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Influence Leverage, Cost Environment, and Performance Environment to Financial Performance

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ABSTRACT: The company's financial performance is essential for investors to invest in a company. Apart from having to generate maximum profits, the company has obligations to maintain the sustainability of its business in the future. The more the finance company, the more intereste d investors are in making investments. Therefore, financial performance is the key to obtaining source financing tomaintain the continuity of company activities.

Study This aims To test the influence of leverage, cost environment,and environmental performance on the company's financial performance in the Company Industry Base and Chemistry, Which is registered in Exchange Effect Indonesia (IDX) year 2018-2022. This research uses signal theory and stakeholder theory. This method is quantitative, with the data source from the company *website, www.idx.co.id,* and Proper Ministry of the Environment and Forestry (menlhk.go.id), sampling obtained with purposive sampling.

Based on the results, testing can conclude that leverage and cost environment are influential, negative, and significant to performance finance, whereas performance environment does not affect financial performance.

KEY WORDS: Performance Finance, Leverage, Cost Environment, And Performance Environment

INTRODUCTION

The company's financial performance is essential for investors to invest in a company. Apart from having to generate maximum profits, the company has obligations to maintain the sustainability of its business in the future; performance finance can used as a reference to describe the situation of the company based on aspect finance (Rahman, 2020). If the company's financial condition is good, it will increase investors' interest in making such an investment. On the other hand, when a finance company reflects unfavorable or unfavorable conditions, investors will reconsider their willingness to invest in the company.

Based on this, financial performance impacts investors' decisions when investing in a company. Financial performance is one source of financing in obtaining funds and maintaining the continuity of company activities.

Leverage is a ratio used to determine how much debt to pay for company assets because if the company's debt is sufficiently high, then it results in high interest that will be paid by the entity (Gatsi*et al*., 2013). Therefore, to balance the high level of risk, company management must analyze the debt ratio to attract investors to invest and improve the company's value. Studies by Enekwe *et al*. (2014) state that leverage will affect how much good performance is in a Company.

In management, besides noticing efficiency and finances, a company also needs to notice the problem environment, especially the companyindustry. Waste originating from processed production results in material until finished goods are formed that can harm and damage the environment (Hapsari *et al* ., 2021); companies must consider environmental management costs to achieve good environmental performance. Research related to the influence of environmental costs on financial performance states that environmental costs have a positive impact on company financial performance (Nababan *et al.*, 2019) and supported Okoye and Ezejiofor (2013), who concluded *that* Sustainable environmental accounting significantly influences business productivity in order to improve financial performance.

Apart from being influenced by leverage and cost environment, performance finance can also be influenced by performance environment. The results from initiative companies devoted to protecting the environment and minimizing environmental impacts from operational activities are the performance environment (Lastri in Lankoski, 2019). Another view also asserts that companies can proactively address environmental issues beyond their legal obligations and connect them with

stakeholders through environmental performance. According to Ardila (2017). Companies with good environmental performance have environmentally responsible operations, reduce pollution, use renewable energy, and are open to environmental disclosures.

LITERATURE REVIEW

According to signal theory, companies use financial reports to communicate with external parties. Fulfillment desires owner-related giving information about treatment management works as a signal. The signal consists of details that show why this company is superior to competitors. Signaling theory is guidelines from a company regarding management actions to evaluate the company's project assessment (Brigham & Houston, 2014). The main goal of signaling theory is to communicate decisive action from internal parties that others cannot see.

Investors can benefit from the knowledge because they can detect and interpret these signals as positive or negative. Signaling Theory explains that managers carry out signaling to narrow down asymmetric information. Because the principle forbids businesses to take action to exaggerate income as well as give assistance to users of financial statements with the presentation of income and report assets without exaggeration, managers report through report finance managers use conservative accounting policies to make more precise income and better quality.

According to theory, stakeholders state that a company is not an entity that operates solely for the benefit of the company but must be capable of its benefit for the community is the company's social environment (Devi *et al* ., 2017). The main goal of stakeholder theory is to assist company management in its efforts to add value due to the results of activities carried out and minimize emergence loss on stakeholders.

There needs to be more to answer companies, not only to the para owner, as happened last year. Again, more is needed to answer also to the social realm, which is called social responsibility (social responsibility). So from That, more than previous measurements were needed to answer the company only with economic and financial indicators, but now it needs to develop by considering internal and external social factors.

Research conducted by Oware, Kofi Mintah *et al*. (2019) in India provides evidence that financial leverage harms performance finance. Al-Ahdal, Walid M, et al. (2020) in India's opinion that leverages own impact, Which harms business performance. Similarly, Sayekti and Santoso's (2020) opinion is that leverage harms an organization's financial performance. It means a higher debt ratio in the company's capital structure causes a decline in size performance and decline. It is more significant for companies with a higher risk of financial distress than companies with lower risk.

H_1: Leverage influential negative to performance finance

In order to carry out corporate social responsibility in the environmental aspect, the entity wants to carry out several activities related to the environment. To carry out these activities, the company also needs a budget Ladyve *et al*., (2020); cost environmental is defined as the range of costs associated with reducing manufacturing processes that have environmental impacts (internal) and costs associated with repairing damage caused by waste (external). In order to carry out corporate social responsibility in the environmental aspect, the entity wants to carry out several activities related to the environment. To carry out these activities, the company also needs a budget. Ladyve *et al* . (2020) define cost environmental impact as the range of costs associated with reducing manufacturing processes that have an environmental impact (internal) and costs associated with repairing damage caused by waste (external). Anselm And Jane Frances's (2020) research in Nigeria proves that the cost environment is influential and positively significant to performance finance. It means a considerable cost environment, which allocates companies to improve the environment, will get a positive response from the public holder interest. It will impact the enhancement of the company's profitability through upgrades annually to company returns.

H_2: Cost environment influential positive on performance finance

Environmental performance has become necessary as a form of social responsibility to society and is now a consideration besides the company's financial condition for an investor. Performance environment is a performance company that focuses on activities carried out by companies to protect the environment and reduce the environmental impact of its operational activities (Lastri in Lankoski, 2019). By reporting information about environmental performance, companies try to show how much effort they have made in carrying out corporate responsibility to overcome the environmental impacts caused (Meiyana & Aisyah, 2019). Companies that can carry out their activities without causing negative impacts on the environment will indirectly increase sales because of their excellent image in the eyes of stakeholders, investors, and the public. Based on a study already done by Chan, Kar Hoong et al. (2022) in Malaysia, Haninun et al. (2018), (and Kalash, 2021) in Turkey found that the performance environment positively influences performance finance. Studies from Nababan And Hasyir (2019), Zainab and Burhany (2020), and Widhiastuti et al. (2017) prove that environmental performance, Which is measured with PROPER, has an influential positive significance on performance finance, which means good performance environment has an impact on providing good value

from society and stakeholders.

H_3: Performance environment influential positive to performance finance

RESEARCH METHODS

Data in study This form is a cross-section taken from financial reports on the Indonesian Stock Exchange and the company's official website. The criteria sample selected by the method of purposive sampling is as follows:

1. Company Sector Industry Base And Chemistry, Which registered in Exchange EffectIndonesia 2018 - 2022 ;
2. Company Sector Industry Base And Chemistry, Which publish reportsfinancially consecutively from 2018 - 2022 ;
3. Company Sector Industry Base And Chemistry, Which follow the PROPER year 2018 - 2022 ;
4. Basic Industry and Chemical Sector Companies that Earn Profits 2018 -2022.

RESEARCH RESULT

A descriptive analysis was done on 44 sample data in 2018 -2022, as seen in Table 1. Analysis statistics descriptive as follows:

Table 1. Analysis Descriptive statistics

	PERFORMANCE FINANCE	LEVERAGE	COST ENVIRONMENT	PERFORMANCE ENVIRONMENT
Mean	5.973130	74.63056	1.809651	4.102239
Maximum	19.83191	140.0560	22.28013	5.625934
Minimum	0.191413	19.66693	0.129415	2,000000
Std. Dev	4.172183	36.45024	3.627316	0.781816

Based on the table above, if the standard deviation produces a higher numbersmall compared to the average value, it can be concluded that the pattern spread of the data is not homogeneous. Temporarily, if the standard deviation produces a number greater than the average value, then it can be concluded that the data nature's distribution pattern is heterogeneous.

Table 2. Test Specifications Model

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	4.726308 (0.0297)	0.452782 (0.5010)	5.179090 (0.0229)
Honda	2.174007 (0.0149)	-0.672891 (0.7495)	1.061450 (0.1442)
King-Wu	2.174007 (0.0149)	-0.672891 (0.7495)	0.454195 (0.3248)
Standardized Honda	3.038484 (0.0012)	-0.406741 (0.6579)	-1.539625 (0.9382)
Standardized King-Wu	3.038484 (0.0012)	-0.406741 (0.6579)	-1.894754 (0.9709)
Gourieroux, et al.	--	--	4.726308 (0.0384)

Inequality regression is the results test regression between variables.The dependent is Financial Performance with the independent variables, namely Leverage, Environmental Costs, and Environmental Performance.

Influence Leverage, Cost Environment, and Performance Environment to Financial Performance

Table 3.1. Results Regression Data Using Panels Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	17.05481	2.900982	5.878976	0.0000
X1	-0.040674	0.013795	-2.948559	0.0053
X2	-0.506512	0.138635	-3.653563	0.0007
X3	-1.737960	0.643248	-2.701851	0.0101

Table 3.2. Results Regression Data Panel Using Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.07906	4.239328	3.085174	0.0043
X1	-0.047152	0.028718	-1.641892	0.1111
X2	-0.161522	0.179388	-0.900406	0.3751
X3	-0.803126	0.849174	-0.945773	0.3518

Table 3.3. Results Regression Data Using Panels Random Effect Model

Variables	Coefficient	Std. Error	t- Statistics	Prob.
C	15.23016	3.321029	4.585978	0.0000
X1	- 0.041784	0.017954	- 2.327273	0.0251
X2	- 0.340402	0.148575	- 2.291109	0.0273
X3	- 1.346256	0.698210	- 1.928153	0.0610

Based on Table 3.3 above, then the model study is as follows:

$$ROA = 15.23016 - 0.041784 LEV - 0.340402 BL - 1.346256 PROPER + \varepsilon_{it}$$

Information:

ROA	= Performance Finance
α	= Constant (still)
β1 Lev	= Coefficient Leverage
β2 BL	= Coefficient Cost Environment
β3 PROPER	= Coefficient PROPER
ε	= error term
i	= data cross-sections
t	= data time series

Table 4. Results Model Regression

Model	Coefficient	Std. Error	t- Statistics	Prob.
(Constant)	15.2301 6	3.3210	4.5859	0.0000
LEVERAGE	-0.0417 84	0.0179	-2.3272	0.0251
COST ENVIRONMENT	-0.3404 02	0.1485	-2.2911	0.0273
PERFORMANCE ENVIRONMENT	-1.3462 56	0.6982	-1.9281	0.0610

Based on table 4 above, the regression model has fulfilled all the required classical assumptions.

DISCUSSION

Influence Leverage to Performance Finance

Variable leverage on study this is influential, negative, and significant onperformance finance. It matters by hypothesis initial statement that the existence of debt or loan will impact existing principal loans and interest are mandatorily paid, and will reduce company profitability and ultimately will lower performance company finances.

Matter This is seen from the results study, Which aligns with the basetheories listed. signaling theory states that companies provide signals to investors and the surrounding community through information about what activities have been carried out by the company. A signal is given to investors as users of financial report companies so that investors can make decisions. Apart from being in line with the theoretical basis that the author uses, the results of the author's research are also in line with research conducted by Oware, Kofi Mintah *et al* . (2019) in India against financial performance.

Influence Cost Environment on Performance Finance

The environmental cost variable in this study negatively and significantly influences performance finance. It can happen because the environmental costs incurred by the company are indicated as additional expenditures by the company. Fitriyani (2013) stated that sometimes companies need to pay more attention to the environmental costs incurred by the company, resulting in them not being visible in the company's annual financial reports. In addition, environmental costs incurred by companies are usually also charged to product prices. It means that if the environmental costs are large enough, the price from the product company will also experience an increase. Of course, The relatively high price of a product will be unacceptable and burden the public, eventually decreasing income. The results of this research are supported by previous research conducted by Yisau Abiodun & Babalola (2012) in Nigeria, W Rodger & K. Eriana (2019), Zainab & Burhany (2020) which stated that environmental costs are negatively and significantly related to financial performance.

Influence Performance Environment to Performance Finance

Performance variable in this study did not affect financial performance. Research result This is supported by research conducted by Maksum & Tamba (2018), Meiyana & Aisyah (2019), Setyaningsih, RD, & Asyik (2016), and Wiranty *et al.* (2018) show that PROPER ratings do not have huge impact significant to profit company. Actual companies have already spelled out enough in management performance for the environment but still need to ensure that the company will obtain high profits, too. Regent's interest and the public still need to care about ranked results management environment companies. Because of that, PROPER ratings have not yet become a possible factor in increasing corporate profits. It is because if a company carries out a performance practices environment, it must emit more costs for a performance environment, where cost costs naturally will reduce income and capital from some companies. However, from results performancean environment that can be considered sufficient cannot necessarily be guaranteed results performance finance, which is good, too.

CONCLUSION

The results of this research state that leverage affects negative and significant financial performance. This matter shows the higher use of loans or debt, resulting in high capital costs and interest charges. So this will reduce the capital the company uses For finance debt.

Furthermore, the study proves that the cost environment's influence on performance finance is negative and significant. This matter explains that the more cost environment issued by the company will increase product prices, and relatively expensive product prices will burden consumers. So, increasing the price of the product will result in a decrease in company income due to limitations in the ability to buy consumers and impact a decline in the performance of the finance company.

Variable environmental performance in this study shows that this variable does not affect financial performance. Research results supported by research conducted by Maksum & Tamba (2018), Meiyana & Aisyah (2019), Setyaningsih, RD, & Asyik (2016), and Wiranty *et al.* (2018) show that PROPER ratings do not have huge impact significant to profit company. Actual companies have already spelled out good environmental management performance, but they still need to ensure that the company will obtain high profits, too. Regent interests and the public still need to consider the rank results of management environment companies. Because of that, the PROPER rating has not yet become a possible factor in increasing a company's profit.

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