

## CHAPTER V

### CONCLUSIONS AND IMPLICATIONS

#### A. Conclusions

Based on the results of research regarding the influence of environmental costs and environmental performance on financial performance in basic materials subsector companies listed on Indonesian Stock Exchange for the 2019-2022 period which has been carried out using panel data regression analysis, the following conclusions can be drawn:

1. The environmental costs variable have a significant positive impact on financial performance. Environmental costs incurred by companies can improve the company's reputation, thus affecting competitive advantage. Thus, environmental costs incurred by companies can improve financial performance through improved reputation and competitive advantage.
2. Environmental performance variable have no impact on financial performance. Good environmental performance can improve social performance, but does not directly affect financial performance. Good social performance can improve employee morale and productivity, and improve the company's image, but does not directly relate to financial performance.

3. Firm size as control variable have no impact on financial performance.

Firm size does not guarantee good financial performance. A large company can have bad financial performance if management is ineffective, while a small company can have good financial performance if management is effective and efficient.

## **B. Implications**

Based on the results and discussion in the previous chapter, the following are the implications that can be used as material for decision making for companies listed in the basic materials subsector in the future, there are:

1. Companies within the basic materials subsector should evaluate the potential benefits of investing in environmental costs, as this can lead to a notable positive influence on financial performance. This underscores the importance of incorporating environmental sustainability practices into a company's business operations, which can ultimately yield improved financial results.
2. Further investigation is required to assess the effectiveness of environmental initiatives in enhancing financial performance within the basic materials subsector, as the current data shows no significant correlation between environmental performance and financial gains. Companies must realign their environmental strategies with their financial objectives to optimize performance in this area.

### C. Research Limitations and Suggestions

1. This research uses a common effect model, where the weakness of the common effect model is the inconsistency of the model with the actual situation. This can be caused by differences in characteristics between objects, such as size and management which are very different. The common effect model ignores the time dimension and each object itself, so it does not pay attention to differences in treatment between objects in various time periods. Therefore, this model cannot describe behavior that is in accordance with the actual situation.
2. In this study, the results of the coefficient of determination that environmental costs, environmental performance and firm size have a contribution of 14,46% to the company's financial performance in the basic material subsector and the remaining 85,54% is explained by other variables not examined in this research. Other variables that may have an influence on financial performance, including factors of external of economic or industry-related. Subsequent research endeavors should incorporate these variables to offer a more thorough comprehension of the influences on financial performance.