



**JOURNAL OF ACCOUNTING AND FINANCE
MANAGEMENT (JAFM)**

E-ISSN : 2721-3013
P-ISSN : 2721-3005

<https://dinastires.org/JAFM>

dinasti.info@gmail.com

+62 811 7404 455

DOI: <https://doi.org/10.38035/jafm.v4i6>

Received: 12 December 2023, Revised: 23 December 2023, Publish: 02 January 2024

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The Influence of Financial Distress, Profitability, and Firm Size on Audit Delay (An Empirical Study on Companies in the Properties and Real Estate Sub-Sector Listed on the Indonesia Stock Exchange for the Period of 2017-2021)

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Abstract: This study aims to examine the factors that affect the audit delay in the Properties and Real Estate Sub-Sector companies listed on the Indonesia Stock Exchange for the period of 2017-2021. The factors used in this study are Financial Distress, Profitability, and Firm Size. This research is motivated by the importance of information on factors that can affect audit delay. In this study, to measure audit delay, it is measured based on the length of days needed to obtain an independent auditor's report. The population that was used as the object of observation in this study were the Properties and Real Estate Sub-Sector companies listed on the Indonesia Stock Exchange for the period 2017-2021, and a total of 65 companies were obtained. This sampling method uses a purposive sampling method, in which the method in sampling uses certain criteria. Then 34 companies were selected that met the criteria multiplied by the 5 year observation period so that the total data became 170 data. Samples were downloaded via the web <http://www.idx.co.id> and the type of data in this study was secondary data. The method of data analysis in this study is to use statistical calculations with the application of SPSS (Statistical Product and Service Solution). This study shows that Financial Distress and Profitability have a negative effect on Audit Delay. Meanwhile, the Firm Size variable has no significant effect on Audit Delay.

Keyword: Profitability, Financial Distress, Profitability, Firm Size, and Audit Delay.

INTRODUCTION

Financial reports are the most crucial part of a company, especially for those that have gone public. Public companies are required to have audited financial statements to serve as a fundamental source of information for external parties such as creditors, investors, and the general public. The delay in presenting financial reports can have a negative impact on the company. The longer the delay in presenting financial reports, the reduced relevance and reliability of those reports. Companies in Indonesia listed on the Indonesia Stock Exchange

are obligated to submit audited annual reports to the Financial Services Authority (OJK). In accordance with Financial Services Authority Regulation No. 44/POJK.04/2016 concerning the Reports of the Custodian and Settlement Institutions, article 7 section 2 states that 'Annual financial reports must be submitted to the Financial Services Authority no later than 90 (ninety) days from the end of the fiscal year.' If the submission of the annual financial report exceeds the deadline stipulated in the OJK Regulation, it is considered a delay in submitting the annual financial report. If a company is late in submitting reports to the OJK, the company will be subject to administrative sanctions in accordance with Financial Services Authority Regulation No.29/PJOK.04/2016 (Articles 19:1-3). In the announcement made by the Indonesia Stock Exchange regarding the submission of Audited Financial Statements ending December 31, 2021, it was noted that 68 listed companies had not submitted the Financial Statements that ended on December 31, 2021. Meanwhile, the deadline for submitting Audited Financial Statements ending December 31, 2021, after Written Warning I, was May 30, 2022. The Indonesia Stock Exchange has issued a Written Warning II and a fine of IDR 50 million to the 68 Listed Companies that did not fulfill the obligation to submit Audited Financial Statements ending December 31, 2021, in accordance with the specified deadline (Intan, 2022).

This research refers to previous studies that have been conducted by researchers, including the study conducted by Fenua Mustika, et al. (2021). They stated that the application of professionalism has a partial influence on audit quality; the better the auditor's professionalism, the better the resulting audit quality.

LITERATURE REVIEW

Agency Theory

According to (Jensen & Meckling, 1976), Agency Theory involves the relationship between an agent (management of a company) and a principal (owner). It is a contract where one or more principals authorize an agent to perform tasks or services. The agent is given authority in decision-making, while the principal evaluates. This Agency Theory refers to the fulfillment of the primary goal of financial management, which is to maximize shareholder wealth. Timeliness is a quality related to the availability of information when needed. The time between the financial statement date and the audit report (audit delay) reflects the timeliness of financial statement submission (Rosalia et al., 2018).

Financial Distress

According to (Faradista & Hari, 2022), Financial distress is a stage of deteriorating financial conditions of a company, and if left unresolved, it can lead the company to bankruptcy. According to (Romli & Dea, 2020), Audit delay can occur due to several factors, such as financial distress, where the company's finances are in an unhealthy or crisis state. This is what adds to the audit delay because the financial statements of the company may be less reliable, such as the possibility of fraud by management, requiring auditors to be more meticulous in examining these financial reports. This aligns with the research conducted by Kristiana and Annisa (2022) and the study by Candra and Anggraeni (2022), stating that Financial Distress has a negative impact on Audit Delay. Based on the explanations provided above, the first hypothesis that can be proposed is :

H1: Financial Distress has a negative impact on Audit Delay.

Profitability

According to Prihadi (2020:166), profitability is the ability to generate profit. A company's profitability can be assessed in various ways depending on the profit and assets or capital that will be compared with each other. When a company has a high Profitability ratio,

the company will expedite its audit process and publish its financial statements as soon as possible. This is because it is considered good news for the company and investors. Meanwhile, a company with low profitability will delay the publication of financial statements because auditors must be cautious in the financial statement audit process, resulting in a longer Audit Delay. This is in line with the research conducted by Alfiani and Nurmala (2020) and the study by Absarini and Praptoyo (2021), stating that Profitability has a negative impact on Audit Delay. Based on the explanations provided above, the second hypothesis that can be proposed is :

H2: Profitability has a negative impact on Audit Delay.

Firm Size

Firm size is a measure to assess the total assets of a company. A company can be classified as large or small from various perspectives such as total asset value, total sales, number of employees, and so on (Bahri & Amnia, 2020). Larger companies have better internal controls. Larger companies face higher external pressure to complete their audit reports in a timely manner as they are closely monitored by investors, the government, and regulatory bodies. This aligns with the research conducted by Alfiani and Nurmala (2020) and the study by Lulut Firstiyanendro and Utomo (2021), stating that Firm Size has a negative impact on Audit Delay. Based on the explanations provided above, the second hypothesis that can be proposed is :

H3: Firm Size has a negative impact on Audit Delay.

METHOD

This research adopts a quantitative descriptive approach. The research design used in this study is a causal method, which aims to determine the influence of one or more independent variables on a dependent variable. This study employs three independent variables: Financial Distress (X1), Profitability (X2), and Firm Size (X3), regarding one dependent variable, Audit Delay (Y). The research is conducted on Manufacturing Companies in the Properties and Real Estate Sector listed on the Indonesia Stock Exchange during the period 2017-2021. The selection of the research location on the Indonesia Stock Exchange through its official site www.idx.co.id is based on objective calculations in line with the research objectives and considerations.

The population in this study consists of manufacturing companies in the properties and real estate sector listed on the Indonesia Stock Exchange during the period 2017-2021, totaling 65 companies. The sample represents a portion of the characteristics and quantity possessed by this population. The sampling method used in this research is purposive sampling, a technique for selecting data sources based on specific considerations. After conducting purposive sampling, a sample of 34 companies with complete data for examination was obtained.

RESULTS AND DISCUSSION

Descriptive statistical results for each variable can be observed in the following table:

Tabel 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DAR	170	.0514	1.1080	.387221	.1975038
ROA	170	-.3790	.2198	.020347	.0676013
LN_TOTAL PENJUALAN	170	20.2391	30.4362	27.114311	1.9453785
AUDIT DELAY	170	43	331	98.84	42.406

Valid N (listwise)	170				
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Source: Secondary Data has been processed by SPSS 22

Durbin-Watson Test

Tabel 2. Durbin Watson Test

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	,475 ^a	,226		,210	23,2500976	1,230

Source: Secondary Data has been processed by SPSS 22

Based on the table above, table 2 shows a Durbin-Watson value of 1.230. As the DW value falls between -2 and +2 or $-2 < 1.230 < +2$, it can be concluded that there is no positive or negative autocorrelation.

R-Squared Test

Tabel 3. R-Squared Test

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	,475 ^a	,226		,210	23,2500976

Source: Secondary Data has been processed by SPSS 22

Based on the table 3 above, the test results of the coefficient of determination indicate that the adjusted R-square value obtained is 0.210 or 21%. This indicates that the Audit Delay variable can be explained by the variables Financial Distress, Profitability, and Firm Size. Meanwhile, the remaining 79% (100 - 21%) is explained by other variables not included in this model.

F-Test

Tabel 4. F-Test

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	22740,367	3	7580,122	14,023	,000 ^b
Residual	77841,654	144	540,567		
Total	100582,020	147			

Source: Secondary Data has been processed by SPSS 22

Based on table 4 above, the statistical test results for F obtained a calculated F value of 14.023, which is greater than the tabulated F value of 2.670 ($14.023 > 2.670$), with a significance value of 0.000, smaller than 0.05. Therefore, it can be concluded that the variables Financial Distress, Profitability, and Firm Size collectively have a significant influence on Audit Delay.

T-Test

Tabel 5. T-Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	144,074	36,254		3,974	,000
DAR	-28,325	12,351	-,203	-2,293	,023
ROA	-265,905	54,402	-,398	-4,888	,000
LN_TOTAL					
PENJUALAN	-1,295	1,433	-,084	-,904	,368

Source: Secondary Data has been processed by SPSS 22

Based on table 5, the statistical test results of the T-test for each independent variable concerning the dependent variable can be explained as follows :

- 1) The variable Financial Distress measured using DAR has a calculated T value of -2.293, which is greater than the tabulated T value of 1.655 (-2.293 > 1.655) with a significance value of 0.023 < 0.05. This indicates that the Financial Distress variable has a significant negative impact on Audit Delay, thus supporting H1.
- 2) The variable Profitability measured using ROA has a calculated T value of -4.888, which is greater than the tabulated T value of 1.655 (-4.888 > 1.655) with a significance value of 0.000 < 0.05. This indicates that the Profitability variable has a significant negative impact on Audit Delay, thus supporting H2.
- 3) The variable Firm Size measured using Ln_Total Sales has a calculated T value of -0.904, which is smaller than the tabulated T value of 1.655 (-0.904 < 1.655) with a significance value of 0.368 > 0.05. This indicates that the Firm Size variable does not have a significant impact on Audit Delay, thus rejecting H3.

Multiple Linear Regression Analysis Test

Tabel 6. Multiple Linear Regression Analysis Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	144,074	36,254		3,974	,000		
DAR	-28,325	12,351	-,203	-2,293	,023	,688	1,453
ROA	-265,905	54,402	-,398	-4,888	,000	,812	1,231
LN_TOTAL							
PENJUALAN	-1,295	1,433	-,084	-,904	,368	,628	1,593

Source: Secondary Data has been processed by SPSS 22

Based on table 6, the results of the multiple linear regression analysis show the regression equation for this research model as follows :

$$\text{Audit Delay} = 144.074 - 28.325 X1 - 265.905 X2 - 1.295 X3 + e$$

This regression equation can be explained as follows :

- 1) The constant value is positive, which means that if the variables Financial Distress, Profitability, and Firm Size are considered absent or equal to zero (0), the Audit Delay value will increase or experience a positive increase in Audit Delay by 144.074.
- 2) The coefficient value of the Financial Distress variable is -28.325. This indicates that the Financial Distress variable has a negative relationship with Audit Delay, meaning that a 1% increase in the Financial Distress variable will lead to a decrease in the Audit Delay variable by 28.325.
- 3) The coefficient value of the Profitability variable is -265.905. This shows that the Profitability variable has a negative relationship with the Audit Delay variable, meaning that a 1% increase in the Profitability variable will result in an increase in the Audit Delay variable by 265.905.
- 4) The coefficient value of the Firm Size variable is -1.295. This indicates that the Firm Size variable has a negative relationship with Audit Delay, meaning that a 1% increase in the Firm Size variable will lead to a decrease in the Audit Delay variable by 1.295.

CONCLUSION

Based on the hypothesis testing and discussion regarding the Influence of Financial Distress, Profitability, and Firm Size on Audit Delay (An Empirical Study on Property & Real Estate Companies listed on the Indonesia Stock Exchange during the period 2017-2021), the following conclusions can be drawn :

- 1) Financial Distress has a significant negative impact on Audit Delay, thus supporting H1. This indicates that Financial Distress has a negative influence on Audit Delay.
- 2) Profitability has a significant negative impact on Audit Delay, thus supporting H2. The negative relationship between Profitability and Audit Delay is due to the fact that the higher the level of Profitability ratio, the shorter the Audit Delay.
- 3) Firm Size does not have a significant impact on Audit Delay, thus rejecting H3. This means that the speed or delay in reporting (audit delay) is not influenced by whether a company has small or large assets. The wealth possessed by the company does not significantly affect the timing of financial report submissions.

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