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# Analysis Market Reaction on Timeliness Reporting: Study on Indonesia Stock Exchange

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**ABSTRACT:** *Indonesia Stock Exchange (ISE) in 2012 recorded that there were 36.6% of companies that did not meet the timeliness reporting in preparing the financial statements, whereas companies that implement Good Corporate Governance (GCG) should be timely in preparing the financial statements as the implementation of the principle of transparency which is one of the principles of GCG. This study aims to examine how the role of GCG in monitoring and suppressing the timeliness reporting in preparing the financial statements and whether there are differences in market reaction between the companies that meet the timeliness reporting and which do not. The research samples taken from population members were 96 companies listed on Indonesia Stock Exchange in 2013. The data processed by using logistic regression and independent t test. The results show that the institutional ownership, independent board and audit committee play a role in the fulfillment of timeliness reporting while the management ownership and board size have insignificant. Further results of the study showed no difference in reaction to the market on the company meet and do not meet the timeliness reporting.*

**KEYWORDS:** *Good Corporate Governance (GCG), Timeliness Reporting, and Financial Statements, Market reaction*

## I. INTRODUCTION

The financial statement is a report that provides information regarding the financial position and the achievement of the company's performance during a certain period of time and changes in financial position. This information is useful for stakeholders as input in decision making (Belkaoui, 2007: 233). In order this information can provide the intended benefits for stakeholders, the submission of such information should be in accordance with the qualitative characteristics of financial statement presentation. Qualitative characteristics are characteristics that make information of financial statements useful for stakeholders. The fourth characteristics are understandable, relevant, reliable, and can be compared. The timeliness is one of the obstacles of relevant and reliable information as well as an important prerequisite in order to meet the relevance of the financial statements (Moradi et al. 2013).

Timeliness and relevance are components that must be fulfilled in presenting the financial statements (Aktas and Kargin, 2011) because the presentation of the financial statements that do not meet the timeliness and irrelevant can reduce or eliminate the ability of the financial statements as a tool for stakeholders to make decisions. Besides that, the timeliness reporting of financial statements can help investors, creditors, and other users to estimate the ability to gain revenue, cash flow and financial condition of a company (Etemadi and Yarmohammadi, 2003). This reflects the importance of timeliness reporting of financial statements to stakeholders.

Transparency is one of the principles of GCG besides accountability, responsibility, independence and fairness. Transparency principle means that transparency of information both in decision-making process and in disclosing material and relevant information regarding the company. Transparency principle must provide information that is timely, adequate, clear, accurate, comparable and easily accessible by stakeholders.

Indonesia Stock Exchange (ISE) has set a deadline for submission of financial statements for companies listed on the Stock Exchange on March 31 for financial statements ended on December 31 in the previous year. This determination aims to meet transparency and protect the minority interests in the capital market. However, data from Stock Exchange for the year 2012 of 448 companies listed on the Stock Exchange as a whole, there are 164 companies that are not timely in submitting financial statements or by 36.61 % of the companies that are late in submitting financial statements to the Stock Exchange. On the other hand, companies that implement GCG should submit financial statements on time (Abdullah, 2007). This study examines the role of GCG in monitoring and suppressing the timeliness reporting of financial statements.

Previous research related to timeliness reporting has been extensively studied both in developing countries and in developed countries. Researchers who examined the case in developing countries including Tauringana et al. (2008) in Zimbabwe; Kumor and Chandler (2004); Ismail and Candler (2004) in Malaysia, Karim et al. (2006 ) in Bangladesh, and Mahajan dan Chander (2008) in India; Akle (2011) in Egypt, Ika and Ghazali (2012) in Indonesia while researchers who have examined the same case in developed countries including McGee and Yuan (2012) in China, USA and European Union; Eriotis et al. (2009) in Athens, Krishnan and Yang (2009) in the United States, Turel (2010 ) in Turky.

Previous research shows some of the variables that can affect the timeliness reporting. These factors are divided into two parts, namely the company characteristics factors and the audit factors (Owusu - Ansah, 2000). The company characteristics factors are factors which allow management to prepare annual financial statements promptly and reduce unnecessary costs , which arise as a result of the delay of the report presentation. Firm size, firm age, types of industry and the company financial condition such as profitability and leverage are variables included in factors of company characteristics. While audit factors are factors that can facilitate (or hinder) the auditor to complete the audit assignment and present the audit report on time, for example, the size of the audit firm, the audit opinion, and the complexity of the company's operations. Besides these two factors, there is one more factor namely GCG (Afify, 2009). GCG is a factor that can control, suppress and decide that the annual financial statements completed on time. Management ownership, institutional, board and audit committee included in the GCG factor.

Literature review on the results of previous studies show some contradictions. The research result of Shukeri and Nelson (2011) shows the audit committee of a company fought to encourage timeliness reporting of financial statements. The Result of this study is supported by Mitra et al. (2012) and Abernathy et al. (2014 ). Another research result of Emeh (2013) shows the opposite result, independent audit committee do not significantly affect the timeliness reporting. The research result of Abdelsalam and Street (2007) shows that boad independent affect the timeliness reporting. On the other hand, indicated by Al Daoud et al. 2014 that the presence of board independent does not affect the timeliness reporting of financial statements. There are some contradictions of previous research results related to the variables that affect the timeliness reporting in some countries, this study will use these variables as predictors of timeliness reporting in Indonesia and expand the scope of research by examining the effect of the market reaction on timeliness reporting.

## II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### 2.1 Literature Review

a. Agency Theory

Agency theory is part of the positivist theory derived from the financial economy (Adams, 1994). This agency theory explains the relationship between agents as those who manage the company and the principal as the owner, both are bound by a contract (Wu et al. 2014). The Principals or owners are parties that evaluate information and the agents are parties that run the management activities and decision-making (Jensen and Meckling 1976). Agency theory is based on the premise that the agents have more information than the principals. This premise lead to asymmetry information between principals and agents. This arises because the agents have better internal information and future prospects on the company compared to the information obtained by the principals. Asymmetry information is harmful because it reduces the ability of the principals to monitor the resources that have been entrusted to the agents and this theory also assumes that both principals and agents acting rationally that they use the contract process to maximize their welfare, which also means that agents have selfish motive and will take the opportunity to act against the interest of the principals. One way to reduce asymmetry information is to timely present the financial statements (Owusu and Leventis, 2006).

b. Financial Timeliness Reporting

One of the qualitative aspects of the financial statements is timeliness reporting of financial statements. Timeliness reporting is also a part of transparency aspect in corporate governance. Late submission of financial statement will reduce the benefits of the financial statements themselves. Bapepam on September 30, 2003, issued a decree No. Kep/36/PM/2003 which states that the annual financial statements along with the auditor's report submitted to Bapepam no later than the end of the third month (90 days) after the date of the annual financial statements. Bapepam Regulation, XK6 dated on December 7, 2006 states that the submission of annual financial statements is said timely if submitted prior to or at the latest at the end of the third month after the date of the annual financial statements of public companies.

c. Governance

The Asian Development Bank (ADB) explains that corporate governance is: *"The issue of corporate governance arises because of the separation of ownership from control in modern organizations. When salaries managers run companies on behalf of dispersed shareholders, they may not act in shareholders' best interest. This agency or moral hazard problem could exist not just between shareholders and managers, but also between controlling and minority shareholders, between shareholders and creditors and between controlling* *shareholders and other stakeholders, including suppliers and workers. A sound corporate governance system should provide effective protection for shareholders and creditors such that they are not denied the return on their investment* ".

The collapse of Enron in 2001 is the starting point of GCG needed to protect the company and stakeholders. This can be done through internal control mechanisms as well as through external mechanisms. Two important forms of external mechanisms: (1) the various regulations that explain the relationship between shareholders, managers, creditors, government and other stakeholders (the regulations defining the rights and obligations of those parties) and (2 ) the various mechanisms that are directly or indirectly enforce those regulations.

The Indonesian Research Institute of Corporate Governance in 2003 found that the main reason of companies apply corporate governance is adherence to the rules. The company believes that the implementation of corporate governance is another form of business ethics enforcement and work ethic that has long been a commitment of the company and is associated with the increase of the image of the company.

The weak of GCG and transparency encourage bankruptcy of several companies listed on Kuala Lumpur Stock Exchange (KLSE). It encourages the need of GCG standards in order to increase transparency and improve the relationship between the company and investors (Che Haat et al. 2008). Companies that practice corporate governance will improve the image and increase the value of the company. The relationship of GCG and timeliness reporting of financial statements has been the object of researches by many previous studies including Schmidt and Wilkins (2013); Akle (2011); Nor et al. (2010).

d. *Timelines Reporting* and Market Reaction

The presentation of financial statements is an important source of information for investors and shareholders (Alam and Rashid, 2014). This information is expected to have relevant value for decision makers. Relevant value is defined as the ability of accounting numbers to summarize the information underlying stock price (Halonen et al. 2013). Research of relationship between company earnings information presented in the financial statements has been a popular object of researches internationally over the last 30 years (Dimitropoulos and Asteriou, 2009). Around the world, researches on the relationship of earnings information motivated by listed companies that using the data to communicate with investors and the public (Menike and Man, 2013). However, studies conducted in developed and developing countries impressed that the financial statements of companies have lost their value relevance (Sharma et al. 2012). This is supported by Javid and Faraz (2011) who found that there was no abnormal return during the period of earnings announcements.

**2.2 Hypotheses Development**

a. Management Ownership

Management ownership tends to disclose less information on the website as their shareholders can access the necessary information and get it internally (Marston and Polei, 2004). Some studies show significant relationship between this variable with the timeliness reporting (Abdelsalam and El-Masry, 2008; and Momany and Al – Shorman, 2006). Based on this, the hypothesis 1 ( H1 ) is as follows :

H1 : There is an influence of management ownership on timeliness reporting of financial statements.

b. Institutional Ownership

Institutional ownership requires more information about the company's operations compared with individual ownership (Balsam et al. 2002) because institutional ownership wants to use this information as an argument against management decisions that contradict their interests (Hessel and Norman, 1992). Institutional ownership has the power to prosecute and requires management to deliver financial information immediately, as institutional ownership can use voting rights to influence the management decisions (Kane and Velury, 2004). The greater the percentage of shares held by institutional parties will lead to surveillance that is done to be more effective because it can control opportunistic behavior of managers (Mitra et al. 2007) and according to Ishak et al., 2010, institutional ownership affects the reporting timeliness. Based on this, the hypothesis 2 (H2) is as follows:

H2 : There is an influence of institutional ownership on timeliness reporting of financial statements

c. Board Size

One of disadvantages of large board size is communication and coordination problems (Nor et al. 2010). This makes the board are less capable and less efficient in monitoring the company's operations compared with the small board size (Dimitropoulos & Asteriou, 2010). Mak and Li (2001) found a large board size is less capable to participate and not organize so that they can not reach an agreement. Xie et al. ( 2003) also found that the small board size is not burdened with the problem of bureaucracy, and thus more able to report better financial oversight. For hypothesis 3 (H3) is as follows :

H3 : There is an influence of board size on the timeliness reporting of financial statements.

d. Board Independent

Board Independent is expected to act as a supervisor and advisor to the board of directors on behalf of stockholders (Fama & Jensen, 1983). Board Independent is one of important elements in GCG mechanism and their presence on the board is a recommendation from the practitioners of GCG (Zattoni & Cuomo, 2010). Regulation of various countries require board independent performing the duty and responsibility to carry out effective supervision (Lazar et al., 2014) over the behavior of directors. Effective board independent should be able to monitor behavior of directors on minority interests (El Masry, 2008) and may affect the timeliness reporting. Based on this, the hypothesis 4 (H4) is as follows:

H4 : There is an influence of board independent on timeliness reporting of financial statements.

e. Audit Committee

Audit committee is defined as the committee appointed by the company as a liaison between the board of directors and external auditors. The audit committee is an important part of the GCG specifically related to the quality and the issuance of the financial statements. The audit committee must be independent to be able to carry out effective monitoring, so they can suppress opportunistic behavior of management, the committee usually have majority of members of the executive and are expected to see the affairs of the company separately and impartially. The quality and credibility on the financial reporting can be decreased when the audit committee have low or no independence (Habbash, 2010). One of the purposes of the audit committee is to provide objective reviews on financial information (Appah dan Emeh 2013) and Archambeault et al. (2008) shows that the independence of the audit committee reduces earnings management and the possibility of presenting fraudulent financial reporting. Similarly, Choi et al. (2004) found that when members of audit committee have stock in the company, they are less effective in reducing earnings management. Thus, the independence of audit committee is a key factor in increasing their role in preventing mis-statements in the financial statements. Under these conditions, Hypothesis 5 (H5) is as follows:

H5 : There is an influence of audit committee on timeliness reporting of financial statements

f. Timeliness Reporting

The relationship between stock returns and accounting data has become one of the topics studied intensively in accounting research. Until now, the research focus predominantly on using data such as revenues and earnings announcements (Huang and Zhang, 2012). Presentation of the financial statements helps users in assessing the company's ability to obtain profit (Lee, 2012). The profit announcement has a positive market reaction (Haw et al. (2000) and may increase the price of stock market (Cheng, 2006; Johnson and Zhao, 2012). Based on these conditions, Hypothesis 6 (H6) is as follows :

H6 : There is an influence of timeliness reporting on market reaction

# III. METHODOLOGY

### 3.1 Population and Sample Selection

The population used in this study is all companies listed on the Indonesian Stock Exchange (ISE). The sampling method used is purposive sampling. Based on consideration of sampling, the size of samples in this study is 96, since the company listed in Kompas 100 is one hundred companies and there are two companies that do not have the completeness of the data and 2 data contains outliers then the number of data processed is 96.

### 3.2 Reseacrh Variabel

Endogenous Variabel :

1. Timeliness Reporting

   Timeliness reporting is the timeliness reporting of financial statement presentation. This variable is measured by a dummy variable which is the nominal scale , in which category 0 for companies that timely and category 1 for companies that are not timely. Companies that are categorized not timely , if the financial statements are reported after March 31, while companies are categorized timely if the financial statements are reported before and on March 31.

2. Market Reaction

   Market reaction is measured by stock returns. The formula of stock return is as follows :

$$\text{Stock Return} = \frac{p1-P0}{P0}$$

$P_0$ = Average weekly stock price before the financial statements publication

$P_1$ = Average weekly stock price before the financial statements after publication

Exogenous variabel :

1. Management Ownership
   Management ownership in Indonesia is very varied, many companies that do not have management ownership and some companies that have management ownership with a large enough percentage. To avoid the possibility of outlier data, ownership management is measured 0 if no percentage of management ownership and 1 if there is.
2. Institutional Ownership
   Institutional ownership is measured by comparing the number of stock owned by institutional parties and the number of shares outstanding.
3. Board Size
   Board size is measured by ratio of the number of commissioners board than the number of board of directors.
4. Board Independent
   Board of Independent is measured by ratio of members of Independent commissioner and members of commissioner board.
5. Audit Committee
   Audit committee is measured by the percentage of audit committe from external companies to total of audit committee members.

**3.1 Research Model**

This study has two models. The first model is to test the effect of GCG on timelines reporting. The first research model is as follows : $Ln\ (TR/1\text{-}TR) = \beta_0 + \beta_1 MO + \beta_2 IO + \beta_3 BZ + \beta_4 BI + \beta_5 AC + \varepsilon$

Explanations:

| | | |
|---|---|---|
| *Ln* (TR/1-TR) | : | Timeliness Reporting |
| $\beta_0$ | : | Constanta |
| $\beta_{1-}\ \beta_5$ | : | Beta |
| MO | : | Management Ownership |
| IO | : | Institutional Ownership |
| BZ | : | Board Size |
| BI | : | Board Independent |
| AC | : | Audit Committee |
| $\varepsilon$ | : | Error |

The second model is to test whether there are differences in market reaction between companies that comply the timeliness reporting and those that do not. The research model is as follows:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}$$

Explanations:

| | | |
|---|---|---|
| *t* | : | t- test value |
| $\bar{x}_1$ | : | Mean group 1 |
| $\bar{x}_2$ | : | Mean group 2 |
| $n_1$ | : | Sample size group 1 |
| $n_2$ | : | Sample sizen group 2 |
| $S_1^2$ | : | Variance group 1 |
| $S_2^2$ | : | Variance group 2 |

## IV. RESULT AND DISCUSSION

**4.1 Descriptive Statistics**

Table 4.1 shows the test results of descriptive statistics. Descriptive statistics explain the value of the minimum, maximum, mean and standard deviation. TR variable measured by dummy data, the maximum value of TL is 1 and the minimum value is 0 and the mean value is 0.260 and the standard deviation is 0.4412. MO is also valued minimum is 0 and maximum is 1 because this variable is also measured by dummy data, the mean value is 0.4896 and standard deviation is 0.50253. IO variable has a minimum value of 4.35 and a maximum value of 99.96. While the mean value 45. 2133 and standard deviation are respectively 26.52910. Variable BZ has a minimum value of 0.36 and a maximum value of 2.17 and the mean value of 0.9242 and the standard deviation of 0.37693. BI Variable has a minimum value of 0.17 and a maximum value of 0.80 and the mean value of 0.4325 and the standard deviation of 0.11925. CA variable has a minimum value of 0 % and a maximum value of 100 %. While the mean and standard deviation are respectively 68. 53 % and 19.537 %. MR variable (Stock Price) has a minimum of -0.91 and a maximum value of 9.67, and the mean value of 0.1186 and a standard deviation of 0.99733

Table 4.1 Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| TR | 96 | 0,0 | 1,0 | ,260 | ,4412 |
| MO | 96 | 0,00 | 1,00 | ,4896 | ,50252 |
| IO | 96 | 4,35 | 99,96 | 45,2133 | 26,52910 |
| BZ | 96 | ,36 | 2,17 | ,9242 | ,37693 |
| BI | 96 | ,17 | ,80 | ,4325 | ,11925 |
| CA | 96 | 0,00 | 1,00 | ,6753 | ,19537 |
| MR | 96 | -,91 | 9,67 | ,1186 | ,99733 |
| Valid N (listwise) | 96 | | | | |

**4.2 Fit Test Model**

Fit test model can be seen by the value of Hosmer and Lemeshow in Table 4.2, the result shows the probability is 0.817 greater than α = 0.05, it can be concluded that the logistic regression model is feasible for subsequent analysis due to no real difference between the predicted classifications and the observed classification.

Table 4.2 Fit Test Model with Hosmer dan Lemeshow Test

| Step | Chi-square | df | Sig. |
|---|---|---|---|
| 1 | 4,425 | 8 | ,817 |

**4.3 Overall Model Fit Test**

After assessing the feasibility of regression models, the next step is to assess the overall model fit test by looking at the numbers -2 Log Likelihood (LL), at the initial (Block Number = 0) and the numbers -2 Log Likelihood (LL) block number = 1. The initial value of -2 Log Likelihood (LL -2) (Block Number = 0) of 110.710, while the block number = 1, the number of -2 LL becomes 97.252. A decrease of 110. 710 to 94.252 indicates that the model meets the overall fit.

Table 4.3 The value of -2 Log L

| | *Block Number* = 0 | *Block Number* = 1 |
|---|---|---|
| -2 Log Likelihood | 110,710 | 97,252 |

**4.4 Hypothetical Testing**

Hypothetical testing shows the significant values of H1 and H3 are greater than α = 0.05. It means that the existence of MO and BI insignificantly influence on timeliness reporting. Hypothesis H2, H4, and H5 are accepted due to the significant values are smaller than α = 0.05. This means IO, BI dan CA significantly influence on the timeliness reporting.

Table 4.4 Hypothesis Test

| ` | B | S.E. | Wald | df | Sig. | Significant (α = 0,05 | Remarks | |
|---|---|---|---|---|---|---|---|---|
| MO | -,455 | ,565 | ,650 | 1 | ,420 | Insignificant | H1 | rejected |
| IO | -,023 | ,011 | 4,470 | 1 | ,035 | Significant | H2 | accepted |
| BZ | -,325 | ,724 | ,201 | 1 | ,654 | Insignificant | H3 | rejected |
| BI | -5,240 | 2,518 | 4,331 | 1 | ,037 | Significant | H4 | accepted |
| CA | 3,940 | 1,640 | 5,768 | 1 | ,016 | Significant | H5 | accepted |
| Constant | -,151 | 1,529 | ,010 | 1 | ,921 | | | |
| a. Variable(s) entered on step 1: MO, IO, BZ, BI, CA. | | | | | | | | |

Simultaneously or with MO, IO, BZ, BI and CA significantly influence on the timeliness reporting. It can be seen the value of Omnibus Tests of Model Coefficients shows significant value is 0.012 smaller than α = 0.05. These five variables are simultaneously influenced by 20.9 % (table 4.7) and the rest influenced by other variables outside the research.

Table 4.5 Omnibus Tests of Model Coefficients

| | | Chi-square | df | Sig. |
|---|---|---|---|---|
| Step 1 | Step | 15,617 | 5 | ,008 |
| | Block | 15,617 | 5 | ,008 |
| | Model | 15,617 | 5 | ,008 |

Table 4.6 Model Summary

| Step | -2 Log likelihood | Cox & Snell R Square | Nagelkerke R Square |
|---|---|---|---|
| 1 | 94,493[a] | ,150 | ,220 |
| a. Estimation terminated at iteration number 5 because parameter | | | |

Independent t test is used to determine whether there are differences in market reaction between the report presented timely and no timely or hypothesis 6. The results show a significant value 0.364 greater than $\alpha = 0.05$. This means hypothesis H6 is also rejected and also means there is no difference in market reaction between the reports presented timely and those presented no timely.

Table 4.9
The results of Independent T Test

| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Interval of the | |
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | Lower | Upper |
| MR | Equal variances assumed | ,831 | ,364 | -,480 | 94 | ,632 | -,11183 | ,23288 | -,57422 | ,35057 |
| | Equal variances not assumed | | | -,800 | 74,801 | ,426 | -,11183 | ,13985 | -,39043 | ,16678 |

**4.5 Discussion**

The test result of hypothesis H1 is rejected. This means that there is no significant effect of management ownership on timeliness reporting. This study has failed to prove that managerial ownership structure affects the timeliness reporting and is unable to support the research of Marston and Polei, 2004; Mitra et al. 2012; Momany and Al - Shorman 2006 due to the percentage of management ownership in Indonesia is very low (only 3 %) so they can not eliminate the conflict of interest between managers and principals (Puspitaningrum and Atmini, 2012). The test result of hypothesis H2 is accepted. This means there is a significant influence of institutional ownership on the timeliness reporting. Beta coefficient of institutional ownership is with minus, means that the greater institutional ownership, the greater the chances of the company to meet the timeliness reporting. This study has successfully supported the research of Mitra et al. 2007. The percentage of institutional ownership in Indonesia is quite large. A large percentage of institutional ownership means also they have bigger voting rights so they are able to suppress the management decisions that are contrary to their interests or to control opportunistic behavior of managers, including the timeliness reporting of financial statements.

The test result of hypothesis H3 is rejected which means there is no influence of board size on timeliness reporting. The result is unable to support the research of El-Masry (2008). The average number of board in Indonesia especially in the companies in this research is over five members. This number is still large enough and proves that their existence can not affect the timeliness reporting. The large number of board may cause problems of coordination (Nor et al, 2010), are less able to monitor the company's operations, are less able to participate and disorganized (Dimitropoulos dan Asteriou, 2009) so that they have not been able to maximize their roles in supervising managers, including in terms of timeliness reporting of financial statements.

The test result of hypothesis H4 is accepted which means there is a significant influence of the board independen on timeliness reporting. This result supports the research of Adelsalam and El Masry (2008 ); Mitra et al. (2012) and does not support the research result of Shukeri and Islam (2012). Indonesian regulation requires board of board independent to carry out the duties and responsibilities to supervise the behavior of directors proved to be effective because the presence of independent commissioner board affect the timeliness reporting of financial statements. Board independent can monitor top management on behalf of shareholders (El Masry, 2008). The percentage of independent commissioner board can improve the control over the opportunism of managers and reduce the chance of management in slowing the delivery of financial information (Kelton and Yang 2008).

The test result of hypothesis H5 is accepted. This means there is a significant influence of the audit committee on the timeliness reporting. This result successfully supports the research of Abernathy et al (2014) and conflicts the research result of Emeh (2013). The existence of an independent audit committee in GCG structure plays a role in the acquisition of a qualified audit report (Pucheta et al. 2007; Afify (2009). The existence of an audit committee can reduce the time spent by the auditors to complete the audit work. The audit committee in Indonesia is relatively new, because they are set after the Asian financial crisis in 1997 (Ika and Ghazali, 2012). Despite the existence of audit committee which is still relatively new but proven capable of carrying out their duties, especially in the timeliness reporting of financial statements.

The test result of hypothesis 6 is rejected. It means there is no difference in the market reaction between companies that meet timeliness reporting and those that fail to meet timeliness reporting. The absence of differences in market reaction also shows that the timeliness reporting does not affect the market reaction. This result supports the research of Menike and Man (2013) and conflicts research of Vieira (2011) which shows that there is market reaction on the announcement of dividends, and Drake et al. (2015) shows there is selling activity when there is restatement of financial statements after the error correction. Robbani and Bhuyan (2010), shows there is also a negative effect on the market stock price when there is announcement of companies' earning correction. The result also shows that the financial statements have not been effectively used as a source of information or input in decision making for investors in Indonesia. It is in line with the result of Sharma et al. (2012) that in developing countries, including Indonesia, the financial statements have not been relevant for investors and this is also confirmed by Javid and Faraz (2011) which shows no abnormal return during the period of financial statement presentation.

## V. CONCLUSIONS

The existence of institutional ownership structure, board of independent commissioners and audit committee in GCG structures encourage the creation of transparent of financial reporting. Those variables prove that they affect on the timeliness reporting of financial statements. Percentage of large institutional ownership structure is capable of pressing management to meet the timeliness reporting of financial statements. Board of Independent Commissioners have duty and responsibility to supervise the behavior of directors proven effective in expanding the duty and responsibility. The existence of audit committee plays a role in reducing the time spent by the auditors to complete the audit work. The low relevance of the presentation of the financial statements as input in decision making by stakeholders including investors causes no difference in market reaction between companies that meet timeliness reporting and those that do not.

The size of research sample is 96 companies and only examine companies listed in Kompass 100. The period of study is only one year that is 2013. It is recommended for further research is to increase the number of research samples, and to add the number of time periods so that the conclusions of the next research can be generalized. Besides that, the result shows a large variations in reporting timeliness due to the influence of GCG is only 22.%. For that study suggested by adding research variables that allegedly expected to affect the timeliness reporting such as the characteristics of the company and the type of auditor.

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