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The Effect of Public Ownership on Timeliness of Financial Reporting

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ABSTRACT

The timeliness of financial statement publication is important because it becomes the qualitative characteristics of useful information in supporting the relevance of the information. Besides how quickly a company publishes its financial statements will tend to affect the trust of financial statement users. This research aims to find the effect of public ownership on the timeliness of financial reporting. Total samples are 39 of property and real estate companies listed on the Indonesia Stock Exchange (IDX) in a period of 2018-2020 and analyzed by Statistical Package for the Social Sciences (SPSS). This research finds that public ownership has no effect on the timeliness of financial reporting. The value of public ownership is low so that the public is not able to affect company policy, especially in the quality of a financial statements.

Keywords: timeliness, public ownership, financial statements.

JEL Classification: M41, L85

INTRODUCTION

Financial statements are an important element in providing information about the financial position and performance of a company. The information obtained will be used for the purposes of decision making of the interested parties. According to the Financial Accounting Standards Board No. 2 regarding the qualitative characteristics of financial statements, there are four characteristics that must be met by financial statements in order to be used as a basis for decision making, including: *comparability*, *reliable*, relevant, understandable. Reflecting on how important the information in financial statements is, it is important for companies to pay attention to the accuracy of reporting in a timely manner. If there is an undue delay in financial reporting, the information provided will lose its relevance (Sanjaya, 2016). This is further strengthened by making economic decisions by reviewing events that have occurred in the past, present and future (Toding, 2013).

Based on Financial Services Authority Regulation Number 29/POJK.04/2016 regarding the Annual Report of Issuers or Public Companies in Chapter III article 7 paragraph (1) regarding the submission of annual reports, the Issuers or Public Companies are required to submit an Annual Report to the Financial Services Authority (OJK) no later than the end of the fourth month after the end of the financial year. However, on March 18, 2020 OJK issued a press release through letter SP NO 18/DHMS/OJK/III/2020 related the limit time of Reports and Implementation Meeting General Shareholders (RUPS) for perpetrator Capital Market Industry as effort adapt with condition emergency due to the Corona virus in Indonesia. OJK decides limit time to report finance annual and report annual for Issuers and Public Companies extended for 2 (two) months from limit time ending obligation report as meant in regulation laws and regulations in the Capital Market sector. Issuer or Public Companies that are late in submitting financial reports will be subject to administrative sanctions this strengthened in regulation Financial Services Authority Regulation Number 03 /POJK.04/2021 concerning maintenance Activity Capital Market sector in Chapter XV article 93, namely in the form of: warning written, fine obligation for pay a certain amount of money, restrictions activity effort, suspension of business, revocation permission attempt, cancellation approval, cancellation registration, revocation effective statement registration and or revocation of individual permits. Issuers who have obtain permit, consent, or registration from OJK who is late convey report to OJK or late in announcing to the public in accordance with applicable regulations, they are subject to administrative sanctions in the form of fines. It's contained in Article 96 paragraph (1) letter f which states "*Issuers whose Statements" Registration has effective charged penalty a fine of IDR 2,000,000 (two million rupiah) over every day lateness delivery report or announcement to society* ".

Information that is not immediately available can cause investors to be compelled to investigate alternative sources of information and to judge the company badly (Knechel and Payne, 2001). However, information that is published too quickly without relevance is also no better than misinformation, because both can lead to consequences for investment decisions made because they lack any basis.

One of the factors that can affect the timeliness of reporting is public ownership. Public ownership is the ownership of company shares owned by the public. These shares are owned by individual investors which include investors from outside management, in addition to government institutions and families (Rahadhian, 2014). Outside company owners are considered different from inside parties in that it is less likely that outside owners are involved in the day-to-day business affairs of the company. Shareholders

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have an interest in knowing the *rate of return* on their investment. Therefore, they need information that helps them to decide their course of action, whether to buy, hold or sell shares of a company.

With supervision from outside the company, the management is required to be able to show good performance, because if the performance of the management is good then the shareholders will support the existence of management. Management efforts to show good performance is to provide information on the development and condition of the company. Management as an information provider is required to present relevant and timely information. The results of research from Harsanti (2014) show that public ownership has a positive effect on the accuracy of financial reporting, while Suryanto (2017) says that public ownership has a negative effect on the accuracy of financial reporting.

Sector This property and real estate was chosen because in Indonesia the prospect in this case is very rapid development, for example in the construction of roads, buildings, offices so that all of them become opportunities for investors to invest their funds in property and real estate companies.

LITERATURE REVIEW

Compliance Theory (Compliance Theory)

Compliance theory has been studied in the social sciences, especially in the fields of psychology and sociology, which emphasizes the importance of the socialization process in influencing an individual's compliance behavior. According to Susilawati (2012) there are two basic perspectives in the sociological literature regarding compliance with the law, which are called instrumental and normative.

Agency Theory (Agency Theory)

Agency theory is something theory that explains the relationship between agent (management) and principal (business owner or shareholder). Owner (holder shares) using information accountancy for supervise performance agent (management). On the occasion of management will disclose information accountancy for showing its performance on shareholders (Jensen and Meckling, 1976).

Financial statements

According to the Indonesian Institute of Accountants (2016) financial statements are part of the financial reporting process. Complete financial reporting includes a balance sheet, income statement, statement of changes in financial position (which can be presented in various ways such as: cash flow statement, or fund flow statement). Notes and other reports and explanatory material that are an integral part of the financial statements.

Timeliness of Financial Reporting

Timeliness is defined as the utilization of information by decision makers before the information loses the ability to make decisions. Timeliness means the availability of information for decision makers at the right time so that it can influence their decisions. In general, the older the information, the less useful it is (Indonesian Institute of Accountants, 2016).

Public Ownership

Public ownership is the ownership of company shares owned by the public. These shares are owned by individual investors which include investors from outside management, in addition to government institutions and families (Rahadhian, 2014). Companies that have a public ownership structure tend to disclose more information on the company's website to provide the necessary information to shareholders, but companies with a concentrated ownership structure tend to disclose less information on the company's website because shareholders can access and obtain the information they want internally (Widaryanti, 2014).

Effect of Public Ownership on Timeliness of Financial Reporting

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H_1: Public ownership has a positive effect on the timeliness of financial reporting.

RESEARCH METHOD

Research Design

Study done on the company property and real estate listed on the Indonesia Stock Exchange (IDX) period year 2018 - 2020.

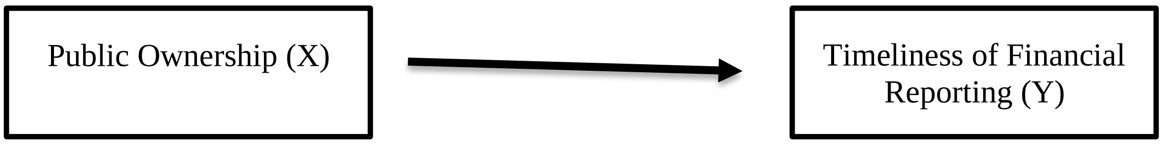

Figure 1. Conceptual Framework

Variable Measurement

1. Timeliness of Financial Reporting

The company is said to be not on time to submit its financial statements if it exceeds the end of the fourth month after the end of the financial year. In this study, timeliness is measured using a *dummy variable,* where a value of 1 will be given if the company submits financial reports on time and a value of 0 is given if the company does not submit financial reports on time.

2. Ownership Public

Public ownership in this study is measured by looking at how many shares are owned by outsiders in publicly listed companies on the IDX.

Population and Sample

The population that becomes object in study this is company property and real estate listed on the Indonesia Stock Exchange in the 2018 - 2020 observation year totaled 56 companies. Sampling in the study used a purposive sampling method with the following criteria: 1) companies registered in the sector property and real estate on the Indonesia stock exchange period year 2018 - 2020; 2) property and real estate companies that have published annual financial reports for the 2018 - 2020 period; 3) property and real estate companies that meet the availability of data according to the report research variables finance annual (annual report) for period 2018 - 2020. This study used 39 samples to be tested and analyzed.

Technical Data Analysis
The data analysis technique used is logistic regression analysis to show the effect of the independent variable on the dependent variable.

RESULTS

Descriptive statistics
The descriptive statistics are used in this study consisted of determining the minimum value, maximum value, average value (mean) and standard deviation of the independent variables.

Table 1. Descriptive Statistics

Variable	Number of Samples	Minimum Value	Maximum Value	Average value	Standard Deviation
Y	117	0,03	0,95	0,31	0,20425
X	117	0	33	11,08	8,798

The public ownership variable has a minimum value of 0.03 and a maximum value of 0.95. The average value (mean) is 0,3100 and the standard deviation is 0,20425. The variable with timely reporting has a minimum value of 0.00 and a maximum value of 1,00. The average (mean) is 0,5812 and the standard deviation is 0,49549.

Hypothesis Testing and Discussion
The logistic regression equation is as follows:

$$\text{Ln}\left(\frac{KWP}{1-KWP}\right) = -3.569 - 0.707\ \text{KP} + e$$

The public ownership variable has a negative regression coefficient of -0,707 with a significance level of 0,522 which is greater than (0,05). Based on these results, it can be concluded that the public ownership variable has no effect on the timeliness of financial reporting.

The results of testing the first hypothesis (H_1) indicate that public ownership has no effect on the timeliness of financial reporting. This means that H_1 in this study is rejected. The value of public ownership is low so that the public is not able to influence company policy, especially in the quality of a financial report. This also affects outsiders who do not need the element of timeliness in submitting financial reports. The results of this study support Suryanto's research (2017) which proves that public ownership has no effect on the timeliness of financial reporting.

CONCLUSION

Based on the results of the analysis, it can be concluded that public ownership has no effect on the timeliness of financial reporting. This shows that *property and real estate companies listed on the Indonesia Stock Exchange in* 2018 - 2020 are not affected by public ownership because their value is below 5% so they are low and unable to influence company policies.

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