 6) of the GCG Code purpose is achieving sustainable growth of the company through a management system based on the principles of transparency, accountability, responsibility, independence and fairness. Transparency is one of the key principles of GCG, applied in many countries including Indonesia. This principle states that corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance and governance of the company (OECD, 2004). Therefore, this principle does not only prioritize content and information, it further relates to the timeliness of information submission. One of the essential types of information submission is the audited annual financial report. The report contains financial and non-financial information. Based on NCG (2006)’s Codes of GCG, one of the code provisions in transparency is that a company must provide timely, appropriate, clear, accurate and comparable information accessible to stakeholders that commensurate with their rights.

Timeliness of financial report submission is a very important aspect of an investment decision making process. A delay in financial report submission will diminish relevance of the information content. Many researchers have studied the timeliness of financial report submission, but most focused on the analysis of financial performance, based only on book values or market values. Thus, this research studies the relationship between timeliness of financial report submission, company financial performance and corporate governance structure, since the timelines in financial report submission is one of the corporate governance principles. This research studies the relationship between timeliness of financial report submission (one of the code provisions in transparency), company financial performance and corporate governance structure in Indonesian listed companies. Specifically, the objectives of this research are as follows: a) to describe the obedience towards the regulation of timeliness, and b) to analyze the influence of financial performance and corporate governance structure to timelines.

2. Literature Review
2.1. Corporate Governance

The potential conflict of interest between owners and managers has been extensively discussed in literature, particularly since the seminal work of Berle and Means (1934) and as the management-controlled form with diffused ownership has progressively become the dominant organizational form in North America and the UK (Ezzamel and Watson, 1997). In widely held firm, owner provide the risk capital, while managers are responsible for making strategic and operational decisions which internally allocate and deploy these resources. This does not pose a serious problem if shareholders are able to monitor managers easily and cheaply and make them accountable for their actions. The problem of accountability generally arises because the executives will normally have a distinct information advantage over diffused owners.

According to Judge (2010), there is a wide variety of governance mechanisms used throughout the world. Previous literature has suggested that economies vary in terms of their emphasis on formal rules versus informal. In Anglo-American economies, for example, the primary governance mechanism is the equity market. In Western European and some Asian
economies, however, the primary governance mechanism is relatively concentrated ownership patterns via pyramidal ownership structures but Scandinavian economies appear to rely on social norms and expectations to a great extent. In transition economies, like China, the primary governance mechanism is the state and informal networks. In India, business groups provide accountability, especially in the larger firms. While Abor, Graham, andYawson (2011), suggest corporate governance is an integrated set of internal and external mechanisms that harmonize conflicts of interest resulting from the separation of ownership and control. They argue that the relevance of governance must be reflected in the strategic restructuring choices corporations make post-takeover. Corporate governance is one of a multifaceted monitoring mechanism which, taken together, may explain the restructuring choices of the newly combined firm. The literature suggests that firms with fewer board members relative to its size, greater managerial ownership, higher outside representation on the board and lower levels of anti-takeover provisions are seen as displaying effective governance.

Chen, Chung, Hsu, and Wu (2010), using longitudinal data from 1990 to 2005 predict that the corporate governance-firm value relationship is strongest for those firms with a high external financing need and relatively weak otherwise. Indeed, they do find external financing need to be positively related to the quality of corporate governance mechanisms in the firm, and that the greater the external need, the stronger the relationship. However, they report that firm value is positively related to subsequent internal corporate governance quality, not vice versa. As such, this longitudinal dataset confirms some expectations and creates some new questions to be explored.

Boytson, Andriy, Deloof, and Matthyssens (2011) investigate whether various informal constraints – as manifested in social norms and social cohesion – are related to firm-level corporate governance. They analyzed the data from a single country (Ukraine) in order to examine the relationship between cross-province variation in social norms and social cohesion and variation in corporate governance. They found that corporate governance is likely to be more open in communities with stronger social norms and higher cohesion. The evidence also suggests that social cohesion may be a mechanism that mediates the hypothesized effect of social norms on governance. These findings suggest that informal rules have a substantial direct impact on corporate governance, meaning that a corporate governance reform focused solely on legal rules is likely to be limited at best. If informal rules matter, then the policy should take them into account and consist of adapting the corporate governance system to them. Moreover, if informal rules differ internationally, so will the corporate governance systems. In their study, open corporate governance refers to transparency, external monitoring, and more developed bonding between management and shareholders (and is generally consistent with dispersed ownership). While closed corporate governance refers to opaqueness, internal monitoring, and little bonding (and is consistent with concentrated ownership). Open corporate governance would be generally termed “good” in the Anglo-Saxon literature, corporate governance codes, and best-practice recommendations, while closed corporate governance would be labeled “poor.” The implicit assumption in this literature is that more transparent corporate governance is good for firm performance. This study supports the statement that concentrated ownership in Domestic Institution is closed corporate governance and labeled poor governance.

2.2. Timeliness of Financial Reports Submission

According to Karim and Ahmed (2005), timeliness has long been recognized as one of the qualitative attributes of general purpose financial reports. The body of literature on financial reporting timeliness can be categorized into two broad categories: studies attempting to identify the determinants of audit delay and studies on the association between information content and timeliness. The first category of studies generally assumes that cross section variation in audit delay is not a random phenomenon. It is functionally related to certain client and auditor
attributes. The corporate attributes examined in the first category of studies include size, profitability, leverage, audit risk, audit complexity, fiscal year end, listing status, industry sector, quality of internal control, dividend, presence of extraordinary items, presence of contingencies, ownership, financial condition, correction of earnings, company age etc. The auditor attributes examined include auditor size, type of audit opinion, auditor’s international link, audit technology, auditor change, incremental audit effort, etc.

The second category of studies tend to argue that if accounting reports have information content they must cause the market to react to that information. Karim and Ahmed (2005) also argue that reactions surrounding announcement period should be different from that in non-announcement period (Beaver, 1968). These studies mainly examine whether timeliness is associated with information content, i.e., whether bad news is systematically delayed (Kross, 1981 and Givoly and Palmon, 1982) and whether market reacts differently to early and late release of information (Kross, 1982 Zeghal, 1984 Kross and Schroeder, 1984, and Chambers and Penman, 1984). Empirical research on timeliness of financial reporting provides evidence that the degree of timeliness of information release has information content (Beaver, 1968) and affects firm value (Kross and Schroeder, 1984 Hambers and Penman, 1984 Givoly and Palmon, 1982 Schwartz and Soo, 1996). Thus, this study can be categorized as the first category since this study examines timelines and the corporate attributes such as size, profitability, leverage, industry sector, ownership and financial condition.

Timeliness has been recognized to be one of the characteristics that determine the relevance of accounting information (Ku Ismail and Chandler, 2003). They examine the timeliness of quarterly financial reports published by companies listed on the Kuala Lumpur Stock Exchange (KLSE); extend prior research by determining the association between timeliness and each of the following company attributes - size, profitability, growth and capital structure. Their study shows that profitability and growth of a company are negatively associated with the reporting lag of a company at the 1 percent and 5 percent levels of significance, respectively. This implies that there have been tendencies for companies with good news to report faster than companies with bad news. The findings are consistent with the “conventional wisdom” which suggests that bad news takes longer to reach the public than good news. The results also support the ‘stakeholder theory’, which suggests that in the absence of an opportunity to hide bad news because of mandatory disclosure, managers have the incentive to delay bad news.

Bowen et al. (1992) documented that US firms with bad news announced earnings later than expected while firms with good news announced earnings earlier than expected. They argued that managers have an incentive to minimize the adverse reaction of stakeholders to bad news, thus delaying the announcement of bad news. Studies undertaken by Courtis (1976), Givoly and Palmon (1982), Bowen et al. (1992) and Haw (2000) suggested that earnings announcements containing good news might be advanced and bad news tended to be delayed. Several reasons have been advanced in the literature as to why bad news is delayed. Givoly and Palmon (1982) argued that it is the managers’ natural desire “to defer any repercussions from shareholders”, and managers “wish to continue and complete recent negotiations and contracts in the best possible light” (p. 490).

In Indonesia, Wiwik (1996) examined factors that influence the delay of financial reports submission. The result showed that profitability influences timeliness. Naim (1999) examined companies’ disobedience towards the regulation of timeliness in public company financial report submission. He analyzed the variables of sales, return on assets (ROA), return on equity (ROE) and profit growth. The results show that only the return on assets (ROA) has significant influence on timeliness. In the analysis of market performance carried out by Priyastiwi (2002), result shows that abnormal profit significantly influences the timeliness of financial report
submission. The higher abnormal profit is, the higher the probability that companies meet the timeliness of financial report submission.

Supporting Ku Ismail and Chandler (2003), Courtis (1976), Givoly and Palmon (1982), Bowen et al. (1992) and Haw (2000) the proposition of this study is that the companies with good news of financial performance tend to report financial statement faster than companies with bad news. Two companies’ attributes as in Ku Ismail and Chandler (2003), size and profitability are analyzed to determine timelines in this study. Size of a company has been measured by various ways and two of the commonly used measures are total assets and sales. The first describes company’s financial condition while the second described company’s financial performance. Accordingly, this study measures size by the company’s total assets and sales. Profit margin used to measure profitability in Ku Ismail and Chandler (2003), while Naim (1999) measured profitability by the company’s ROE and ROA. This study combines both studies, using earning after tax (EAT), ROA and ROE to measure profitability.

3. Research Method

This section explains the population and sampling, variable measurement and research model. Variable measurement refers to share ownership, firm performance, and timeliness of financial report submission.

3.1. Samples

Samples in this study are public companies, listed in the Indonesian Stock Exchange in 1999-2007. The samples are selected using purposive sampling, base on the following criteria:

a. The financial statement data are available for the reporting year 1999 – 2007.

b. The sample firms publish audited financial statements using reporting period ended on December 31.

3.2. Research Variables and Data

a. Corporate Governance structure is measured by ownership structures, number of board of commissioners and number of board of directors. Ownership in this study is institutional ownership institutions proportion by domestic institution (PT Domestik). Proportion ownership by domestic institutions used to measure ownership concentration using herfindahl index (Demsetz and Lehn, 1985; Claessens, 1997). Herfindahl index domestic institution (HI_DOM) is the sum of square from proportion by domestic institution, compute using the following formula:

\[
\text{HI\_DOM} = \sum_{i=1}^{n} \left( \text{Proportion of DI}_i \right)^2 
\]

Where:

- HI_DOM : Herfindahl Index of domestic institution
- Proportion of DI_i : Ownership proportion by domestic institution
- n : Number of domestic institution

b. Company’s profitability is measured by Return on Assets (ROA), Return on Equity (ROE) and Earnings after Tax (EAT).

c. Timeliness is measured by dummy variable, 1 if the company comply financial report submission i.e. before and at 31 of March, while 0 for delayed submission.

d. Control variables consist of size, leverage and industry. Size is measured by Assets and Sales, leverage is measured by total debt to total assets ratio and industry is measured by dummy variable, 1 for manufacture and 0 for services.
Financial report data and company data are gained from the Indonesian Capital Market Directory (ICMD). Timeliness of the financial report submission data is gained from the Pusat Referensi Pasar Modal (Stock Exchange Reference Center) of Bursa Efek Indonesia (Indonesian Stock Exchange).

3.3. Statistical Tools

Analysis of Variance (ANOVA) is run to describe the obedience towards the regulation of timeliness from time to time. The dependent variable is timelines while the independent variable is year. The obedience of listed company should increase from time to time, since the regulation had announced years ago, such as the article No. 86 Law No. 8 of 1995 about reporting and information, Securities Acts No. KEP-80/PM/1996 about periodic (annual and semiannual) financial reporting, GCG Codes in 2001 and then revised in 2006 by NCG.

Logistic regression model is run to analyze the impact of corporate governance structure and financial performance on the timeliness of financial report submission, as follows:

\[ TL_{it} = \beta_0 + \beta_1 A_{it} + \beta_2 S_{it} + \beta_3 EAT_{it} + \beta_4 ROA_{it} + \beta_5 ROE_{it} + \beta_6 LEV_{it} + \beta_7 HI\_DOM_{it} + \beta_8 NDIR_{it} + \beta_9 NCOM_{it} + \beta_{10} MANUF_{it} + u_i \]

To analyze the impact of corporate governance structure on the relation between financial performance and timeliness of financial report submission, logistic regression model is used, as follows:

\[ TL_{it} = \beta_0 + \beta_1 A_{it} + \beta_2 S_{it} + \beta_3 EAT_{it} + \beta_4 ROA_{it} + \beta_5 ROE_{it} + \beta_6 LEV_{it} + \beta_7 HI\_DOM_{it} + \beta_8 NDIR_{it} + \beta_9 NCOM_{it} + \beta_{10} MANUF_{it} + \beta_{11} HI\_DOM\_A_{it} + \beta_{12} HI\_DOM\_S_{it} + \beta_{13} HI\_DOM\_EAT_{it} + u_i \]

Where:
- TL : Timeliness
- A : Assets
- S : Sales
- EAT : Earning After Tax
- ROA : Return on Assets
- ROE : Return on Equity
- LEV : Leverage
- HI_DOM : Herfindahl Index company ownership by institutions (domestic companies)
- NDIR : Number of the board of directors
- NCOM : Number of the board of commissioners
- MANUF : Dummy Manufacture Industry (1 for Manufacture and 0 for service)
- HI_DOM*A : Interaction Variable 1, between Herfindahl Index and Assets
- HI_DOM*S : Interaction Variable 2, between Herfindahl Index and Sales
- HI_DOM*EAT : Interaction Variable 3, between Herfindahl Index and EAT
- u : residual value

4. Results and Discussions

4.1. Descriptive Statistic

Table 1 describes the data used in the analysis. Total Assets, Sales and EAT are denominated in million rupiah, while ROA, ROE, LEV are ratio. Timelines and manufacture are dummy variables, consist of 1 and 0.


**Table 1. Descriptive Statistics**

| Variable                          | Minimum | Maximum   | Mean      |
|-----------------------------------|---------|-----------|-----------|
| A (Assets) in Million Rup         | 306     | 319,086,000 | 4,509,833.89 |
| S (Sales) in Million Rup          | -237,546 | 70,183,000  | 1,450,466.97 |
| EAT (Earning After Tax) in Million Rup | -7,002,010 | 11,048,800 | 112,203.49 |
| ROA                               | -9.87   | 4.68      | 0.01      |
| ROE                               | -40.92  | 12.08     | 0.03      |
| LEV (Leverage)                    | -0.01   | 9.05      | 0.67      |
| HI_DOM (H I DOMESTIC)             | 0.00    | 0.96      | 0.18      |
| TL (Timelines)                    | 0       | 1         | 0.52      |
| D_MANUF                           | 0       | 1         | 0.49      |
| NDIR (number of directors)        | 2       | 18        | 4.59      |
| NCOM (number of commissioners)    | 2       | 17        | 4.26      |

**4.2. Obedience toward Regulation of Timeliness**

Anova is run to test the obedience of listed companies towards the regulation of timeliness from 1999 until 2007. Since the regulation had announced years ago, then the obedience should be increasing. Table 2 is the result of Anova. F value is 208.916, significant at α 1%. This suggests that there is a difference of timelines from 1999 until 2007.

**Table 2. ANOVA**

|             | Sum of Squares | df | Mean Square | F     | Sig. |
|-------------|----------------|----|-------------|-------|------|
| TIMELINES   |                |    |             |       |      |
| Between Groups | 234,066       | 8  | 29.258      | 208.916 | 0.000|
| Within Groups | 296.481       | 1117 | .140       |       |      |
| Total       | 530.548        | 2125 |             |       |      |

Table 3 is the result of multiple comparison, explains the differences of timelines between years. The differences of timelines between years exist when the result of comparison is statistically significant (column 5). Almost all comparison is statistically significant. Only comparisons between 1999 and 2000, 1999 and 2001, 2000 and 2001, 2002 and 2004, 2002 and 2005, 2002 and 2007, 2004 and 2005 and also 2005 and 2007 that are not statistically significant, while another comparisons are statistically significant at 1 percent levels of significance (***), at 5 percent levels of significance (**). This suggests that there are differences of timelines obedience between years.

The sign of mean difference in column 4 explains whether obedience is increasing or decreasing. If the sign is negative, then the difference between column 2 and column 3 is negative, suggests that there is an increasing value. All signs in column 4 that statistically significant are negative, except the sign of comparison between 2002 with 2003 and 2002 with 2006. This suggest that there are increasing obedience of timelines between years except 9 comparisons (7 is not statistically significant and 2 is statistically significant but decreasing value). Each comparison between years is as in Table 4.
| Dependent Variable | (I) YEAR | (J) YEAR | Mean Difference (I-J) | Sig. |
|--------------------|----------|----------|-----------------------|------|
| TIMELINES          | 1999     | 2000     | -0.02                 | 1.000|
|                    | 2001     | 2000     | 0.01                  | 1.000|
|                    | ***2002  | 2000     | -0.82                 | 0.000|
|                    | ***2003  | 2000     | -0.34                 | 0.000|
|                    | ***2004  | 2000     | -0.75                 | 0.000|
|                    | ***2005  | 2000     | -0.81                 | 0.000|
|                    | ***2006  | 2000     | -0.44                 | 0.000|
|                    | ***2007  | 2000     | -0.86                 | 0.000|
|                    | 2000     | 2001     | 0.02                  | 1.000|
|                    | ***2002  | 2001     | -0.80                 | 0.000|
|                    | ***2003  | 2001     | -0.32                 | 0.000|
|                    | ***2004  | 2001     | -0.74                 | 0.000|
|                    | ***2005  | 2001     | -0.79                 | 0.000|
|                    | ***2006  | 2001     | -0.43                 | 0.000|
|                    | ***2007  | 2001     | -0.85                 | 0.000|
|                    | 2001     | ***2002  | -0.82                 | 0.000|
|                    | ***2003  | ***2002  | -0.35                 | 0.000|
|                    | ***2004  | ***2003  | -0.76                 | 0.000|
|                    | ***2005  | ***2004  | -0.82                 | 0.000|
|                    | ***2006  | ***2005  | -0.45                 | 0.000|
|                    | ***2007  | ***2006  | -0.87                 | 0.000|
|                    | 2002     | ***2003  | 0.48                  | 0.000|
|                    | 2004     | 2002     | 0.07                  | 1.000|
|                    | 2005     | 2002     | 0.01                  | 1.000|
|                    | ***2006  | 2002     | 0.37                  | 0.000|
|                    | 2007     | 2002     | -0.05                 | 1.000|
|                    | 2003     | ***2004  | -0.41                 | 0.000|
|                    | ***2005  | ***2004  | -0.47                 | 0.000|
|                    | **2006   | ***2005  | -0.11                 | 0.019|
|                    | ***2007  | **2006   | -0.53                 | 0.000|
|                    | 2004     | 2003     | -0.06                 | 1.000|
|                    | ***2006  | 2003     | 0.31                  | 0.000|
|                    | ***2007  | 2003     | -0.11                 | 0.177|
|                    | 2005     | ***2006  | 0.37                  | 0.000|
|                    | 2007     | 2005     | -0.05                 | 1.000|
|                    | 2006     | ***2007  | -0.42                 | 0.000|

Note: ***1 percent levels of significance ** 5 percent levels of significance.
Table 4. Multiple Comparisons Summary

| Comparison between Year | Differences                                      |
|-------------------------|--------------------------------------------------|
| 1999 and 2000, 1999 and 2001, 2000 and 2001, 2002 and 2004, 2004 and 2005, 2005 and 2007 | there is no timelines obedience difference |
| 1999 and 2003, 1999 and 2004, 1999 and 2005, 1999 and 2006, 2000 and 2002, 2000 and 2003, 2000 and 2004, 2000 and 2005, 2001 and 2002, 2001 and 2003, 2001 and 2004, 2001 and 2005, 2001 and 2006, 2002 and 2003, 2003 and 2005, 2003 and 2007, 2004 and 2006, 2004 and 2007, 2005 and 2006, 2006 and 2007 | there is an increasing in timelines obedience at 1 percent levels of significance |
| 2003 and 2006            | there is an increasing in timelines obedience at 5 percent levels of significance |

Those comparisons above suggest that there is an increasing of timelines obedience. This suggests that the obedience of listed companies towards the regulation of timelines is increasing.

4.3. Empirical Model

Empirical model was analyzed by testing two logistic regression models. The first one did not use a moderation variable and the second one did.

4.3.1. The First Logistic Regression Model

The first logistic regression model is as follows (model 2):

\[
\text{TL}_{it} = \beta_0 + \beta_1 \text{A}_{it} + \beta_2 \text{S}_{it} + \beta_3 \text{EAT}_{it} + \beta_4 \text{ROA}_{it} + \beta_5 \text{ROE}_{it} + \beta_6 \text{LEV}_{it} + \beta_7 \text{HI_DOM}_{it} + \beta_8 \text{NDIR}_{it} + \beta_9 \text{NCOM}_{it} + \beta_{10} \text{MANUF}_{it} + u_i
\]

a. Parameter Estimation and Interpretation

The results of the parameter estimation are shown in Table 5. The analysis of parameter estimation shows that there are 2 variables influence to timeliness of financial report submission. ROA and Leverage are influence to the probability of timeliness of financial report submission at the 5 percent and 1 percent level of significance respectively. Other variables, assets, sales, EAT, ROE, industry, and corporate governance structure are not statistically significant.

This result shows that the probability of timeliness of company’s financial report submission is related only to ROA and leverage. This suggests that the higher the ROA, the higher the probability of timelines while the lower the leverage, the higher the probability of timelines.

Higher ROA means good news in financial performance while higher leverage means bad news of financial performance. Thus, this result supports Ku Ismail and Chandler (2003), Courtis (1976), Givoly and Palmon (1982), Bowen et al. (1992) and Haw (2000), that the companies with good news of financial performance tend to report financial statement faster than companies with bad news. This study also supports Naim (1999).
Table 5. Variable in Model (2)

| Variable | B    | S.E. | Wald  | df | Sig. | Exp(B) |
|----------|------|------|-------|----|------|--------|
| Assets  | 0.000| 0.000| 0.020 | 1  | 0.887| 1.000  |
| Sales   | 0.000| 0.000| 0.002 | 1  | 0.969| 1.000  |
| EAT     | 0.000| 0.000| 0.488 | 1  | 0.485| 1.000  |
| ROA     | 0.980| 0.478| 4.195 | 1  | 0.041| 2.663  |
| ROE     | 0.027| 0.040| 0.469 | 1  | 0.493| 1.028  |
| Leverage| -0.525| 0.127| 16.986| 1  | 0.000| .592   |
| HI__DOM | -0.423| 0.279| 2.310 | 1  | 0.129| .655   |
| MANUF  | -0.050| 0.109| 0.211 | 1  | 0.646| .951   |
| NDIR   | -0.022| 0.035| 0.391 | 1  | 0.532| .978   |
| NCOM   | -0.051| 0.039| 1.765 | 1  | 0.184| .950   |
| Constant| 0.708| 0.188| 14.242| 1  | 0.000| 2.030  |

b. Prediction

Table 6 describes the result of prediction. In this analysis, the companies split into 2 groups, first group (1) if the company comply financial report submission i.e. before and at 31 of March, while second group (0) for delayed submission. All of companies in the first group (1) are predicted as delayed submission companies (0) while all companies in the second group (0) are predicted as delayed submission companies (0). Overall, the accuracy in predicting timelines of financial report submission is 50.5%.

Table 6. Classification of Observed Values and Prediction

| Predicted TL | Percentage Correct |
|--------------|--------------------|
| Observed TL  |                    |
| 0            | 742                | 100.0               |
| 1            | 728                | .0                  |
| Overall      |                    | 50.5                |

The cut value is .500

4.3.2. The Second Logistic Regression Model

The second logistic regression model is as follows (model 3):

\[ TL_{it} = \beta_0 + \beta_1 A_{it} + \beta_2 S_{it} + \beta_3 EAT_{it} + \beta_4 ROA_{it} + \beta_5 ROE_{it} + \beta_6 LEV_{it} + \beta_7 HI\_DOM_{it} + \beta_8 NDIR_{it} + \beta_9 NCOM_{it} + \beta_{10} MANUF_{it} + \beta_{11} HI\_DOM\_S_{it} + \beta_{12} HI\_DOM\_EAT_{it} + u_i \]

a. Parameter Estimation and Interpretation

The results of the parameter estimation are shown in Table 7. The analysis of parameter estimation shows that there are 4 variables influence to timeliness of financial report submission. ROA, Leverage, HI_DOM and HI_DOM*S affect the probability of timeliness of financial report submission at the 10%, 1%, 10% and 10% level of significance respectively. Other variables, assets, sales, EAT, ROE, industry, NDIR, NCOM, HI_DOM*S and HI_DOM*A are not statistically significant.

This result shows that the probability of timeliness of company’s financial report submission is related only to ROA, leverage, HI_DOM (Ownership concentration by Domestic Institution). This suggests that the higher the ROA, the higher the probability of timelines while the lower the leverage and ownership concentration by Domestic Institution, the higher the probability of timelines. Ownership concentration by Domestic Institution will reduce the probability of timelines.
Higher ROA means good news in financial performance while higher leverage means bad news of financial performance. Thus, this result supports Ku Ismail and Chandler (2003), Courtis (1976), Givoly and Palmon (1982), Bowen et al. (1992) and Haw (2000), that the companies with good news of financial performance tend to report financial statement faster than companies with bad news. The result of this study also supports the statement that concentrated ownership in Domestic Institution is closed corporate governance and labeled poor governance (Boytsun, Andriy, Deloof, and Matthyssens, 2011).

**b. Prediction**

Table 8 describes the result of prediction in model (4). This analysis also splits into 2 groups, first group (1) if the company comply financial report submission i.e. before and at 31 of March, while second group (0) for delayed submission. The number of companies in the first group (1) that are predicted as delayed submission companies (0) is 281 companies, while 441 are correctly predicted as the company comply financial report submission. The number of companies in the second group (0) that are correctly predicted as delayed submission companies (0) is 391 companies, while 351 are predicted as the company that comply financial report submission. Overall, the accuracy in predicting timelines of financial report submission is 57%.

### Table 7. Variable in Model (3)

|                | B    | S.E.  | Wald | df  | Sig. | Exp(B) |
|----------------|------|-------|------|-----|------|--------|
| Assets         | 0.000| 0.000 | 1.392| 1   | 0.238| 1.000  |
| Sales          | 0.000| 0.000 | 0.047| 1   | 0.828| 1.000  |
| EAT            | 0.000| 0.000 | 0.573| 1   | 0.449| 1.000  |
| ROA            | 0.866| 0.478 | 3.275| 1   | 0.070| 2.376  |
| ROE            | 0.025| 0.040 | 0.400| 1   | 0.527| 1.026  |
| Leverage       | -0.527| 0.128 | 17.010| 1  | 0.000| 0.591  |
| HI_DOM         | -0.556| 0.309 | 3.240| 1   | 0.072| 0.828  |
| MANUF          | -0.064| 0.109 | 0.345| 1   | 0.557| 0.938  |
| NDIR           | -0.019| 0.035 | 0.281| 1   | 0.596| 0.982  |
| NCOM           | -0.058| 0.039 | 2.191| 1   | 0.139| 0.944  |
| HI_DOM*EAT     | 0.000| 0.000 | 3.050| 1   | 0.081| 1.000  |
| HI_DOM*S       | 0.000| 0.000 | 0.026| 1   | 0.873| 1.000  |
| HI_DOM*A       | 0.000| 0.000 | 1.724| 1   | 0.189| 1.000  |
| Constant       | 0.750| 0.190 | 15.518| 1 | 0.000| 2.116  |

### Table 8. Classification of Observed Values and Prediction

|                  | Predicted TL | Percentage Correct |
|------------------|--------------|--------------------|
| Observed TL      | 0            | 391                | 351                |
|                  | 1            | 281                | 447                |
| Overall Percentage|              |                    | 52.7               |
| The cut value is | 0.500        | 57.0               |

**4.4. Discussion**

The first main result of this study is that there is an increasing of timelines obedience. This suggests that the obedience of listed companies towards the regulation of timelines is increasing form time to time. This supports the argument that the obedience of listed company should increase from time to time, since the regulation had announced years ago, such as the article No, 86 Law No. 8 of 1995 about reporting and information, Securities Acts No. KEP-80/PM/1996 about periodic (annual and semiannual) financial reporting, GCG Codes in 2001 and then revised in 2006 by NCG.

The second main result of this study is that there is an influence of profitability (ROA), leverage and corporate governance structure (ownership concentration by Domestic Institution)
to the probability of timelines financial report submission. The positive and negative sign of ROA and leverage respectively, suggest that higher ROA and lower leverage tend to obey the regulation of timelines. Higher ROA means good news in financial performance while higher leverage means bad news of financial performance (lower leverage means good news in financial performance). This suggests that the companies with good news of financial performance tend to report financial statement faster than companies with bad news.

The negative sign of H_DOM suggest that the lower ownership concentration by Domestic Institution tend to obey the regulation of timelines. The result supports the statement that concentrated ownership in Domestic Institution is closed corporate governance and labeled poor governance (Boytsun, Andriy, Deloof, and Matthyssens, 2011).

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