

CHAPTER V

CONCLUSION

5.1 Conclusion

This study seeks to explore the intricate dynamics that influence firm performance among non-financial corporations listed on the Indonesia Stock Exchange, focusing on the period from 2020 to 2023. Specifically, it aims to unravel how Enterprise Risk Management (ERM), Environment, Social, and Governance (ESG) considerations, and Free Cash Flow (FCF) collectively shape the financial and operational outcomes of these enterprises. The following inferences can be made from the outcomes of earlier tests.

Company performance is greatly enhanced by enterprise risk management (ERM), as indicated by return on equity (ROE), a gauge of financial success. Tobin's Q, a gauge of market performance, indicates that ERM has little impact on corporate performance.

Environmental, social, and governance (ESG) significantly improves business success, as measured by Tobin's Q, a measure of market performance, and return on equity (ROE), a measure of financial performance. Adopting sound ESG practices would boost the business's productivity and profitability while enhancing investors' favourable opinions of its market performance.

Return on equity (ROE), a measure of financial performance, indicates that free cash flow significantly improves business performance. However, Tobin's Q, a measure of market performance, does not show that Free Cash Flow significantly improves business performance.

The only control variable that has a substantial impact on business performance as measured by Tobin's Q, which measures market performance, and Return on Equity (ROE), which measures financial performance, is firm size. However, firm performance is unaffected by leverage or firm growth.

5.2 Research Limitation

This study contains a number of limitations that should be taken into account when evaluating materials for further research in order to increase comprehension and provide more thorough and in-depth conclusions. First, challenges in collecting accurate and complete data, considering that not all companies make transparent disclosures related to ERM, ESG, and Free Cash Flow. This may result in a limited sample and affect the generalizability of the research results. Second, the ESG Score is currently only available for a select number of companies, and few companies have implemented the assessment. Third, the evaluation of ERM practices is subjective and prone to bias, which may affect the accuracy of the research results.

5.3 Suggestion

The following recommendations can be considered for more research based on the findings and limitations indicated. First, it's crucial to consider adding or excluding independent aspects from studies that might affect company performance, such corporate governance and intellectual capital, in order to expect more diverse outcomes. Additionally, it is possible to include moderating factors. Second, the Enterprise Risk Management (ERM) measurement should be complemented by other methods, such as assessing the enterprise risk management disclosure index based on the COSO framework. Third, further research should

increase the research period and use a broader population so that it is not limited to companies in Indonesia alone, such as across countries. This is to get more precise and accurate results with a broader population coverage and period.

