

THE EFFECT OF ENTERPRISE RISK MANAGEMENT, FIRM SIZE, PROFITABILITY, AND LEVERAGE ON FIRM VALUE

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ABSTRACT

The purpose of this study is to investigate the effect of enterprise risk management, firm size, profitability, and leverage on the worth of property and assets companies listed on the Indonesia securities market during 2015-2017. The tactic of knowledge analysis during this study is multiple regression toward the mean analysis using SPSS software version 25. The results of the study indicate that the scale of the corporate doesn't have an influence on the worth of the corporate. Other variables like profitability and leverage have a big positive effect on firm value, while the applying of enterprise risk management to property and assets companies listed on the Indonesia securities market incorporates a significant negative effect on firm value. It had been concluded that enterprise risk management, profitability and leverage affect the worth of the corporate.

Keywords: *enterprise risk management; firm size; profitability; leverage, firm value*

1. INTRODUCTION

The company is an organization with a variety of objectives to be achieved. In general, the main goal of the company is to make a profit. However, despite this objective, companies that have gone public have the objective of increasing the value of their companies, which is reflected in the market price of their shares (Martha, 2018). The value of the company is the investor's perception of the level of success of the company associated with stock prices and

corporate profitability (Salempang, 2016)

High organization esteem mirrors that investor thriving is additionally high, so the high estimation of the organization can demonstrate that the organization can expand the success of investors. Notwithstanding mirroring the flourishing of investors, the organization's worth can outline how fortunate or unfortunate the organization is in dealing with the

organization's abundance, just as how the organization's exhibition. This can be found in the expansion or decline that happens in the estimation of the organization which is set apart by expanding or diminishing stock price. According to Nurminda (2017) Company esteem is an angle that is the primary center seen by speculators prior to settling on a choice to put assets in an organization.

Organization esteem is something imperative with the goal that it gets one of the principle destinations of the organization in expanding organization esteem. Yet, as a general rule, the estimation of the organization doesn't generally expand, there are times when the estimation of the organization varies all over sporadically. So this makes it fascinating to do explore. One of the area organizations that accomplished changes in organization esteem was property and land organizations which were the subjects in this examination, as occurred in BIKA (PT Binakarya Jaya Abadi) which encountered a critical combined value decrease in May 2016 by 58.84%. PT Binakarya Jaya Abadi's offers declined from the past degree of 1,640 on May 18 to 675 for every offer on June 16. Hence an impermanent exchanging suspension or suspension is done by the Indonesia Stock Exchange. A month after the transitory exchanging stop, PT Binakarya Jaya Abadi's offers returned on July 29 with a degree of 640 for each offer by contacting the

greatest cost of 635 for every offer and the most reduced cost of 550 for each offer. (money.kompas.com, 29 July 2016)

This research will be divided into 5 sections, where section 1 is for introduction, part 2 for literature review, part 3 for research methods, part 4 for results research and part 5 for conclusion research that has been funded.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Many factors can affect the worth of the corporate, per Analisa (2011) internal factors which will affect the worth of the corporate a number of which are taxes, company size, growth, uniqueness, financial risk, profitability, and dividend payments. during this study, the independent variables used as factors that influence the worth of the corporate are enterprise risk management, company size, profitability, and leverage

Firm Value

Company value can describe how well management manages the company's assets. For companies that have gone public, an indicator of company value is that the price of shares traded within the capital market. the upper the stock price the upper the worth of the corporate. this is often thanks to the connection

between stock prices with increasing shareholder prosperity and increasing company value (Fuad, 2006: 23)

As per Putu in his examination (2014) one of the techniques that can be utilized to evaluate organization esteem is to utilize the Tobin's Q strategy created by James Tobin. Basically put Tobin's Q is a proportion that shows the correlation between the market estimation of a resource and the expenses brought about to acquire the resource. Organizations that have a high worth have a propensity as a superior speculation, give occasions to development and have better administration, and the other way around So, the more prominent the estimation of Tobin's Q demonstrates that the organization has better future possibilities.

Enterprise Risk Management

Enterprise risk management is a risk management strategy that will take place in the future. Risk management is designed to identify situations that could potentially disrupt the achievement of the objectives of the company. So that risk management is carried out on a regular basis

ERM Disclosure is information on a company's commitment to risk management. ERM disclosure consists of 108 items covering eight dimensions based on the ERM framework issued by COSO, namely: (1) internal environment, (2) target

setting, (3) event identification, (4) risk assessment, (5) risk response, (6) monitoring activities, (7) information and communication, (8) monitoring.

Enterprise risk management is a dummy variable in this research. Where a value of 1 is given to any company that discloses enterprise risk management assessment items, a value of 0 will be given to companies that do not disclose enterprise risk management assessment items. There are therefore 108 ratings for each property and Real Estate Company.

Firm Size

As per Nohong (2016), organization size fundamentally delineates that the organization is encountering development so it will draw in the consideration of financial specialists and possible speculators in the capital market. The size or size of the organization can be utilized as a benchmark for the chance of insolvency. With the little chance of chapter 11, it can pull in financial specialists to put partakes in the organization. The more organizations that put partakes in these organizations, the estimation of the organization will increment alongside the expansion in stock costs

The size of the company can be measured by sales, total assets or company capital. The size of the assets of the company is one of the company's benchmarks. The larger the total assets of the company, the

larger the size of the company. The large total assets of the company indicate that the company is in a relatively stable condition and is more likely to generate large profits (Rindawati, 2016).

Profitability

According to Weygandt, in his book financial accounting, profitability is defined as "profitability is the income or operating success of a company for a given period of time" This can be defined as the profitability of a company's ability to generate profits in activities carried out over a period of one year.

Organization worth can be affected by the size of the benefit of the organization. This is on the grounds that productivity shows the capacity of organizations to oversee organization assets to create benefits for speculators. Productivity proportions that will be utilized in this investigation are Return on Equity, According to Agus Sartono (2015) Return on Equity is an estimation of benefit that is done to gauge the capacity of organizations to acquire benefits accessible to investors of the organization

Leverage

According to Harahap and Sofyan (2013: 106) leverage could be a ratio that illustrates the link between company debt and capital owned by

the corporate, this ratio can see how far the corporate is financed by debt or outsiders with the power of the corporate described by capital. The leverage ratio may be measured by comparing the full debt owned by the corporate with the overall equity (debt to equity ratio). If the ratio is higher, the greater the corporate gets outside funds, conversely if the ratio is lower, the smaller the corporate gets outside funds.

3. RESEARCH METHOD

The populace utilized in this examination are property and land organizations recorded on the Indonesia Stock Exchange (IDX) in 2015-2017. This exploration technique is a quantitative strategy with optional information. The information source utilized is the yearly report information and the organization's fiscal summaries distributed on the IDX and the authority site of the example organization utilized

Determination of the amount of samples was administered employing a purposive sampling method consisting of 4 criteria, as follows: (1) Property and assets sector companies listed on the Indonesia securities market for the amount 2015-2017; (2) Property and land sector companies that went public from 2015; (3) the corporate uses the rupiah currency in presenting the 2015-2017 financial statements; (4) the corporate

publishes financial statements and annual reports on its official website for the amount of 2015. so as to get 114 samples consisting of three8 companies within the property and assets sector with a research period of 3 years

The reliant variable in this investigation is firm worth (Y) while the free factors in this examination are endeavor hazard the board, firm size, productivity, and influence. The information investigation technique utilized is different straight relapse with the exemplary suspicion test, speculation trial of the coefficient of

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4. RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The variables used in this study are firm value as proxied by Tobin's Q, enterprise risk management as proxied by ERM disclosure, company size as proxied by ln (total assets), profitability as proxied by equity return and debt-to-equity ratio leverage. Based on the analysis of the descriptive statistics, the results of the calculation of the descriptive statistics are as follows

Tabel 1 Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
ERM	114	.2870	.6944	.489274	.0769524
SIZE	114	23.6560	31.6701	29.141962	1.4990039
ROE	114	-.1522	.4116	.084015	.0969660
DER	114	.0347	3.7010	.787210	.6445086
Q	114	.1258	5.4021	1.228015	.8907624

The minimum value of the ERM variable is 0.2870, the utmost value of ERM is 0.6944, and therefore the norm is 0.489274 which might be interpreted that the typical level of implementation and disclosure of ERM of property and property companies in Indonesia remains relatively low at 48% with a typical deviation of 0.0769524. Company size variable features a minimum value of 23.6560, a maximum value of three1.6701, a median value

(mean) of 29.141962, and a typical deviation of 1.4990039. Profitability variable encompasses a minimum value of -0.1522, a maximum value of 0.4116, a median value (mean) of 0.084015 which might be interpreted that the common profit reaches 8% of total equity and also the variance value of 0.0969660. Leverage variable includes a minimum value of 0.347, a maximum value of 3.7010, a median value (mean) of 0.787210, which suggests that the common

company sampled during this study encompasses a debt to equity proportion of 78% and a typical deviation value of 0.6445086. Company value variable (Q) features a minimum value of 0.1258, a maximum value of 5.4021, a mean value (mean) of 1.228015 and a regular deviation of 0.8907624

Coefficient of Determination

The coefficient of determination test is used to measure the extent to which the ability of the independent variable (X) can explain the dependent variable (Y) (Ghozali, 2017: 55). The higher the value of the coefficient of determination, the greater the ability of the independent variable to explain the dependent variable. The results of the coefficient of determination test presented are as follows

Table 2 Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.597 ^a	.356	.332	.55274

a. Predictors: (Constant), LN_ROE, LN_SIZE, LN_DER, LN_ERM
 b. Dependent Variable: LN_Q

The determination coefficient based on Table 2 in the Adjusted R Square shows the results of 0.332. This can be interpreted to mean that the ability of the independent variable to explain and explain the dependent variable of firm value is 33.2 per cent. While the remaining 66.8% may be explained by other variables not participating in this study.

Simultaneous Test (F-test)

Simultaneous test or f test is a test conducted to see and measure whether all independent variables in the research have a common effect on the dependent variable using a value of 0.05 or 5 per cent. The following results of the F simultaneous test are shown in Table 3:

Table 3 F-Test

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.405	4	4.601	15.076	.000 ^b
	Residual	33.267	109	.305		
	Total	51.673	113			

Source : Self Proceed

Based on the results of the t test in table 4, the multiple linear

regression equations formed in this study are:

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$$Q = -1.1122 - 1.1133 \text{ ERM} + 0.359 \text{ Size} + 0.304 \text{ Leverage} + 0.277 \text{ Profitability}$$

The effect of enterprise risk management on firm value.

Based on the results of testing the primary hypothesis within the study that enterprise risk management affects the worth of the corporate shows that H1 is accepted. The negative t-test results illustrate that every increase in ERM disclosure made by the corporate, it'll have a bearing on the worth of the corporate that falls. The decline in corporate value that happens is caused by information associated with indications of the danger disclosed by the corporate being captured by investors as unfavorable, because the danger information obtained makes investors conscious of the possible risks that may occur within the company, especially property and assets companies. this can be reinforced by information indicating the occurrence of risks disclosed by the corporate that has not been fully offset by information associated with handling the risks that are likely to occur. additionally, the negative influence of enterprise risk management is caused by the disclosure of risk management that's still minimal and therefore the lack of knowledge presented by companies in annual reports associated with risk management. This relates to the disclosure of enterprise risk management that's still voluntary

(Devi, 2017) so the disclosures made are incomplete and only modest. This study is in line with previous research conducted by Arifah and Wirajaya (2018) which shows that enterprise risk management incorporates a significant negative effect on the variable quantity

The effect of firm size on firm value.

Based on the results of testing the third hypothesis within the study that profitability affects the worth of the corporate shows that H3 is accepted. Profitability is calculated to live the company's ability to supply a picture for investors associated with the speed of return or return. The greater return on equity illustrates the greater profits generated from own capital, so on increase the worth of the corporate. Conversely the smaller the return on equity, the worth of the corporate will decrease. this can be because high profitability can provide a positive signal for investors regarding the company's prospects within the future. Increasing the company's ability to provide high profitability will affect the stock price, in order that if the stock price increases, the company's value will increase. This study is in line with previous research conducted by Mulyasari (2016) who said that profitability includes a positive effect on firm value, because the upper the earning power the more efficient the asset turnover and also the higher the gross margin obtained by the

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The effect of leverage on firm value.

Based on the results of testing the fourth hypothesis within the study

that leverage affects the worth of the corporate shows that H4 is accepted. together with the event of the economy and also the development of business competition, in meeting the company's funding needs not only come from the company's internal. debt to equity ratio can show what number companies use funding from debt to hold out their operational activities. the utilization of funding from large amounts of debt can pose risks for the corporate and shareholders. However, good management of funding from external sources can minimize the risks which may occur. this can be because company funding that comes from externals can increase company capital and improve company performance. Company capital turnover are some things which will affect the corporate, where company capital turnover can increase profits owned by the corporate. Increasing company profits will provides a positive signal to investors regarding the company's prospects within the future. Leverage affects the worth of the corporate is supported by research conducted by Gunawan (2016) which says that in an exceedingly growing business situation property companies need sources of funding needed to extend the worth of the corporate. additionally, property companies generally have high debt.

5. CONCLUSION

This study was conducted to determine the impact on firm value of independent variables consisting of enterprise risk management (ERM), company size, profitability and leverage. Based on the test and analysis results outlined below, the conclusions reached are as follows.:

1. The results of the research conducted show that corporate risk management has a significant negative impact on firm value. This shows that the more disclosures made by the company will have an impact on the declining value of the company
2. The results of the research that have been carried out show that the size of the company has no effect on firm value. This shows that the size of property and real estate companies is almost the same, so that it does not become the main benchmark for investors to make investment decision
3. The results of the research carried out show that profitability affects the value of the company. This shows that companies with high profitability will increase the value of the compan
4. The aftereffects of exploration that have been done show that influence influences the estimation of the organization. Property and land organizations by and large have elevated levels of obligation. Subsidizing from

outer organizations can build organization capital and improve organization execution. The organization's capital turnover is something that can be persuasive, where capital turnover can expand the organization's benefit. So it will give a positive sign to financial specialists with respect to the organization's possibilities later on

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