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## **Disclosure Effect of Enterprise Risk Management, Corporate Governance, Corporate Social Responsibility on Corporate Value**

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### **Abstract**

The purpose of this study is to ascertain the degree to which company value in banking sector companies is influenced by enterprise risk management, corporate governance, corporate social responsibility, and company value between 2019 and 2022. The description and verification method is the one that is employed. The author employs multiple regression analysis, correlation analysis, and coefficient of determination analysis as analytical techniques. The analysis's findings demonstrate that the degree of Company Value (Y) is significantly impacted by the ERM variable (X1). This is evident from the 0.275 t value and a probability (p) = 0.038 and a regression coefficient ( $\beta$ ) of 0.032. Company Value (Y) is significantly impacted by the CG variable (X2). The regression coefficient ( $\beta$ ) of 0.050 and the t value of 0.362 with probability (p) = 0.002 both demonstrate this. Company Value (Y) is significantly impacted by the CSR variable (X3). The t value of 0.530 and the regression coefficient ( $\beta$ ) of 0.045, along with the probability (p) = 0.006, demonstrate this. Company Value (Y) is significantly and simultaneously impacted by the ERM, CG, and CSR variables

**Keywords:** ERM, CG, CSR, and Firm Value

### **Introduction**

Indonesia is a country with highly developed industries, the banking sector being one of them. The banking industry is a subset of the economy that consists of different financial institutions that offer both the general public and companies financial services. The company must be able to maximize its value in order to increase prosperity for its owners. According to Ardianto and Rivandi (2018), company value is the market value that, in the event that the company's share price keeps rising, may maximize prosperity for shareholders (Chi et al., 2023).

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Investors evaluation of a company's worth may heavily depend on its financial standing, especially its debt load and operational effectiveness. There are two categories of company information: non-financial information and financial information (Anwar, 2023). The financial statements of the business, which show its financial situation, are included in the financial information. Information about the company's risk profile (ERM) (Faisal et al., 2021), good corporate governance (GCG) (Nurwulandari et al., 2022), and corporate social responsibility (CSR) (Schaefer et al., 2020) may be disclosed in a non-financial manner.

Planning, designing, developing, leading/coordinating, organizing, constructing, and overseeing risk resolution programs are all included in the field of risk management. Within the context of the COSO framework, the goal of enterprise risk management (ERM) is to guarantee that businesses execute stated strategies, the efficacy and efficiency of operational activities, the dependability of financial reporting, and compliance with relevant rules.

In the realm of business management, sustaining efforts is a natural aspiration for business entities. Achieving sustainability often hinges on a company's recognition of the significance of corporate social responsibility (CSR). Alongside Enterprise Risk Management (ERM) (Farrell & Gallagher, 2019) and Corporate Social Responsibility, Corporate Governance emerges as a pivotal factor shaping Company Value. Corporate Governance encompasses the framework, practices, and procedures governing the management and supervision of a company or organization. Its primary objective is to ensure transparency, integrity, and accountability in company operations while safeguarding the interests of shareholders, stakeholders, and other relevant parties.

Research conducted by Agung and Desak (2022) affirms a positive and notable correlation between ERM and Company Value. Similarly, Monica and Novita's study (2020) highlights the impact of CSR on company value, particularly through CSR disclosure. Such disclosure not only influences company value but also informs investment decisions for stakeholders. Moreover, Rikza's research (2022) establishes the significant influence of ERM and Corporate Governance on company value, with CSR also exhibiting a positive effect on financial reports. This finding aligns with Fauflin and Fefri's study (2021), which underscores the role of Corporate Governance in shaping company value.

In contrast to prior findings, research by Dedi and Rivandi (2018) suggests that ERM does not affect company value significantly. Similarly, Priyatna and Imam's study (2019) posits that CSR lacks a substantial impact on company value (Phillips et al., 2019). Additionally, Will and Rosa's research (2023) contends that GCG does not significantly influence company value (Hermanto et al., 2021). Recognizing these disparities, researchers are motivated to explore the interplay of ERM, CG, CSR, and company value, focusing on the banking industry listed on the Indonesia Stock Exchange. Against this backdrop, researchers propose a study titled "The Influence of Enterprise Risk Management, Corporate Governance, and Corporate Social Responsibility on Company Value" (Examining Banking Companies Listed on the Indonesia Stock Exchange from 2019 to 2022).

## **Literature Review**

### ***Signal Theory***

Investors can use signal theory to assist them in making investment decisions. This theory explains why companies seek external parties to provide financial reports. Information asymmetry between company management and external parties drives the incentive to provide or convey information related to financial reports to external parties (Bergh et al., 2014).

### ***Enterprise Risk Management Disclosure***

Enterprise Risk Management (ERM) disclosure is the process of providing relevant and transparent information about the risks faced by a company. The goal is to provide stakeholders with a better understanding of how the company manages these risks to achieve its business objectives (Abdulla & Elshandidy, 2023). ERM disclosure can be done in various ways, including through financial reports, annual reports, and other communications. ERM disclosure helps build stakeholder trust, increases transparency, and provides the information needed for better decision-making. The ERM disclosure in this study is sourced from Rikza's journal (2022), which uses the COSO framework. Based on the The publication "Enterprise Risk Management: Integrated with Strategy and Performance," issued by COSO in 2017, delves into the integration of risk management practices within the broader framework of organizational strategy and performance, The ERM disclosure encompasses 20 elements, which are categorized into five key aspects: governance and culture, strategy and objective-setting, performance, review and revision, and information, communication, and reporting (Nahar & Azim, 2023).

### ***Corporate Governance Disclosure***

Corporate Governance has a significant influence on the performance and sustainability of a company (Venturelli et al., 2024). Corporate Governance refers to the framework, principles, and practices that govern how a company is organized and operated. GCG disclosure also comes from journal sources conducted by Rikza (2022) using the Corporate Governance disclosure index from audited annual reports. Additionally, GCG disclosure comes from Rikza's (2022) journal source using the Corporate Governance disclosure index from audited annual reports. This disclosure originates from assessments conducted by the Financial Services Authority (OJK). These 16-point elements include the following: shareholders, the audit committee, the board of directors, the board of commissioners, the nomination and compensation committee, the risk management committee, other committees that the company owns, and the company secretary (Akil et al., 2023). In addition, they address risk management, the implementation of internal supervision and control, important issues facing the business, the members of the board of directors and board of commissioners, access to company information and data, and other topics.

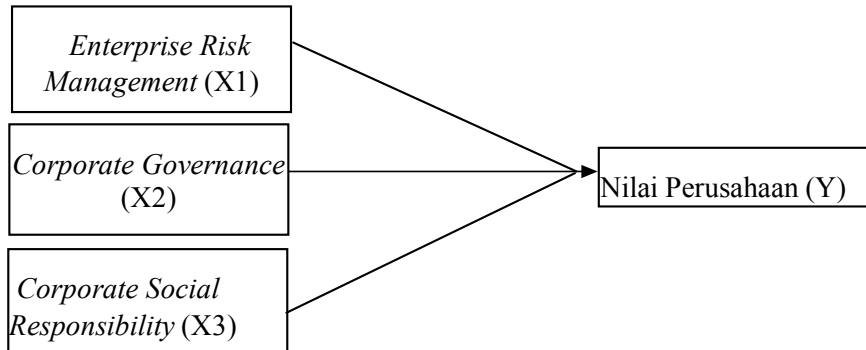
### ***Corporate Social Responsibility Disclosure***

Information on a company's social responsibility is disclosed through the process of corporate social responsibility, environmental, and economic activities that can influence and impact society and the surrounding environment (Ampofo & Barkhi, 2024). CSR disclosure

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aims to enhance transparency, build stakeholder trust, and demonstrate corporate social responsibility. CSR disclosure is analyzed following sources from Fauflin and Fefri (2021) from the company's annual reports in the Corporate Social Responsibility or Corporate Social Responsibility section and based on the Global Reporting Initiative (GRI) G4. The research is divided into three main categories: economic, environmental, and social.

The frame of mind in this research:



The Hypothetical Thinking Framework which consists of:

- H1: Enterprise Management disclosure affects company value.
- H2: Corporate Governance disclosure affects company value.
- H3: Corporate Social Responsibility disclosure affects company value.

### **Research Method**

The factors of corporate value, corporate social responsibility, corporate governance, and enterprise risk management are the research's subjects. The banking companies that are listed on the Indonesia Stock Exchange between 2019 and 2022 make up the study's population. Companies registered on the Indonesia Stock Exchange that satisfy the following requirements make up the sample chosen for this study:

- a) Active businesses that were listed between 2019 and 2022 on the Indonesia Stock Exchange.
- b) Companies presenting complete financial and annual reports according to the variables to be studied based on the utilized sources.
- c) Companies providing disclosure of ERM, CG, and CSR.
- d) Companies that have published audited financial statements for the period 2019-2022.

The methods employed are observation and documentation. Observation involves examining the numerical changes in the financial statements and annual reports of companies each year, while documentation serves as evidence following observation. The documents themselves consist of financial statements and annual reports.

## **Result**

### ***Company Value***

Tobin's q is used to determine a company's value. In the event that Tobin's q exceeds 1, it suggests that the market values the company more than its book value of assets. Conversely, if Tobin's q is less than 1, the market views the market value of the company lower than its book value of assets. Company value is measured with Tobin's Q using the following formula:

$$\text{Tobin's Q} = \frac{\text{Nilai Pasar Ekuitas} + \text{Total Hutang}}{\text{Total Aktiva}}$$

### ***Enterprise Risk Management***

Enterprise Risk Management refers to the level of disclosure of company risk management. ERM data is derived from the analysis of audited annual reports. ERM disclosure in this study is sourced from Rikza's journal (2022), which utilizes the COSO framework. Based on the COSO publication "Enterprise Risk Management- Integrated with Strategy and Performance" in 2017. Enterprise Risk Management is measured with the following formulation:

$$ERMD = \frac{\sum ij \text{ Ditem}}{\sum ij \text{ ADitem}}$$

### ***Corporate Governance***

The operational variable of GCG is measured using GCG scores, which are indices used as references for decision-making. Sub-indices are given a score of 1 if disclosed and 0 if not disclosed. GCG disclosure also originates from journal sources conducted by Rikza (2022). These items are classified into 16 points. The index of corporate governance disclosure for annual company reports can be calculated as follows:

$$IPCG = \frac{\text{Total item yang digunakan perusahaan}}{\text{Skor Max yang seharusnya diungkapkan perusahaan}}$$

### ***Corporate Social Responsibility***

The ratio index calculation will be given a value of 1 if disclosed in the company's report and 0 if not disclosed. CSR disclosure is analyzed following sources from Fauflin and Fefri (2021) from annual reports in the Corporate Social Responsibility section and based on the Global Reporting Initiative (GRI) G4. The formula used for the calculation is:

$$CSDIj = \frac{\sum Xij}{nj}$$

**Discussion**

**Table 4.1 Statistic Description Analysis**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
X1	60	0.50	1.00	0.73	0.11
X2	60	0.61	0.92	0.79	0.06
X3	60	0.63	0.92	0.79	0.07
Y	60	0.05	3.52	1.52	0.63
Valid N (listwise)	60				

Based on Table 4.1, the N or the number of valid data for each variable is 60. These elements are: Y = Value of the Company Enterprise Risk Management, or X1 Corporate Governance (X2) Business Social Responsibility, or X3 The average value is greater than the standard deviation, indicating that the data deviation is small and evenly distributed. Out of the 60 data samples for the ERM variable (X1), the average minimum value is 0.50, the average maximum value is 1.00, the average value is 0.73, and the standard deviation is 0.11. In a similar vein, the CG variable (X2) shows a small and uniformly distributed variability with an average lowest value of 0.61, an average maximum value of 0.92, an average value of 0.79, and a standard deviation of 0.06 for each of the 60 data samples. For the CSR variable (X3), out of the 60 data samples, the average minimum value is 0.63, the average maximum value is 0.63, the average value is 0.79, and the standard deviation is 0.07, indicating a small and evenly distributed deviation. Lastly, for the Company Value variable (Y), out of the 60 data samples, the average minimum value is 0.05, the average maximum value is 3.52, the average value is 1.52, and the standard deviation is 0.63, indicating a small and evenly distributed deviation.

**Table 4.2 Normality test**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		60
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.38898278
Most Extreme Differences	Absolute	.083
	Positive	.067
	Negative	-.083
Test Statistic		.083
Asymp. Sig. (2-tailed)		.200
a. Test distribution is Normal.		
b. Calculated from data.		

The probability or Asymptotic Significance can be used to evaluate the results of the normality test. Specifically, if the probability is greater than 0.05, the data are normally distributed. b. The data is not regularly distributed if the probability is less than 0.05. Given that the Asymptotic Significance value in Table 4.2 is 0.200 > 0.05, it may be deduced that the

research data is regularly distributed.

**Table 4.3 Multicollinearity Test**

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	2.869	.575		4.992	.000		
X1	.032	.115	.041	.275	.038	.986	1.015
X2	.050	.138	.054	.362	.002	.967	1.034
X3	.045	.086	.079	.530	.006	.962	1.040

a. Dependent Variable Y

The multicollinearity test results show that the tolerance values for all X variables are above 0.10 and the VIF values are below 10, indicating that there is no multicollinearity among the independent variables.

**Table 4.4 Autocorrelation Test**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.101 <sup>a</sup>	.610	.651	.40147	1.875

a. Predictors (Constant), X3, X1, X2  
b. Dependent Variable Y

Table 4.4 shows a Durbin Watson value of 1.875, indicating that the DW value falls between the value of  $du$  (1.709) and below the value of  $4-du$  (2.291), therefore it can be concluded that there is no autocorrelation.

**Table 4.5 Heteroscedasticity Test**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2313.724	439.521		5.264	.000
X1	-160.867	67.158	-.285	-2.395	.192
X2	3546.959	1603.881	.323	2.211	.302
X3	-1161.755	1007.628	-.162	-1.153	.253

a. Dependent Variable Abs\_RES

Table 4.5 shows that there are no probability values less than 0.05, indicating that can be concluded that there is no heteroscedasticity among the three variables studied.

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**Table 4.6 Coefficient of Determination Test Results**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.101 <sup>a</sup>	.610	.651	.40147
a. Predictors (Constant), X1, X2, X3				
b. Dependent Variable Y				

A coefficient of determination of 0.651 is displayed in Table 4.4, meaning that 65.1% of the data required to predict the dependent variable can be explained by the independent variables. Variables not included in the study's independent variables account for the remaining 34.9%.

**Table 4.7 T Test**

Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1	(Constant)	2.869	.575		4.992	.000
	X1	.032	.115	.041	.275	.038
	X2	.050	.138	.054	.362	.002
	X3	.045	.086	.079	.530	.006
a. Dependent Variable Y						

Company Value (Y) = 2.869 + 0.032 X1 + 0.050 X2 X1 + 0.45 X3 + ε Based on the hypothesis test in Table 4.5, the obtained t-value is 0.275 and the regression coefficient (β) is 0.032 with a probability (p) = 0.038. The analysis results show that the probability value (p) < 0.05, therefore it can be concluded that ERM (X1) has an influence on Company Value (Y), thus hypothesis 1 is supported. This indicates that ERM (X1) influences Company Value (Y). The findings of this study are consistent with research conducted by Rikza (2022) and Christophorus, Aurel, and Robert (2023), which state that ERM disclosure significantly affects company value. Research by Monica, Sri, and Novitasari (2022) also indicates that ERM has an influence on company value. Based on the hypothesis test in Table 4.5, the obtained t-value is 0.362 and the regression coefficient (β) is 0.050 with a probability (p) = 0.008. The analysis results show that the probability value (p) < 0.05, thus it can be concluded that CG (X2) significantly affects the level of Company Value (Y), therefore hypothesis 2 is supported. The results of this study are in line with research conducted by Rikza (2022), which found that Corporate Governance disclosure significantly affects company value. Research by Fauflin and Fefri (2021) also suggests that Corporate Governance affects company value. Based on the hypothesis test in Table 4.5, the obtained t-value is 0.530 and the regression coefficient (β) is 0.045 with a probability (p) = 0.006. The analysis results show that the probability value (p) < 0.05, thus it can be concluded that CSR (X3) significantly affects the level of Company Value (Y), therefore hypothesis 3 is supported. Research by Monica, Sri, and Novitasari (2022) also indicates that CSR affects company value.



**Table 4.8 F ANOVAa Test**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.077	3	.026	6.160	.000 <sup>b</sup>
	Residual	7.414	46	.161		
	Total	7.491	49			

a. Dependent Variable Y

b. Predictors (Constant), X1, X2, X3

It may be concluded that the ERM (X1), CG (X2), and CSR (X3) models concurrently have a substantial impact on Company Value (Y) based on the F-test where the probability value (p) < 0.05.

### Conclusion

The degree of Company Value (Y) is significantly impacted by the ERM variable (X1). The regression coefficient ( $\beta$ ) of 0.032 and the probability (p) = 0.038 demonstrate this, as can the t value of 0.275. Company Value (Y) is significantly impacted by the CG variable (X2). The regression coefficient ( $\beta$ ) of 0.050 and the t value of 0.362 with probability (p) = 0.002 both demonstrate this. Company Value (Y) is significantly impacted by the CSR variable (X3). The t value of 0.530 and the regression coefficient ( $\beta$ ) of 0.045, along with the probability (p) = 0.006, demonstrate this. Company Value (Y) is significantly and simultaneously impacted by the ERM, CG, and CSR variables. The Fcount value of 6.160 with probability (p) = 0.000 shows this.

### Suggestion

1. Researchers are advised to expand the variables under investigation in future studies to enhance the diversity of research, considering the significant influence observed among variables.
2. Researchers are advised to broaden the research sample to obtain a more diverse range of research outcomes.

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