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The Effect of Financial Performance on Investor Reaction With the Timeliness of Financial Statement Submission as a Mediation Factor

Etti Ernita Sembiring¹, M.Edman Syarief², Lili Indrawati³, Arry Irawan⁴

¹Politeknik Negeri Bandung, Jurusan Akuntansi, email: etti.ernita@polban.ac.id

²Politeknik Negeri Bandung, Jurusan Akuntansi, email: moch.edman@polban.ac.id

³Politeknik Negeri Bandung, Jurusan Akuntansi, email: lili.indrawati@polban.ac.id

⁴Politeknik Negeri Bandung, Jurusan Akuntansi, email: arry.irawan@polban.ac.id

Abstrak

Penelitian ini bertujuan untuk menguji pengaruh kinerja keuangan perusahaan dan keterlambatan penyampaian laporan keuangan terhadap reaksi investor. Penelitian ini juga menguji apakah keterlambatan penyampaian laporan keuangan memediasi pengaruh kinerja keuangan terhadap reaksi investor. Pada tahun 2020, Bursa Efek Indonesia (BEI) mengeluarkan kebijakan stimulus dan relaksasi untuk menjaga stabilitas pasar modal dengan memperpanjang waktu penyampaian laporan keuangan tahunan selama dua bulan dari batas waktu. Namun hingga batas waktu perpanjangan, masih banyak perusahaan yang belum menyampaikan laporan keuangannya. Sampel dalam penelitian ini adalah perusahaan yang terlambat menyampaikan laporan keuangan tahun 2020. Penelitian ini menggunakan alat analisis Warp PLS dan Sobel. Hasil penelitian menunjukkan perusahaan yang terlambat menyampaikan laporan keuangan mengalami kinerja keuangan yang kurang baik. Kinerja keuangan berpengaruh positif terhadap harga saham. Kinerja keuangan berpengaruh negatif terhadap keterlambatan penyampaian laporan keuangan. Keterlambatan penyampaian laporan keuangan memediasi pengaruh kinerja keuangan terhadap harga saham. Efek mediasi yang terjadi adalah mediasi kompetitif. Namun berdasarkan hasil alat analisis SOBEL menunjukkan jika mediasi tersebut tidak signifikan.

Kata kunci: kinerja keuangan, keterlambatan penyampaian laporan keuangan, harga saham

Abstract

This study aims to examine the effect of a company's financial performance and delay in submitting a financial statement on investor reaction. This study also examines whether the delay in submitting financial statements mediates the effect of financial performance on investor reaction. In 2020, the IDX issued a policy of stimulus and relaxation in maintaining the stability of the capital market by extending the time for submitting annual financial reports for two months from the deadline. However, until the deadline for the extension, there are still many companies that have not submitted their financial reports. The research sample is companies that are late in submitting financial statements in 2020. This study uses Warp PLS and Sobel analysis tools. The result shows that financial performance positively affect the stock price. The financial performance has a negative effect on delays in submitting the financial statement. The

delay in submitting a financial statement mediates the effect of financial performance on stock price but the mediation is not significant.

Keywords: *Financial performance; late submission of financial report; stock price.*

1. Introduction

Companies listed on the Indonesia Stock Exchange (IDX) are obliged to submit their annual financial report as a form of information disclosure to stakeholders. The submission of financial statements is expected to be timely so the relevance of the information does not decrease. Timeliness is a basic element of the relevance of financial reports. Decreasing the relevance of financial reports can reduce the quality of decision making. Financial statements are a tool for companies to show the company performance. Financial reports provide quality information about past and future performance. Information in financial statements can reduce agency problems between stakeholders and management. However, based on data from the IDX, there are many companies have not submitted their annual financial reports even though has extended. In 2020, the IDX issued a policy of stimulus and relaxation in maintaining the performance and stability of the capital market by extending the time to submit annual financial reports for two months from the deadline. The signal theory states that company executives who have more information will try to disclose information to increase company value. The question is how the investor will react if the financial statements are submitted late even though the IDX has implemented an extension of the submission time. The delay in submitting a financial statement will create a negative perception for stakeholders about the performance the company and it can mediate the effect between financial performance and investor reaction.

The financial performance shows the company's ability to fulfill its obligations, get profits to meet the company's sustainability, and measure productivity assets. Financial achievement can be seen through financial ratios and the availability of operational cash flow. The investor will react positively to the company that has a better ratio level. However, during the COVID-19 pandemic, many companies experienced a decline in financial performance. Shiwei & Yuyao (2021) [1] find that the company's financial performance deteriorated during the COVID-19 pandemic. The Covid-19 pandemic has also affected stock prices in Indonesia. Dwi & Shanty (2020) [2] find that the total accumulated cases of Covid-19 have a negative effect on stocks in Indonesia. The results of the study Devi & Masdiantini (2020) [3] showed a decrease in the liquidity and profitability ratio of public companies during the COVID-19 pandemic. This research is also strengthened by the result of research Rahmani (2020) [4] which shows a decline in the financial performance of LQ 45 companies on the IDX. Ding et al (2021) [5] stated that companies with stronger financial conditions before 2020 such as having more cash, having less debt experienced a better stock price reaction to the COVID-19 pandemic than other similar companies. Shiwei & Yuyao (2021) [1] also find that the negative impact on company performance is less visible in countries with good health systems, advanced financial systems, and quality governance systems.

2. Literature Review

Financial performance provides a signal for investors regarding the achievement of the expectations desired. Based on compliance theory, the company will try to comply with applicable regulations to avoid sanctions and provide a reflection that the company complies with applicable regulations. The signal theory states that the company is trying to provide information to the company's users to create information symmetry so the user can make the right decision. However, this does not happen if there is an interest that prevents compliance.

Hwang, No & Kim (2021) [6] find that weak internal control affects the timeliness of submitting financial reports. Following agency theory that individuals will act according to their respective interests and are strengthened if there is information asymmetry. The company's management has more information about the company than outside parties. The company will try to hide the information. This may be done if the information has a negative effect on both the company and management. Edmonds et al (2017) [7] find that municipal investor charge a larger risk premium for untimely information when default risk is high. Nelson et al (2019) [8] stated that profitability has a significant influence on the timeliness of submitting financial reports. Murti (2021) [9] stated that the level of liquidity has a positive effect on timeliness. The company that has better liquidity will try to deliver it on time. Information about the company's performance that can cause a positive reaction from an investor will be conveyed by the company immediately and vice versa. If the information to be conveyed is predicted to cause a negative reaction, the company will try to withhold the information longer. This causes the delay in submitting financial statements is a bad signal for investors. Hypotheses that can be formulated:

H₁ = Financial performance has an effect on the delay in submitting financial statements.

A good company's financial performance reduces the level of risk that can be experienced by the investor. However, if the company has poor financial performance, it will create anxiety for investors and it will be difficult to attract new investors. Sholichah et al (2021) [10] find that profitability and solvency have an effect on stock prices. Snezana Avdalovic & Ivan Milenkovic (2017) [11] find that ROA and leverage are significant predictors of stock prices. Agrawal et al (2020) [12] find that financial performance has a strong effect on stock prices. Hypotheses that can be formulated:

H₂ = Financial performance has an effect on stock prices.

The signal theory states that good quality companies will intentionally give signals to the market so the market is expected to be able to distinguish good quality companies from poor quality companies (Hartono 2011) [13]. Information asymmetry can be reduced through the information contained in the annual financial statements. However, if the financial statements are not submitted on time, the relevance of the information in the financial statements will be reduced. Du & Wu (2018) [14] state that the accuracy of submitting financial reports is related to the quality of financial information. Al-Ghanem & Hegazy (2011) [15] stated that the disclosure and publication of audited financial statements affect the efficiency of stock prices. Fagbemi & Uadiale (2011) [16] stated that timely reporting will increase stock price efficiency and reduce information asymmetry. Hou et al., (2011) [17] stated that companies that disclose early in their financial statements tend to surprise the market with stronger price reactions. This shows that timeliness has information content. Several previous studies have linked unfavorable conditions of the company to delay submission of financial statements. This condition is related to the company's financial performance. Hypotheses that can be formulated:

H₃ = The delay in submitting financial statements mediates the effect of the company's financial performance on stock price.

3. Research Methods

3.1 Population and Sample.

This study uses a saturated sample method. The research sampturate is that companies are late in submitting financial statements in 2020. It is intended that all samples have the same characteristics, namely being late in submitting financial reports. The population of this study

was 88 companies that were late in submitting financial reports. Of the 88 companies, only 35 companies had complete data, so that only 35 companies were sampled. This study uses secondary data types with documentation data collection techniques.

Variable operational definition

This study measures the company's financial performance using 5 indicators, namely liquidity ratios, solvency ratios, profitability ratios, activity ratios and operational cash flow. Researchers use operational cash flow because the adequacy of operational cash flow is able to show the company's ability to finance the company's operations and pay debts due. Sembiring (2022) [18] states that companies that do not have sufficient operating cash have a greater probability of experiencing financial distress than companies that have sufficient operating cash.

Table 1. Variable operational definition

Variable	Indicator	Measurement
Financial performance	Liquidity ratio	Current asset to Current liabilities (CA/CL)
	Solvency ratio	Total Debt to Total Asset (TD/TA)
		Total Debt to Total Equity (TD/TE)
	Profitability ratio	Earning after tax to total asset (ROA)
	Activity ratio	Net sales to total asset (NS/FA)
Delay in submitting financial reports	Cash	Cash flow from operational activities
	Long delay	31 Mei 2020 until submission of financial reports
Investor reaction	Stock price	Average stock price after submission of financial statements

3.2 Analytical Techniques

This study uses the SEM-PLS, which is a causal modeling approach that aims to maximize the variance of the latent criterion variable that can be explained by the latent predictor variable. The advantage of using SEM-PLS is that it does not require assumptions and can be estimated with a relatively small number of samples (Sholihin & Ratmono, 2021) [19].

4. Results And Discussion

This study used companies that were late in submitting their annual financial statement in 2020 as the sample. The number of samples in this study was 35 companies. The descriptive statistics table is as follows:

Table 2. Descriptive Statistic

	Min	Max	Mean
Stock price	50	8567	614,5
Delay in submitting financial reports	4	101	41
CA/CL	6	2861	204,69
TD/TA	13	276	68,83
TD/TE	-1026	1042	52,87

	Min	Max	Mean
ROA	-67,9	18,23	-6,49
NS/FA	0,13	4117	183,6
CFO	-1620000000000	6410000000000	156460000000

Source: The Processed Primary Data

Based on the table above, the lowest value of the stock price is Rp.50,- and the highest is Rp.8567 with an average of Rp. 614,5. The length of delay in submitting financial statements has the lowest value is 4 days and the highest is 101 days with an average delay of 41 days. The liquidity ratio shows the lowest ratio is 6% and the highest is 2861% with an average value of 204,69%. Based on the average value, this can be stated as good because it is above 200% but this is because of the data gap between the lowest and the highest values. Based on data processing, 25 companies (71,4%) have a liquidity level below 200%. Data on the ratio of total debt to total assets shows the lowest value is 13% and the highest is 276% with an average value of 68,83%. It can be stated that it is not adequate because most of the assets are funded by debt. The Data on the ratio of total debt to total equity shows the lowest value is -1026% and the highest is 1042% with an average value of 52,87%. We can see that there is a very large gap in values. The return on assets ratio (ROA) data shows the lowest value is -67,9% and the highest is 18,23 with an average value of -6,49%. Based on the average value of the ratio can be declared not good because it is negative. The ratio of net sales to fixed assets (NSFA) shows the lowest value is 0,13% and the highest is 4117% with an average value of 183,6%. Based on the average value can be stated as good because the net sales generated from fixed assets used are above 100%.

The Operating cash flow shows the lowest value is -1620 billion and the highest is 6410 billion with an average value of 156,46 billion. Based on the average value, this can be declared good because it is positive but this is because of the gap between the lowest and the highest operating cash flow values. Based on data processing, as many as 20 companies (57%) have negative operating cash flow. Negative operating cash flow can cause the company to experience difficulties in operational activities. Fawzi et al. (2015) [20] stated that the cash flow ratio is a variable that can predict financial pressure. This opinion is supported by Safiq et al. (2020) [21] and Karas & Reznakova (2020) [22] regarding the ability of cash flows to predict financial stress. Rabia & Sibel (2012) [23] stated that cash flow is a significant variable to predict future cash flow.

Table 3. PLS SEM Test Result

Model	Beta	Sig.	Description
Financial performance on delays in submitting financial reports	-0,379	0,006	Signifikan
Financial performance on stock prices	0,41	0,003	Signifikan
Delays in submitting financial reports on stock price	0,257	0,048	Signifikan

Source: WARP-PLS software analysis results

Based on the table above, it can be seen that financial performance has a significant negative effect on the delay in submitting financial statements. If financial performance is better, the company will submit its financial statements more quickly or on time. The company wants investors to know immediately about the company's financial performance. This supports the first hypothesis. Financial performance has a significant positive effect on stock prices. The financial performance is better, the higher the stock price will be. This supports the second

hypothesis. Good financial performance provides confidence for investors to achieve their expectations. The delay in submitting financial statements has a significant positive effect on stock prices. This is possible if investors are more careful, especially in the condition of the COVID-19 pandemic. Investors tolerate delays in submitting reports so the accuracy of the information presented in the annual report is fulfilled. This supports the third hypothesis.

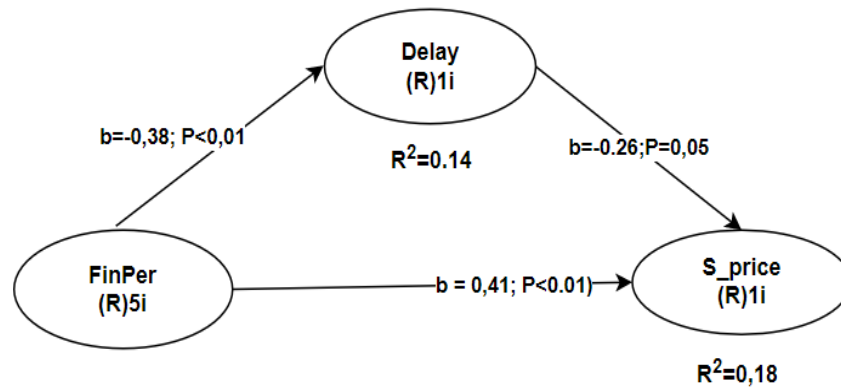


Figure 1. PLS SEM Test Result

Source: Analysis of study results

Based on the picture above, it can be seen that the company’s financial performance directly has a significant effect on stock price with a p-value smaller than 0,01. The results of this study support results of previous studies (Sholichah et al., 2021 [10], Snežana Avdalović & Ivan Milenković, 2017 [11], Agrawal et al., 2020 [12]). Investors like companies that have good financial performance because it increases investor confidence to achieve their goals. Financial performance has a significant negative effect on the delay in submitting financial statements with a p-value smaller than 0,01. The results of these study support arguments of previous researchers (Nelson et al, 2019 [8], Murti, 2021 [9]). The company’s performance information that causes positive investor reactions will be conveyed by the company immediately. If the information to be conveyed is predicted cause a negative reaction from the investor, the company will try to withhold the information longer. This is the reason why the delay in submitting a financial statement is a bad signal for the investor. Financial performance has an indirectly significant effect on stock prices with a p-value smaller than 0,05 so it can be said that the delay in submitting financial statements mediates the effect of financial performance on stock prices. The direction of mediation influence and direct influence have opposite directions. The direct influence has a positive direction while the mediation effect has a negative direction so the mediating effect that occurs is competitive mediation. The next analysis is to test the mediating effect. The approach used is the Sibel model. The Sobel test compares the direct relationship with indirect relationship between the independent variable and the dependent variable by including a mediating variable.

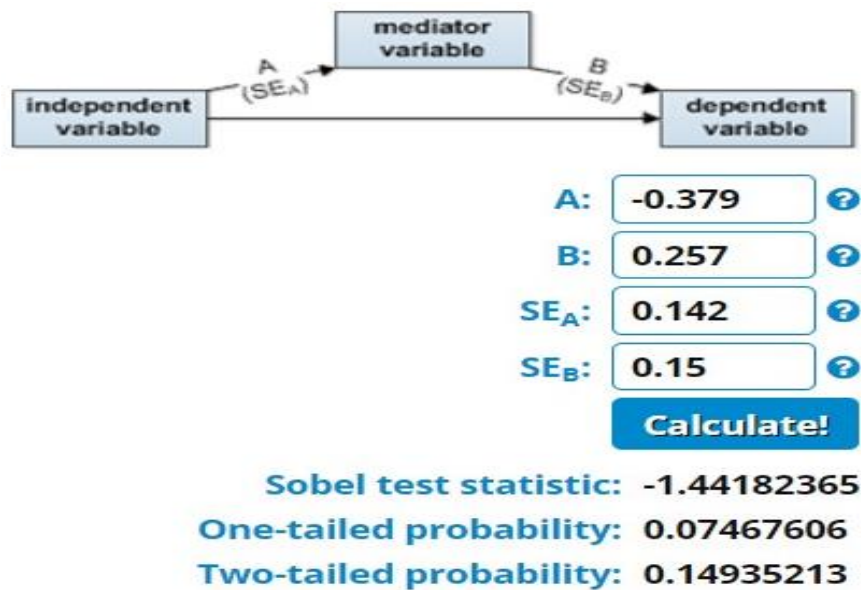


Figure 2. SOBEL Test

Source: Analysis of study results

Based on calculation result of the Sobel model, the one tailed probability and two tailed probability values are 0,07 and 0,14 which are above 0,05. This show that the mediating effect is not significant. When using one tailed probability, the probability value is still below 0.1, that means it is a moderate mediating effect. The delay in submitting financial reports does not mediate the effect of financial performance on stock prices, which is possible because COVID 19 pandemic. During the COVID 19 pandemic, there were many changes and adjustments to the company's activities. Several changes and adjustments were made to follow regulations imposed regarding COVID 19 pandemic and another were made to restabilize the company's condition. Changes and adjustments during the COVID 19 pandemic can be one of the reason investor tolerate delays in submitting financial reports so that delays in submitting financial statements do not significantly mediate the effect of financial performance on stock prices. Adjustments to work from home methods, regulations regarding the number of people in a workplace and others can be causes of delays in submitting financial reports. This phenomenon occurs in all lines of business, so investors can tolerate it.

5. Conclusions and Implications

Most companies that are late in submitting financial reports have financial difficulties. This is seen in the percentage of companies that have a poor financial ratio (liquidity ratio, solvency ratio, profitability ratio). In addition, most of the samples also have negative operating cash flow. Financial performance has a significant effect on stock prices. This reflects that financial performance is still an important variable in stock prices. The effect is positive, which means that the better the financial performance, the higher the stock prices. Financial performance has a significant negative effect on the delay in submitting financial statements. The result supports the opinion which states companies that have poor financial performance will delay in submitting their financial statements. Financial performance indirectly significant influences stock prices. The delay in the submission of financial statements mediates the effect of the company's financial performance on the stock price. The direction of mediation influence and direct influence have opposite directions. The direct influence has a positive direction while the mediation effect has a negative direction so the mediating effect that occurs is competitive mediation. Based on the calculation result of the Sobel model, the one-tailed probability and

two-tailed probability values are 0,07 and 0,14 which are above 0,05. This show that the mediating effect is not significant. Researchers suspect this is due to changes and adjustments to the company's operation so that it has an impact on delays in submitting financial reports. This assumption requires further research. For further research, different sampling techniques can be used so that the sample characteristics become different.

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