Journal of Business and Economics Research (JBE)
Vol 6, No 3, October 2025, pp. 743-750
ISSN 2716-4128 (media online)
DOI 10.47065/jbe.v6i3.8347
https://ejurnal.seminar-id.com/index.php/jbe

Measuring Market Trust: The Impact of Audit Timeliness and Auditor Reputation on Investor Reaction

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Submitted: **09/09/2025**; Accepted: **30/09/2025**; Published: **01/10/2025**

Abstract−This study aims to examine the effect of audit delay, auditor reputation, and market value on investor reaction in companies listed in the Kompas 100 index. The research sample consists of 96 observations obtained through purposive sampling during the period 2022 to 2024. Data were analyzed using panel regression to assess the influence of each independent variable on investor reaction. The findings reveal that audit delay has no significant effect on investor reaction, with an effect value of 0.01 and a significance level of 0.993. Similarly, market value does not affect investor reaction, with an effect value of 0.67 and a significance level of 0.505. In this study, market value refers to market capitalization, and the lack of significant effect can be explained by the fact that the companies included in the Kompas 100 index tend to have relatively stable capitalization, making it less of a key factor in short-term investment decision-making. In contrast, auditor reputation has a positive and significant effect on investor reaction, with an effect value of 2.71 and a significance level of 0.008, indicating that auditor quality is an important consideration for investors in making investment decisions. These results emphasize the crucial role of reputable auditors in maintaining market confidence and providing positive signals regarding corporate performance and transparency.

Keywords: Audit Delay; Auditor Reputation; Market Value; Investor Reaction; Kompas 100

1. INTRODUCTION

Investors play a crucial role in carrying out economic activities, because they supply the funds needed for company progress and economic growth. In the investment world, investor decisions are often influenced by various factors, both external and internal. Abnormal return can be used to test investor decisions, where abnormal return is the difference between the actual return of the stock and the expected return of the investor. Capital market reactions will be reflected in the abnormal return of shares (Lestari & Nuryatno, 2018; Phillips & Dharma, 2022). If the information received by investors is considered positive and relevant, there will be massive stock purchases that increase stock prices (positive reaction). Conversely, if the information is considered negative or creates uncertainty, then investors tend to sell, which causes the stock price to decline (negative reaction) (Juniarti et al., 2023; Tjandrakirana, n.d.). One of the key factors that influence this decision is the audit report prepared by the auditor. Therefore, the auditor's reputation plays an important role in the quality of the resulting audit report. This audit report provides important information regarding the company's financial condition and can influence investors' views on the risks and potential returns of their investment. Thus, investors' actions can be influenced by audit reports, where delays in presenting audit reports will have an impact on investor decisions, auditor reputation, and other factors such as market value that also affect investors.

According to research conducted by (Accounting Department, Faculty of Economics and Communication, Bina Nusantara University, Jakarta, Indonesia, et al., 2019), one of the aspects considered by users of financial statements in assessing the usefulness of these reports is the speed of publication. Audit delay describes the period from the closing of the books at the end of the fiscal period to the issuance of the audit report by the independent auditor. This delay is often used as a proxy for quality, as it can indicate accounting constraints or audit failures, which ultimately affect investor and company decisions (Blankley et al., 2014; Durand, 2019; Habib et al., 2019; Venturini et al., 2024) and increase the perception of risk in the eyes of financial statement users (Chan et al., 2016; Meckfessel & Sellers, 2017; Venturini et al., 2024). In the context of financial reporting, audit delay is an important aspect, because the length of time this process takes can reduce the relevance of the information received by users, thereby reducing the quality of stakeholders' economic decisions.

In addition, auditor reputation also influences investors' reactions. The auditor's reputation itself is the perception or assessment of the public, especially business owners and stakeholders in the market, of the integrity, reliability, and professionalism of auditors or public accounting firms in carrying out their duties. Based on research (Siagian, 2023) revealed that reputable auditors are considered to have high standards of professionalism, independence and expertise. The involvement of reputable auditors by a company is a signal to investors that the company prioritizes accurate and reliable financial reporting. Auditor reputation is a measure of the size of the auditor by grouping into big four and non-big four (Lestari and Nuryatno, 2018; Phillips & Dharma, 2022). The Big Four group represents large KAPs that are considered capable of producing high-quality audits. Meanwhile, non-Big Four KAPs tend to have a lower reputation and audit quality compared to the Big Four (Arsianto & Rahardjo, 2013; Mubarrok & Islam, 2020). Research by (Ngajian, 2017; Mauboy & Nugrahanti, 2022) shows that the KAP transition from the Big Four to the non Big Four group produces a negative market reaction, while the move from non Big Four to Big Four gives a positive market reaction. Investors tend to assume that KAP from the "Big Four" group provides better audit results than non-Big Four KAP. Hence, if a company switches from a Big Four KAP to another KAP, investors will consider it as bad news that can be directly seen

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from the stock price and the profits they get. Conversely, if there is a move to a Big Four firm, it will be considered positive.

Market value refers to the latest price of shares traded on the stock exchange (Ricky, 2025). This concept represents the market's shared perception of the value of an asset, resulting from the interaction between sellers and buyers. Buyers and sellers can rely on fair prices, high levels of liquidity and transparency as market participants compete in an open market (Siagian, 2023). In the context of investment and financial decision-making, market value has crucial significance. Investors generally tend to choose assets or securities whose prices are aligned with market value, as these prices are considered to offer a favorable deal for both parties.

Based on research by Lubis and Abdullah (2021); Nurrohimah et al., n.d. (2023) The longer the time span the company delays audit reporting to stakeholders, the more negative the impact on the company regarding the shares owned. Contrary to research (Dewi & Wahyuni, 2021; Fatimah & Wiratmaja, 2020; Nurahmayani et al., 2019; Syofiana et al., 2021; Khairunnisa et al., 2024) which indicates that audit delay has a positive impact on investor reactions. Research compiled by (Pham et al., 2017; Ayuni & Dian Fitria Handayani, 2023) revealed that companies audited by auditors from the Big Four KAP tend to get better audit quality. Meanwhile, (Andriani & Nursiam, 2019; Ayuni & Dian Fitria Handayani, 2023) state that auditor reputation has no effect on audit quality. Therefore, if the audit quality has increased, the reaction shown by investors will also increase. There are studies by (Chen, 2003; Xiang et al., 2015; Kim and Park, 2017; Fredström et al., 2022), which found that positive sentiment has a correlation with customer satisfaction.

Previous studies have shown mixed results regarding the impact of audit delay, auditor reputation, and market value on investor reactions. Some studies report significant relationships, while others find no substantial effects. In addition, most of the existing literature has been conducted in foreign markets or on companies with characteristics different from those in Indonesia. This creates a research gap, particularly in the context of the Kompas 100 Index, whose firms are known for their strong reputations, high liquidity, and distinctive investor base. To fill this gap, the present study investigates whether audit delay, auditor reputation, and market value influence investor reactions in large-cap Indonesian companies. By doing so, it provides fresh empirical evidence on the signaling role of audit timeliness, audit quality, and firm valuation in shaping investor behavior in the Indonesian capital market.

2. RESEARCH METHODS

According to Sugiyono (2016: 85), purposive sampling is a technique of selecting samples based on specific criteria relevant to the research objectives. In this study, only companies that fulfilled the predetermined criteria were included. The use of purposive sampling is appropriate as it ensures that the selected firms align with the purpose of the study. Furthermore, the Kompas 100 index was chosen because it consists of highly liquid and actively traded companies, thereby providing a representative sample to capture investor reactions in the Indonesian capital market:

a. Companies included in the Kompas 100 Index and listed on the Indonesia Stock Exchange during the period 2022-2024.
b. Companies that provide complete financial reports for analysis in the period 2022-2024.
c. Companies that present financial statements in Rupiah (IDR) currency denominations.
d. Based on these criteria, a total of 96 observations were obtained as the final research sample.

2.1 Research Model

This study aims to examine and analyze the effect of Audit Delay, Auditor Reputation, and Market Value on Investor Reaction. The estimation model that will be used for testing is presented as follows:

$$IR = \alpha + \beta_1 AD + \beta_2 AR + \beta_3 MV + \varepsilon \quad (1)$$

In this model, IR represents *Investor Reaction* as the dependent variable, while AD denotes *Audit Delay*, AR refers to *Auditor Reputation*, and MV stands for *Market Value* as the independent variables. The symbol α indicates the constant term, β_1, β_2, and β_3 represent the regression coefficients that measure the effect of each independent variable on the dependent variable, and **ε** denotes the error term, which captures other factors not included in the model. This equation is designed to analyze the influence of audit delay, auditor reputation, and market value on investor reactions.

2.2 Definition of Operationalization and Measurement of Variables

Audit delay, Auditor Reputation, and Market Value are independent variables, while Investor Reaction is the dependent variable. The operational definitions and variable measurements are as follows:

Table 1. Definition of Variables

Indicator	Abbreviation	Measurement
Investor Reaction (Y)	IR	Abnormal Return = Return Actual – Return Market
Audit Delay (X_1)	AD	Audit Delay= Audit report date - Book closing date
Auditor Reputation (X_2)	AR	Dummy variable. 1 if the auditor who handles the company comes from Big four, 0 if non big four

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Indicator	Abbreviation	Measurement
Market Value (X_3)	MV	PER = stock price / net profits ; outstanding shares .

Table 1 provides the definitions and measurements of the variables employed in this study. The dependent variable, Investor Reaction (IR), is represented by abnormal return, which reflects how the market responds to financial information. Audit Delay (AD), as the first independent variable, is measured by calculating the number of days between the company's fiscal year-end (book closing date) and the issuance of the audit report, indicating the timeliness of reporting. Auditor Reputation (AR) is assessed using a dummy variable, where a value of 1 is assigned if the company is audited by a Big Four public accounting firm and 0 if it is audited by a non-Big Four firm. Meanwhile, Market Value (MV) is measured using the Price Earnings Ratio (PER), which is obtained by dividing the stock price by earnings per share (net profit divided by outstanding shares). Data Analysis Technique:

a. Data analysis in this study was conducted using multiple linear regression to test the effect of audit delay, auditor reputation, and market value on investor reactions. Statistical calculations were carried out through Stata version 14, along with the application of the following analysis methods:
b. This study applies a panel data model, with the determination of the most appropriate model carried out through several tests, such as the Chow test and the Lagrange Multiplier test, to determine whether the Common Effect, Fixed Effect, or Random Effect model is most suitable for the characteristics of the data used.
c. Descriptive statistical analysis is used to provide an overview of the data characteristics of each variable. Hasan (2001: 7) explains that descriptive statistics include methods of collecting and presenting data so that it is easy to understand.
d. The classic assumption test in this study only includes multicollinearity and heteroscedasticity testing. Other tests, such as normality and autocorrelation, are not included because panel data analysis typically reduces concerns related to normality, while the model specification helps to mitigate autocorrelation issues. Therefore, focusing on multicollinearity and heteroscedasticity provides a more relevant assessment of the regression assumptions for this research context.
e. The hypothesis was tested using the t statistical test to measure the individual effect of the independent variable on the dependent variable, as well as the F statistical test to test the joint effect of the independent variables simultaneously (Ghozali, 2011; Sofiana & Hariyono, 2018).

3. RESULTS AND DISCUSSION

3.1 Model Selection

Model selection in panel data analysis was carried out using the Chow test and the Lagrange Multiplier (LM) test. The Chow test compares the fixed effects model (FEM) with the common effects model (CEM), where a significance level below 0.05 suggests the FEM should be preferred and followed by a Hausman test. In this study, the Chow test indicated that the CEM was more appropriate, so the Hausman test was not conducted. The LM test is then applied to examine the presence of random effects; significant results ($p < 0.05$) would indicate that the random effects model (REM) is superior to the CEM. Since the LM test results did not show significance, the CEM was ultimately chosen. Theoretically, the use of CEM implies that there are no substantial unobserved firm-specific effects within the Kompas 100 sample, and the variations across firms and over time can be adequately explained without accounting for individual heterogeneity.

3.1.1 Chow Test

Table 2. Chow Test Results

F test that all u_i=0: F(31,62) = 0,58 > F = 0,9596

Table 2 presents the results of the Chow test used to compare the fixed effects model (FEM) and the common effects model (CEM). The probability value of 0.9596 is far greater than the 0.05 significance level, indicating that the fixed effects model is not more appropriate than the common effects model. Therefore, the Chow test suggests that the CEM is the most suitable model to be used in this study.

3.1.2 Lagrange Multiplier Test

Breusch and Pagan Lagrangian multiplier test for random effects:

$$\text{Abnormalreturny}[code,t] = Xb + u\,[code] + e\,[code,t] \quad (2)$$

Table 3. Lagrange Multiplier Test Results

	Var	Sd = sqrt (Var)
Abnormal~y	0,0052086	0,0721706
e	0,006104	0,0781279
u	0	0
Test: Var (u) = 0		

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	Var	Sd = sqrt (Var)
Chilbar2 (01) =		0,00
Prob > chilbar2 =		1,0000

Table 3 shows the results of the Lagrange Multiplier (LM) test, which evaluates whether the random effects model (REM) is more appropriate than the common effects model (CEM). The probability value is 1.0000, much greater than the 0.05 significance level, indicating that the REM is not a better choice than the CEM. Consequently, the LM test confirms that the CEM is the most suitable model for this study. This finding implies that there are no significant unobserved variations across firms or over time, so the data can be treated uniformly without the need to account for individual-specific or time-specific effects.

3.2 Descriptive Analysis

Table 4 presents the results of descriptive statistical analysis, which summarizes the main characteristics of the research data through indicators of mean, standard deviation, minimum, and maximum values. The abnormal return variable has an average value of 0.0329 with a standard deviation of 0.0721, indicating moderate fluctuations in investor reactions. Audit delay shows an average of 64.38 days with a variation of around 20.67 days, where the shortest delay is 20 days and the longest reaches 96 days. Auditor reputation has a mean of 0.7187, suggesting that most companies in the sample were audited by Big Four auditors. Meanwhile, market value has a wide distribution, with an average of 314.74, a minimum value of -150.75, and a maximum value of 11,993.02, reflecting significant differences in firm size and performance across the sample.

Table 4. Descriptive Statistical Analysis

Variable	Obs	Mean	Std. Dev	Min	Max
Abnormal Return	96	0,0329624	0,0721706	-0,0913716	0,2567753
Audit Delay	96	64,38542	20,67715	20	96
Auditor Reputation	96	0,71875	0,4519694	0	1
Market Value	96	314,7488	1720,855	-150,7496	11993,02

3.3 Classical Assumption Test

3.3.1 Multicollinearity Test

Based on research by Ghozali (2011) and Sofiana & Hariyono (2018), the multicollinearity test is used to detect the presence of a relationship between independent variables that can have an impact on the dependent variable in a regression study. Relationships that are too high between independent variables can destabilize the estimate and reduce the validity of the analysis results. In this study, no significant indication of multicollinearity was found, because the correlation value between the independent variables was within a reasonable range, namely < -0.80 and > 0.80.

Table 5. Multicollinearity Test

	AD	AR	MV
AD	1,000		
AR	-0,3498	1,000	
MV	0,1751	0,1055	1,000

Table 5 shows that the correlation values between independent variables are relatively low, with the highest correlation being -0.3498 between audit delay (AD) and auditor reputation (AR). Since all values are far from the critical threshold of ±0.80, it can be concluded that multicollinearity is not a problem in this study and the regression model remains valid to be used.

3.3.2 Heteroscedasticity Test

In the classical assumption test, heteroscedasticity testing is carried out to ensure that the residual variance of the regression model is consistent at all levels of observation. The model is free from heteroscedasticity if the residual graph does not show a systematic pattern and the significance value of the statistical test is greater than 0.05.

Table 6. Heteroscedasticity Test

Breusch-Pagan / Cook-Weisberg test for heterokedasticity
H0: Constant variance
Variables: fitted value of abnormalreturny
Chi2(1) = 3,79
Prob > chi2 = 0,0515

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Based on Table 6, the probability value is 0.0515, which is slightly above the significance level of 0.05. This indicates that the null hypothesis (H0), which states that the model has constant variance, cannot be rejected. Thus, the regression model in this study can be considered free from heteroscedasticity problems.

3.3.3 Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis

Abnormalreturn	Coef.	Std. Err.	t	P > |t|	[95% Conf.	Interval]
Auditdelay	-3.59e-06	0,0003813	-0,01	0,993	-0,0007609	0,0007537
Auditorreputation	0,0467367	0,0172704	2,71	0,008	0,0124362	0,0810372
Marketvalue	-2,89e-06	4,32e-06	-0,67	0,505	-0,0000115	5,68e-06
_cons	0,0005114	0,0319029	0,02	0,987	-0,0628504	0,0638733

Based on Table 7, the regression model used in this study is:

AR= -0,0005114+ 0,00000359 X1 + 0,0467367 X2 - 0,00000289 X3

Based on the regression equation in this study, it can be concluded that:

a. The constant with a value of -0.0005114 indicates that if all independent variables, namely Audit Delay (AD), Auditor Reputation (AR), and Market Value (MV), are zero, then it is -0.0005114.
b. The coefficient of the AD variable (X1) of 0.00000359 indicates that any increase in AD, ceteris paribus, will increase investor reactions by 0.00000359.
c. The coefficient of the AR variable (X2) of 0.0467367 indicates that an increase in Auditor Reputation, ceteris paribus, will increase investor reactions by 0.0467367.
d. The coefficient of the MV variable (X3) of 0.00000289 means that an increase in Market Value, ceteris paribus, will cause a decrease in investor reaction of 0.00000289.

3.4 Hypothesis Test

3.4.1 F Statistical Test

The F test is a statistical technique in regression analysis used to evaluate whether all independent variables simultaneously have a significant effect on the dependent variable. The results of the F statistical test in this study are presented in Table 8.

Table 8. F Statistical Test Results

Number of obs	=	96
F (3,92)	=	2,90
Prob > F	=	0,0392
R-squared	=	0,0864
Adj R-squared	=	0,0566
Root MSE	=	0,0701

Based on Table 8, the analysis shows a calculated F value of 2.90 which exceeds the F table of 2.70, with a significance of 0.0392 below 0.05. This indicates rejection of the null hypothesis (H_0) and acceptance of the alternative hypothesis (H_a). Thus, simultaneously the Audit Delay, Auditor Reputation, and Market Value variables have a significant effect on Investor Reaction, and collectively explain changes in investor reactions to the information studied. Meanwhile, the R-squared value of 0.0864 means that the three independent variables in the model are able to explain 8.64% of the variation in investor reaction, while the remaining 91.36% is explained by other factors outside the model.

3.4.2 Statistical Test t (t Test)

The t test is a statistical tool used to measure the effect of each independent variable separately on the dependent variable in a regression model. This test aims to ascertain whether each independent variable has a significant impact individually.

Table 9. Statistical Test of t

AR	Coef.	Std. Err.	t	P>|t|
AD	0,00000359	0,0003813	-0,01	0,993
AR	0,0467367	0,0172704	2,71	0,008
MV	0,00000289	0,00000432	-0,67	0,505
Cons	0,0005114	0,0319029	0,02	0,987

Based on Table 9, it can be concluded that:

a. Audit Delay (AD) has no significant effect on investor reaction, as indicated by a probability value of 0.993 (> 0.05).

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b. Auditor Reputation (AR) has a positive and significant effect on investor reaction, with a coefficient of 0.0467 and a significance value of 0.008 (< 0.05). This shows that reputable auditors are an important factor influencing investor decisions.
c. Market Value (MV) does not significantly affect investor reaction, with a probability value of 0.505 (> 0.05).
d. Constant (0.0005114) indicates the baseline value of investor reaction when all independent variables are zero, though it is not statistically significant.

3.5 Discussion

3.5.1 The Effect of Audit Delay on Investor Reaction

The t test results show that the calculated t value of 0.01 is below the t table value of 1.986, and the significance value of 0.993 exceeds the 0.05 significance limit. This indicates that the null hypothesis (H_0) is accepted and the alternative hypothesis (H_a) is rejected. In other words, the Audit Delay variable has no significant effect on Investor Reaction. Thus, the delay in submitting financial reports has no effect in influencing the behavior or investment decisions of investors. Investors do not see the delay as an important factor or already have access to other more relevant information.

This finding reflects that investors tend to focus more on fundamental factors in determining their investment decisions, such as company financial performance, business growth prospects, and overall industry and economic conditions. As long as the audit delay is not accompanied by indications of serious problems, such as manipulation of financial statements or questionable audit opinions, audit delay is often considered a purely administrative or technical issue that does not reflect a significant risk to firm value. In other words, delays in submitting financial reports are not necessarily seen as a negative signal, especially if the company has a solid reputation and a consistent track record in delivering information openly and accurately to the public. These results support research (Istika, 2019; Karina & Jannah, 2017; Lestari & Nuryatno, 2018; Syafitri, 2020; Phillips & Dharma, 2022) in their statement, the delay in checking. Moreover, since the sample in this study consists of firms included in the Kompas 100 index, most are already established entities with strong credibility and investor confidence. This level of stability makes investors less reactive to administrative issues such as audit delay, as they are more inclined to focus on substantive aspects like profitability, dividend distribution, or long-term business strategies rather than technical reporting lags.

3.5.2 Effect of Auditor Reputation on Investor Reaction

With t count 2.71 exceeding t table 1.986 and significance 0.008 below 0.05, the null hypothesis is rejected. This proves that Auditor Reputation significantly and positively affects Investor Reaction, which is reflected in increased investor confidence in company reports using Big Four auditors.

The findings of this study further emphasize that auditor reputation has a strategic role in shaping investors' perceptions of the integrity and transparency of the company's financial statements. Auditors with high reputations - especially those belonging to the Big Four group or have solid professional experience and are considered capable of producing independent, objective, and trustworthy audit opinions. The credibility of the auditor provides investors with a sense of security that the financial statements have been thoroughly audited and can be used as a reliable basis for making investment decisions.

A solid auditor reputation is often associated with effective risk management practices and effective implementation of corporate governance principles. In an information-sensitive market, the presence of a credible auditor can increase market confidence in the integrity of the company and reduce concerns about potential manipulation or irregularities in financial statements. In the context of this study, auditor reputation functions not only as an independent supervisor, but also as an indicator of company quality that can generate a positive response from investors. This finding is consistent with research conducted by (Siagian, 2023).

3.5.3 Effect of Market Value on Investor Reaction

The t test results show a calculated t value of 0.67 which is lower than the t table of 1.986, with a significance of 0.505 above 0.05. This indicates the acceptance of null hypothesis (H_0) and rejection of the alternative hypothesis (H_a). Thus, Market Value has no significant effect on Investor Reaction, which indicates that market value fluctuations have not had a real impact on investor decisions in the context and period of this study.

This finding confirms that market value has not been able to become the main determinant in influencing investor reactions. Although market value reflects the company's capitalization in the public eye, investors do not seem to make it the main benchmark in decision making. This phenomenon is due to the assumption that market value is more reflective of external conditions and short term fluctuations, such as market volatility, investor sentiment, and macroeconomic factors, which do not necessarily reflect the company's fundamental conditions accurately. Therefore, investors tend to prioritize more stable and in-depth information, such as profitability, operational efficiency, or the quality of corporate governance in assessing investment prospects.

This result also reinforces the view that in a relatively efficient market, information related to market value has already been absorbed by the market and reflected in the previous stock price, so it no longer triggers a significant investor response. Rational and experienced investors usually anticipate market value movements and do not react impulsively to these changes. Thus, market value is not strong enough to drive investor behavior in real terms, and is not a dominant

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variable in shaping their reactions to information published by companies. This research provides an opportunity for future studies to explore other variables that are more relevant in describing investor sensitivity in the capital market. Another explanation is that firms in the Kompas 100 index already possess relatively large and stable market capitalizations, making short-term fluctuations in market value less likely to provoke drastic investor reactions. Consequently, investors may discount market value as a meaningful signal, regarding it as already priced into stock values, while placing greater emphasis on qualitative elements such as governance quality, strategic direction, and management credibility.

4. CONCLUSION

This research investigates the influence of audit delay, auditor reputation, and market value on investor reactions in the Indonesian capital market. The results indicate that audit delay and market value do not significantly shape investor decisions, whereas auditor reputation exerts a strong positive effect. This finding underlines that investors place higher confidence in financial statements audited by reputable auditors, particularly those from the Big Four, as indicators of transparency and reliability. The key contribution of this study lies in offering a refined perspective on investor behavior within Indonesia's Kompas 100 companies. It reveals that conventional signals such as reporting timeliness and market capitalization are less decisive compared to the credibility of auditors, which becomes the dominant determinant of investor reactions. This enriches the existing literature by underscoring the strategic role of auditor reputation in the setting of an emerging capital market. Nonetheless, this study is limited to Kompas 100 companies and only examines three explanatory variables. Hence, the findings may not fully capture investor behavior in smaller firms or under varying market conditions. Future research should broaden the sample and incorporate other determinants—such as profitability, corporate governance, and risk management—to provide a more comprehensive insight into investor responses.

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Vol 6, No 3, October 2025, pp. 743-750
ISSN 2716-4128 (media online)
DOI 10.47065/jbe.v6i3.8347
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