

The Impact of Enterprise Risk Management (ERM) on Firm Value in KBMI Category 4 Banks Listed on the Indonesia Stock Exchange

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ABSTRACT

This study analyzes the impact of Enterprise Risk Management (ERM) disclosure on the value of firms within KBMI Category 4 banks listed on the Indonesia Stock Exchange from 2017 to 2024. The study used a quantitative associative methodology, using secondary data sourced from the annual reports and financial statements of four banks: PT Bank Central Asia Tbk., PT Bank Rakyat Indonesia (Persero) Tbk., PT Bank Mandiri (Persero) Tbk., and PT Bank Negara Indonesia (Persero) Tbk. Data were analyzed through multiple linear regression following classical assumption tests, which included assessments of normality, multicollinearity, and heteroscedasticity. The value of the firm was assessed utilizing Tobin's Q ratio. The findings indicate that ERM transparency and profitability, as measured by Return on Assets (ROA), do not have a substantial impact on business value. Conversely, leverage exerts a substantial adverse impact on business value. ERM, ROA, and leverage collectively account for 41.2% of the fluctuation in firm value, with the remaining 58.8% attributable to external factors not included in the model. The findings indicate that ERM disclosure has not emerged as a principal factor influencing firm value in KBMI 4 banks, highlighting the necessity to bolster risk management methods and promote transparency to elevate stakeholder confidence.



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INTRODUCTION

The banking sector is a vital part of a country's economy and performs an intermediary function by collecting funds from the public and then lending them out in the form of credit or financing. Through this function, the banking sector facilitates economic activity and supports national economic development. In addition, the banking sector also contributes to maintaining the stability of the financial system and boosting economic activity among the public (Dalimunthe et al., 2023).

However, banking activities are not immune to various risks, including credit risk, market risk, operational risk, and liquidity risk. The magnitude of these potential risks necessitates that companies implement effective risk management to ensure business continuity and maintain corporate performance. If these risks are not managed properly, companies may experience a decline in performance, which could ultimately erode public and investor confidence in the banking sector (Mas'udi & Said, 2023).

In addition to various financial and operational risks, companies are also faced with the obligation to comply with applicable regulations, including tax provisions established by the government. Compliance with these provisions is essential for companies to maintain operational stability and preserve the trust of stakeholders. Furthermore, in the implementation of corporate governance, sound tax administration also plays a role in enhancing regulatory compliance and minimizing potential risks related to the company's tax obligations (A. Pratama & Muhammad, 2025).

Agma (2025), states that risk management is a set of structured actions taken to identify, measure, monitor, and control various risks that a bank may face. Through this process, banks can anticipate the negative impacts of emerging risks, thereby minimizing financial losses and maintaining customer trust. Thus, the implementation of risk management is not only important for a bank's internal stability but also contributes to the stability of the broader financial system.

Traditional risk management approaches are generally implemented separately within each unit or division of a company, so that each unit has its own risk management mechanism. The weakness of this approach is the lack of coordination across divisions, even though the risks that arise within a company tend to be interrelated and cannot be addressed in isolation (Darmawan & Prasetyo, 2022). In contrast to this approach, Enterprise Risk Management (ERM) serves as an integrated and comprehensive risk management system, in which all corporate risks are managed within a single unified framework that takes into account the interrelationships among risks (Lestari & Husaini, 2024).

The implementation of ERM is particularly relevant for KBMI Category 4 banks listed on the Indonesia Stock Exchange, as ERM serves as a structured approach to identifying, measuring, and controlling various risks that could impact the company's performance and value (F. A. Pratama, 2022). According to Lestari & Husaini (2024) ERM is an approach used by companies to manage various risks comprehensively and in an integrated manner so that emerging risks can be controlled and do not hinder the achievement of corporate objectives. Furthermore, Puspitasari et al. (2025) assert that a company's value signifies the degree of management's effectiveness in executing the company's operations and acts as a benchmark for investors evaluating the company's overall status. Market stock prices generally indicate a firm's worth; a higher stock price signifies a greater company value.

Previous research on how ERM affects firm value in the banking sector has yielded many positive results. Most studies have found that ERM increases transparency and investor confidence, thereby enhancing firm value (Azira et al., 2025; Rafika & Husaini, 2014). However, several other studies have actually reported different results, suggesting that the implementation of ERM does not always have a positive impact on firm value. In some cases, the implementation of ERM—if not balanced by an effective risk management strategy—can actually incur additional costs that may potentially reduce corporate value (F. A. Pratama, 2022; Rejeki, 2025).

These differing research findings indicate that the impact of ERM on corporate value remains unclear, necessitating further research. Additionally, most previous studies employed a broader sample scope, encompassing commercial banks and various companies listed on the Indonesia Stock Exchange as a whole. While this approach does provide a general overview of the relationship between ERM and firm value, it has not yet fully accounted for the specific characteristics of large-scale banking firms with high levels of risk complexity. In the banking industry, the complexity of business activities, extensive operational networks, and interdependencies with various stakeholders make risk management a critical aspect in maintaining market stability and confidence.

On the other hand, some previous studies have focused more on the general implementation of ERM in companies, while studies that specifically examine the level of ERM disclosure in corporate reports as a form of information transparency to investors remain relatively limited. In fact, ERM disclosure in annual reports can provide investors with an overview of how a company identifies, manages, and controls the various risks it faces, thereby influencing investors' perceptions of the company's value (Lana & Oktorina, 2024).

Numerous studies have investigated the correlation between Enterprise Risk Management (ERM) and corporate value; however, the findings are conflicting, especially within the large-scale banking sector. This scenario offers a chance for additional study to reassess the influence of ERM disclosure on corporate value. This study examines banks listed on the Indonesia Stock Exchange to get specific empirical information concerning the correlation between risk management transparency and business value.

This study is expected to provide a deeper understanding of the impact of Enterprise Risk Management (ERM) disclosure on firm value in the banking sector listed on the Indonesia Stock Exchange. The findings are anticipated to demonstrate the extent to which transparent risk management disclosure can enhance investor confidence and contribute to firm value creation. Practically, the results may serve as a reference for companies in improving the quality, transparency, and relevance of ERM disclosures to meet stakeholder expectations. Academically, this study is expected to enrich the literature on the relationship between ERM disclosure and firm value, particularly in large-scale banking institutions, while also providing a basis for future research on risk disclosure, market perceptions, and other determinants of firm value in the fields of risk management and corporate finance.

Based on the research background and formulated research questions, this study aims to analyze the effect of Enterprise Risk Management (ERM) disclosure on firm value, identify the level of ERM

disclosure, and examine the ability of a model incorporating ERM, Return on Assets (ROA), and leverage to explain variations in firm value among KBMI Category 4 banks listed on the Indonesia Stock Exchange during the 2017–2024 period.

LITERATURE REVIEW

Signaling Theory

Signaling theory explains that companies convey various types of information to external parties, particularly investors, to reduce information asymmetry that arises because management has more comprehensive knowledge of the company's condition and prospects than external parties (Syahputri et al., 2024). This information can be conveyed through financial statements, annual reports, or various forms of corporate disclosures that reflect the company's performance and future prospects (Cahyaningtyas, 2022; Sari et al. 2023). Through relevant and transparent disclosures, companies seek to provide investors with a clearer picture of the company's condition. The published information is then interpreted by investors as positive signals ("good news") or negative signals ("bad news"), which influence their investment decisions (Sari et al., 2023). Positive signals can increase investor confidence in the company and drive an increase in the company's value (Cahyaningtyas, 2022). Therefore, the quality and transparency of the information disclosed by the company are important factors in shaping the market's perception of the company's value.

Agency Theory

Agency theory explains the relationship between company owners (principals) and management (agents), in which owners grant management the authority to manage the company and make operational decisions to achieve organizational goals (O. D. Sari, 2023). However, this relationship has the potential to lead to conflict due to differences in interests between principals and agents. Company owners generally seek to improve their well-being by increasing the company's value, whereas management may make decisions that are more beneficial to its own interests, thereby giving rise to agency conflict (O. D. Sari, 2023).

In addition to differing interests, conflicts are also influenced by information asymmetry—a condition in which management possesses more comprehensive information regarding the company's condition and prospects than the company's owners do (R. Sari & Sayadi, 2020). This information imbalance can hinder optimal decision-making by company owners. Therefore, oversight mechanisms, good corporate governance, and transparent reporting systems are necessary to reduce conflicts of interest, safeguard the interests of company owners, and enhance trust in the information provided by management (R. Sari & Sayadi, 2020; O. D. Sari, 2023).

Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM) is a comprehensive and integrated approach to risk management that involves the board of directors, management, and all departments of the organization in supporting the achievement of the company's objectives (Aulya, 2025). ERM is designed to identify, assess, and manage various risks that may affect the company's performance while supporting more effective decision-making processes (Azira et al., 2025). Unlike traditional risk management, which manages risks separately within each division, ERM views all risks within a single integrated framework, allowing for a more comprehensive analysis of the interrelationships among risks (Lestari & Husaini, 2024; Darmawan & Prasetyo, 2022). Thus, ERM serves not only as a risk control tool but also as part of the company's strategy to enhance business value and sustainability.

The implementation of ERM aims to help companies anticipate risks, minimize potential losses, and support the achievement of optimal performance and profitability (Syaharani et al., 2023). In the banking sector, ERM is becoming increasingly important due to the high complexity and uncertainty of the business environment, which demands a structured risk management system (Rejeki, 2025; Chang & Wu, 2023). Through the effective implementation of ERM, banks can enhance their resilience to external changes, optimize resource utilization, and make more informed strategic decisions. Furthermore, integrated risk management also plays a role in maintaining the trust of stakeholders, including investors, regulators, and customers.

ERM is measured through content analysis of companies' annual reports, assigning a score of 1 for each disclosed indicator and a score of 0 for undisclosed indicators (Angela & Hapsari, 2024). The ERM score is calculated using the following formula:

$$ERM = \frac{\text{Number of ERM items disclosed}}{\text{Total ERM items}}$$

Company Value

Enterprise value reflects investors' perceptions of a company's performance and prospects, which are generally reflected in its stock price on the capital market (Miranda et al. 2025; Swari & Pristiana 2020). For companies listed on a stock exchange, the stock price is often used as the primary indicator to assess the level of enterprise value because it reflects the market's valuation of the company's total equity. Corporate value can also be used to measure management's success in effectively managing resources as well as the company's level of attractiveness in the eyes of investors (Sujono et al. 2024). The higher the stock price formed in the market, the higher the corporate value perceived by investors.

A company's value is influenced by various factors, both internal and external. Internal factors include investment decisions, financing, asset management, risk management practices, Corporate Social Responsibility (CSR), and Good Corporate Governance (GCG), which can enhance investor confidence and foster a positive corporate image (F. A. Pratama, 2022). Meanwhile, external factors such as inflation and interest rates also influence a company's financial performance and stock price movements (Azgara & Tristiarto, 2025). Additionally, company characteristics such as age, size, business growth, debt policies, and capital adequacy levels—as reflected in the Capital Adequacy Ratio (CAR)—also play a role in determining a company's value, particularly in the banking sector (Susandya & Sunarwijaya, 2025).

In this study, firm value is measured using Tobin's Q because this ratio captures firm value based on the comparison between market value and firm assets. The formula used is:

$$\text{Tobin's } Q = \frac{\text{Total Nilai Pasar Perusahaan}}{\text{Total Aset Perusahaan}}$$

Tobin's Q is a positive measure, where a higher value indicates that the market places a higher valuation on the company. Thus, the higher the Tobin's Q, the higher the company's valuation, as reflected in investors' perceptions of the company's performance and future prospects (Hoyt & Liebenberg, 2011).

Return on Assets (ROA)

Return on Assets (ROA) is a profitability metric that assesses a company's capacity to create profits by leveraging its total assets (Sochib et al., 2021). This ratio indicates management's efficacy in utilizing assets to produce profits; hence, a greater ROA value signifies an enhanced capacity for profit generation by the organization. A high level of profitability in the banking sector signifies effective management of the company's resources. This study used ROA as a control variable because of its capacity to affect a company's worth. Firms exhibiting high profitability generally garner more favorable evaluations from investors, as they are perceived to possess the ability to manage assets efficiently and yield maximum profits (Lutfi & Panuntun, 2024). This may enhance investors' perceptions of the company's potential and ultimately lead to an increase in the company's worth (Zurriah, 2021).

$$ROA = \frac{\text{Net Income After Taxes}}{\text{Total Assets}} \times 100\%$$

Leverage

Leverage quantifies the degree to which a company's assets are financed by debt, hence illustrating the extent of external money utilized in the company's activities (Silvia & Dewi, 2022). A higher leverage ratio indicates an increased financial risk for the organization. In the banking sector,

leverage is essential for a company's capacity to handle its liabilities, hence supporting operations and ensuring financial stability. This study employs leverage as a control variable due of its potential impact on investors' perceptions of a company's worth. The increased utilization of borrowed capital may enhance profitability but also elevate the hazards encountered by the organization (Purba & Sidauruk, 2020). Moreover, a financing structure dominated by debt might influence a company's financial health and investors' evaluation of its future potential (Christiaan et al., 2023). This study used the Debt-to-Asset Ratio (DAR) as a proxy for leverage, defined as the ratio of total liabilities to total assets.

$$LEV = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

The Impact of Enterprise Risk Management on Corporate Value

The relationship between Enterprise Risk Management (ERM) and corporate value can be explained through signaling theory and agency theory. Signaling theory explains that companies are motivated to disclose relevant information to reduce information asymmetry between management and investors. ERM disclosure serves as a form of positive signaling that demonstrates a company's ability to manage risks and ensure business sustainability in the future, thereby enhancing investor confidence and corporate value (Cahyaningtyas, 2022; Monica & Sudjiman, 2023). Meanwhile, agency theory explains that ERM functions as a control mechanism that helps reduce conflicts of interest between company owners and management through more structured and transparent risk management (R. Sari & Sayadi, 2020).

The implementation of ERM enables companies to identify, manage, and mitigate various risks in an integrated manner, thereby improving the quality of decision-making, minimizing potential losses, and maintaining the company's stability. Effective ERM disclosure also instills confidence in investors that the company is capable of addressing uncertainties arising from the business environment. Therefore, the higher the level of ERM implementation, the greater the company's opportunity to increase its value through enhanced investor confidence and more effective risk management (Adjani & Muhammad, 2024; Lana & Oktorina, 2024).

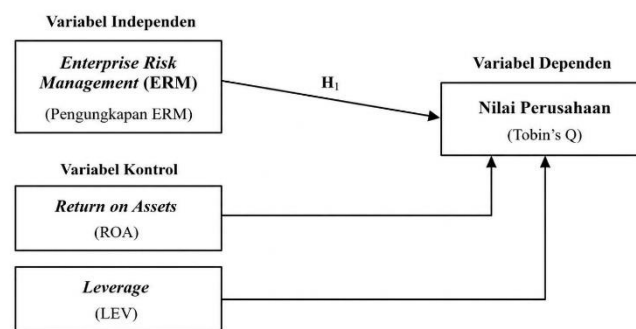


Figure 1. Conceptual Framework of the Study

Source: Compiled by the Writing Team (2026)

The results of this study indicate that ERM has a positive effect on firm value. These findings are consistent with previous research stating that the implementation of ERM can increase transparency, strengthen investor confidence, and drive an increase in firm value (Azira et al., 2025). Research by Hoyt & Liebenberg (2011) also found that companies that comprehensively implement ERM tend to have higher firm value compared to those that do not. In this study, the effect of ERM was analyzed by controlling for profitability—proxied by Return on Assets (ROA)—and leverage, as both factors influence investors' assessment of firm value.

Based on the above discussion, the hypotheses of this study are as follows:

- H₀:** Enterprise Risk Management (ERM) disclosure has no effect on firm value for KBMI Category 4 banks listed on the Indonesia Stock Exchange.
- H₁:** Enterprise Risk Management (ERM) disclosure has a significant effect on firm value for KBMI Category 4 banks listed on the Indonesia Stock Exchange.

RESEARCH METHODS

This study utilizes a quantitative methodology with an associative research design to examine the impact of Enterprise Risk Management (ERM) disclosure on the value of firms within KBMI Category 4 banks listed on the Indonesia Stock Exchange (IDX). The independent variable in this study is Enterprise Risk Management (ERM), whereas the dependent variable is company value. This study employs Return on Assets (ROA) and leverage as control variables to consider additional factors that may affect company value, facilitating a more precise investigation of the link between ERM and firm value.

The research population includes all KBMI Category 4 banks listed on the IDX: PT Bank Central Asia Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, PT Bank Mandiri (Persero) Tbk, and PT Bank Negara Indonesia (Persero) Tbk. Given the restricted population size, the study utilized a saturation sampling strategy, encompassing the entire population as the sample. The data utilized comprises secondary data acquired from the documentation of the companies' annual reports and financial statements for the period 2017–2024. Through the examination of four banks over a span of eight years, a total of 32 data observations were collected for analysis.

Data analysis was performed via multiple linear regression with Google Colab statistical tools to evaluate the impact of ERM on business value. The employed regression model is:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + \dots + e$$

Where:

Y = Enterprise Value (Tobin's Q)

a = Constant

b₁, b₂, b₃ = Regression coefficients for each independent variable

X₁ = Enterprise Risk Management (ERM)

X₂ = Return on Assets (ROA)

X₃ = Leverage (LEV)

e = Error (interference error)

Before the regression analysis, conventional assumption tests, including assessments for normality, multicollinearity, and heteroscedasticity, were performed to validate the model. A hypothesis test (t-test) was employed to assess the significance of each variable's impact on firm value.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1.Descriptive Statistical Tests

Variable	N	Minimum	Maksimum	Mean	Std. Deviasi
Enterprise Value (Tobin's Q)	32	1,1200	1,6500	1,4031	0,1554
ERM	32	0,7500	0,9500	0,9106	0,0574
ROA	32	0,0114	0,0393	0,0271	0,0076
Leverage	32	0,8100	0,8800	0,8450	0,0189

Source: Data processed using Python on Google Colab 2026

Table 1 displays the descriptive statistics derived from 32 observations (N = 32). The firm value variable, quantified by Tobin's Q, has a minimum of 1.1200, a maximum of 1.6500, a mean of 1.4031, and a standard deviation of 0.1554, signifying limited volatility in firm value and reasonably stable conditions among enterprises. The ERM variable has a minimum value of 0.7500, a maximum of 0.9500, a mean of 0.9106, and a standard deviation of 0.0574. The findings demonstrate that the extent of ERM disclosure among KBMI Category 4 banks is elevated and consistently uniform, signifying the adoption of thorough risk management within corporate governance.

The profitability variable, represented by ROA, exhibits a minimum value of 0.0114, a maximum of 0.0393, a mean of 0.0271, and a standard deviation of 0.0076, suggesting that the capacity for profit generation remains consistent among institutions. Leverage exhibits a minimum of 0.8100, a maximum of 0.8800, a mean of 0.8450, and a standard deviation of 0.0189, signifying a considerable degree of debt use with minimal variability. All variables possess 32 valid observations without any missing data, rendering them appropriate for subsequent analysis.

Normality Test

Table 2. Normality Test

Shapiro-Wilk			
Variable	Statistic	P-Value	Description
Residual	0,9679	0,4448	Normal

Source: Data processed using Python on Google Colab 2026

The Shapiro-Wilk test was employed to assess the normality of the research data. The results indicated a p-value of 0.4448, exceeding the significance threshold of $\alpha = 0.05$. This signifies that the data exhibit a normal distribution. Consequently, it can be inferred that all data gathered in this study meet the normality condition, rendering the multiple linear regression method suitable for subsequent analysis.

Multicollinearity Test

Table 3. Multicollinearity Test

Variable	VIF	Description
ERM	1.1900	There is no multicollinearity
ROA	1.2710	There is no multicollinearity
Leverage	1.1273	There is no multicollinearity

Source: Data processed using Python on Google Colab 2026

In order to ascertain whether or not there was a correlation among the independent variables in the regression model, a multicollinearity test was implemented. The test results suggest that the research model does not exhibit any indications of multicollinearity. The Variance Inflation Factor (VIF) of the ERM variable is 1.1900, the ROA variable is 1.2710, and the leverage variable is 1.1273. Consequently, these variables are regarded as independent and appropriate for inclusion in subsequent regression analyses.

Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Test Type	Significance Value	Description
Breusch-Pagan	0,0324	Heteroscedasticity Occurs

Source: Data processed using Python on Google Colab 2026

The heteroscedasticity test assesses if the variances in the regression model vary across different observations. This regression model may demonstrate heteroscedasticity, since the Breusch-Pagan test findings indicate a significance value (p-value) of 0.0324, which is less than the significance level $\alpha = 0.05$ ($0.0324 < 0.05$). This study employs the Robust Standard Error (HC3) adjustment in hypothesis testing to rectify this issue and guarantee that the estimation findings are precise and impartial.

Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Analysis

Variable	Regression Coefficient
(Constant)	6,179
ERM	-0,273
ROA	-4,026
LEV	-5,229

Source: Data processed using Python on Google Colab 2026

Table 5 presents the results of the data analysis, which show that the multiple linear regression model developed for this study is as follows:

$$Y = 6,179 - 0,273X_1 - 4,026X_2 - 5,229X_3 + e$$

Where:

Y = Enterprise Value (Tobin's Q)

X₁ = ERM

X₂ = ROA

$$X_3 = \text{Leverage}$$

The constant value of 6.179 indicates that the firm's value is estimated to be 6.179 when the ERM, ROA, and leverage variables are held constant or absent. All three independent variables have negative regression coefficients, indicating a negative correlation between these variables and firm value in KBMI Category 4 banks. The leverage variable has the most negative effect, with a coefficient of -5.229, followed by ROA at -4.026 and ERM at 0.273. These results indicate that the market's response to the stock prices of banking companies is significantly influenced by an increase in debt burden and a decline in profit efficiency.

T-Test (Partial)

Table 6. Uji t (Robust Standard Error HC3)

Variable	β	z calculate	Sig.	Description
(Constants)	6,179	6,344	0,000	
ERM	-0,273	-0,801	0,423	H1 Rejected
ROA	-4,026	-1,107	0,268	H2 Rejected
LEV	-5,229	-4,496	0,000	H3 Accepted

Source: Data processed using Python on Google Colab 2026

Table 6 indicates that the ERM variable possesses a beta coefficient of -0.273 and a significance value (p-value) of 0.423. The ROA variable exhibits a beta coefficient of -4.026 and a significance value (p-value) of 0.268. The Leverage variable exhibits a beta coefficient of -5.229 and a significance value of 0.000; thus, given that its p-value is below 0.05, this signifies that leverage exerts a negative and substantial impact on company value.

Test of the Coefficient of Determination (R2)

Table 7. Test of the Coefficient of Determination

R Value	R Square	Adj. R Square
0,642	0,412	0,349

Source: Data processed using Python on Google Colab 2026

Table 7 presents a correlation coefficient (R) of 0.642, signifying a robust association among ERM, ROA, leverage, and firm value (Tobin's Q). The R-squared value of 0.412 signifies that 41.2% of the variation in business value is attributable to these three variables, whilst the remaining 58.8% is affected by external factors not included in the research model. The Adjusted R-Square score of 0.349 signifies that, after accounting for the number of independent variables and sample size, the model can still elucidate 34.9% of the variance in company value. The results indicate that the model possesses modest explanatory power and continues to yield pertinent insights concerning the impacts of ERM, profitability, and leverage on the value of firms within KBMI Category 4 banks.

Discussion

1. The Impact of ERM on Firm Value

The t-test results indicate that the ERM variable has a significance value of 0.423 (> 0.05), leading to the conclusion that ERM does not significantly affect company value. Despite the negative ERM regression coefficient, the association lacks statistical significance. The findings suggest that the extensive ERM disclosure among KBMI Category 4 banks has not yet influenced investor evaluations, as this practice has developed a rather uniform standard across the sample. Investors typically focus on financial performance metrics, including profitability, profits growth, and a company's capacity to generate further value. These findings align with the studies conducted by F. A. Pratama (2022) and Rejeki (2025), which determined that ERM did not significantly influence business value. Nonetheless, the outcomes of this study contrast with the conclusions of Azira et al. (2025) and Monica & Sudjiman (2023), who asserted that ERM positively influences firm value, likely attributable to variations in the characteristics of the research subjects, particularly among KBMI 4 banks, which exhibit a relatively uniform level of ERM implementation.

2. The Effect of ROA on Firm Value

The profitability variable, as measured by Return on Assets (ROA), has a regression coefficient of -4.026 and a significance value of 0.268 (> 0.05) according to the test results. Consequently, ROA does not have a significant impact on firm value, despite demonstrating a negative relationship. These findings suggest that investors in the banking sector evaluate companies based on a variety of factors, including risk, business stability, and macroeconomic conditions, in addition to just profitability. This discovery is in accordance with the research conducted by Sohib et al. (2021), which asserts that ROA does not have a substantial impact on firm value due to the fact that profits have not yet been able to issue a strong signal to the market. These results are also in accordance with Mahardhika & Widajaton (2025), who discovered that ROA has a detrimental impact on firm value. Nevertheless, these results are in contrast to the research conducted by Zurriah (2021) and Lutfi & Panuntun (2024), which asserts that ROA has a positive and substantial impact on firm value. This is due to the fact that a firm's capacity to generate profits is perceived as a positive signal that can bolster investor confidence.

3. The Effect of Leverage on Firm Value

In contrast to the other variables, leverage was discovered to have a substantial impact on firm value, with a regression coefficient of -5.229 and a significance level of 0.000 (< 0.05). This suggests that the value of the firm decreases as the leverage ratio increases. According to these findings, investors are inclined to react adversely to elevated debt levels due to their perception that they elevate a company's financial risk and diminish investor confidence. This discovery is consistent with the research conducted by Silvia & Dewi (2022), which asserts that leverage has a detrimental impact on firm value. Additionally, Purba & Sidauruk (2020), have demonstrated that an increase in leverage will result in an increase in the burden and risk that the firm is required to endure. Nevertheless, the results of this study are in contrast to those of Christiaan et al. (2023), who assert that leverage has a substantial and beneficial impact on firm value. Additionally, Susesti & Wahyuningtyas (2020) contend that leverage can be a positive signal to investors if it is employed to support corporate growth and increase profits, thereby potentially enhancing corporate value.

Discussion of the Coefficient of Determination (R^2)

The coefficient of determination (R^2) of 0.412 suggests that ERM, ROA, and leverage collectively account for 41.2% of the variation in firm value among banks in the KBMI Category 4, while the remaining 58.8% is influenced by other factors outside the research model. The model's explanatory power in accounting for changes in firm value is fairly good, as indicated by these results. However, there are still a variety of other factors that could potentially influence firm value, such as economic conditions, corporate policies, market conditions, interest rates, and other external factors that are not included in this study.

CONCLUSION

The study of KBMI Category 4 banks listed on the Indonesia Stock Exchange from 2017 to 2024 concludes that ERM transparency and profitability, as indicated by ROA, do not significantly impact company value as evaluated by Tobin's Q. The consistent and elevated level of ERM disclosure among companies indicates that this information has not yet emerged as a differentiating criterion for investors in assessing companies. Conversely, leverage exerts a substantial adverse impact on business value, suggesting that heightened debt levels are regarded as a risk that may diminish firm value. ERM, ROA, and leverage collectively account for 41.2% of the variance in firm value, with the remaining 58.8% attributable to external factors not included in the research model.

The findings suggest that the valuation of banking organizations is affected not only by risk management disclosures and financial performance but also by various internal and external factors. Consequently, companies must enhance the quality of their risk management and disclosures to render them more useful, transparent, and pertinent to investors, particularly in light of emerging risks such as technological and cybersecurity threats. Future research should incorporate additional variables, including Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), firm size, and macroeconomic factors, while also broadening the scope and duration of the study to achieve a more thorough comprehension of the determinants affecting firm value.

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