The Influence of Good Corporate Governance and Reporting Lag on the Company's Financial Performance

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Abstract. This study aims to examine the Influence of good corporate governance and reporting lag on the company's financial performance. The independent variables in this study is the mechanism of good corporate governance and reporting lag and the dependent variables is the company's financial performance as measured by the accounting ratios of return on assets (ROA), return on equity (ROE), earnings per share (EPS). The tested on each variables using a quantitative research design and secondary data are derived from companies listed on the Indonesia Stock Exchange. Data collection methods using purposive sampling in the observation period of 2012-2016, obtained 79 observations. Data were analyzed using multiple linear regression analysis. The criteria of the company used are companies that are late in reporting financial reports to the Indonesia Stock Exchange and data that support the implementation of research. The limitation of the study is that the sample of companies is limited to 79 companies and the results of heteroscedasticity test showed that the regression model was exposed to heteroscedasticity.

Keywords: Good corporate governance · Reporting lag · ROA · ROE · EPS

1 Introduction

Asean economic community that currently exists has demanded the company to improve its performance and continues to innovate in the management of its business within the framework of business competition. Indicators are often used in measuring the financial performance of the company is Corporate Governance. The National Policy Committee on Governance (KNKG, 2006) defines corporate governance is a structure and process used in the company that aims to add value to the company on an ongoing basis within long for shareholders, but will still pay attention to the interests of other stakeholders are based on regulations and norms in force.

At the time of the economic crisis in Indonesia in 1997 caused a lot of companies that are experiencing financial hardship or liquidation as a result of not implementing good corporate governance concept properly. To anticipate monetary crisis happen again then the Ministry of State began to require companies to apply the concept of good corporate governance, especially in State-Owned Enterprises corporate environment. Through The Decision Letter Of The Minister Of State-Owned Enterprises No. KEP-117/M-MBU/2002 of 1 August 2002 concerning the application of the practice of good corporate governance in State-owned enterprises (www.kompas.com). As for the implementation or existence of implementation of good

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corporate governance is the existence of: Board of Commissioners are independent, managerial ownership, institutional ownership, foreign ownership (foreign ownership), the independence of the audit committee, and the quality of the audit.

In addition to good corporate governance, timeliness in financial reporting can also affect the company's financial performance. Timeliness of financial reporting is an important indicator for adequate financial statement information, the delay in the submission of the report referred to the company's Financial Reporting lag. As for the definition of the Reporting lag is the time interval between the date of the final financial reporting (as of March 31) up to the date of submission of financial reporting by issuers to Exchange party (Al-Ajmi, 2008; Khasharmeh & Aljifri, 2010; McGee, 2009; Rachmawati, 2008). The length of time the submission of financial reports can affect the value of the company and its financial performance in the stock market, the length of time the submission of financial statements is an important thing because it can affect judgment and decisions taken by the stakeholders in the market as investors and creditors.

Furthermore the existence of good corporate governance implementation undertaken by some companies and the existence of the delay time of penampaian financial reporting issuers and previous peneltian results have not been consistent (mixed), then it is important to do research in depth regarding the implementation of good corporate governance and reporting lag against the financial performance of the company. In General, this research aims to test the influence of the implementation of good corporate governance (Board of Commissioners of independent, managerial ownership, institutional ownership, foreign ownership, the independence of the audit committee, and the audit quality) lag on performance reporting and corporate finance by using measurements of the ratio of the ROA, ROE and EPS. Research results have contributed to the development of agency theory and the theory of signalling, contribution to academic/research foundation for further contribution to investors dang creditors in decision making business is good and correct.

2 Literature Review

Agency theory (agency theory) is a theory that explains the relationship between the principal parties is as the owner of the company and the agent is as the party that manages the company, both bound in a contract. The owner or principal is the party that does the monitoring and evaluation of the information that the agent was a party as running opersaional management activities and to take strategic decisions at the company (Jensen and Meckling, 1976) . Agency theory is the basis for the understanding of corporate governance. That is because the Agency theory indicates that there is an asymmetry of information between the managers as agent and the owner (shareholder) as principal (Jensen and Meckling, 1976), so the Agency theory became the basis of thought that performance corporate finance better can be achieved due to good corporate governance.

Based on signal theory, companies that have good performance or good companies use financial information in the financial statements in order to send a signal to the stock market (Spence, 1973). The signal in the form of information about the company's financial circumstances during a certain period to the stakeholders. The information is provided by way of disclosure of accounting information such as financial reports (financial reporting). The information contained in the financial reports contain a signal in the form of good news or bad news that will affect investment decisions. Good news is a good news for investors as a good signal to determine the decision of investing. While bad news information is information that identifies the bad news to investors as a signal that less good in determining decisions investing (Goddess, 2013).

The company's financial performance is a whole State companies within a certain period which is an accomplishment or results influenced by the operational activities of the company in utilizing resources owned, Helfert (1996) in Nuswandari (2009). Performance is also an important thing that must be achieved by each company because performance is a reflection of the company's ability in allocating resources. Measurement of the company's performance in the various studies are measured on the performance of the operations and performance of the company dikarenaka, suau market companies tend to rely on capital from externally to finance operational activities then the company must eyakinkan the owners of capital that they invested in these companies has been used appropriately.

Corporate governance or corporate governance is the answer of the theory of Agency (agency theory) which stated that the importance of the company's shareholders to hand over authority in the management of the company to the more expert the delivery of the management authority, known as separation between the ownership of the company with the party that controls the company, or often known with the issue of Agency. Good corporate governance is a process and structure used to direct and manage the business and Affairs of the Corporation, with the ultimate goal of realizing shareholder value in the long run, keeping notice interests of other stakeholders (Malaysian Finance Committee on Corporate Governance in February, 1999 Haat et al, 2008). The mechanism of corporate governance is a system that regulates and controls the company so that it can create added value to all parties with an interest in it. If the concept of corporate governance can be applied to the maximum in a company, then the company's financial performance will be getting better and can minimize the delay in submission of the financial statements of the company.

The proportion of Board of Commissioners are independent, in the decision of the Board of Directors of PT Jakarta Stock Exchange Number Kep-305/BEJ/07-2004 required the company to record an independent Commissioners have at least 30% of the total membership of the Board of Commissioners. The presence of the independent Commissioner is expected to enhance good corporate governance to its full potential.

Managerial ownership is the condition of the existence of stock ownership by company managers. This study refers to a keaganan theory assumes that the managerial ownership serves as the corporate governance mechanisms that can reduce the action managers perform acts of fraud or manipulate earnings. One of the mechanisms of corporate governance is managerial ownership, ownership of the company can reduce conflict of interest caused by the agency problem between owners and managers. Amyulianthy (2012) suggested that the managerial ownership effect significantly to financial performance.

Institutional ownership shareholder is company owned by institutions such as: financial institution, the institution of the legal institutions shaped abroad, the Government and other institutions. The structure of ownership of public companies in Indonesia are generally concentrated on institutional ownership. Septiana dkk (2016) stated that the institutional party has a great influence in the governance of the company management because of the institutional party is a party that acts as a supervisor and has the right to monitor operational activities the company.

The existence of foreign ownership in the company considered concern towards the improvement of good corporate governance. Investors who come from abroad usually have a more critical because of their incomprehension factor driven will condition the company culture and environment that exists in Indonesia, so that foreign investors will sue the company for had a good performance. DWI and Putu (2016) found that the greater the ownership of foreign stocks (foreign ownership) in a company then the better corporate governance (good corporate governance) that will have an impact on the financial performance of the company

Apadore and Marjan (2013) suggests that the audit commitee is responsible in overseeing the company's financial statements, provide oversight on external audit and supervision in the internal control system. The existence of the audit committee to be very important because it is one of the most important factors in the implementation of good corporate governance in which the concept of accountability, independence, responsibility, transparency, as well as the attitude of the fair into a runway and the principle on the company. In the research of Sarafina and Muhammad (2017) mention that the independence of the audit committee of a positive effect on performance of financial companies using ratio ROA (Return On Assets).

The financial report is the source of the information used for external parties and shareholders of the company for investment decision making. In this case the auditor has a role as the party that gave the assurance in terms of the reasonableness of the company's financial statements, the financial statements are in accordance with the prevailing accounting standards or not. According to Lugianto (2008) in Sartika (2012) the quality audit done HOOD whose reputation will ensure more in terms of accountability and the financial performance of companies that diauditnya, thus the level of risk the company will be pressed to the level lower. Research conducted Agyei and Mensah (2018) suggests that the size of the HOOD effect significantly to the company's financial performance.

Delays in financial reporting (reporting lag) the company will make the shareholders and potential shareholders to defer their stock transactions, so that the delay in the submission of the financial report will be influential on performance of a company. Bijalwan and Madan (2013) in Agyei and Mensah (2018) observed that the policy of corporate governance, the timeliness of financial reporting and disclosure to the company's performance. Research Agyei and Mensah (2018) suggests that the results of the regression analysis indicates that the reporting lag has a significant negative relationship statistically with ROA and ROE, the implications are when the company's good financial performance companies have a tendency to reveal an earlier financial reports to the public.

3 Research Method

This research gave priority to research on empirical facts and data by using a secondary data source. The population in this research is all the non-finance listed on the Indonesia stock exchange (idx) of the period 2012-2016. In this study, researchers used a purposive sampling method in obtaining samples of research.This research is grouped into variable independent variable and the dependent variable. Each of these variables and the measurement are presented in table 1 below.

Table 1.

Type of variables	Variables	Measurement
Dependent Variabel	1. Financial Performance	$ROA = \frac{Net\ Income}{Total\ Assets} \times 100\%$ $ROE = \frac{net\ income}{Total\ equity} \times 100\%$ $EPS = \frac{Pre\ Tax\ Income}{Number\ of\ share\ in\ market}$
Independent Variabel	1. Independent Board of Commissioners	= $\frac{\text{The number of Independent Board of Commissioners}}{\text{Total of Board of Commissioners}}$
	2. Managerial ownership	= $\frac{\text{number of share that owned by manager}}{\text{the number of outstanding shares}}$
	3. Institutional ownership	= $\frac{\text{The number of shares owned by an institution}}{\text{the number of outstanding shares}}$
	4. Foreigners ownership	= $\frac{\text{The number of shares owned by foreigners}}{\text{the number of outstanding shares}}$
	5. Audit committee Independent	= $\frac{\text{Audit committee Independent}}{\text{Totals of audit committee}}$
	6. Audit quality	= Measured by dummy variables, 0 for KAP *Non Big 4*, 1 for KAP *Big 4*
	7. *Reporting Lag*	= Number of days between the date of the final financial reporting (March 31) up to the date of submission of financial reporting by issuers to bursa

$$Y = \alpha + \beta_1 X1 + \beta_2 X2 + \beta_3 X3 + \beta_4 X4 + \beta_5 X5 + \beta_6 X6 + \beta_7 X7 + e$$

Keterangan:

Y = ROA, ROE, EPS
x1 = Independent Board of Commissioners
x2 = Managerial ownership
x3 = Institutional ownership
x4 = Foreigners ownership
x5 = Audit committee Independent
x6 = Audit quality
x7 = *Reporting Lag*

Table 2. Descriptive Statistic.

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	79	,0001	2,1900	,107980	,2728771
ROE	79	,0005	2,9700	,287938	,6091114
EPS	79	,0004	9388,0000	163,986007	1056,975137
Independent Board of Commissioners	79	,2000	1,0000	,437903	,1314105
Managerial ownership	79	,0000	,56000	,040239	,09777505
Institutional ownership	79	,0000	,9999	,416908	,3000508
Foreigners ownership	79	,0000	,9850	,200704	,2150589
Audit committee Independent Audit	79	,3333	1,0000	,661603	,3436383
RL	79	1,0000	258,0000	32,974684	47,1796824
Audit quality	79	**Dummy**		**Frekuensi**	**Persentase**
		0	Non Big 4	66	83,5
		1	Big 4	13	16,5

4 Result and Discussion

Tabel 3. Multiple Regression Linier.

	ROA		**ROE**		**EPS**	
	Koef	**Sig**	**Koef**	**Sig**	**Koef**	**Sig**
(Constant)	1,033	0,000	1,000	0,000	34,490	0,000
KOMIND	0,101	***0,000***	0,256	***0,000***	6,644	0,529
MANAG	0,234	***0,000***	-0,103	0,000	-46,657	0,006
INST	0,029	***0,000***	0,087	***0,000***	-4,626	0,444
FOREIGN	0,102	***0,000***	0,287	***0,000***	8,841	0,266
INDAUD	-0,040	0,000	-0,117	0,000	-27,126	0,000
KAP	-0,050	0,000	-0,093	0,000	-17,756	0,000
RL	-0,005	***0,000***	0,001	0,000	-0,057	***0,048***
Adjusted R^2	1,000		1,000		0,424	
F	181765,107		162035,481		6,158	
Sig	0,00		0,00		0,00	

Based on results, the independent Board of Commissioners have an impact on the company's financial performance using the ROA and ROE ratios. The proportion of independent BOC capable to improve the company's financial performance, because the independent Board of Commissioners can provide supervision on the policy and implementation of good corporate governance so that the financial performance of the company will increase. Managerial share ownership positively affects the company's financial performance with the ROA ratio, suggesting that good financial performance can be influenced by the amount of managerial shares in the company. While managerial shareholding proved to be negatively affected by the company's financial performance using the ratio of ROE and EPS, while the percentage of managerial stock ownership is the greatest owned by the company Bumi Resources Minerals TBK (BRMS) amounted to 0.560 or 56%.

Institutional share ownership affects the company's financial performance using ROA and ROE ratios. Institutional ownership plays a very important role in minimizing agency conflicts between managers and shareholders. The presence of institutional investors is considered to be an effective monitoring mechanism in every decision taken by the manager (Amyulianthy, 2012). Based on the results of the study using the three accounting ratios, it can be concluded that foreign share ownership affects the company's financial performance using ROA and ROE ratios, the greater the proportion of the party's shareholding Will increase the company's financial performance by looking at the profit generated from all total assets and profits generated by the entire total company's equity.

The independence of the Audit Committee proved to be negatively impacted by the company's financial performance using ROA, ROE, and EPS ratios, with the independence of the Audit Committee lowering the financial performance of the administration. Descriptive statistical results stated that a minimum value of 33.3% indicates that the sample company has only 1 Independent audit Committee, the minimum value is owned by 26 sample companies, meaning there are still many companies that do not has a sufficient independent audit committee. In addition, the audit Committee of 1 person in the sample company will also affect the outcome of the research, because the number of audit committees in an enterprise consists of three to five people and has a background in accounting and Other things related to internal and external oversight of the company.

Based on the research results it can be concluded that the quality of audit (BIG4 or Non Big4) negatively affects the company's financial performance using ROA, ROE, and EPS ratios. It proves that the KAP can decrease the company's financial performance. The BIG4-affiliated KAP tends to perform a faster audit than the BIG4-partner KAP, as the BIG4-affiliated KAP can conduct its audit more efficiently and have a level of flexibility in schedule Higher time to complete the audit on time and affect the company's financial performance. The research results there are 13 companies audited by KAP BIG4 and 66 companies audited by KAP Non Big4, if a company is audited by one of the companies of audit services BIG4 and the quality of audit meets the quality standards of audit received, then The company's performance is expected to be better as well as financial reporting will be more transparent. However, many sample companies are not audited by KAP BIG4 so that the independence is less than maximal and will affect the outcome of this research.

Reporting Lag (RL) negatively affects the company's financial performance using ROA and EPS ratios, and positively affects the company's financial performance using the ROE ratio. Timeliness of financial reporting is a reflection of the number of days a company needs to compile financial statements that will be reported. Timeliness of the preparation or reporting of a company's financial statements can affect the value of the financial statements. The timeliness of reporting a company's financial statements can affect the value of the financial statements. Delays in information will cause negative reactions from capital market participants. The information presented in the financial statements contains a good news and bad news that can influence the investment decision (Dewi, 2013).

5 Conclusion

The results found that independent Board of Commissioners, managerial shareholding, institutional ownership, foreign ownership and reporting lag were influential in the financial performance and independence of the Audit Committee and Audit quality Impact on the company's financial performance with ROA, ROE and EPS ratios.

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