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Effect of Performance Factors to Increase Company Value

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ABSTRACT

The value of the company is a direct response from investors to the company represented by the stock price. The rise and fall of stock prices in the capital market is an interesting phenomenon to talk about to the issue of fluctuations in the value of the company. Stock prices fell due to the latest sentiment data on manufacturing from China, the United States, and Europe. The MSCI Asia Pacific Index fell 1.2 per cent in mid-trade, the index down 4 per cent as investors continued to shed shares in emerging markets. The population of this research is 169 annual reports of manufacturing companies that go public and are listed on the Indonesia Stock Exchange in a row in the 2015-2019 period. The results of the study indicate that environmental performance affects firm value. Shareholders' support for environmental concerns has a positive impact on creating corporate value both internally and externally. Internally the value of the company increases through competitive advantage by increasing company profits, increasing sales turnover, lower production costs this is because the company can avoid unexpected costs due to labour, social or environmental contingencies, while externally shareholder support can increase share prices in the company. stock market. Financial performance affects firm value, the increase in company profitability shows better financial performance and better company prospects. Companies that have good prospects are highly favoured by investors because they are considered to provide good returns.

Keywords: Environmental Performance, Financial Performance, Company Value Firm.

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1. INTRODUCTION

Value is a direct response from investors to the company represented by stock prices. The rise and fall of stock prices in the capital market is an interesting phenomenon to talk about to the issue of fluctuations in the value of the company. Stock prices fell due to the latest sentiment data on manufacturing from China, the United States, and Europe. The MSCI Asia Pacific Index fell 1.2 per cent in mid-trade, the index down 4 per cent as investors continued to shed shares in emerging markets. This condition indirectly affects the value of the company, because the value of the company is seen from the prosperity of the shareholders as measured by the stock price in the capital market.

Company value is a description of the company's condition that can foster public trust in the company after going through a process of activities for several years since the company was founded now. In addition to the company measuring the value from the aspect of stock market value, it is also measured using the book value per share of the company for investors. Book value per share shows the company's ability to create company value relative to the amount of capital invested.

Financial performance is one of the factors of firm value. The rise and fall of the value of the company are seen from the comparison of the company's financial statements in the current period with the company's financial statements in the previous period. The company's management is very interested in the financial statements that have been analyzed because the results of the analysis of the financial statements are used as a tool for decision making in the future. The analysis of the company's financial statements is in the form of a ratio analysis containing the financial results that have been achieved in the past, evaluating the weaknesses that need to be improved and the competitive advantages of the company. [1]

The company's ability to generate profits is the main thing in the assessment of financial performance. Profit is not only a measure of the company's ability to fulfil the obligations of the funder but also shows prospects in the future. Companies that have high profit is a company that has good. Hal financial performance can be seen from the value of *the return on asset* (ROA) where the company can generate profits compared to the velocity of assets owned.

Firm value is the market value because the value of the company can provide maximum shareholder prosperity if the company's share price increases. [2] The normative goal of the company is to maximize the value of the company has been stated by. [3] " *The goal of financial management is to maximize the shareholder's wealth by taking action that increases the current* *value per share of the existing stock of the firm*" which means that the purpose of management financial to maximize shareholder wealth by taking action to increase the present value per share of existing shares.

Measurement of firm value according to [1], is most accurately measured using *valuation* ratio, because it reflects the ratio (risk) to the ratio of returns. Valuation ratios are very important because these ratios are directly related to the goal of maximizing company value and shareholder wealth.

[4] states that in general there are many methods and techniques in measuring firm value including 1. Profit approach, including the method of profit rate ratio (*Price Earning Ratio*); Profit projection capitalization method, 2.flow approach Cash including discounted cash flow method, 3.approach Dividend including growth method dividend, 4. Asset approach including valuation method asset, 5. Stock price approach, 6.approach *Economic Value Added* (EVA).

The company's environmental performance according to [5]; the company's performance in creating an environment that is green*(green),* which focuses on the activities of the company in preserving the environment and reducing the environmental impact arising from the activities of the company. Wrong the information is often disclosed by companies is information regarding the company's policy on the environment, because it is considered as the core of the company's business ethics. The company does not only have obligations *financial* such as to shareholders or *shareholders* but also obligations to other parties whose scope is wider, namely: consumers, employees, the environment and the community in all aspects of the company's operations.

2. LITERATURE REVIEW

The company was founded with two objectives, namely general goals and normative goals. The general purpose of the company can be economic or-economic non. Gaining profit is a company's economic goal that must be achieved by using different strategies according to the company's functions, including marketing, production, finance and human resource functions. Maximizing the wealth of shareholders (*maximization of wealth of stockholders*) through the value of the company where the value of the company is the price that prospective buyers are willing to pay if the company is sold is the goal of company management. The value of the company is the market value because the value of the company can provide maximum shareholder prosperity if the company's share price increases. [6]

The normative goal of the company is to maximize the value of the company has been stated [3] " *The goal of financial management is to maximize the shareholder's wealth by talking action that increases the current value per share of the existing stock of the firm*" which can be interpreted that the objectives management Finance is to maximize shareholder wealth by taking action to increase the present value per share of existing shares.

The objective of maximizing the value of the company is related to financial decisions so that every decision should be able to increase the company's share price. The increase in the company's share price is measured by the *stock return* obtained by the shareholders. [7] The value of the company is reflected in the company's stock price so that the increase in stock prices is also related to financial decisions. Financial managers are financial decision-makers in determining alternatives and actions related to company financial decisions. Where alternatives and actions are taken must pay attention to the *returns* to be received and the *risks* faced. The role of the financial manager in l enhance corporate value through wealth shareholders is reflected in the increase in the stock price. If the decision will affect the increase in stock prices, then this decision will be taken and vice versa if the financial decision will decrease the stock price then the financial manager will reject this decision.

The function and purpose of corporate finance are to maximize firm value, which relates to three corporate financial decisions, namely investment, funding and dividend decisions. The decisions company's financial related to the value of the company where the value of the company can be reflected in the present value of the expected cash flows, the rate of return that reflects the risk of a company project and the mix of funding to finance these activities.

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According to [2] there are several approaches to ratio analysis in assessing *market value, namely*: 1. *Price Earning Ratio,* 2. *Price to Book Value Ratio* (PBV), 3.*Market Book Ratio* (MBR), 4. *Dividend Yield*, 5. *Dividend Payout Ratio* (DPR).

value is often Firmproxied by *price to book value* (PBV). *Price to book value is defined* as the result of the comparison between the stock price and the book value per share. The existence of ***price to book value is*** very important for investors to **determine strategies for investment in the capital market** because through *price to book value*, investors can predict stocks that are *overloaded* or *underloaded. Price to book value describes* how much the market appreciates the book value of a company's shares. Companies that run well generally have a ratio *price-to-book value* above one, which reflects that the market value of the

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stock is greater than its book value. *A high price to book value* reflects the level of shareholder prosperity, where shareholder prosperity is the company's main goal.

The environmental performance of companies according to [5] is the company's performance in creating a green environment *(green)*, which focuses on the activities of the company in preserving the environment and reducing the environmental impact arising from the activities of a company. Wrong the information is often disclosed by companies is information regarding the company's policy against the environment, as this is considered the core of the company's business ethics. The company does not only have obligations *financial* such as to shareholders or *shareholders* but also obligations to other parties whose scope is wider, namely: consumers, employees, the environment and the community in all aspects of the company's operations.

Environmental performance is defined as company activities that are directly related to the company's activities in protecting the surrounding natural environment by using assets company.

[8] explained that the concept of environmental performance refers to the level of environmental damage caused by the activities carried out by the company. A lower level of environmental damage indicates better environmental performance. Vice versa, the higher the environmental damage, the worse the company's environmental performance. Environmental performance is a performance related to the environment and environmental impact. This environmental performance relates to three aspects, namely the company's(*environmental performance strategy strategic corporate environmental performance*), the company's (*operational environmental performance corporate environmental performance*) and the company's(*corporate environmental performance).*

Environmental performance is inseparable from the application of environmental accounting (*green accounting*). In environmental accounting, the company is required to have the attention and interest in the preservation of the environment, sustainability *(sustainability),* environmental effectiveness*(eco-effectiveness),* environmental efficiency*(eco-efficiency),* and implement it directly with many means of marketing in strategic management. Activities in environmental accounting include collecting, analyzing, estimating, and preparing reports of both environmental and financial data to reduce environmental impacts and costs. This form of accounting focuses on as many aspects of government policy as possible. Consequently, environmental accounting becomes an important aspect of *the green business concept* and responsible economic development. Through the application of *green accounting,* it is hoped that the environment will be preserved because in applying *green accounting*, companies will voluntarily comply with government policies where the company runs its business.

3. RESEARCH METHODS

3.1Population and Sample The

the population of this research is 169 annual reports of companies manufacturing that *go public* and are listed on the Indonesia Stock Exchange in a row in the 2015-2019 period. The sample in this study were 160 annual reports of manufacturing companies that *went public* and were listed on the Indonesia Stock Exchange consecutively in the 2015-2019 period used was the *sampling technique purposive sampling method*. The. The sampling procedure carried out in the study was 160 annual reports of manufacturing companies that *went public* and were listed on the Indonesia Stock Exchange in 2015-2019.

4. RESEARCH RESULTS AND DISCUSSION

5.

The following is presented descriptive statistics of each research variable:

Table 1 of Descriptive Statistics Test Results

Variable	**Mean**	**Standard .Deviation**	**Minimum**	**Maximum**
Environmental Performance	1.19	0.59	0.00	2.25
Financial Performance	7.28	6.83	1.00	39.01 Firm
Value	3.89	12.01	0.28	99.00

Source: Processed secondary data.

Environmental Performance is measured from the disclosure of environmental costs in the annual reports of manufacturing companies that *go public* and are listed on the stock IndonesiaExchange in the period 2015 to 2019 respectively. Environmental costs are part of the company's *Corporate Social Responsibility*(CSR). Environmental costs include environmental prevention costs, environmental detection costs, internal failure costs and external failure costs. From 2015 to 2019, the lowest environmental cost was 0.00 (0%) and the highest was 2.25 (2.25%). On average, the company spends 1.19 (1.19%) on the total CSR issued by the company each year. High environmental costs indicate that the company carries out activities that cause high

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environmental pollution, thereby reducing the company's profits and the prosperity of shareholders. Because profits are declining, the company decides not to spend money to preserve the environment. The decision to not issue the environmental costs assessed by the shareholders may affect the value of the company.

Financial Performance is measured by *Return on Assets* (ROA). The higher the ROA value of a company, the more effective the company's financial performance. From 2015 to 2010, the company's average ROA was 7.287.28%. The minimum ROA was 1.17, the maximum was 39.01 or 39.01%. Company value is measured by *Price to Book Value (PBV)*, which fluctuated from 2015 to 2019. The market minimum recognizes the company's book value of 0.28 (28%). The maximum is 99.00 (99%). The average book value of the company is recognized at 3.89 (3.89%) by the market. The book value of the company as measured by the *Price to Book Value Ratio*(PBV) is below the number "1" indicating that the prospect of market confidence is low, whereas if the value of PBV above the number "1" indicates that the company has a fairly high prospect of market confidence.

Effect of environmental performance, financial performance on firm value. To determine the effect of environmental performance, financial performance and IOS on firm value directly, and the magnitude of the direct effect using multiple linear regression method. The calculation results are presented in Table 6 below:

Table 2 Test Results Sub Structure

Variable	Regression Coefficients	t Value	P-Value
Environmental Performance	-0.238	-1.987	**0.050
Financial Performance	0.621	5.170	0.000

Dependent variable: Value ofcompany's

theR	=	0.507
R square (R2)	=	0.257
Adjusted R Squared	=	0.232
p-value	=	0.000

* statistically significant at the level of <=1%

* statistically significant at the level <=5%

Based on the table can be explained respectively analysis results as follows: The effect of environmental performance on the value of the company is significant at the level of <5% with a value of 0.050, the regression coefficient of -0.238. This means that environmental performance affects the value of the company, the better the environmental performance will increase the value of the company. The effect of financial performance on firm value is significant with a p-value of 0.000 with a regression coefficient of 0.621. This means that financial performance affects firm value, good and bad financial performance is followed by an increase in firm value.

6. CONCLUSION

Environmental performance affects firm value. Shareholders' support for environmental concerns has a positive impact on creating corporate value both internally and externally. Internally the value of the company increases through competitive advantage by increasing company profits, increasing sales turnover, lower production costs this is because the company can avoid unexpected costs due to labour, social or environmental contingencies, while externally shareholder support can increase share prices in the company. stock market.

Financial performance affects firm value, the increase in company profitability shows better financial performance and better company prospects. Companies that have good prospects are highly favoured by investors because they are considered to provide good returns. *Return on Assets* (ROA) is a profitability ratio used to measure the company's financial performance so that investors catch an increase in *Return on Assets* as a positive signal that can increase the value of the company. So the higher the *Return on Assets*, the higher the company value.

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