Effect Of Environmental Performance And Corporate Governance Structure On Financial Performance

Roy Budiharjo

Accounting Study Program, Faculty of Economics and Business, University of Mercu Buana
Jl. Raya Meruya Selatan Kembangan West Jakarta, E-mail: budiharjo@mercubuana.ac.id

Abstract

The purpose of this study was to determine the effect of environmental performance, Structure of Corporate Governance (institutional share ownership, and size of the audit committee) on the company’s financial performance. Secondary data was collected in samples from companies listed in the PROPER listed on the Indonesian stock exchange period 2015 - 2017. Sampling in this study uses a purposive sampling method with the criteria as (1) listed on the Indonesia Stock Exchange in 2015-2017. (2) Publish audited financial statements for the period 2015-2017 in Rupiah. (3) Always has an advantage. (4) Entered in the PROPER list. The data needed in this study was taken from the 2015-2017 Indonesian Capital Market Directory (ICMD). Statistical tests were carried out by t test and multiple linear regression analysis, before this test the classical assumption test was carried out first. The results of the study show that: 1) Environmental performance proxied by ISO 14001 has a positive and not significant and PROPER has a negative and not significant effect on financial performance proxied by Total Asset Turn Over (TATO). 2) Institutional share ownership has a positive and significant effect on financial performance which is proxied by Total Asset Turn Over (TATO). 3) The Audit Committee has a positive and not significant effect on financial performance proxied by Total Asset Turn Over (TATO).

Key words

ISO 14001, PROPER, Institutional Ownership, Audit Committee, Total Asset Turn Over

1. Introduction

The company’s first main goal is to achieve maximum profits or have maximum profits. The second objective of the company is to prosper shareholders, and the third objective of the company is to increase the value of the company. Substantially the goals of each company are the same, but the emphasis on what the company wants to achieve differs from one another (Martono and Harjito, 2005). The Total Asset Turn Over ratio is one measure in assessing the company’s financial performance. This ratio is the ratio used to measure the turnover of all assets owned by the company and measure how many sales the company has and measure the number of sales obtained from each rupiah of assets. Total assets turnover shows how effective the company is in using all assets to create sales and make profits. This turnover rate is also determined by the asset element rotation itself (Kasmir, 2010).

In Indonesia alone there are laws that regulate the environment, including the Law of the Republic of Indonesia No. 23 of 1997 concerning Environmental Management article 5 states 1) everyone has equal rights to a good and healthy environment, 2) everyone has equal rights to environmental information...
relating to roles in environmental management, 3) everyone has the right to play a role in the framework of environmental management in accordance with applicable laws and regulations. In addition, there is also a government policy on the seventh Pelita through MPR TAP No. II/MPR/1998 concerning GBHN which states that "Environmental sector policies, among others, regarding environmental development are directed so that the environment continues to function as a support and support for the ecosystem of life and the realization of a dynamic balance, harmony and harmony between ecological, socio-economic and socio-cultural systems in order to guarantee sustainable national development". Based on the laws and policies issued by the government, the government through the Ministry of Environment held PROPER (Program Rating of Corporate Job Ranking in Environmental Management) since 2002. The company's performance was measured using colors, namely gold, green, blue, red and worst is black. Measures of environmental performance can also be proxied from management's commitment to good environmental management, this is reflected in the presence or absence of ISO 14001 certification (Wiwik, 2007).

Corporate governance is corporate governance that can explain the relationship between various parties within the company which can then determine the direction of the company's performance. In general, it can be described that the mechanism of corporate governance is one of the key elements in improving economic efficiency which includes a series of relationships between company management, board of commissioners, shareholders, audit committees and other stakeholders. Companies that have good corporate governance will be able to produce good corporate performance. This is because the Implementation of Corporate Governance is expected to maximize the company's value for the company and for shareholders (Rini, 2012). Good corporate governance will provide a good image and increase the level of investor confidence in the company. The company believes that the implementation of Corporate Governance is another form of enforcement of business ethics and work ethics that have long been the company's commitment, and the implementation of Good Corporate Governance is related to improving the image of the company (Rini, 2012).

Research on corporate governance is often associated with company performance, because these two elements are interrelated. The research, among others, was carried out by Berghe and Ridder (1999) which states that companies that have weak attainment caused by poor governance. This statement is supported by Gompers et al. (2003) who found a positive relationship between corporate governance indices and long-term corporate performance. Research conducted by Sibarani (2010) shows a significant positive relationship between corporate governance variables, namely simultaneous institutional ownership, managerial ownership, the composition of the independent board of commissioners, the size of the board of commissioners and the audit committee have a significant effect on the company's financial performance.

Research by Douma et al. (2003), which explains how ownership structures, namely the different roles played by foreign individual investors and foreign company shareholders influence company performance, using Indian company-level data for 2002. They find foreign companies to have a positive effect on company performance. The research conducted by Nur'aeni (2004) concludes that the ownership structure (foreign ownership and institutional ownership) shares have a positive and significant effect on firm value. This indicates that the reduced managerial ownership and encourages the entry of foreign ownership, it will significantly increase the value of the company. This is because, high foreign ownership will force managers to make more transparency on the company's financial performance.

Based on the description of the background above, the authors are interested in raising this issue as material for scientific writing with the title: "The Effect Of Environmental Performance And Corporate Governance Structure On Financial Performance". Based on the background that has been described above, the author determines the formulation of the problem as follows:

1. Does Environmental Performance affect financial performance?
2. Does managerial ownership affect financial performance?
3. Does the size of the audit committee affect financial performance?
2. Literature review

2.1. Agency Theory

According to Jensen and Meckling (1976) "agency relationship as contract under which one or more person (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent". From the above definition it can be concluded that agency theory is a contract in which one or more people (principals) govern another person (agent) to do a service on behalf of the principal and authorize the agent to make the best decision for the principal.

Agency theory is often referred to as the theory underlying the application of good corporate governance because it explains the relationship between management and the owner. Relations that occur have the potential to cause problems in terms of conflicts of interest between the interests of management (agents) and the interests of stakeholders (principal). According to Aryani and Budhiarta (2014) A conflict of interest between the principal and the agent is called agency problems. Agency problems usually occur because agents and principals alike have personal interests. Principals are motivated to enter into contracts to prosper themselves with ever-increasing profitability, while agents are motivated to maximize fulfillment of their economic needs.

Financial reports issued by management can be a trigger for the emergence of imbalances in information because the report certainly has the opportunity to be manipulated. Therefore, an appropriate monitoring mechanism is needed in the form of implementing good corporate governance. According to Shleifer and Vishny (1997) in Restuningdiah (2015), corporate governance relates to how investors believe that managers will benefit them, convinced that managers will not steal/embezzle or invest in unfavorable projects related to funds/capital invested by investors, and related to how investors control managers. Of course, with the implementation of good corporate governance, it is expected to reduce agency conflicts and give stakeholders confidence in management performance.

2.2. Financial performance

Financial performance is a measure that describes the financial condition and ability of a company to make a profit. According to Freeman et al. (1995) in Djuitaningsih and Ristriawati (2011), financial performance is a measure of how effective and efficient a manager or company achieves adequate goals. Febryani and Aulfadin (2003) explained that company performance is an important thing that must be achieved by every company anywhere, because performance is a reflection of the company's ability to manage and allocate resources. So that it can be concluded that company performance is something that is achieved by the company in a certain period of time that describes the company's financial condition in accordance with established standards. The performance that has been achieved can be known by the performance assessment.

The Total Asset Turn Over ratio is one measure in assessing the company's financial performance. This ratio is the ratio used to measure the turnover of all assets owned by the company and measure how many sales the company has and measure the number of sales obtained from each rupiah of assets. Total assets turnover shows how effective the company is in using all assets to create sales and make profits. This turnover rate is also determined by the asset element rotation itself (Kasmir, 2010).

2.3. Environmental Performance

Performance is the result of organizational activities or investment results in a certain period of time that can be measured qualitatively and quantitatively. According to the Environmental Practitioner Program glossary, environmental performance is the relationship between the company and the environment. These relationships include environmental effects on resources consumed, environmental impacts on organizational processes, environmental implications of company products and services, recovery and processing of products and compliance with requirements for the work environment. The company's environmental performance according to Suratno et. al. (2006) is the company's performance in creating a green environment.
According to Blaaovich et al. (2013) Green concept or environmental friendly is important for all types of businesses both retail companies, manufacturing and services. The measurement of environmental performance used in each study usually varies depending on the indicators used. Types of environmental performance indicators such as PROPER, ISO (ISO 14001 for Environmental Management Systems and ISO 17025 for Environmental Test Certification from independent institutions), AMDAL (BOD and COD wastewater tests), and GRI (Global Reporting Initiative) which pioneered the development of the framework continuous reporting work (Lindrianasari, 2007). The company's environmental performance in this study was measured through ISO 14001. Given the results of the PROPER rating assessment will be publicly published to the public and other stakeholders, the performance of the company structuring is grouped into color ratings. Through this color ranking, it is expected that the public can more easily understand the performance of each company. So far, it can be said that PROPER is a rating system that first uses color.

2.4. Good Corporate Governance

Good Corporate Governance is one of the key elements in increasing economic efficiency, which includes a series of relationships between company management, board of directors, shareholders, and other stakeholders (Wati, 2012). The Cadbury Committee, as quoted by the Forum for Corporate Governance in Indonesia (FCGI), defines Corporate Governance as a set of rules that regulate relations between shareholders, company managers, creditors, governments, employees and internal stakeholders and other external matters relating to their rights and obligations, or in other words a system that regulates and controls the company.

The GCG mechanism should be applied to every company in order to maintain the integrity of a financial report, as suggested by Nurryanah (2005) in Anisa (2013) that the implementation of good corporate governance will have an impact on the financial statements produced, companies or management will be difficult to manipulate accounting because of the supervision of the board of commissioners so that the financial statements produced are in accordance with the actual situation and with integrity. Every company is expected to be able to ensure the application of GCG principles in every aspect of the business as well as throughout the company. In this study the elements of corporate governance that are made as independent variables are:

a. Institutional Ownership

According to Bukhori (2012) in Wulandari & Budiartha (2014) institutional ownership is the percentage of shares at the end of the accounting period owned by external parties, such as institutions, companies, insurance, banks or other institutions. The existence of corporate ownership by the institution is considered to be related to the quality of financial statements to be made as according to Gidion (2005) in Anisa (2013), that the percentage of certain shares owned by institutions can influence the process of preparing financial statements that do not rule out accruals according to the interests of management. Therefore monitoring action is required by a company and institutional shareholders so that the behavior of managers in controlling and making decisions can be limited.

b. Audit Committee

In accordance with the Decree of the Chairperson of BAPEPAM Number: Kep. 29/PM/2004, the audit committee is a committee formed by the board of commissioners to carry out the task of overseeing the management of the company. The audit committee acts as a liaison between the shareholders and the board of commissioners and the management. The audit committee has the function of assisting the board of commissioners to improve the quality of financial statements, creating a climate of discipline and control that can reduce the chance of irregularities in the management of the company, improve the effectiveness of internal audit functions and external audits and identify matters that require the board of commissioners' attention (Alijoyo, 2003) Thus, it can be said that the audit committee functions to assist independent commissioners in terms of supervision and control and to minimize the occurrence of agency costs within the company.

In the JSE Circular Letter Number: SE-008/BEJ/12-2001, explained that the membership of the audit committee consisted of at least three people including the chairman of the audit committee. The
company's independent commissioner is an audit committee member and chairman of the audit committee. While other members are not independent commissioners and must come from independent external parties who have no relationship with the company.

3. Methodology of Research

3.1. Research Model

Environmental performance consisting of ISO 140001 and PROPER has a positive influence on financial performance, namely Total Asset Turn Over, while the GCG Mechanism factor, namely Institutional Ownership and Audit Committee has a positive influence on financial performance, namely Total Asset Turn Over, so that the empirical model in this study can be described as follows:

![Research Model Diagram]

Source: the results of the author’s processing

3.2. Hypotheses

Based on the existing problems and objectives to be achieved, the authors draw three hypotheses, namely:

- \( H_1 \) = Effect of Environmental Performance influences financial performance
- \( H_2 \) = Effect of Institutional share ownership influences financial performance
- \( H_3 \) = Effect of audit committee size on financial performance

3.3. Application of methodology

The research used in this research is casual associative research. According to Sanusi (2011), associative-causal research is the search for the relationship between two or more variables. The purpose of associative research is to find relationships between one variable and another variable. The population of this study is the companies included in the list of PROPER listed on the Indonesia Stock Exchange in 2015-2017. From the population there are taken a number of certain samples using the Purposive random sampling technique, namely the technique of determining the sample with certain considerations (Suliyanto, 2005).

The sample used in this study was chosen based on the following criteria:
1. The company is listed on the IDX in 2015-2017
2. The company is included in the PROPER list
3. Data owned by the company complete and in accordance with the variables under study

4. Results and Discussions

Descriptive statistics include minimum, maximum, mean and standard deviation. The research variable data includes the dependent variable namely Total Sales Turn Over (TATO) and the independent variables include ISO 14001, Institutional Ownership and Audit Committee. The results of the descriptive statistical analysis are shown in table 1:
1. Total Sales Turn Over (TATO) has an average value of 1.0378. While the standard deviation value is 0.50322. This indicates that the Total Sales Turn Over (TATO) variable is normally distributed, because the standard deviation value is smaller than the variable average value.

2. ISO 14001 has an average value of 0.6566. While the standard deviation value is 0.47727. This indicates that the ISO 14001 variable is normally distributed, because the standard deviation value is smaller than the variable average value.

3. PROPER has an average value of 0.6796. While the standard deviation value is 0.11811. This indicates that the PROPER variable is normally distributed, because the standard deviation value is smaller than the variable average value.

4. Institutional ownership has an average value of 0.7026. While the standard deviation value is 0.17001. This indicates that Institutional Ownership variables are normally distributed, because the standard deviation value is smaller than the variable average value.

5. The Audit Committee has an average value of 3.2222. While the standard deviation value is 0.58126. This indicates that the Audit Committee variable is normally distributed, because the standard deviation value is smaller than the variable average value.

Table 1. Results of descriptive statistics

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISO</td>
<td>99</td>
<td>.00</td>
<td>1.00</td>
<td>1.0378</td>
<td>0.50322</td>
</tr>
<tr>
<td>PROPER</td>
<td>99</td>
<td>.38</td>
<td>1.00</td>
<td>1.6796</td>
<td>0.11811</td>
</tr>
<tr>
<td>IC</td>
<td>99</td>
<td>.01</td>
<td>.93</td>
<td>1.7026</td>
<td>0.17001</td>
</tr>
<tr>
<td>AC</td>
<td>99</td>
<td>3.00</td>
<td>5.00</td>
<td>3.2222</td>
<td>0.58126</td>
</tr>
<tr>
<td>TATO</td>
<td>99</td>
<td>.12</td>
<td>2.39</td>
<td>1.0378</td>
<td>0.50322</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Classic assumption test

A model is declared good for predictors if it has the best linear unbiased estimator properties (Gujarati, 1997). Besides that, a regression model is said to be quite good and can be used to predict if it passes a series of econometric assumptions that underlie it. The classic assumption test is carried out to determine the condition of existing data in order to determine the most appropriate analysis model to use. The classic assumption test used in this study consisted of autocorrelation tests using Durbin-Watson statistics, multicollinearity test using Variance Inflation Factors (VIF) and heteroscedasticity test using the Glejser test.

Multicollinearity Test

This test aims to test whether the regression model found a correlation between independent variables. A good regression model should not have a correlation between the independent variables. This test is done by using correlations between the independent variables used in the regression equation. If some or all of the independent variables are strongly correlated, multicollinearity occurs.

Table 2. Multicollinearity Test

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>Tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>ISO</td>
</tr>
<tr>
<td></td>
<td>PROPER</td>
</tr>
<tr>
<td></td>
<td>IC</td>
</tr>
<tr>
<td></td>
<td>AC</td>
</tr>
</tbody>
</table>

a. Dependent Variable: TATO
The method that can be used to test the presence of multicollinearity is by testing the tolerance value or Variance Inflation Factor (VIF) value. The tolerance value limit is 0.10 and Variance Inflation Factor (VIF) is 10 (Hair et al., 1998; 48).

The results of the multicollinearity test show that there are no variables that have a tolerance value of less than 0.10 and there are no variables that have a VIF value of less than 10. So it can be concluded that there is no multicollinearity in the regression model.

**Autocorrelation Test**

The autocorrelation test aims to test whether in the regression model there is a correlation between the confounding errors in period t and the interfering errors in the t-1 period (before). The consequence of autocorrelation in a regression model is that the sample variant does not describe the population variant. Furthermore, the resulting regression model cannot be used to estimate the value of the dependent variable on the value of certain independent variables.

To diagnose the existence of autocorrelation in a regression model is done through the Durbin-Watson test (DW-test) with the following conditions:

- Less than 1.1 There is autocorrelation
- 1.1 to 1.54 without conclusions
- 1.55 to 2.46 There is no autocorrelation
- 2.46 to 2.9 without conclusions
- More than 2.9 There is autocorrelation

*Table 3. Autocorrelation Test*

<table>
<thead>
<tr>
<th>Model Summary&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>.325&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.106</td>
<td>.068</td>
<td>.48590</td>
<td>1.982</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), AC, PROPER, ISO, IC

b. Dependent Variable: TATO

From the table above, the values of Durbin-Watson are 1,982, so it can be concluded that there is no autocorrelation in this regression model.

**Heteroscedasticity Test**

Heteroscedasticity test aims to test whether in the regression model variance inequality occurs from one residual to another observation. In this study tested using Spearman's Rho. Priyastama (2017) states that this test uses a significant level of more than 0.05 and concludes that heteroscedasticity does not occur.

*Table 4. Heteroscedasticity Test*

<table>
<thead>
<tr>
<th>Correlations</th>
<th>ISO</th>
<th>PROPER</th>
<th>IC</th>
<th>AC</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho</td>
<td>Correlation Coefficient</td>
<td>1.00</td>
<td>.021</td>
<td>.113</td>
<td>.099</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.835</td>
<td>.265</td>
<td>.330</td>
<td>.731</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>PROPER</td>
<td>Correlation Coefficient</td>
<td>-.021</td>
<td>1.00</td>
<td>.116</td>
<td>-.011</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.835</td>
<td>.253</td>
<td>.917</td>
<td>.948</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>IC</td>
<td>Correlation Coefficient</td>
<td>.113</td>
<td>.116</td>
<td>1.000</td>
<td>-.178</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.265</td>
<td>.253</td>
<td>.078</td>
<td>.985</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>AC</td>
<td>Correlation Coefficient</td>
<td>.099</td>
<td>-.011</td>
<td>-.178</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.330</td>
<td>.917</td>
<td>.078</td>
<td>.499</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Unstandardized Residual</td>
<td>Correlation Coefficient</td>
<td>-.035</td>
<td>-.007</td>
<td>-.002</td>
<td>-.069</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.731</td>
<td>.948</td>
<td>.985</td>
<td>.499</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
</tbody>
</table>
Normality test

The normality test aims to test whether in the regression model, the disturbing or residual variables have a normal distribution. As it is known that the t test and F test assume that the residual value follows a normal distribution. If this assumption is violated, the statistical test becomes invalid for a small number of samples.

A good regression model is to have normal data distribution. In principle, normality can be detected by looking at the spread of data (dots) on the diagonal axis of the graph or by looking at the residual histogram. Basic decision making as follows:

1. If the data spreads around the diagonal line and follows the direction of the diagonal line or the histogram graph shows the pattern of normal distribution, then the regression model meets the assumption of normality.

2. If the data spread far from the diagonal and or do not follow the diagonal line direction or the histogram graph does not show a normal distribution pattern, the regression model does not meet the normality assumption.

![Normal P-P Plot of Regression Standardized Residual](image)

By looking at the normal p-plot graph, dots spread around the diagonal line, and the spread follows the direction of the diagonal line. Thus it can be concluded that data from all variables are normally distributed.

Determination Coefficient Test ($R^2$)

This test shows the percentage of the ability of independent variables to explain the variation of the dependent variable. The magnitude of the coefficient of determination from 0 to 1. The closer to zero the magnitude of the coefficient of determination the smaller the influence of the independent variable, on the contrary the closer to a magnitude of the coefficient of determination the greater the influence of independent variables. The test results are seen in the table 5.

Based on the table it can be seen that the determination coefficient of Adjusted R Square has a value of 0.068, so it can be stated that the ability of independent variables (ISO and PROPER) in explaining the variation of the dependent variable (RS) is very limited, because it approaches 0.
Table 5. R Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.325</td>
<td>0.106</td>
<td>0.068</td>
<td>48590</td>
<td>1.982</td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), AC, PROPER, ISO, IC
b. Dependent Variable: TATO

The value of R Square ($R^2$) is changed to the form of percent, meaning the percentage contribution of the independent variable to the dependent variable. Value $R^2$ The first hypothesis is 0.106, which means the percentage contribution of environmental performance variables to financial performance variables is 10.6% while the rest (100% - 10.6% = 89.4%) is influenced by other variables outside the model.

Simultaneous Significance Test (Test Statistic F)

Simultaneous significance test (F test) is used to show whether all the independent variables included in the model have a joint influence on the dependent variable (Ghozali, 2009). If the analysis using the F test shows that all independent variables simultaneously are explanations of the significance of the dependent variable.

Table 6. Test Results F

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2,623</td>
<td>4</td>
<td>0.656</td>
<td>2.777</td>
<td>0.031</td>
</tr>
<tr>
<td>Residual</td>
<td>22,194</td>
<td>94</td>
<td>0.236</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>24,816</td>
<td>98</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Dependent Variable: TATO
b. Predictors: (Constant), AC, PROPER, ISO, IO

Multiple Liner Regression

In accordance with the results of the research hypothesis which states that between variables have a significant relationship to the dependent variable, multiple linear regression is needed to model the analysis.

Table 7. Test Results t Statistics

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISO</td>
<td>0.069</td>
<td>0.104</td>
<td>0.666</td>
<td>0.506</td>
</tr>
<tr>
<td>PROPER</td>
<td>-0.628</td>
<td>-0.147</td>
<td>-1.499</td>
<td>0.137</td>
</tr>
<tr>
<td>IO</td>
<td>0.866</td>
<td>0.293</td>
<td>2.955</td>
<td>0.004</td>
</tr>
<tr>
<td>AC</td>
<td>0.014</td>
<td>0.085</td>
<td>0.161</td>
<td>0.872</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: TATO

The regression equation can be written as follows:

$$Y = 0.766 + 0.069_{\text{ISO}} - 0.628_{\text{PROPER}} + 0.866_{\text{IO}} + 0.014_{\text{AC}} + \epsilon$$  \hspace{1cm} (1)

From the regression equation above can be concluded as follows:

1. The constant of 0.766 explains that if the company has ISO 14001, PROPER, Institutional Ownership and Audit Committee, then the proxied financial performance with TATO is 0.766.
2. ISO 14001 regression coefficient of 0.069 states that each increase in ISO 14001 is 1%, then it will be followed by an increase in total assets of turn over by 0.069%.
3. PROPER regression coefficient of -0.628 states that every decrease in PROPER is 1%, then it will be followed by an increase in total turnover assets of 0.628%.

4. The regression coefficient of Institutional Ownership of 0.866 states that each increase in Institutional Ownership by 1% will be followed by an increase in the total assets of turnover of 0.866%.

5. Audit Committee regression coefficient of 0.014 states that each Institutional Audit Committee of 1% will be followed by an increase in total turnover assets by 0.014%.

Effect of Environmental Performance on Total Sales

The regression coefficient in table 7 shows that ISO 14001 has a positive t count of 0.668 with a probability of 0.506. This shows that p value (0.506)> significance level (0.05), so H1 can be rejected, meaning that ISO 14001 has a non-significant effect on the company’s financial performance. while PROPER has a negative t count of -1.499 with a probability of 0.137. This shows that p value (0.050)> significance level (0.05), so H2 is not accepted, meaning that PROPER has a non-significant effect on company performance.

These results indicate that ISO 14001 owned by the company has a significant positive effect on total sales. This condition is consistent with the results of Susi (2004) ’s research which states that there is no relationship between environmental performance and financial performance, but ISO 14001 has a significant relationship with environmental performance.

Effect of Institutional ownership on Financial Performance

The regression coefficient in table 7 shows that the institutional ownership has a positive t count of 2.955 with a probability of 0.004. This shows that p value (0.004) < significance level (0.05), so H1 can be accepted, meaning that institutional ownership has a significant effect on financial performance.

These results indicate that the amount of institutional ownership owned by the company has a significant positive effect on the company's financial performance. This condition is consistent with the results of the study. Research conducted by Sibarani (2010) found that institutional ownership had a significant positive effect on company performance. These results illustrate that the presence of institutional ownership makes the management work as well as possible by producing performance in accordance with what the shareholders expect.

Effect of the Audit Committee on Financial Performance

The regression coefficient in table 7 shows that the audit committee has a positive t count of 0.161 with a probability of 0.872. This shows that p value (0.872) > significance level (0.05), so H1 can be rejected, meaning that the audit committee has a non-significant effect on financial performance.

These results indicate that the size of the audit committee owned by the company has no significant positive effect on the company's financial performance. This condition is consistent with the results of the study Jati (2009) study found that corporate governance structures (institutional ownership, managerial ownership, company size, sales growth, board size, and the existence of audit committees) had a significant positive effect on company performance. These results indicate that the existence of an audit committee does not make the management to produce performance as expected by the shareholders.

5. Conclusions

Based on the results of the analysis and discussion that has been conducted, the following conclusions can be given:

1. Environmental performance proxied by ISO 14001 has a positive and significant effect on the financial performance that is proxied by Total Assets Turn Over. While PROPER has a negative effect that is not significant on Total Asset Turn Over.

2. Institutional ownership has a significant positive effect on financial performance (TATO).

3. The Audit Committee has a not significant positive effect on financial performance (TATO).
Acknowledgment

For further researchers, further researchers are advised to use more other samples with more diverse characteristics from various industrial sectors and extend the research period. Other studies should also add independent variables that also influence company performance.

References


