The Effect of Enterprise Risk Management, Good Corporate Governance, Corporate Social Responsibility on Profitability and Firm Value

Rikza Fahrunisa[1], Sutrisno[2]

[1]Universitas Islam Indonesia, Magister Management,
Department of Management, Indonesia

[1]Universitas Islam Indonesia, Magister Management,
Department of Management, Indonesia

doi: 10.51505/ijebmr.2022.6708 URL: http://dx.doi.org/10.51505/ijebmr.2022.6708

Abstract

The obyective of this study to examine the effect of Enterprise Risk Management (ERM), Good Corporate Governance (GCG), and Corporate Social Responsibility (CSR) on profitability and firm value. Profitability is measured by Return on Equity (ROE) and firm value is measured by Tobin's Q. Meanwhile, ERM, GCG and CSR are measured by the number of items disclosed by each variable compared to the number of items that should be disclosed. The population in this study are companies in the mining sector listed on the Indonesia Stock Exchange (IDX) with a sample of twenty eigh companies and observation period of five years (2016 - 2020). The results showed that ERM and CSR had a significant and negative effect on profitability, while GCG had no effect on profitability. Other results show that ERM and CSR have a significant and negative effect on firm value, and ROE has a significant and negative effect on firm value While GCG has no effect on firm value.

Keywords: enterprise risk management, company value, profitability, CSR, GCG

1. Introduction

Every company that carries out business activities has a mission to grow and develop and seek competitive advantage. This is done with the aim of realizing the welfare of the owners or shareholders by maximizing the value of the company. Firm value is one of the factors that investors need to know as consideration for making an investment decision, because firm value can explain the company's achievements and has a fairly close relationship with the capital market (Suryani, 2017). According to Pamungkas and Maryati (2017), the value of a company is reflected in the price of its shares traded on the Indonesia Stock Exchange (IDX). The value of the company can also be assessed from its stock price which is stable and increases in the long term because an increase in share price is identical to an increase in the wealth of agents and an increase in company value (Yulinda, Nasir, and Savitri, 2020).

In fact, in the business world, companies do not rule out the possibility of experiencing business risks. Traditionally, risk management has been fragmented into 'silos', as companies tend to organize their activities into functional areas for better decisions. (Otero, Durán, and Tamayo, 2020). The “silo” approach has shifted to a holistic approach, known as Enterprise Risk

Vol. 6, No.07; 2022

ISSN: 2456-7760

Management (ERM) (Abdullah and Janor, 2017). ERM became known to the public after the Committee of Sponsoring Organization of The Treadway Commission (COSO) published it in 2004. COSO is an international non-profit organization founded with the aim of improving the quality of internal control and risk management worldwide.

Although adopting ERM requires large costs for the company, the implementation of ERM will have a positive impact on revenue efficiency, because ERM can increase the value of the company (Chen, Chuang, Huang, and Shih 2020). ERM plays an important role in enterprise development through the identification, measurement, and management of risks. This ensures that companies can increase efficiency and economic growth as well as increase investor confidence. And ERM is one of the significant factors that affect business performance (Shad, Lai, Fatt, Klemeš, and Bokhari, 2019). The existence of ERM explains that managers already have guidelines in implementing the company's future operational activities, which can improve company performance. ERM is also one of the factors that can increase firm value (Phan, Dang, Nguyen, Ngo, and Hoang, 2020).

Improved company performance, supported by good corporate risk management, can generate more optimal income (Agustina and Baroroh, 2016), and will have an impact on increasing company value. A high company value will make the market believe that the company not only has a good current performance, but also has good prospects in the future (Ilmi, Kustono, and Sayekti, 2017). Aditya and Naomi (2017) find evidence that ERM disclosure has a negative effect on firm value. Pamungkas and Maryati (2017) found evidence that Enterprise Risk Management disclosure had no effect on firm value, while according to (Iswajuni, Soetedjo, and Manasia, 2018) Enterprise Risk Management (ERM) had a positive effect on firm value.

Good Corporate Governance (GCG) plays an important role in the company's development process for the benefit of shareholders. Good Corporate Governance in its implementation aims to reduce conflicts of interest between agents (managers) and principals (investors) as described in agency theory (Sulistiawati and Muawanah, 2018). The mechanism of Good Corporate Governance is very important in a company (Afrizal, Gamayuni, and Syaipudin, 2021). This is one way to reduce control and ownership problems because it is also related to increasing company performance which will result in an increase in company value (Gosal, Pangemanan, and Tielung 2018). With the proper GCG mechanism, it is hoped that management will be able to fulfill its responsibilities related to the interests of the owners.

The implementation of Good Corporate Governance in a company organization cannot be separated from the overall risk management practices in the company. To achieve good corporate value, companies must be able to manage business risks carefully, systematically and effectively through the implementation of integrated risk management. In research from (Mutmainah, 2015) shows that the variable Good Corporate Governance (GCG) has a significant negative effect on firm value in mining sector companies. Research from Santoso (2017) shows the results that Good Corporate Governance represented by institutional ownership proxies has a significant positive direct effect on firm value. With these results, the author will examine the effect of GCG on firm value.

Corporate social responsibility (CSR) is one of the strategies to increase company value by building a positive image from the stakeholder point of view (Mukhtaruddin, Ubaidillah, Dewi,

ISSN: 2456-7760

Hakiki, and Nopriyanto, 2019). There is a more normative form of CSR engagement and reporting, underpinned by a deep recognition and interdependence between community interests and business goals amid shifting institutional-level expectations about the purpose and legitimacy of business in society (Sorour, Shrives, El-Sakhawy, and Soobaroyen, 2020). When the company is growing, the level of social inequality and environmental damage is also getting higher because of the company's activities that are not controlled by various resources to increase company profits. The community and the environment around the company also feel the impact caused by the company's operating activities, in addition to those directly related to the company. It is important to consider CSR activities because the company's CSR activities can affect the increase in company value (Lee and Choi, 2021). And Nour, Sharabati, and Hammad (2019) stated that GCG and CSR are obligations to protect and improve social, economic and environmental, as well as community welfare

Murnita and Putra (2018) CSR disclosure has a significant and positive effect on firm value. Putri, Sudarma, and Purnomosidhi (2016) show that company value is not influenced by Corporate Social Responsibility, company value will be influenced by corporate social responsibility to be moderated by company size and number of commissioners. With the differences in the results shown from previous research, the authors will examine the effect of CSR on firm value.

The profitability ratio shows the overall effectiveness of the operations carried out by the company and profitability is used as a way to assess the success of the company's growth and performance in relation to the value of the company. The better the company's profitability growth means the company's prospects in the future are considered better, meaning that the company's value will also be considered better in the eyes of investors (Ekasari and Noegroho, 2020).

Analyzing profitability ratios is useful for evaluating a company's profit with respect to a certain level of sales, a certain level of assets, or an owner's investment. Without profit, a company cannot attract capital from outside. When profitability is getting better, the value of the company in the eyes of investors is also good. This will affect the increase in the company's share price in the capital market. So that the value of the company can also be explained from the company's profitability (Wulandari, 2020). And the better the growth of the company's profitability, the company's prospects in the future will be better, meaning that the value of the company will be assessed better in the eyes of investors (Setiyorini and Kartika, 2018).

Companies that carry out CSR practices well, the value of the company will be assessed as good by investors, and the higher the level of profitability, the greater the disclosure of social information made by the company. CSR will increase the value of the company when the company's profitability increases and have a positive impact which in the long term will be reflected in the company's profits (profit). In this research, the object chosen to be studied is mining company. Mining companies have a greater risk than other companies because of the wider aspect of the industry. Mining companies are exposed to the risk of significant and repeated fluctuations in the price of mining products. Global factors, the balance between demand and supply, economic and geopolitical fundamentals, substitute products and product competition, as well as government regulations and tariffs are some of the factors that cause fluctuations in the price of mining products. Mining companies require a systematic and good risk management mechanism through the existence of ERM.

The mining industry in Indonesia has been known for a long time, with abundant mining products making the mining sector one of the main sectors that drive the wheels of the Indonesian economy. The mining industry is heavily influenced by the sometimes-uncertain global economy. Apart from the problems in the mining industry, it cannot be denied that this industry has a fairly good effect that can be felt by the wider community.

This industry can be said to be an industry that absorbs quite a lot of workers starting from company owners and contractors in a work business in the mining industry. As one of the sectors that is quite promising and is expected to have a positive effect on the central and regional economy, as well as with various problems that exist in its financial performance, mining companies must be able to maintain good corporate governance which aims to ensure the survival of the company, employees, and stakeholders' interests.

2. Theory and Hypotheses Development

Enterprise Risk Management is a signal given by the company by being transparent in its annual report to investors that the company is better than other companies. And with the implementation of ERM, it is hoped that it will attract potential investors to invest their shares in the company. As has been explained in signal theory, signaling theory shows how a company should give signals to users through annual reports. According to Alawattegama (2018) ERM is recognized as a holistic and strategic approach to managing the risks faced by business enterprises, supporting top management in making risk-adjusted decisions for long-term value creation.

High profitability reflects the company has good prospects. Good prospects show the company can carry out ERM disclosures well. Because investors do not only expect the maximum return from their investment, but must consider other factors, namely risk, considering the risk for investors by looking at the annual financial statements issued by the company, this is done so that in the future it can minimize when things go wrong.

The results of research from Nustini and Nuraini, 2022 show that profitability has a positive influence on the level of company risk disclosure. This means that in choosing investments, it is recommended to companies that have high profitability and leverage, because they tend to disclose wider information about the company's current and future risk conditions. Disclosure of corporate risk in financial reporting can assist investors in identifying what types of risks the company will face and help investors measure the value of the company through stock price forecasting. Based on the results of previous studies. Then obtained the first hypothesis from this study as follows:

H_1: Enterprise Risk Management has a positive effect on profitability.

One of the ways to increase the company's profitability can be achieved through the creation of good governance within the company. Company management to achieve profit and continuity in a balanced manner can be achieved through the existence of Corporate Governance. GCG is a process that regulates and controls the company to improve business success while considering the interests of stakeholders and reducing agency conflicts in order to achieve company goals.

Vol. 6, No.07; 2022

ISSN: 2456-7760

Profitability can measure company performance, so increasing company profitability requires the implementation of good corporate management, namely the need to implement Good Corporate Governance (GCG). Good Corporate Governance is a set of regulations in the context of controlling the company to produce added value for stakeholders.

The results of research from Rumapea (2017) show that Good Corporate Governance has an effect on profitability ratios in manufacturing companies where Good Corporate Governance consisting of the board of directors has a significant and negative effect on profitability, the board of commissioners has a significant and positive effect on profitability and the audit committee has a significant and negative effect. to profitability. Based on the results of previous studies. Then obtained the second hypothesis from this study as follows:

H_2: Good Corporate Governance has a positive effect on profitability.

Corporate social responsibility (CSR) is the company's commitment to contribute to sustainable economic development by paying attention to corporate social responsibility and focusing on the balance between attention to economic, social and environmental aspects. The implementation of CSR is also a form of effort to maintain the company's relationship with stakeholders. Stakeholder theory explains that companies are required to pay attention to the interests of stakeholders, create added value from products and services for stakeholders and maintain the sustainability of the added value created (Rosdwianti, Dzulkirom, and Zahroh, 2016).

CSR can be done in various ways as a strategy to increase profitability. The company's reputation is a concern for potential investors, which can be assessed from the company's profitability, so it needs to be maintained to support the company's survival. Through CSR, it is expected to be able to achieve the company's main goal, namely seeking profit without ignoring the interests of stakeholders and environmental sustainability as a form of responsibility for the impacts that have been caused by the company's operational activities. Based on the results of previous studies. Then obtained the third hypothesis from this study as follows:

H_3: Corporate Social Responsibility has a positive effect on profitability.

Stakeholder theory states that companies are not entities that only operate for their own interests but must provide benefits to stakeholders (Ghozali and Chariri, 2007). Of course, the company will provide useful information for stakeholders. Information released by the company is very influential for stakeholders because it can predict the company in the future.

Management will always provide information that is of interest to stakeholders, because stakeholders have the right to obtain information on activities carried out by the company in minimizing losses that will have an impact on decision making by stakeholders. Information about the company's risk profile and risk management (ERM) is one of the information needed by the company. Applying ERM to the company will be able to help control management activities so that they can minimize things that are detrimental to the company and stakeholders.

The implementation of ERM in the company shows that the company has good risk management and internal control is still maintained. In the research of Soetedjo, Manasia, and Badan, (2018), it shows that ERM has a significant positive effect on firm value. The existence of better risk management with the implementation of ERM in a company also determines the level of investor confidence.

The results of research from Devi, Budiasih, and Badera (2017) and Iswajuni et al., (2018) found a positive effect of ERM on firm value. With the disclosure of ERM stakeholders, especially investors, get information, so that based on this information, investment analysis by external parties will be maximized and investment decision making by investors will be more precise. Then obtained the fourth hypothesis from this study as follows:

H_4: Enterprise Risk Management has a positive effect on firm value.

The management of the company must be supervised and controlled to ensure that the management is carried out in full compliance with applicable rules and regulations, this is based on agency theory. GCG is seen as a basis for signaling to investors that good company quality in the stock market can be achieved through good governance practices (Maulida, 2018). GCG aims to create added value for all interested parties. These parties are internal parties which include the board of commissioners, directors, employees, and external parties which include investors, creditors, government, society, and other interested parties (stakeholders). By implementing Good Corporate Governance, it is expected that the company will have good performance so that it can create added value and increase company value which can provide benefits for shareholders or company owners. High company value can increase the prosperity of stakeholders, so they will invest their capital in the company.

The Forum for Corporate Governance in Indonesia (FCGI) defines GCG as a system that directs and controls the company. With GCG as the controller for the company, it can reduce any actions that cause conflicts of interest such as wasting investor funds. So that GCG will give investors' confidence in the ability of management to manage their wealth which will then increase the value of the company.

The results of research from Fatoni (2020), Santoso (2017) and Sulastri, Dian, and Nurdiansyah (2017) find that Good Corporate Governance has a significant positive effect on firm value. With the implementation of good GCG, each party, both inside and outside the company, cooperates in achieving targets that are in line with expectations. The existence of continuity between the two parties causes the function of each party to run optimally so that the targets to be achieved by the company can be achieved. Then obtained the fifth hypothesis from this study as follows:

H_5: Good Corporate Governance has a positive effect on firm value

Signal theory discusses the company's encouragement to provide information to external parties (Murnita and Putra, 2018). This theory can give impetus to the company to provide information to external parties who have an influence on decision making which will have an influence on the value of the company. Signaling theory, one type of information issued by the company can be a signal for parties outside the company, especially for investors, with CSR disclosure is a good signal for investors and stakeholders. Companies that are active in implementing CSR disclosures can attract investors, so that there will be an increase in demand for shares followed by an increase in company value.

The existence of legitimacy theory supports CSR activities, this indicates the existence of a company that is recognized by the community. Legitimacy theory has a focus on the interaction between companies and the community, this is based on the view that companies are trying to create harmony between the social values inherent in activities with behavioral norms that exist in the social system of society where the company is part of the system.

Disclosure of CSR is a form of concern and responsibility of the company towards the activities and impacts on the environment around the company. With the disclosure of CSR, the company will benefit as the company will be in demand by investors. Companies that carry out social responsibility are considered to be able to make a good contribution to the general public and are able to be responsible for their activities and impacts on the environment around the company. Investors will believe that the company is able to ensure future survival if the company has disclosed its CSR, besides that it will increase the value of the company which investors will respond positively through increasing stock prices.

The results of research conducted by Rahmantari, Sitiari, and Dharmanegara (2019), Murnita and Putra (2018) and Defri (2019) found that CSR has a positive effect on firm value. By implementing the Corporate Social Responsibility program properly and in accordance with the company's operations, the company can increase the awareness and welfare of the company in the company's environment both externally and internally which involves three aspects, namely social aspects, economic aspects, and environmental aspects. This will build a positive public image for the company. Then obtained the sixth hypothesis from this study as follows:

H_6: Corporate Social Responsibility has a positive effect on firm value

Profitability shows how much the company's ability to generate profits for investors where this ability will determine how well the company is in the eyes of investors from a financial perspective. Investors will perceive a positive signal by paying attention to the probability growth of the company from each period. The increase in profitability contained in the financial statements is an effort to give a positive signal to investors related to the company's performance and the growth of business prospects in the future. This can build positive sentiment from investors which will affect the increase in stock prices in the capital market. With an increase in the capital market, the value of the company will increase in the eyes of investors.

Companies that experience an increase in profits reflect that the company has a good performance, so investors are interested in investing in the company and the share price will increase. Increasing stock prices in the capital market means increasing the value of the company in the eyes of investors.

A good company value will encourage investors' interest to invest in the company. One of the considerations used by investors in making investments is the level of return that will be given by the company by looking at the level of ROE. The higher this ratio, it will motivate investors to invest in shares, so that the share price and demand for shares will increase. The value of the company is influenced by the price of shares and the number of shares outstanding, so if the share price and number of shares increase, the value of the company will also increase.

The results of research from (Ayu Suarjaya, 2017), Azhar, Ngatno, and Wijayanto (2018) and Wijaya and Sedana (2015) find that profitability has a positive effect on firm value, where an increase in profitability will result in an increase in firm value. Then obtained the tenth hypothesis from this study as follows:

H_7: Profitability has a positive effect on firm value.

3. Method

Variable Measurement

In this study, there are two dependent variables, namely profitability and firm value, as well as four independent variables, namely Enterprise Risk Management (ERM), Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), and profitability. company value. The following is the measurement of each variable:

Table 1: Variables and Measurement

Variable	Symbol	Measurement
Firm Value	Tobin's-Q	(Market value of Stock +Debt)/Total Assets
Enterprise Risk Management	ERM	The number of ERM items disclosed /Total items
Good Corporate Gevernance	GCG	The number of GCG items disclosed /Total items
Corporate Social Responsibility	CSR	The number of GCG items disclosed/Total items
Profitability	ROE	Earning after tax/Total equity

Data analysis method

The analytical tool used in this study in testing the hypothesis is the multiple linear regression equation. This analysis is to determine the direction of the relationship between the independent variable and the dependent variable. The multiple regression equation model is formulated as follows:

Model 1

ROE $= \alpha + \beta 1ERM + \beta 2GCG + \beta 3CSR + \varepsilon$

Model 2

Tob-Q $= \alpha + \beta 1ERM + \beta 2GCG + \beta 3CSR + \beta 4ROE + \varepsilon$

Where:

Tob-Q = firm value

ROE = profitability

α = constant

$\beta_1, \beta_2, \beta_3$ = coefficient of regression

ERM = *Enterprise Risk Management*

GCG = *Good Coorporate Governance*

SCR = Corporate S*ocial Responsibility*

Ɛ = *Error term*

3. Results

Descriptive Statistics

From the data that has been collected, the research data can be described in terms of the minimum, maximum, average and standard deviation values. Table 2 shows the descriptive statistics.

Tabel 2: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std Deviation
ERM	140	0,60	0,95	0,80	0,10
GCG	140	0,60	0,98	0,83	0,09
CSR	140	0,61	0,97	0,82	0,11
ROE	140	-0.49	0,36	0,04	0,12
Tob-Q	140	0,37	1,69	0,95	0,25
Valid N	140				

Based on the table, it can be concluded that ERM has a minimum value of 60%, meaning that the ERM items disclosed are at least 60%, and a maximum of 95% with an average disclosure of 80%. The GCG variable has a minimum value of 60%, a maximum of 98% with an average disclosure of 83%. While the minimum CSR disclosed is 61%, the maximum is 97% with an average disclosure of 82%. Profitability as measured by ROE shows a minimum value of – 49%, and a maximum of 36% with an average of 12%, while the firm value as measured by Tobin's Q with a minimum value of 37%, a maximum of 169% with an average of 95%.

Hypothesis testing

The results of hypothesis testing using multiple regression analysis tools with the dependent variables of profitability and firm value are shown in table 3 below:

Table 3: Hypotheses result

Variable	Profitability			Firm Value		
	Coeficient	t	sign	Coeficient	t	sign
Constant		9.174	0,000		24.961	0,000
ERM	-0.461	-6.444	0,000	-0.856	-15.335	0,000
GCG	-0.010	-0.143	0.887	0.085	1.730	0.086
CSR	-0.365	-0.143	0,000	-0.594	-11.497	0,000
ROE				-0.596	-10.186	0,000

ISSN: 2456-7760

Table 3 shows that ERM and CSR have a significant and negative effect on profitability because the significance value is smaller than the significance level of 0.05, while GCG has no effect on profitability. On the other hand, ERM and

4. Discussion

Enterprise Risk Management (ERM) and profitability

This study shows that the ERM variable has a significant negative effect on profitability. This result is not in line with the research of Nustini and Nuraini (2022) which shows that profitability has a positive influence on the level of corporate risk disclosure. The higher the level of risk disclosure, the company's profitability will decrease. The decrease in profitability is because the company requires more costs, as stated by Chen et al (2020) that adopting ERM requires a large cost. If the company's profitability drops, it will make investors hesitate to invest because what investors want is profit from the shares that have been invested in the company, not losses and the company will be more difficult to carry out its operations because the company needs more funds to carry out the company's operations. The results of this study can be said that the more companies disclose ERM, the companies need greater costs which will cause the company's profitability to decrease.

Corporate Governance (GCG) and profitability

The results of this study indicate that the GCG variable has no effect on profitability. The research was carried out through the IPCG (Corporate Governance Disclosure Index), which means that companies are still low in disclosing the application of GCG principles, this is because companies disclosing GCG items are voluntary disclosures. This shows that the company is not required to disclose GCG in its annual report. This low GCG disclosure indicates that the implementation of GCG in Indonesia is still very low.

The low GCG disclosure index makes this study unable to prove the relationship between the disclosure of GCG implementation on profitability. Sufficient disclosure will affect confidence in investors, attracting investors to invest which in turn can increase the company's profitability. The low disclosure index makes investors unable to have sufficient information regarding the implementation of GCG in the company. Insufficient information makes investors difficult or hesitant in making investment decisions so that GCG is not related to profitability. The results of this study are in line with research from Putra and Nuzula (2017); Surepno and Minoto (2018) and Maulida (2018) which state that GCG has no effect on profitability.

Corporate Social Responsibility (CSR) and profitability

This study shows that the CSR variable has a significant negative effect on profitability. CSR disclosure is a form of fulfilling the expectations and desires of stakeholders who want to obtain more information about all company activities. If profitability is not in good condition, it will affect the company's CSR disclosure, because in an unstable condition, companies tend to improve their financial stability first compared to implementing CSR, because implementing CSR programs requires greater costs.

Vol. 6, No.07; 2022

ISSN: 2456-7760

If in carrying out the CSR program the company allocates funds inappropriately or the company invests excessively, it is feared that these funds cannot be allocated optimally so that they cannot provide significant benefits for the company. A large allocation of funds will indeed result in more and more diverse CSR activities, but large funds also do not guarantee that the CSR activities are of high quality. Therefore, the CSR funds must be managed as well as possible. Supposedly with CSR, the company is expected to increase profits through increasing reputation which will then increase sales and attract investors to invest. This means that CSR is a cost, where costs can reduce the company's income. The more companies carry out CSR, the profit generated will decrease so that the ROE value automatically decreases. Any increase in distributed CSR funds will cause a decrease in profitability, because in carrying out CSR the company does not only act as a business entity but also becomes a social entity that interacts with its environment in terms of economic, social, and environmental aspects in which the company carries out its business activities.

This research is in line with research from Rahmi and Anggraini (2013) and Astari (2016) which states that CSR has a negative effect on profitability.

Enterprise Risk Management (ERM) and enterprise value

The hypothesis in this study is that the disclosure of Enterprise Risk Management has a positive effect on firm value, while the results of this study state that there is a negative effect of ERM disclosure on firm value. This shows that with increasing ERM disclosure, the value of the company will decrease. The decline in the value of the company was due to the information disclosed by the company regarding the management of ERM was captured as negative news (bad news) by investors because with this information investors actually knew the prospect of company risks that threatened the sustainability of the company's performance, especially in the mining sector. In addition, the risks disclosed in the financial statements have not been fully balanced with complete information related to solutions to these risks. This encourages investors to divert their investment funds to companies that are more convincing when viewed from the management of the risks they face, both financially and non-financially.

The negative relationship in the results of this study indicates the company's failure to provide information to stakeholders related to the company's risk management presented in financial reporting. In this case, companies should be encouraged to disclose a company's risk profile that has been well managed, so that investors' confidence in managing the company's risk is higher. This lack of risk management information causes investors in Indonesia to not yet capture ERM disclosures as good news that is able to boost firm value. This is related to the nature of the ERM disclosure itself, where this disclosure is still voluntary or there are no regulations governing the disclosure, so that the disclosures made by the company seem modest without paying attention to the completeness of the information and the impact of the disclosure on the company.

This research is in line with the research of Aditya and Naomi (2017); Arifah and Wirajaya (2018) which state that ERM has a negative effect on firm value.

Corporate Governance (GCG) and company values

This study shows the results that GCG cannot affect firm value. This research is in line with research from Susilo, Sulastri and Isnurhadi (2018) which shows that GCG has no effect on firm value. The existence of GCG practices in the company is indeed implemented, but its implementation has not been fully implemented by the company in accordance with the principles of GCG or it can be said that the GCG practice is carried out by the company only as a formality as a fulfillment of the company's obligations under the regulations set by the government so that in the implementation of GCG has not been carried out optimally. Investors also consider that GCG practice is not a factor that can be taken into consideration in appreciating the value of the company.

In this study, the implementation of GCG has not been implemented properly so that each party, both within the company and outside the company, has not been able to achieve the target as expected. The absence of continuity between the two parties causes the function of each party to not run optimally so that the target to be achieved by the company cannot occur which has an impact on the return expected by shareholders has not been achieved. This unattainable rate of return causes shareholders to feel dissatisfied and it is difficult to give their trust to the company so that it has an impact on the stock price which reflects the value of the company. So, investors choose not to invest their shares in the company.

Corporate Social Responsibility (CSR) and company value

This study shows that CSR has a negative effect on firm value. CSR disclosure has a negative effect on firm value because the company has not been able to convey CSR disclosure appropriately to investors so that investors also have not caught it as something that needs attention. As said above, CSR has a negative effect on profitability where the higher CSR disclosure, profitability will decrease. In addition, investors still underestimate the company's CSR disclosures because the information provided is still not informative and relevant to the actual facts. And according to Khasanah and Sucipto (2020) CSR is expensive because implementing CSR programs creates additional costs.

The results of this study are in line with signaling theory which states that companies have an incentive to provide financial and non-financial information to investors as a signal to demonstrate accountability for financial, social, and environmental performance with good credibility so that it can be responded positively by stakeholders and to avoid asymmetry. information between the company and stakeholders. The signal sent by the company in the form of CSR disclosure through the annual report can be received by stakeholders but cannot be responded to properly and has not fully succeeded in becoming a stakeholder assessment medium to invest their capital in the company.

This research is in line with research from Afifah, Astuti, and Irawan (2017); Sabatini and Sudana (2019) which states that CSR has a negative effect on firm value.

Profitability and company value

The results of this study indicate that profitability has a negative effect on firm value. The higher the ROE, the lower the value of the company, this shows that every 1% increase in ROE will cause the stock price to decrease. Investors will be attracted by a high ROE because ROE shows the company's ability to manage its funds so that it shows the company's growth prospects, meaning that the company in this study has not been able to manage its funds properly, thus making the company's growth prospects look bad.

Companies that have a low percentage of ROE reflect companies that are not able to manage their company's performance which will result in a decrease in company value. The results of this study are not in accordance with the perspective of signal theory which explains that the increase in profitability listed in the financial statements is an effort to give a positive signal to investors related to the company's performance and the growth of business prospects in the future. However, this negative coefficient value indicates that profitability has an influence that is not in line with firm value. The negative direction of this research indicates that the higher the profitability, it will be followed by a decrease in firm value. This is because the value of the company is not fully influenced by the amount of profit, the profit earned by the company is still looked down upon by investors. This can be seen in the average profitability (ROE) of mining companies in 2016-2020 which is only 4%, and the maximum value of ROE which describes the rate of return on capital is only 36% so that it causes investors to be unsure of the profitability or profit that will be generated. obtained by the company in the future.

If the ROE number is low, the share price will also tend to fall so that it will reduce shareholder value. This will further reduce the company's attractiveness to investors, due to the occurrence of losses. The results of the study show that investors carry out an overview of a company by looking at financial ratios as an investment evaluation tool, because financial ratios reflect the high and low value of the company.

This research is in line with research from Nindita, Saiful, and Coryanata (2017); Cahya and Riwoe (2018); and Yahya and Fietroh (2021) where the results of their research show that profitability has a negative and significant effect on firm value.

5. Conclusion and Suggestions

Based on the results of the research above, it can be concluded that ERM has a significant and negative effect on both profitability and firm value, which confirms that the more risk disclosures, the lower the profitability and firm value. Likewise, CSR has a significant and negative effect on profitability and firm value. On the other hand, GCG has no effect on profitability or firm value. Another interesting finding is that profitability has an effect on firm value, but the effect is negative, thus contradicting the theory.

Companies need to be encouraged to disclose a company's risk profile that has been well managed, so that investors' confidence in managing the company's risk is higher. In this study, the lack of information on risk management causes investors in Indonesia to not yet capture the disclosure of ERM as good news that is able to boost firm value. Funds for CSR programs must be managed as well as possible, so that CSR in companies can increase profits through improving reputation which will then increase sales and attract investors to invest so that the value of the company will increase. Companies must be able to pay attention to the management of earnings on their assets to the maximum so that later it will not harm the company itself, so that in this study profitability cannot bridge and affect the relationship between Good Corporate Governance (GCG) and firm value.

Profitability of the company reflects how the company can manage its assets well so that the company needs to correct the prospects of the activities being carried out to be more productive, so that shareholders will feel a profit that is greater than the cost of capital.

ISSN: 2456-7760

For further researchers, they can use other methods in conducting research such as using Moderated Regression Analysis (MRA) by using moderating variables and adding other variables in the study. And further research can use ROA as a profitability ratio.

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Vol. 6, No.07; 2022

ISSN: 2456-7760

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