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The Effects of Profitability and Liquidity on Audit Delay with Financial Distress as an Intervening Variable in Consumer Cyclicals Sector Companies on the Indonesia Stock Exchange for the 2023–2025 Period

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ABSTRACT

Purpose – The timeliness of financial statement disclosure is essential for maintaining information relevance to stakeholders. Audit delays remain a concern among consumer cyclicals companies, particularly during 2022–2025. This study aims to analyze the effects of profitability, liquidity, and leverage on audit delay, with financial distress as an intervening variable, among consumer cyclicals companies listed on the Indonesia Stock Exchange during 2023–2025.
Design/methodology/approach – This study employs a quantitative approach using secondary data from annual financial statements. A total of 159 observations were selected through purposive sampling and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM).
Findings – Profitability and leverage have significant negative effects on audit delay, whereas liquidity has a significant positive effect. Profitability and liquidity negatively affect financial distress, while leverage has a significant positive effect. Financial distress positively influences audit delay. Furthermore, financial distress mediates the relationships between profitability and audit delay and between liquidity and audit delay, but does not mediate the relationship between leverage and audit delay.
Originality/value – This study highlights the intervening role of financial distress in explaining audit delays within the consumer cyclicals sector. The findings provide insights into how financial conditions influence audit completion timeliness and offer practical implications for corporate management in strengthening financial management practices to minimize audit delays and improve financial reporting efficiency.

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1. Introduction

Financial statements are a source of information used by various parties, such as investors, creditors, and management, in making economic decisions. Financial statements describe a company's financial performance and financial health over a specific period (Stevany, 2024). Audits conducted by independent auditors play an important role in improving the reliability of financial statements. The quality of financial statements is also determined by the timeliness of their submission. Information that is not delivered on time will lose its relevance. This can reduce investors' confidence in the quality of a company's financial information and consequently decrease the value of investment in the company (Resti & Indra, 2024).

The timeliness of financial statement submission is regulated under POJK No. 14/POJK.04/2022 concerning the Submission of Periodic Financial Statements by Issuers or Public Companies. Article 4 stipulates that annual financial statements must be submitted no later than the end of the third month after the annual financial statement date. According to the Decree of the Board of Directors of PT Bursa Efek Indonesia Number: Kep-307/BEJ/07-2004 concerning Regulation Number I-H on Sanctions, listed companies will receive a first written warning for delays in submitting financial statements of up to 30 calendar days from the expiration of the submission deadline. Subsequently, a second written warning and a fine of IDR 50,000,000.00 will be imposed for delays beginning on days 31–60, followed by a third written warning and a fine of IDR 150,000,000.00 for delays beginning on days 61–90. Company suspension will begin on the 91st day after the financial statement submission deadline has passed.

Audit delay is one of the factors affecting the timeliness of financial statement submission. Audit delay reflects the length of time required by auditors to complete an audit, which can be determined by the difference between the financial statement date and the audit opinion date in the financial statements (Fairuzzaman et al., 2022). Delays in financial statement submission reduce the usefulness of information for financial statement users in making decisions and may also result in administrative sanctions and fines for companies.

Audit delay remains a problem among companies listed on the Indonesia Stock Exchange. The Indonesia Stock Exchange, through its official website at http://www.idx.co.id, announces the list of companies that submit their financial statements late each year. The data show that in 2022, 61 companies experienced delays. This number then increased significantly in 2023 to 129 companies. In 2024, the number of companies experiencing delays remained relatively stable at 127 companies, but increased again in 2025 to 204 companies. The high number of delays indicates that the timeliness of financial reporting remains suboptimal, potentially reducing the relevance and usefulness of information for financial statement users in making decisions (Al-Faruqi, 2020).

Table 1. Number of Companies That Submitted Financial Statements Late

Sector	2022	2023	2024	2025
Basic Materials	8	16	17	19
Consumer Cyclicals	13	27	30	44
Consumer Non-Cyclicals	6	13	16	29
Energy	7	15	14	23
Financials	3	5	5	7
Healthcare	0	4	4	8
Industrials	6	8	7	13
Infrastructures	2	8	9	20
Properties & Real Estate	11	21	17	23

Technology	4	7	5	14
Transportation & Logistics	1	5	3	4
Total	61	129	127	204

Source: Processed by the Author (2026).

The data for 2022–2025 show that the consumer cyclicals sector consistently recorded the highest number of companies experiencing audit delay. In 2022, there were 13 companies, increasing to 27 companies in 2023 and rising again to 30 companies in 2024. These figures were higher than those of other sectors, indicating that consumer cyclicals was the sector most vulnerable to audit delay.

The phenomenon of audit delay can also be observed based on the listing boards of companies on the Indonesia Stock Exchange.

Table 2. Number of Companies Experiencing Delays Based on Listing Board

Listing Board	**2022**	**2023**	**2024**	**2025**
Main Board	2	7	1	12
Development Board	13	45	40	92
Acceleration Board	1	5	5	12
Special Monitoring Board	45	72	81	88
Total Number of Companies	61	129	127	204

Source: Processed by the Author (2026).

Based on the table above, companies experiencing delays in submitting financial statements during the 2022–2025 period were predominantly listed on the special monitoring board. Companies on the special monitoring board generally have unfavorable financial conditions, such as negative equity, low liquidity levels, and being subject to Suspension of Debt Payment Obligations (PKPU) or bankruptcy, and therefore do not meet the requirements to remain listed on the Exchange (Indonesia Stock Exchange, 2023). These conditions indicate that audit delay is not caused solely by technical factors but is also closely related to a company's financial condition, as reflected in financial ratios such as profitability, liquidity, and leverage. Companies experiencing financial pressure or financial distress tend to have more complex audit processes, potentially resulting in longer audit delays.

In relation to the phenomenon described above, several previous studies have examined internal company factors affecting audit delay. These factors include profitability, liquidity, and financial distress (Agustina & Jaeni, 2022; Gah et al., 2024; Ramadhani & Rochmatullah, 2024; Resti & Indra, 2024). Profitability refers to a company's ability to generate profits from its operational activities. When profitability is high, management tends to accelerate the submission of financial statements to the public because they contain positive information. Research by Agustina and Jaeni (2022) and Gah et al. (2024) explains that profitability has a negative effect on audit delay. Conversely, Al-Faruqi (2020) found that profitability has no effect on audit delay.

Liquidity is a company's ability to meet its short-term obligations. A high level of corporate liquidity indicates good performance, suggesting that management tends to submit the company's financial statements more quickly. Research by Resti and Indra (2024) shows that liquidity has a significant negative effect on audit delay, whereas studies by Agustina and Jaeni (2022) and Mahira et al. (2024) indicate that liquidity has no effect on audit delay.

Financial distress is a condition in which a company experiences financial difficulties that can disrupt its business continuity. Companies experiencing financial distress tend to have higher audit risks. The greater the company's financial difficulties, the longer the process of

completing the audit of its financial statements by independent auditors (Rahmaita et al., 2024a). Research by Napisah and Soeparyono (2024), Rahmaita et al. (2024), and Supriafi and Ginting (2024) shows that financial distress affects audit delay, whereas studies by Fairuzzaman et al. (2022) and Ramadhani and Rochmatullah (2024) indicate that financial distress has no effect on audit delay.

Audit delay is closely related to Signaling Theory and Agency Theory. Signaling Theory explains that companies with good performance tend to submit their financial statements on time as a positive signal to external parties, whereas delays in financial reporting may indicate problems experienced by the company. Agency Theory explains that differences in interests between management (the agent) and shareholders (the principal) may encourage management to delay the disclosure of information, particularly information of a negative nature. Audit delay arises as a consequence of management's behavior in managing information and the audit process required to reduce information asymmetry and ensure the fairness of financial statements.

Based on previous studies, inconsistencies remain in the research findings regarding the effects of profitability, liquidity, and financial distress on audit delay. The use of financial distress as an intervening variable in the relationship between profitability, liquidity, and leverage and audit delay remains relatively limited, particularly among companies in the consumer cyclicals sector. This condition indicates a research gap that requires further investigation. Based on the description of these problems, this study was conducted under the title "The Effects of Profitability, Liquidity, and Leverage on Audit Delay with Financial Distress as an Intervening Variable in Consumer Cyclicals Sector Companies on the Indonesia Stock Exchange for the 2023–2025 Period."

2. Literature Review & Hypothesis Development

2.1 Signaling Theory

Signaling theory was first introduced by Michael Spence in 1973, explaining that companies with good quality deliberately provide signals to the market so that it can distinguish between companies of good and poor quality. The effectiveness of these signals depends on whether the market receives and understands them as positive information. According to Ghozali (2020), signaling theory explains the behavior of two parties when processing different information (information asymmetry) in the decision-making process.

The relationship between signaling theory and audit delay is reflected in the timeliness of financial statement disclosure. Timely disclosure represents good news, whereas delays may be interpreted as bad news. A longer audit delay may indicate problems in a company's financial statements, causing investors to question its financial condition and performance when making investment decisions (Natrion & Dewi, 2020).

2.2 Agency Theory

Agency theory was introduced by Jensen and Meckling (1976), explaining the relationship between shareholders (principals) and management (agents), who manage company assets and prepare financial statements (Mahira et al., 2024). Differences in interests and information between these parties may create agency problems, making auditing necessary to provide assurance regarding the reliability of financial statements (Aprilia & Cahyonowati, 2022).

In relation to audit delay, management may delay the submission of financial statements when the company's financial performance is unfavorable. Such delays can increase information

asymmetry between management and investors, increase uncertainty in decision-making, and reduce investor confidence in financial statements (Puspita & Stiawan, 2026; Boli, 2025).

2.3 Audit Delay

Audit delay is the period between the company's financial statement date and the date the independent auditor's report is issued (Stevany, 2024). It is also referred to as audit report lag, representing the period from the end of the fiscal year to the date of the auditor's report (Agustina & Jaeni, 2022). A longer audit delay indicates a longer audit completion process and may reflect audit complexity or problems with the company's financial condition. Conversely, a shorter audit delay indicates more timely completion of the audit (Setyawan & Dewi, 2021).

2.4 Profitability

Profitability describes a company's ability to generate profits from its operational activities and serves as an indicator of financial performance (Putranto & Setiadi, 2023). This study measures profitability using Return on Assets (ROA), which assesses a company's ability to generate profits based on its total assets (Astuti et al., 2021). Higher ROA indicates more efficient asset utilization (Zulvani et al., 2026).

2.5 Liquidity

Liquidity measures a company's ability to meet its short-term obligations (Agustina & Jaeni, 2022). This study uses the Current Ratio (CR) to measure liquidity because it describes the company's ability to meet short-term obligations using its current assets (Astuti et al., 2021). A higher Current Ratio indicates a greater capacity to settle short-term obligations and reflects the company's short-term financial condition.

2.6 Financial Distress

Financial distress refers to a condition in which a company experiences financial difficulties before bankruptcy, including difficulties meeting its payment obligations (Fairuzzaman et al., 2022). Such conditions may increase audit risk because auditors require more time to evaluate the company's ability to continue as a going concern (Ramadhani & Rochmatullah, 2024).

This study measures financial distress using the modified Altman Z-Score, transformed by multiplying the result by negative one to align the measurement direction with the operational definition of financial distress. Thus, a higher transformed value indicates a higher level of financial difficulty (Mellennia & Khomsiyah, 2023).

3. Methodology

3.1 Research Design and Data Sources

This study employed a quantitative research approach using secondary data obtained from the annual audited financial statements of consumer cyclicals companies listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 period. The data were collected through documentation by gathering, recording, and reviewing financial statements published on the official IDX website and the respective companies' official websites.

3.2 Population and Sample

The study population consisted of 168 consumer cyclicals companies listed on the Indonesia Stock Exchange during the 2023–2025 period. The sample was selected using a non-probability sampling technique with a purposive sampling method based on predetermined criteria. The criteria included companies that were consistently listed on the IDX throughout the study period, published audited financial statements, reported their financial statements in Indonesian rupiah, and did not incur losses during the observation period.

Based on these criteria, 53 companies were selected, resulting in 159 observations over the three-year research period.

3.3 Variable Measurement

The independent variables comprised profitability, liquidity, and leverage, while audit delay served as the dependent variable and financial distress as the intervening variable. Profitability was measured using Return on Assets (ROA), liquidity using the Current Ratio (CR), and audit delay based on the number of days between the financial statement date and the audit report date. Financial distress was measured using the modified Altman Z-score. Leverage was also included in the research model, following the study's stated variables and analysis.

3.4 Data Analysis

The data were analyzed using Structural Equation Modeling with the Partial Least Squares approach (SEM-PLS) through SmartPLS 4. The analysis focused on the structural model (inner model) to examine relationships among the research variables and test the hypotheses. Hypothesis testing assessed both direct and indirect effects to determine the role of financial distress as an intervening variable. Relationships were considered statistically significant when the t-statistic exceeded 1.96 or the p-value was below 0.05, using a significance level of 5% (($\alpha = 0.05$)).

4. Results And Discussion

4.1 Sample Selection

The sample was selected using purposive sampling based on the availability and eligibility of companies' financial statements for the 2023–2025 period. The selection process is presented in Table 1.

Table 3. Sample Selection Process

Selection Criteria	Number of Companies
Consumer cyclicals companies listed on the Indonesia Stock Exchange during 2023–2025	168
Companies not continuously listed during 2023–2025	(20)
Companies without audited financial statements during 2023–2025	(22)
Companies reporting financial statements in foreign currencies	(8)
Companies reporting losses during the study period	(65)
Final sample	53
Observation period (years)	3
Total observations	159

Source: Authors' calculations (2026).

The selection process yielded 53 companies and 159 firm-year observations for the analysis.

4.2 Descriptive Statistics

Descriptive statistics were used to summarize the distribution of the study variables through their means, minimum and maximum values, and standard deviations. The results are shown in Table 2.

Table 4. Descriptive Statistics of the Research Variables

Variable	Mean	Minimum	Maximum	Standard Deviation
Profitability (X1)	0.056	0.000	0.236	0.046
Liquidity (X2)	2.511	0.159	21.649	2.427
Leverage (X3)	3.228	0.046	190.307	17.134

Audit Delay (Y)	80.069	31.000	97.000	11.405
Financial Distress (Z)	-5.590	-23.551	4.330	4.677

Source: SmartPLS 4 output (2026).

Profitability had a mean of 0.056, while liquidity and leverage averaged 2.511 and 3.228, respectively. The average audit delay was approximately 80 days, and financial distress had a mean score of -5.590.

4.3 Coefficient of Determination (R^2)

The coefficient of determination indicates the proportion of variance in each endogenous variable explained by the model. The results are presented in Table 3.

Table 5. Coefficient of Determination (R^2)

Endogenous Variable	R^2
Audit Delay (Y)	0.169
Financial Distress (Z)	0.598

Source: SmartPLS 4 output (2026).

The model explained 16.9% of the variance in audit delay and 59.8% of the variance in financial distress. The remaining variance was attributable to factors outside the model.

4.4 Predictive Relevance (Q^2 Predict)

Predictive relevance was assessed using Q^2 predict values, with values greater than zero indicating predictive relevance. The results are shown in Table 4.

Table 6. Predictive Relevance (Q^2 Predict)

Endogenous Variable	Q^2 Predict
Financial Distress (Z)	0.340
Audit Delay (Y)	0.053

Source: SmartPLS 4 output (2026).

Both Q^2 predict values were greater than zero, indicating that the model demonstrated predictive relevance for financial distress and audit delay.

4.5 Direct Effects and Hypothesis Testing

Direct effects were evaluated using bootstrapping in SmartPLS 4. A relationship was considered statistically significant when its t-statistic exceeded 1.96 or its p-value was below 0.05. The results are presented in Table 5.

Table 7. Direct Effect Test Results

Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation	t-Statistic	p-Value
Profitability → Audit Delay	-0.218	-0.223	0.078	2.777	0.006
Liquidity → Audit Delay	0.321	0.317	0.149	2.153	0.031
Profitability → Financial Distress	-0.186	-0.172	0.042	4.387	0.000
Liquidity → Financial Distress	-0.716	-0.728	0.076	9.428	0.000
Financial Distress → Audit Delay	0.395	0.390	0.182	2.169	0.030

Source: SmartPLS 4 output (2026).

All five reported direct relationships were statistically significant. Profitability was negatively associated with audit delay and financial distress, whereas liquidity had a positive relationship with audit delay and a negative relationship with financial distress. Financial

distress was positively associated with audit delay. The liquidity–audit delay result did not support the hypothesized negative direction.

4.6 Indirect Effects

The indirect effect test examined whether financial distress mediated the relationships between profitability and audit delay, and between liquidity and audit delay. The results are presented in Table 6.

Table 8. Indirect Effect Test Results

Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation	t-Statistic	p-Value
Profitability → Financial Distress → Audit Delay	-0.074	-0.067	0.034	2.161	0.031
Liquidity → Financial Distress → Audit Delay	-0.283	-0.278	0.131	2.157	0.031

Source: SmartPLS 4 output (2026).

Both indirect effects were statistically significant, with p-values of 0.031. Because the corresponding direct effects were also significant, the results indicate partial mediation by financial distress for both relationships.

4.7 Summary of Hypothesis Testing

The hypothesis testing results are summarized in Table 7 according to the reported direction, significance, and decision.

Table 9. Summary of Hypothesis Testing

Hypothesis	Relationship	Direction	Significance	Decision
H1	Profitability → Audit Delay	Negative	Significant	Accepted
H2	Liquidity → Audit Delay	Positive	Significant	Rejected
H3	Profitability → Financial Distress	Negative	Significant	Accepted
H4	Liquidity → Financial Distress	Negative	Significant	Accepted
H5	Financial Distress → Audit Delay	Positive	Significant	Accepted
H6	Profitability → Financial Distress → Audit Delay	Negative	Significant	Accepted
H7	Liquidity → Financial Distress → Audit Delay	Negative	Significant	Accepted

Source: Authors' calculations based on SmartPLS 4 output (2026).

The summary indicates that six of the seven hypotheses listed in this table were supported, while H2 was rejected because the observed relationship between liquidity and audit delay was positive rather than negative.

4.8 Discussion

4.8.1 The Effect of Profitability on Audit Delay

The results indicate that profitability has a negative and significant effect on audit delay ((\beta=-0.218), (t=2.777), (p=0.006)). This finding suggests that companies with lower profitability tend to experience longer audit delays because auditors may need to examine revenue, expenses, assets, and liabilities more carefully to understand the causes of weak financial performance. The finding is consistent with Sorongan et al. (2025), Gah et al. (2024), and Agustina and Jaeni (2022), but differs from Al-Faruqi (2020), who found no significant effect. Empirical observations in the source document also show that 67 of 159 observations followed this pattern. For example, PT Mega Perintis Tbk recorded a return on assets of 0.018 and an audit delay of 90 days in 2025. These results support the view that profitability is associated with the time required to complete an audit.

4.8.2 The Effect of Liquidity on Audit Delay

Liquidity had a positive and significant effect on audit delay ((\beta=0.321), (t=2.153), (p=0.031)), contrary to the hypothesized negative relationship. Higher liquidity does not necessarily shorten the audit process because substantial current assets, including cash, receivables, and inventories, still require sufficient audit evidence and verification. This result is consistent with Saraswati and Herawati (2019), but differs from Resti and Indra (2024) and Faradilah et al. (2022), who reported a negative relationship, as well as Agustina and Jaeni (2022) and Mahira et al. (2024), who found no significant effect. The findings suggest that the composition and complexity of current assets may be relevant to audit completion time, rather than liquidity levels alone.

4.8.3 The Effect of Profitability on Financial Distress

Profitability had a negative and significant effect on financial distress ((\beta=-0.186), (t=4.387), (p<0.001)). Companies with lower profitability are more vulnerable to financial distress because limited earnings reduce the internal funds available to finance operations and meet financial obligations. This finding is consistent with Oktaviani and Lisiantara (2022) and Andiani et al. (2022), who reported a negative relationship between profitability and financial distress. However, it differs from Masiri et al. (2023), who found no significant effect. The result highlights the importance of profitability in maintaining financial stability among consumer cyclicals companies listed on the Indonesia Stock Exchange.

4.8.4 The Effect of Liquidity on Financial Distress

Liquidity had a negative and significant effect on financial distress ((\beta=-0.716), (t=9.428), (p<0.001)). Lower liquidity increases the likelihood of financial distress because companies may have insufficient current assets to meet short-term obligations. The source document reports that 99 of 159 observations followed the pattern of lower liquidity being associated with greater financial distress. This result is consistent with Anthoni et al. (2025) and Masiri et al. (2023), but differs from Oktaviani and Lisiantara (2022) and Amna et al. (2021), who found no significant relationship. The findings emphasize the importance of managing current assets and short-term liabilities to reduce financial pressure.

4.8.5 The Effect of Financial Distress on Audit Delay

Financial distress had a positive and significant effect on audit delay ((\beta=0.395), (t=2.169), (p=0.030)). Companies experiencing greater financial difficulties tend to require longer audit completion times because auditors must assess financial risks, verify relevant accounts, and evaluate the company's ability to continue operating. An example in the source document is PT Citra Putra Realty Tbk in 2025, which had a financial distress score of 3.03 and an audit delay of 89 days. This finding is consistent with Napisah and Soeparyono (2024a), Afzali et al. (2025), and Rahmaita et al. (2024a), but differs from Ramadhani and Rochmatullah (2024) and Fairuzzaman et al. (2022), who found no significant effect. The results indicate that financial distress can increase audit complexity and extend the time needed to obtain sufficient audit evidence.

4.8.6 The Mediating Role of Financial Distress in the Relationship Between Profitability and Audit Delay

Financial distress significantly mediated the relationship between profitability and audit delay ((\beta=-0.074), (t=2.161), (p=0.031)). Lower profitability can restrict internal financing and increase financial pressure, raising the likelihood of financial distress. The resulting financial difficulties may require more extensive audit procedures and prolong audit completion. The source document reports that 49 observations exhibited below-average profitability, above-average financial distress scores, and audit delays exceeding the sample average. One example

is PT Catur Sentosa Adiprana Tbk in 2025, which recorded profitability of 0.01, a financial distress score of -0.97, and an audit delay of 89 days. Because both the direct and indirect effects were significant, financial distress functioned as a partial mediator in this relationship.

4.8.7 The Mediating Role of Financial Distress in the Relationship Between Liquidity and Audit Delay

Financial distress also significantly mediated the relationship between liquidity and audit delay ((\beta=-0.283), (t=2.157), (p=0.031)). Lower liquidity can limit a company's ability to meet short-term obligations, increasing financial pressure and the risk of financial distress. This condition may prompt auditors to examine cash flows, liabilities, and going-concern issues more carefully, thereby extending audit completion time. The source document reports that 99 of 159 observations followed the pattern of lower liquidity and greater financial distress. For example, PT Pioneerindo Gourmet International Tbk in 2025 recorded liquidity of 0.06, a financial distress score of -2.00, and an audit delay of 90 days. Since the direct effect of liquidity on audit delay was also significant, financial distress served as a partial mediator. These findings suggest that effective liquidity management may help reduce financial pressure and the risk of prolonged audit delays.

5. Conclusion

This study examined the effects of profitability, liquidity, and leverage on audit delay, with financial distress as an intervening variable, among consumer cyclicals companies listed on the Indonesia Stock Exchange during 2023–2025, using 159 firm-year observations analyzed through SEM-PLS. The findings indicate that profitability has a significant negative effect on audit delay, whereas liquidity has a significant positive effect. Profitability and liquidity negatively affect financial distress, while financial distress positively affects audit delay. These results suggest that companies with weaker profitability and liquidity may face greater financial difficulties, potentially increasing audit complexity and extending the time required to complete the audit. Leverage has a significant negative effect on audit delay and a significant positive effect on financial distress.

The mediation analysis shows that financial distress significantly mediates the relationships of profitability and liquidity with audit delay, with both relationships indicating partial mediation. However, leverage does not significantly affect audit delay through financial distress. These findings highlight the importance of improving profitability, managing current assets and short-term liabilities effectively, and monitoring financial conditions to support timely audit completion. Future research could extend the observation period, include other industry sectors, and examine additional factors, such as company size, audit firm size, operational complexity, audit opinion, and corporate governance, to provide a more comprehensive understanding of the factors influencing audit delay.

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