

Measuring Value Relevance of Corporate Environmental Performance in Indonesia

Deske W. Mandagi

Virata School of Business, University of the Philippines

Abstract

This study empirically examined the value relevance of corporate environmental performance of Indonesian publicly listed companies from 2009 to 2017. Two main hypotheses were tested: first, corporate environmental performance was value relevant; second, corporate environmental performance influenced the value relevance of accounting variables, which are Earning Per Share (EPS) and Book Value per Share (BPS). This study utilized a valuation model in which the stock price was a function of accounting variable and environmental variable controlling for firm's size. The analysis of 343 sample companies from 3 different industries showed that corporate environmental performance is not value relevant. Moreover, the second analysis on the indirect effect of environmental performance on stock price showed that corporate environmental performance does not affect value relevance of accounting information. This study also provided empirical evidence that value relevance does not depend on the firm's size and the industrial sector.

Keywords: *corporate environmental performance, value relevance, non-financial performance, firm's value*