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The Financial Distress, Profitability, and Leverage as Antecedents of Audit Delay: An Empirical Study of the Foodand Beverage Subsector

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Abstract. This research aims to find out whether every year *audit delays* are affected by *Financial distress*, Profitability, and *Leverage.* The sample came from the Indonesia Stock Exchange (IDX) by collecting data and then using the Secondary Variable Quantitative Method and data tabulating with the SPSS application. The results will prove whether there is a decrease or increase in the accuracy of the length of time for completing audit *reporting* during the 2018-2022 period. The results of this study have practical implications for investors to look at audit delays as measured by *Financial Distress*, Profitability and *Leverage*. The researcher describes the importance of company measurement to find out how long the auditing *report* takes obtained from *Financial Distress*, Profitability and *Leverage*

Keyword: Audit Delay, Financial Distress, Profitability and *Leverage*

INTRODUCTION

The development of the industry in Indonesia is currently taking place very rapidly in line with the advancement of the technological age with the establishment of large companies. Companies listed on the Indonesia Stock Exchange are a means for companies to obtain funds to develop their companies. This development has an impact on the increasing demand for audits of financial statements by independent auditors. Every company that goes public is required to submit annual financial reports and independent auditor reports to the Capital Market Supervisory Agency (BAPEPAM) or those who have now moved to the Financial Services Authority (OJK). In accordance with the Decree of the Chairman of BAPEPAM No. Kep-346/BL/2011, the Regulation If a company is late in reporting its financial statements, it will be subject to sanctions in the form of written warnings, fines/fines, and operational cancellations. activities, temporary suspension of business activities, and revocation of business licenses.

The novelty of this study lies in the addition of *the Financial Distress variable*, where previously there were not many studies that examined the effect *of Financial Distress* on *audit delays*. Previous research has used a lot of Financial Distress on the value of company size. Although *audit delay* and company size are closely related, using *Financial Distress* as an independent variable and *audit delay* as a dependent variable will provide clearer results regarding the effect.

Financial distress is a financial condition of a company that occurs before experiencing bankruptcy due to experiencing problems, crises, or unhealth. (Maulidia & Assyik, 2020). Factors that affect high and low profitability include cash turnover, receivables turnover, and inventory turnover (Novika Windari & Siswanti Tutik, 2022). *Leverage* is the company's ability to meet the payment of all its obligations, both short-term and long-term obligations (Ayem & New, 2021), The higher the level *leverage* then the level *audit delay* lower. The higher the debt level, the more creditors will supervise the company's performance so that the company will be slower to prepare its financial statements because the company must be responsible for the funds provided by creditors (Yogyakarta, 2023).

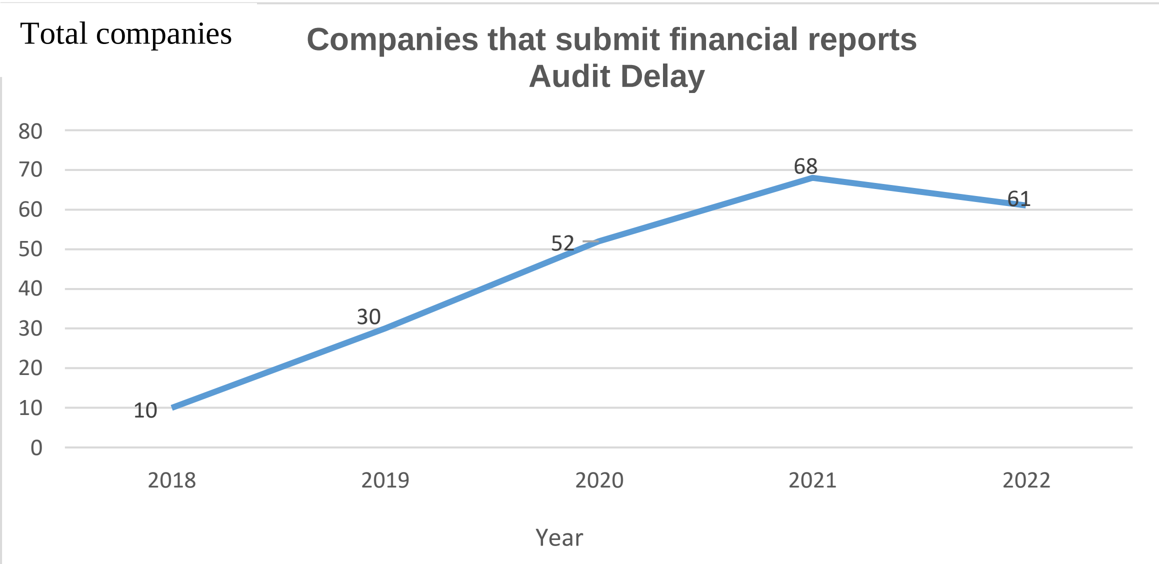

Figure 1. Companies that submit financial reports Audit Delay (liputan6.com).

Based on Figure 1 is information on the Stock Exchange Indonesia companies that are late in submitting financial statements, there were 10 companies in 2018, then increased until 2021 as many as 68 companies, then in 2022 it decreased to 61 companies (liputan6.com). This phenomenon shows that there are still many companies that go public that suffer from delays in their financial statements and have not complied with the rules set by the OJK as a capital market supervisory institution.

The novelty of this study lies in the addition of *the Financial Distress* variable, where previous research has not examined the effect of *Financial Distress* on *audit delays*. Based on the description above, the author is interested in conducting a study with the title: The Effect *of Financial Distress*, Profitability and *Leverage* on *Audit Delay* (Empirical Study on Manufacturing Companies in the Food and Beverage Sub-Sector Listed on the IDX for the Period 2018 – 2022). The purpose of this study is to analyze the effect *of Financial Distress*, Profitability and *Leverage* on *Audit Delay* in Manufacturing Companies in Indonesia Food and Beverage Sub-Sector.

Hypothesis
H1: *Financial Distress* have a significant effect on *audit delay* (Yani et al., 2021).H2: Profitability has a significant effect on *audit delay* (Gustiana et al., 2022).
H3: *Leverage* affect the *audit delay* (Syarli, 2020).

According to (Suggestion, 2017) A hypothesis is a provisional answer to a research problem formulation, where the research problem formulation has been outlined in the form of a question sentence. So a hypothesis can be stated as a provisional answer based on theory to the formulation of the problem. Based on the explanation above regarding research on the effect of financial distress, profitability and leverage on audit delays, a review of the literature and a framework of thought.

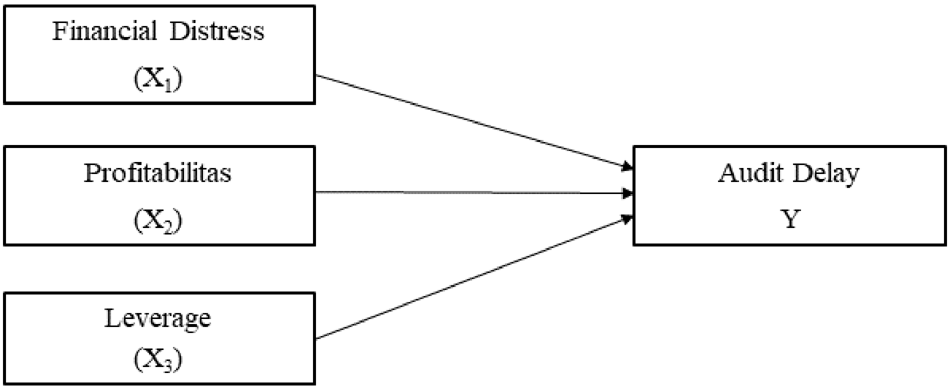

Figure 2. Conceptual Framework

METHODOLOGY

The type of research used in this study is causal research. Causal research is research that aims to find out the causal relationship the result between the independent variable and the dependent variable (Sugiyono, 2017). The purpose of this study is to find out and test the hypothesized relationship and provide empirical evidence regarding the influence of independent variables (independent variables) on bound variables (bound variables). In addition, this research is also included in the type of quantitative descriptive research. Quantitative research is a research method based on the philosophy of positivism, as a scientific or scientific method because it fulfills scientific principles concretely or empirically, objectively, measurably, rationally and systematically (Suggestion, 2017). The type of research used is causal research, which is a study to determine the causal relationship between independent variables and bound variables (Sugiyono, 2017), . In addition, this research is also included in the type of quantitative descriptive research. The research uses quantitative based on philosophy (Sugiyono, 2018). The population used is manufacturing companies in the food and beverage subsector that have been listed on the Indonesia Stock Exchange during the 2018-2022 period. There were 26 manufacturing companies listed on the IDX minus companies that did not have financial statements consecutively during the research period of seven companies, so the sample obtained was 95 samples. The selection of the sample by purposive sampling technique.

The analysis methods used in this study are descriptive and analytical Regression logistics.

Descriptive analysis is used to get an overview of variables Audit Delay, Financial Distress, Profitability and Leverage regarding the average value, minimum value and maximum value of um. Logistic regression analysis is suitable for research whose dependence is categorical such as nominal. Data analysis using IBM SPSS Statistic 25 software tools. The measurements and scales of each variable can be explained in the operational variable definition table.

Table 1. Definition of Variable Operationalization

No	Variable	Indicator	Scale
1.	*Audit Delay* (Y) (Prameswari & Yustrianthe, 2015)	The time range from the closing date to the audit date ofthe independent audit report *Audit Delay*	

		$= \frac{Tanggal\ Lap.Audit - Tanggal\ Buku\ Lap.Keuangan}{}$	*Dummy*
2	*Financial Distress* (X1) (Z-score, 2021)	*Grove Score* $G - Score = 1{,}650\ X1 + 3{,}404\ X3 - 0{,}016\ (ROA) + 0{,}057$	Ratio
3	Profitability (X2) (Lase et al., 2022)	$Return\ On\ Assets$ (ROA) = $\frac{Net\ Income}{Total\ Assets}$	Ratio
4	*Leverage* (X3) (Narayana & Yadnyana, 2017)	$Debt\ to\ Assets\ Ratio$ (DAR) = $\frac{Total\ Debt}{Total\ Assets}\ x\ 100\%$	Ratio

RESULTS AND DISCUSSION

Descriptive statistical analysis is used to provide an overview or overview regarding the variables in the study. The variables studied are Financial Distress (X1), Profitability (X2), and Leverage (X3) against Audit Delay (Y). Data results It is described by showing values in the form of average values (mean), highest values (maximum), lowest values (minimum), and standard deviations. The results of data analysis are presented in a descriptive statistical table with a research sample (n=95), as follows:

From hypothesis testing, it is known that independent variables can partially affect dependent variables, namely profitability variables. So the logistic regression model is as follows:

Table 2. Results of Logistic Regression Analysis

Variables in the Equation

		B	S.E.	Forest	df	Mr.	Exp(B)
Step 1a	Financial Distress	-.087	.906	.009	1	.924	.917
	Profitability	-13.298	5.981	4.944	1	.026	.000
	Leverage	-1.143	1.718	.443	1	.506	.319
	Constant	.605	1.081	.313	1	.576	1.832

Based on the logistic regression equation above, the influence of variables can be analyzed independent of dependent variables, including:

The first hypothesis (H1) is financial distress Influential against audit delay. The results of the wald (t) test show that the value of financial distress greater than the level of significance (0.921 > 0.05). Based on the results of the test, it can be concluded that H0 Accepted. This shows that the variables are individually (partial) Independent does not affect the dependent variables. This can be interpreted that *financial distress* hasno effect on *audit delay*. The second hypothesis (H2) is an influential profitability against *audit delay*. The results of the wald (t) test show that the value of profitability is less than its significance level (0.026 < 0.05). Based on the results of the test, it can be concluded that H0 rejected. This shows that the variables are individually (partial) independent affect the dependent variable. It can be interpreted that profitability affects *audit delay*. The third hypothesis (H3) is *leverage* affect the *Audit Delay*. The results of the wald (t) test show that the value of *leverage* more magnitude of its significance level (0.506 > 0.05). Based on results The test can be concluded that H0 Accepted. It is indicates that the variables are individually (partial) independent does not affect the dependent variables. This can be interpreted that *leverage* has no effect on *audit delay*

Table 3. Coefficient of Determination

Model Summary			
Step	-2 Log likelihood	Cox & Snell RSquare	Nagelkerke RSquare
1	103.768a	.157	.219

Based on the table obtained from the regression analysis, it shows that the value of The coefficient of determination seen from the value of Nagelkerke R Square by 0.219. It is indicates that the ability of independent variables is financial distress, profitability, and leverage In explaining the dependent variable, namely audit delay only as much as 21.9%. While the rest is explained by other variables Outside of this research model, it is 78.1%.

The Effect of Financial Distress on Audit Delay

The financial distress variable showed a negative regression coefficient of -0.087 with a significance level (p) of 0.924 (greater than α = 5%). Because the significance level (p) is greater than α = 5%, the results of this study prove that Financial distress has no effect on audit delays. Which shows that the financial difficulties experienced by the company can make financial reporting audited for longer. The results of this study are in line with the results of previous research conducted by (Pah et al., 2023) which states that financial distress is not has an influence on audit delays. However, the results of the study are contrary to the research conducted (Christian et al., 2023) which states that financial distress has an influence on audit delays.

Effect of Profitability on Audit Delay

The Profitability variable shows a negative regression coefficient of -13.298 with a significance level (p) of 0.026(less than α = 5%). Because the significance level (p) is less than α = 5%, the results of this study prove that Profitability affects audit delay. Companies with high profitability levels need faster time to audit reports finance so that the audit delay is shorter because of the need to Deliver good news to the community as quickly aspossible. The results of this study are in line with the results of previous research conducted by (Pah et al., 2023).However, the results of the study are contrary to the research conducted (Ruchana & Khikmah, 2020) which states that profitability has no effect on audit delay.

Effect of Leverage on Audit Delay

The leverage variable shows a negative regression coefficient of -1.143 with The significance level (p) is 0.506 (greater than α = 5%). Due to the level of significance (p) greater than α = 5%, the results of this study prove that leverage has no effect on audit delay. The thing that causes leverage to have a negative but insignificant effect on audit delay is that the decreasing level of leverage shows that management can manage the company's finances in a timely manner efficient, and the company's funds sourced from debt are used to generate returns, so the company does the same. do not experience difficulties in paying off their obligations. The results of this study are in line with the results of previous research conducted by (Handayani et al., 2022). However, the results of the study are contrary to the research conducted by (Saputra & Arrozi, 2023) which states that leverage has an effect on audit delay.

CONCLUSION

This study aims to determine the influence of financial distress, profitability and leverage on audit delay. The sample used in this study is a manufacturing company in the food and beverage subsector listed in The Indonesia Stock Exchange in 2018-2022 was 19 companies, so 95 samples were obtained. Based on the analysis conducted in this study, then it can be concluded as follows: . The results of the study show that Financial Distress has no effect on Audit Delay. This happens because the company may not have a high audit risk or the company is not experiencing a financial crisis. that profitability partially has a significant negative effect on Audit Delay. This happens because the higher the level of profitability, the smaller the audit delay. This is because the company shows good performance so that the audit process can be carried out on time. Partial leverage has no effect on audit delays. This happens because management can manage the company's finances efficiently, and the company's funds sourced from debt are used to generate returns, so the company does not difficulties in paying off their obligations.

Suggestions that can be given from the results of research that has been carried out, then suggestions that can begiven by the researcher are as follows:For the next researcher, it is expected to add other variables that are estimated to affect the audit delay, both external and internal factors and can expand the research object andlook for new references to get complete financial statements. For the company, it is hoped that it will be able to help with information companies and Detailed and transparent financial reports to auditors in carrying out work before the closing date of the financial year, and can assist the auditor by providing the necessary data during the audit process. For corporate investors, it is recommended to pay more attention to the ability of companies in generating profits and It is recommended to pay more attention various other calculations and financial ratios to see the condition of the company, not only through audit delays to assess the condition of a company good ornot

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