

**JBK**

Jurnal Bisnis & Kewirausahaan

Volume 17 Issue 1, 2021

ISSN (*print*) : 0216-9843ISSN (*online*) : 2580-5614Homepage : <http://ojs.pnb.ac.id/index.php/JBK>

Good Corporate Governance: Does The Timeliness of Financial Reporting Has an Effect to The Investors' Reaction?

Reni Furwanti ¹, Slamet Haryono ², Dini Maulana Lestari ³^{1,2,3} Department of Islamic Economy and Business, UIN Sunan Kalijaga, Indonesia¹ renifurwanti96@gmail.com

Abstract. This research aims to find out the influence of independent committee boards, audit committee repats, foreign ownership, and audit quality on the timeliness of financial reporting and their impact on investors' reactions both directly and indirectly. This research uses a quantitative method with population and sample of companies registered in Jakarta Islamic Index (JII). Data will be processed using path analysis using IMB SPSS Statistic 22 software. Based on the results of this research, it is known that directly, independent commissioner variables and audit quality have a positive effect on investor reactions, while foreign ownership variables and audit committee meetings have a negative effect on investors' reactions. While the indirect influence can be known that only audit committee meetings, foreign ownership, and audit quality can have a significant impact on investors' reactions through the timeliness of disclosure of financial statements as intervening variables. The implication of this research is to prove that the existence of corporate governance in terms of determining the intensity of audit committee meetings, foreign ownership, and determination of KAP selection in improving the quality of audits can make the company more efficient and timely in disclosing its financial statements in order make positive reactions from investors that indicates good news for the company.

Keywords: *GCG, timeliness of financial statement disclosure, investors' reaction*

INTRODUCTION

Good Corporate Governance, specifically Independent Board of Commissioners, Audit Committee Meetings, Foreign Ownership, and Audit Quality are simultaneously affected to increase companies' performance as reported on previous researches and general theory. That is to say, this condition triggers such positive reaction from investors regarding to invest their amount of money to the companies (Wardani & Zulkifli, 2017). Nevertheless, those four good corporate government aspects are not being enough to ensure the investors that the companies have such good ability. Timeliness is one of aspects that have to maintain by companies. This is because, when the companies proved their financial report on the exact time, it means the companies have a good corporate government management (Fujianti, 2016). Therefore, this is important to maintain the latter to keep the former on the right tract in order to trigger positive reaction from the investors.

In order to create such effective and efficient managerial activity, good corporate governance is one of aspects that could be measured in order to ensure the credibility of such companies in maintaining companies' financial report scheme. This is because, it is able to make the managerial activity more effective and efficient (Wardani & Zulkifli, 2017). This is happened due to the principles which applied in Good Corporate Governance that force company to provide

timely, adequately, clearly, and accurately information and be accessible to stakeholders (Fujianti, 2016). Relating to this, when such companies have a good management in the term of good corporate governance, it is expected to reduce such risk of delays in financial reporting, which at the same time effected on stakeholders' reaction.

Inaccuracies in the disclosure of financial reporting may result from some errors or irregularities such as incomplete financial components, delays in audits, poor corporate governance, or errors that do not comply with the Financial Accounting Standards Report (PSAK) may result from delays in disclosure of financial statements resulting in a reaction of uncertainty from investors regarding financial reporting affecting investor decision making (Herdiana, 2019). According to the International Accounting Standards Board (IASB) time is one of the qualitative characteristics that can dictate the relevance of financial information. Thus, it becomes very important to improve transparency in this case the timeliness of disclosure of financial reporting as an indication that reflects the efficiency and effectiveness of managerial.

Several previous studies that raised similar issues with this research have been conducted in various countries regarding to the effect of good corporate governance toward timeliness of financial reporting. However, there were several studies which positioning the timeliness of financial reporting as the independent variable that measure the influence of it toward investor reaction such as Fujianti (2016) and kang (2019). Therefore, based on the information, this research tries to combine all those variables that are good corporate governance which consist of Independent Board of Commissioners, Audit Committee Meetings, Foreign Ownership, and Audit Quality, and put timeliness as the intervening variable in order to know the influence of those variables toward investor reactions in order to know the result both from the direct and indirect impact of its, as the an exploration stage of the previous research which only assessing good corporate governance with investors' reaction, or only assessing the timeliness toward investors' reaction. Therefore, the position of this research is to explore the relationship between the variables as a complement of previous research, whether investors' reaction still have the same result from the previous research or not. This point also as the novelty of this research. Furthermore, this research will be conducted by taking data on all companies listed on the Jakarta Islamic Index (JII).

LITERATURE STUDY AND HYPOTESIS DEVELOPMENT

Literature Study

Compliance Theory

Generally, compliance in go public company, in this case the timeliness regarding to disclosure of financial statements has been regulated and contained in Law No. 8 of 1995 on the capital market and regulated in the regulation of the Financial Services Authority on the obligation to submit periodic financial statements. This regulation can legally represent the consistency of compliance of every go public company involved in Indonesian capital market to submit annual financial statements periodically and on the exact time. Thus, the compliance aspect in terms of financial reporting time determination is interesting to be researched further to see the response or reaction of investors on the exchange.

Agency theory

Discussing of financial report practices, it is very closely related to the agency's theory. The agency's theory reveals the relationship between the agent and the principals. For example, in this case the independent board of commissioners as the agency tasked in order to put forward such shareholders interest (Scott, 2015). In agency relationships there is an agreement that agents are agree on their obligations to participants (related parties). This theory is used in this study because the asymmetry of information can affect each stake holder. Accuracy of disclosure of financial information (financial statements) is sought as one of the solutions to reduce such

asymmetry information. The function of Corporate Governance is as a supervisor in improving the quality of information to reduce the asymmetry of information that is likely to harm the company.

Signalling Theory

Signalling Theory was first put forward by Michael Spence in 1973 and subsequently developed by Ross in 1997, then it is still frequently used and developed. This theory is built on the existence of asymmetric information between management information and shareholders. Where the assumptions that arise from this theory is that the information which obtained by each person must be different. Thus, the relevance of this theory to the research that will be done is the reaction of investors in response whether it is good and bad signals, that will have an influence on market conditions. One of the investors' considerations is to look at financial information (Cullinan et al., 2012). The time of disclosure of financial statements and corporate governance can be used as a signal to build investor reaction to related companies (Wicaksono & Surya, 2012). To see the signal of determination regarding to company's financial reporting time, it is necessary to analyse various factors that cause problems related to the possibility of delays in disclosure of financial statements. Some of the things that will be discussed in this research are the composition of the independent committee board, the intensity of audit committee meetings, foreign ownership and the quality of audits.

Hypotesis Development

The Effect of The Independent Board of Commissioners, Audit Committee Meetings, Foreign Ownership and Audit Quality on The Timeliness of Financial reporting

The independent commissioner is responsible for ensuring transparency and openness of the company's financial reporting, fair treatment to minority shareholders and other stakeholders (Herdiana, 2019). The presence of independent commissioners can be used as an internal control tool that can later avoid, reduce, or overcome problems in the scope of the company. This is appropriate though the agency theory which revealed that the independent board of commissioners as the agency tasked in order to put forward such shareholders interest (Scott, 2015). The independent commission board also contributed to the timeliness of the submission of financial reporting (Suhadak et al., 2019). This is in line with the results of research conducted by Fujianti (2016) stated that the House of Independent Committee had a positive effect on the timing of the disclosure of financial reporting. Furthermore, in the agency's theory, accuracy of disclosure of financial information (financial statements) is sought as one of the solutions to reduce such asymmetry information. Thus, based on the information, such hypotheses is composed as follow:

H₁: The Independent Board of Commissioners has a positive significant effect on the Timeliness of Financial reporting.

Audit committee contributes by providing an overview of the concept of quality and transparency related to financial reporting, in which it minimizes delays in disclosure of financial reporting (Abdullah, 2006). This can be realized because the timing of the financial reporting is very closely related to the audit opinion report issued by the audit committee. So that the better the quality of the audit committee in formulating matters related to financial reporting, it can increase the effectiveness in conducting financial reporting on time (Ashraf et al., 2019). This is in line with signalling theory which revealed that the ability of such company in publishing the financial report on the exact time, it would be triggered such positive reaction from investor, and vise-versa. Thus, based on the information, such hypotheses is composed as follow:

H₂: Audit committee meetings have a positive significant effect on the timeliness of financial reporting.

Foreign ownership is the ownership of shares owned by foreign parties in the form of individual ownership as well as foreign business entities. Foreign investors will be more interested in companies that can provide timely financial reporting of information and easy access as a form of effectiveness and efficiency of the company's performance. This is supported by research conducted by Taziq & Mohamed (2014) which states that foreign ownership has a positive effect on the timeliness of financial reporting. This is appropriate though the compliance and signalling theory. That is to say, the more companies able to disclose their obligation on the exact time, the more, investor they get. Thus, based on the information, such hypotheses is composed as follow: H₃: Foreign ownership has a positive significant effect on the timeliness of financial reporting.

Companies audited by the Public Audit Office (KAP) can create financial reporting that are good with high quality (Aifuawa, Musa & Gold, 2020). In particular, a large-scale KAP that is a member of the Big Four has potential human resources and has a higher integrity and audit capacity in large numbers thus making the process more effective and efficient to complete its audit reports on time with the aim of maintaining the company's reputation. Based on the description above, the hypothesis is compiled as follows:

H₄: Audit quality has a positive significant effect on the timeliness of financial reporting.

The Effect of the Independent Board of Commissioners, Audit Committee Meetings, Foreign Ownership and Audit Quality on Investors' Reaction

In general, the influence of good corporate governance will also have a good positive impact on investor reaction (Ashraf et al., 2019; Karim et al., 2006). In this research, GCG indicators used are the independent board of commissioners, audit committee meetings, foreign ownership, and audit quality. Previous research that discussed the indicator was conducted by (Ashraf et al., 2019; Kang, 2019; Tarmidi et al., 2019). Where if GCG related to an independent board of commissioners, audit committee meetings, foreign ownership, and audit quality is managed properly, the company's reputation will be of positive value in the eyes of investors thus giving rise to the trust to continue investing in the company. This condition refers to the general theory of compliance and agency which revealed that, if the companies have such better good governance management, specifically in the term of independent board of commissioners, intensity audit committee meetings, foreign ownership, and audit quality, it will trigger the interest of investors in order to invest their amount of capital to the companies. Based on the description, the hypothesis is compiled as follows:

H₅: The independent board of commissioners has a positive significant effect on investors' reaction.

H₆: Audit committee meetings have a positive significant effect on investors' reaction.

H₇: Foreign ownership has a positive significant effect on investors' reaction.

H₈: The quality of the audit has a positive significant effect on investor's reaction.

The Effect of Timeliness of Financial reporting on Investor's Reaction

Investors' reactions can be indicated by changes in the share price as well as the amount of trading volume. According to several previous studies, companies that obtain market reactions with a high level of information disclosure tend to have greater abnormal returns with rapid stock price movements (Aifuwa et al., 2020; Herdiana, 2019). This indicates that the faster disclosure of company information, investors will give a positive reaction to the company's compliance with financial reporting. This is in line with signalling theory which revealed that the ability of such company in publishing the financial report on the exact time, it would be triggered such positive reaction from investor, and vise-versa. Thus, based on the information, such hypotheses is composed as follow:

H₉: Timeliness of financial reporting has a positive significant effect on investors' reaction.

The Effect of the Independent Board of Commissioners, Audit Committee Meetings, Foreign Ownership and Audit Quality to Investors' Reaction through Timeliness of Financial reporting as an Intervening Variables.

Good Corporate Governance can be a strategy to improve the response or positive reaction from investors to remain loyal to the company (Abdullah, 2006; Fujianti, 2016)). However, it is not enough, so that the element of the company's compliance with the timeliness of disclosure of the financial report can be an additional strategy in obtaining a portion investor reaction to the company (Tarmidi et al., 2019). This condition refers to the general theory of compliance and agency which revealed that, if the companies have such better good governance management, specifically in the term of independent board of commissioners, intensity audit committee meeting, foreign ownership, and audit quality, it will trigger companies to do their obligation in publishing the financial report on the exact time regarding to increasing such interest of investors in order to invest their amount of capital to the companies. Based on the description, the hypothesis is compiled as follows:

Thus, this study will use GCG variables to attract investor positive response by using the variable timeliness of financial report reporting as intervening variables that will strengthen the influence between variables. So the hypothesis is compiled as follows:

H₁₀: The independent board of commissioners has a positive significant effect on investor reactions through the timeliness of financial reporting as intervening variables.

H₁₁: Audit committee meetings has a positive significant effect on investor reactions through the timeliness of financial reporting as intervening variables.

H₁₂: Foreign ownership has a positive significant effect on investor reactions through the timeliness of financial reporting as intervening variables.

H₁₃: The quality of audits has a positive significant effect on investor reactions through the timeliness of financial reporting as intervening variables.

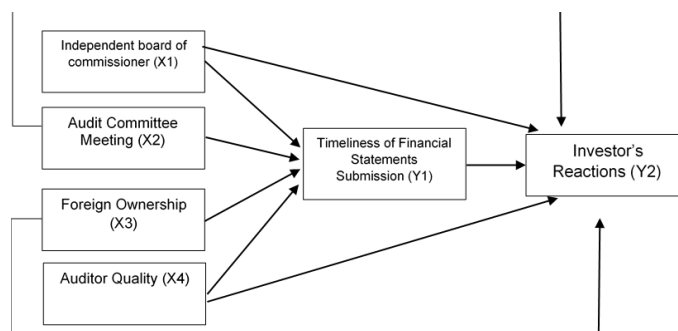


Figure 1. Research Model (Conceptual Framework)

METHODOLOGY

This research is quantitative research to answer the hypotheses. The independent variables which used in this research are Independent Board of Commissioners, Audit Committee Meetings, Foreign Ownership and Audit Quality, and Investors' Reaction as the dependent variable. While the intervening variable is timeliness of financial reporting. Further, data which gained in this research is from Indonesia Stock Exchange. Then, the population in this study was go public companies that registered in the Jakarta Islamic Index (JII). Where the sample used is the total population of 30 companies listed on the Jakarta Islamic Index (JII). The reason for the selection of samples is to avoid generalizations that maybe will occur, so the researchers decided to use the entire population as a sample. In analysing the data, researchers collect, classify, analyse, and interpret data to provide a clear picture of the problem being studied. The analysis method used in this research is a quantitative method using path analysis model, with IMB SPSS Statistic 22 software.

This research uses intervening variable due to knowing the number of direct and indirect influence between each variables. This is because, the previous researches only examine the direct influence both for the relationship between dependents to independent, dependent to intervening, or only intervening to independent. Thus, the mathematical equations used in this study are as follows:

$$Y1 = \beta_0 + \beta_1X1 + \beta_2X2 + \beta_3X3 + \beta_4X4 + \dots + \epsilon_1 \quad (1)$$

$$Y2 = \beta_0 + \beta_1X1 + \beta_2X2 + \beta_3X3 + \beta_4X4 + \beta_5Y1 + \dots + \epsilon_2 \quad (2)$$

Description:

Y1 (Timeliness of Financial reporting Disclosure)

Y2 (Investor Reaction)

β_0 (Coefficient)

β_1X1 (Coefficient of the Independent Committee Board)

β_2X2 (Coefficient of Audit Committee Meeting)

β_3X3 (Foreign Ownership Coefficient)

β_4X4 (Audit Quality Coefficient)

β_5Y1 (Coefficient of Timeliness of Financial reporting)

TESTS METHOD

Classical Assumption Test

Normality Test

Table 1. Normality Test Output

		Unstandardized Residual
N		30
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	4.08381271
Most Extreme Differences	Absolute	.158
	Positive	.158
	Negative	-.077
Test Statistic		.158
Asymp. Sig. (2-tailed)		.055 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Based on the output above, it is known that the significance value is $0.055 > 0.05$ so that it can be concluded that the data tested in the study. The other ways to view the distribution of data by see the output of SPSS (Histogram and P- Plot Regression).

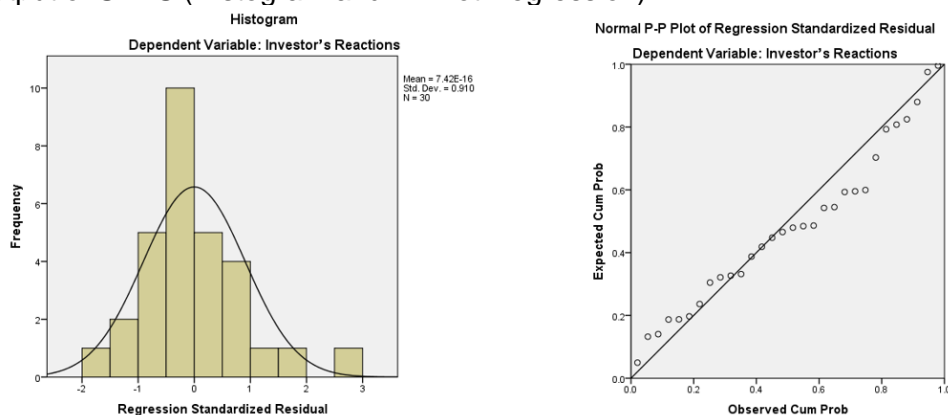


Figure 2. Histogram and P-Plot Regression

Multicollinearity and Heteroscedastisity Tests**Table 2. Multicollinearity and Heteroscedastisity Tests Output**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	12.625	4.526		2.789	.010					
Independent board of commissioner	.027	.068	.071	.393	.698	.166	.080	.065	.859	1.164
Audit Committee Meeting	-.215	.090	-.456	2.394	.025	-.273	-.439	.399	.765	1.307
Foreign Ownership	-.085	.031	-.499	2.743	.011	-.401	-.488	.457	.837	1.194
Auditor Quality	1.229	2.442	.100	.503	.620	-.191	.102	.084	.704	1.421
Timeliness of Financial reportings Submission	-1.715	2.037	-.154	-.842	.408	-.104	-.169	.140	.828	1.207

a. Dependent Variable: Investor's Reactions

Based on the output above, it is known that variable significance values of Independent board of commissioner, Auditor quality and Timeliness of financial reporting > 0.05 so it can be concluded that the three variables do not have symptoms of heteroskedasticity, while for variables X2 and X3 experience symptoms of heteroscedasticity due to its significant value of < of 0.05. Meanwhile, all those variable are free from multicollinearity due to the VIF value is higher than 0,1 (et al., 2020).

Path Analysis Model I**Table 3. Model Summary of Path Analysis Model I**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.415 ^a	.172	.039	.441	2.357

a. Predictors: (Constant), Auditor Quality, Foreign Ownership, Independent board of commissioner , Intencity of Audit Committee Meeting

b. Dependent Variable: Timeliness of Financial reportings Submission

Table 4. Coefficient of Path Analysis Model I

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	.160	.184		.872	.392					
Independent board of commissioner	.004	.003	.236	1.479	.152	.362	.284	.220	.866	1.155
Audit Committee Meeting	.012	.004	.509	3.154	.004	.332	.534	.468	.845	1.183
Foreign Ownership	.002	.001	.230	1.421	.168	-.061	.273	.211	.838	1.193
Auditor Quality	-.302	.101	-.506	2.993	.006	-.411	-.514	.444	.770	1.299

a. Dependent Variable: Timeliness of Financial reportings Submission

Based on summary and coefficient model output, mathematical functions can be compiled to describe the model path analysis I, namely as follows:

$$Y1 = 160 + 0,004X1 + 0,0012X2 + 0,002X3 - 302X4 \quad (1)$$

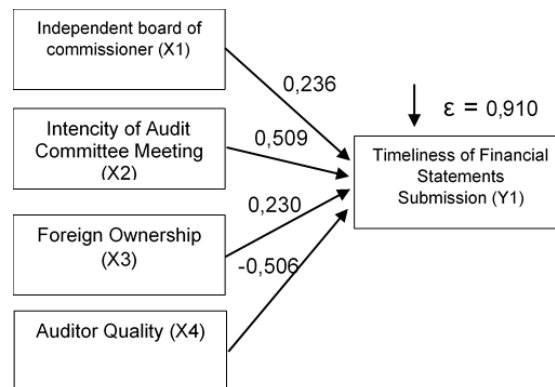


Figure 3. Path Analysis Model I

Path Analysis Models II

Table 5. Model Summary of Path Analysis Model II

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.578 ^a	.334	.195	4.48910	1.862

a. Predictors: (Constant), Timeliness of Financial reportings Submission, Foreign Ownership, Independent board of commissioner, Intensity of Audit Committee Meeting, Auditor Quality

b. Dependent Variable: Investor's Reactions
Coefficientsa

Table 6. Coefficient of Path Analysis Model II

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	12.625	4.526		2.789	.010					
Independent board of commissioner	.027	.068	.071	.393	.698	.166	.080	.065	.859	1.164
Intensity of Audit Committee Meeting	-.215	.090	-.456	2.394	.025	-.273	-.439	-.399	.765	1.307
Foreign Ownership	-.085	.031	-.499	2.743	.011	-.401	-.488	-.457	.837	1.194
Auditor Quality	1.229	2.442	.100	.503	.620	-.191	.102	.084	.704	1.421
Timeliness of Financial reportings Submission	-1.715	2.037	-.154	-.842	.408	-.104	-.169	-.140	.828	1.207

a. Dependent Variable: Investor's Reactions

Based on summary and coefficient model output, mathematical functions can be compiled to describe the model path analysis II, namely as follows:

$$Y2 = 12,625 + 0,27X1 - 215X2 - 0,085X3 + 1,229X4 - 1,715Y1 \quad (1)$$

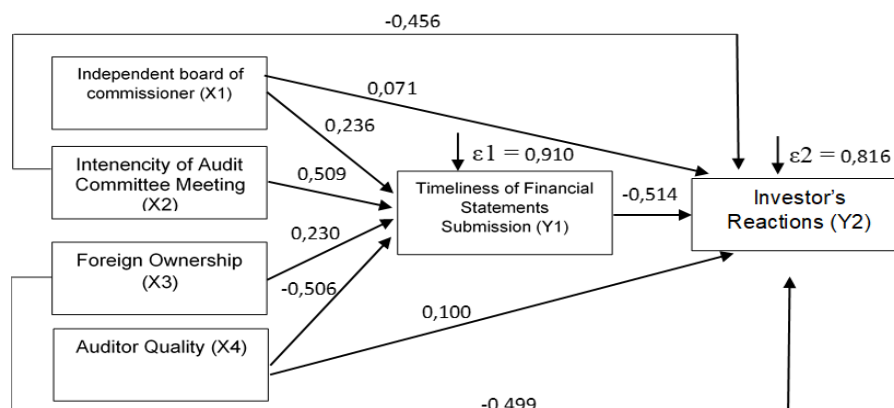


Figure 4. Path Analysis Models II

The effect of independent board of commissioners (X1) through timeliness of financial reporting (Y1) on investors' reaction (Y2): The direct influence X1 on Y2 = 0.071, while the indirect influence of X1 on Y2 by Y1 as intervening is calculated by multiplication between the value of beta X1 to Y with the beta Y2 value of $0.236 \times (-0.514) = -0.121$. Based on the results of the calculation, it is known that the value of direct influence is 0.071 and indirect influence is -0.121 which indicates that the value of indirect influence is less than the direct influence. This means that indirectly, X1 has no significant effect on Y2 by Y as intervening variable.

The effect of audit committee meeting (X2) through timeliness of financial reporting (Y1) on investors' reaction (Y2): The direct influence has given X2 through Y2 = -0.546. While the indirect effect of X1 through Y1 on Y2 is calculated by multiplication between the value of beta X2 against Y and the beta Y2 value of $0.509 \times (-0.514) = -0.216$. Based on the results of these calculations it is known that the value of direct influence is -0.456 and indirect influence is -0.216 which indicates that the value of indirect influence is greater than the direct influence. This means that indirectly, X2 to Y has a significant effect on Y2.

The effect of foreign ownership (X3) audit through timeliness of financial reporting (Y1) on investors' reaction (Y2): known direct influence given X3 through Z = -0.499. While the indirect effect of X4 through Y1 on Y2 is calculated by multiplication between the value of beta X3 against Y and the beta value of Y2 is $0.230 \times (-0.514) = -0.118$. Based on the results of these calculations it is known that the value of direct influence is -0.499 and indirect influence is -0.118 which indicates that the value of indirect influence is greater than the direct influence. This means that indirectly, X3 to Y has a significant effect on Y2.

The effect of audit quality (X4) through timeliness of financial reporting (Y1) on investors' reaction (Y2): The direct influence given X4 through Z = 0.100. While the indirect effect of X4 through Y1 on Y2 is calculated by multiplication between the value of beta X4 against Y1 and the beta value of Y2 is: $-0.506 \times (-0.514) = 0.260$. Based on the results of this calculation, it is known that the value of direct influence is 0.100 and indirect influence is 0.260 indicating that the value of indirect influence is greater than the direct influence. This means that indirectly, X4 against has a significant effect on Y2.

Based on results test of direct and indirect influence between variables, the final model obtained in this research is as follows:

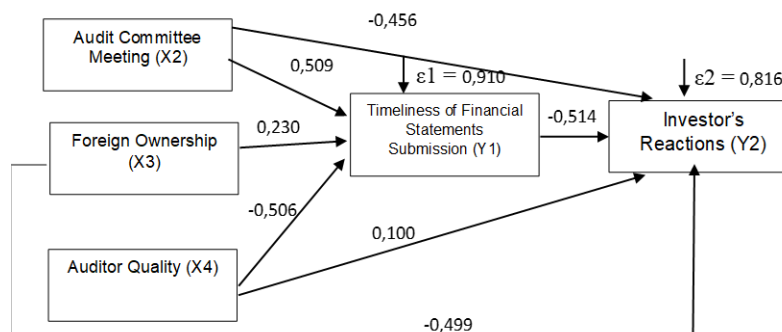


Figure 5. The result models

DISCUSSION

The Effect of Independent Board of Commissioner, Audit Committee Meeting, Foreign Ownership and Auditor Quality to Timeliness of Financial Reporting

Based on the value of coefficients (Table 4), it can be known that variables: independent commissioner, and foreign ownership have positive insignificant to timeliness of financial reporting. But, for audit committee meeting variable brings positive significant impact on the timeliness of financial reporting. While audit quality has a negative effect on the timeliness of financial reporting.

Although Independent commissioner and foreign ownership have a positive insignificant effect on the timeliness of financial reporting, those two variables are still able to increase the timeliness of financial reporting. This is evidence through previous researches conducted by (Fujianti, 2016). Where the better the composition of the board of commissioners, it can improve the company's internal management system that will be able to anticipate various problems that can threaten the sustainability of the company in the term timeliness financial reporting. Audit committee meeting has a positive significant effect on the timeliness of financial reporting, this is supported by research conducted by (Mohamad-Nor et al., 2010) where the audit committee meeting can be a material consideration of evaluation periodically in terms of reviewing the company's performance results so as to obtain good financial reporting in a relatively fast time.

Foreign ownership has a positive insignificant effect on the timeliness of financial reporting, because companies with foreign ownership can have better systems and facilities that will facilitate the company in conducting the audit process so as to minimize the occurrence of delays in the timeliness of financial reporting. This is supported by research conducted by (Rhyne & Brigham, 1979) foreign investors will tend to be more interested in companies that provide timely financial information as a reflection of the benchmark of financial reporting quality. Audit quality negatively affects the timeliness of financial reporting, this is not in accordance with the existing theory. But in this case audit quality can slow down the timeliness of financial reporting because it takes extra time to analyze financial reporting in detail with the principle of professionalism so that audit opinions are produced in accordance with existing facts.

The Effect of Independent Commissioner, Audit Committee Meeting, Foreign Ownership and Auditor Quality on investors' reaction.

Based on the value of coefficients (Table 6), it can be known that variables of independent commissioner and auditor quality have a positive insignificant effect on the investor's reaction. While variables foreign ownership and audit committee meeting have a negative significant effect on investor reaction.

Independent commissioner has a positive insignificant effect on investors' reaction. This is happened, because investors are less concerned about the structure of independent

commissioners board. This is because they tend to believe that the large number of independent commissioners boards can automatically make oversight of the company's operations increasing and the possibility of losses is minimized. This result does not in line with the results of research by (Cullinan et al., 2012; Shin & Kim, 2018; Suhadak et al., 2019), that the large number of composition of independent commissioners board appointed to supervise and inform the company it will be more effective because the managerial ownership is fairly high can be balancing the interests of stakeholders, in this case, is investors so that the occurrence of collusion actions in a company can be minimized. Meanwhile, Auditor quality has a positive effect on investors' reaction, this is in line with the results of research (Tarmidi et al., 2019) in which the quality of audit improves the quality of financial reportings so that investors respond positively.

Audit Committee meeting negative significant affects investor's reaction, this is in line with the results of research conducted by (Ashraf et al., 2019; Kang, 2019) where the intensity of the meeting conducted by the audit committee will cause anxiety for investors related to negative issues or mistakes made by the company so that, it requires an ongoing audit with intensity with a long period. Then, Foreign ownership has a negative significant effect on investors' reaction, this is in line with research conducted by (Shin & Kim, 2018), the large amounts of foreign ownership will threaten the company because foreign investors with large holdings can withdraw and sell their shares when dissatisfied so that the company's performance can be threatened unstable which makes investors give a negative assessment of the company in question.

The Effect of Timeliness of Financial reporting on Investors' Reactions

Based on the value of coefficients (Table 6), it can be shown that the timeliness of financial reportings has a negative insignificant effect on investors' reactions. These results do not correspond to existing theories and the author's initial predictions in which punctuality should have a positive effect on investor reactions. Because the more time the company spends in providing information related to financial reportings, the image of the company will be better in the eyes of investors. Besides, companies that disclose their financial reports early can be an indication of good news for investors (Herdiana, 2019).

The Effect of Independent Board of Commissioner, Audit Committee Meeting, Foreign Ownership and Auditor Quality on Investors' Reaction by Timeliness of Financial Reporting as Intervening Variable.

Refers to the result it is clearly describe that although audit committee meeting and foreign ownership bring negative significant effect, then auditor quality bring positive significant impact, the variable of timeliness is able to strengthen the relationship between those three variables to investors' reaction. This is happened because the indirect influence which given by those three variable through timeliness as the intervening variable is higher than the direct impact, thus indicating that the timeliness of financial reporting variable can be used as an intervening variable to strengthen and mediate the relationship between dependent and independent variables in this research. Then, this result also in line with the previous research which revealed that good corporate governance variable specifically audit committee meeting, foreign ownership and auditor quality bring positive significant impact by (Ashraf et al., 2019; Kang, 2019; Shin & Kim, 2018; Suhadak et al., 2019; Tarmidi et al., 2019). Furthermore, previous research also delineated that timeliness of financial statement is an important impact to increase the positive investors' reaction (Herdiana, 2019).

Thus, the better corporate governance related to determining the intensity of audit committee meetings, the determination of normal percentages regarding foreign ownership in a company, as well as the quality of audits through the selection of the right public audit office will have an impact on the more efficient and effective the company in disclosing timely financial statements and impacting on the increasing good image of the company in the eyes of its investors. Although

timeliness of financial reporting can mediate and amplify the influence of most dependent variables to independent, there is one dependent variable that cannot be mediated and reinforced by the timeliness of financial reporting variable which is an independent variable of the board of commissioners. This is because the independent composition of the independent board of commissioners does not have a meaningful influence on the preparation of financial statements and their impact on the delay in disclosure of financial statements that may affect investor reaction to the relevant company.

CONCLUSIONS

Based on the test results, it is known that foreign ownership, and independent committee boards have a positive insignificant impact on the timeliness of reporting financial statements. Then, audit committee meetings reported positive significant impact to timeliness of financial reporting. However, different result is coming from auditor quality variable which report such a negative significant relationship to the timeliness of financial report reporting. Where the influence between four independent variables on intervening variables has a positive significant impact on investor reactions as dependent variables. This is such a unique condition, because most previous researches delineated that auditor quality supposed to be increase the timeliness of financial reporting. This is because the better quality audit has, the more financial reporting published on the exact time.

In addition, the influence of four independent variables on investor reaction such as independent committee variable and audit quality have a positive significant impact on investor reaction, while the audit committee meeting variables and foreign ownership have a negative significant impact on investor reaction. As an intervening variable, the timeliness of disclosure of financial statements negatively affects investor reactions. However, this variable is considered to be able to connect the other three independent variables to the investor reaction variable. To attract investors, the company can carry out strategies to improve the good image of the company on the exchange, one of which is by increasing the time of disclosure of financial statements as a form of transparency and integrity of the company by paying attention to corporate governance in order to achieve these goals. This study has some limitations, which is the data used only in the period 2019 so that the results obtained less significant influence due to the lack of data taken by researchers from the available periods. Thus, refers to the result of this research, such suggestion for the next research regarding to this theme is more develop regarding to the term of data, and it is also need to compare between Indonesia to other ASIA's countries in order to look for whether this condition is appropriate to another ASIA's nations.

REFERENCES

- Abdullah, S. N. (2006). Board composition, audit committee and timeliness of corporate financial reports in Malaysia. *Corporate Ownership and Control*, (4), 2, <https://doi.org/10.22495/cocv4i2p3>.
- Aifuwa, H. O., Musa, S., & Gold, N. O. (2020). Audit committee attributes and timeliness of corporate financial reporting in Nigeria. *Accounting and Finance*, 37(82), 114–124. [https://doi.org/10.33146/2307-9878-2020-2\(88\)-114-124](https://doi.org/10.33146/2307-9878-2020-2(88)-114-124).
- Ashraf, M., Michas, P. N., & Russomanno, D. (2019). The impact of audit committee information technology expertise on the reliability and timeliness of financial reporting. USA: *School of Accountancy Eller College of Management, The University of Arizona*.
- Cullinan, C. P., Wang, F., Yang, B., & Zhang, J. (2012). Audit opinion improvement and the timing of disclosure. *Advances in Accounting*, 28(2), 333-343. <https://doi.org/10.1016/j.adiac.2012.09.010>.
- Fujianti, L. (2016). Analysis market reaction on timeliness reporting: Study on Indonesia stock exchange. *International Journal of Business and Management Invention*, 5(3), 1-10.

- Herdiana, B. C. (2019). Pengaruh ketepatan waktu pelaporan laporan keuangan, opini audit, pergantian kantor akuntan publik, perubahan reputasi kantor akuntan publik, dan informasi laba terhadap reaksi investor. *Jurnal Akuntansi Bisnis*, 15(2), 200-215. <https://doi.org/10.24167/jab.v16i1.1362>.
- Kang, Y. J. (2019). Are Audit Committees more challenging given a specific investor base? Does the answer change in the presence of prospective critical audit matter disclosures? *Accounting, Organizations and Society*, 77. <https://doi.org/10.1016/j.aos.2019.04.001>.
- Karim, W., Islam, A., & Ahmed, K. (2006). The effort of regulation on timeliness of corporate financial reporting: Evidence from Bangladesh. *Journal of Administration and Governance*.
- Kristianti, D., & Foeh, J. E. H. J. (2020). The impact of liquidity and profitability on firm value with dividend policy as an intervening variable (Empirical study of manufacturing companies in the pharmaceutical sub sector listed on The Indonesia Stock Exchange In 2013-2017). *Jurnal Bisnis Dan Kewirausahaan*. <https://doi.org/10.31940/jbk.v16i1.1829>.
- Mohamad-Nor, M. N., Shafie, R., & Wan-Hussin, W. N. (2010). Corporate governance and audit report lag in Malaysia. *Asian Academy of Management Journal of Accounting and Finance*.
- Rhyne, R. G., & Brigham, E. F. (1979). Fundamentals of Financial Management. *The Journal of Finance*. USA: South-Western College Pub. <https://doi.org/10.2307/2327254>.
- Scott, W. R. (2015). *Financial Accounting Theory*, 7th Edition. USA: Pearson.
- Shin, H., & Kim, S. I. (2018). The effect of corporate governance on earnings quality and market reaction to low quality earnings: Korean evidence. *Sustainability*, 11(1), 102. <https://doi.org/10.3390/su11010102>.
- Suhadak, S., Kurniaty, K., Handayani, S. R., & Rahayu, S. M. (2019). Stock return and financial performance as moderation variable in influence of good corporate governance towards corporate value. *Asian Journal of Accounting Research*, 4(1), 18-34. <https://doi.org/10.1108/ajar-07-2018-0021>.
- Tarmidi, D., Fitria, G. N., & Ahmad, Z. (2019). Financial performance and audit quality: comparative study of investor reaction. *Scholars Bulletin*, 5(12), 825-830. <https://doi.org/10.36348/sb.2019.v05i12.019>.
- Wardani, F. P., & Zulkifli, Z. (2017). Pengaruh Good Corporate Governance Terhadap Kinerja Keuangan. *Kajian Bisnis STIE Widya Wiwaha*, 25(2), 176-193. <https://doi.org/10.32477/jkb.v25i2.237>.