
Profitability AS a Mediator of the Effect of Enterprise Risk Management Disclosure and Intellectual Capital Disclosure on Firm Value in Indonesian Companies

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Abstract

This study aims to examine the effect of Enterprise Risk Management Disclosure and Intellectual Capital Disclosure on firm value, with profitability US a mediating variable, in mining-subsector manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2023. The study is grounded in stakeholder theory, which emphasizes the importance of non-financial disclosure in meeting stakeholder expectations.

The research employs a quantitative approach using Structural Equation Partial Modeling Least Square (SEM-PLS) with Warp PLS 7.0 software. The findings indicates that both Enterprise Risk Management Disclosure and Intellectual Capital Disclosure have a positive effect on firm value, with Enterprise Risk Management Disclosure having a statistically significant influence. Moreover, profitability significantly mediates the effect of both Enterprise Risk Management Disclosure and Intellectual Capital Disclosure on firm value. These results suggest that the disclosure of risk and intellectual capital affects not only market perception but also contributes to value creation through profitability. This study provides theoretical contributions to stakeholder theory and practical insights for managers on the strategic role of non-financial information. Future research should consider expanding to other sectors, extending the observation period, and including additional relevant variables.

Keywords: Enterprise Risk Management Disclosure, Intellectual Capital Disclosure, Firm Value, Profitability, Stakeholder Theory

1. Introduction

In the context of increasingly complex business competition, creating and maintaining *firm value* has become a primary focus for management, as high *firm value* is often associated with shareholder well-being and the company's long-term sustainability. Firm value not only reflects

current financial conditions but also serves as a signal read by the board of directors. investors For projecting potential time front company.

By Therefore, understanding the factors that influence firm value becomes crucial, including in among them openness information Enterprise Risk Management Disclosure and Intellectual Capital Disclosure, which play an important role in building a positive perception in the eyes of investors and other stakeholders.

Achieving high firm value is a goal that requires companies to optimize the use of their resources. Various literature studies show that there are many determining variables that influence firm value. Several factors considered to play a key role and projected to influence company value include enterprise risk management, corporate governance, intellectual capital disclosure and profitability (Hatane et al., 2017).

The ability of *profitability* to bridge the influence of Enterprise Risk Management Disclosure and Intellectual Capital Disclosure on Firm Value was tested in this study by placing *profitability* as an intervening variable . This assumption is based on the fact that profitability has a close and direct relationship with how the market values a company.

This research has relevance and urgency to test the impact of Enterprise Risk Management Disclosure and Intellectual Capital Disclosure on *firm value* . Specifically, this study will also examine the role of profitability as a mediating variable in mining subsector companies in Indonesia . Thus, based on the GAP research in this study, namely the still inconsistency of the results, this study aims to test and analyze the implementation related to Enterprise Risk Management Disclosure and Intellectual Capital Disclosure on firm value mediated by profitability carried out in manufacturing companies in the mining subsector.

The study guided by following research questions:

1. How does Enterprise Risk Management Disclosure influence firm value ?
2. How is it? influence Intellectual Capital Disclosure to firm value ?
3. How is it? influence Enterprise Risk Management Disclosure to Profitability ?
4. How is it? influence Intellectual Capital Disclosure to Profitability ?
5. How influence Profitability To Firm Value ?
6. How is it? influence Enterprise Risk Management Disclosure to firm value mediated by profitability ?
7. How is it? influence Intellectual Capital Disclosure to firm value Which mediated by Profitability ?

2. Literature Review

Stakeholder Theory

Stakeholder theory was introduced by Freeman (1984) as a conceptual framework stating that the success and survival of a company depend not only on its shareholders, but also on the company's ability to meet the expectations and interests of other stakeholders, such as employees, customers, suppliers, local communities, and regulators. In this context, companies are seen as having broader responsibilities to their surrounding social and economic environment.

Disclosure of non-financial information, such as *Enterprise Risk Management Disclosure* and *Intellectual Capital Disclosure*, is crucial within the stakeholder theory framework because it serves as a mechanism for accountability and transparent communication to stakeholders. When companies actively disclose their risk management and intellectual assets, this not only increases trust and legitimacy among stakeholders but also has the potential to strengthen the company's reputation and market value (Michelon, Pilonato, & Ricceri, 2015; Kuo & Chen, 2021).

In the capital-intensive and high-risk mining industry, stakeholder theory becomes particularly relevant. This is because stakeholder expectations for transparency and social responsibility are increasing, particularly regarding issues of sustainability, occupational safety, and environmental impact. Therefore, stakeholder-oriented disclosure can be a crucial strategy in building long-term corporate value.

Firm Value

Firm value is an important indicator reflecting market perception of a company's future performance, prospects, and risks. Firm value is generally measured using market-based approaches such as Tobin's Q, which compares the market value of a company's assets to its book value (Chung & Pruitt, 1994). The higher the Tobin's Q, the greater investor confidence in the company's ability to create sustainable economic value.

In the mining industry, firm value is heavily influenced by external factors such as commodity price fluctuations, environmental risks, and stringent regulations. Therefore, in addition to financial performance indicators such as Return on Equity (ROE), disclosure of strategic information reflecting a company's risk management and intellectual property is also a crucial signal in shaping investor perceptions of a company's value.

The formula of Firm Value :

$$\text{Tobin's Q} = \frac{\text{MVS} + \text{D}}{\text{Total Asset}}$$

Note.

$$\begin{aligned} \text{MVS} &= \text{Market value of all outstanding shares} \\ \text{D} &= \text{Debt} \end{aligned}$$

Enterprise Risk Management Disclosure

Enterprise Risk Management Disclosure refers to the disclosure of information related to the overall risk management policies, strategies, and implementation within an organization. Enterprise Risk Management itself is an integrated approach used by companies to identify, assess, manage, and monitor risks that can impact the achievement of corporate objectives, including financial, operational, strategic, and compliance risks (Hoyt & Liebenberg, 2011).

In practice, Enterprise Risk Management Disclosure aims to increase transparency, accountability, and stakeholder trust in corporate governance. This aligns with the principles of *good corporate governance* and stakeholder theory, which emphasize the importance of companies providing adequate information on risk management activities to external parties (Beasley et al., 2005; Linsley & Shrivess, 2006).

Several studies have shown that Enterprise Risk Management Disclosure can be a positive signal for investors because it demonstrates a company's commitment to proactive risk management, thereby lowering the cost of capital and increasing company value (Gordon et al., 2009; Florio & Leoni, 2017). In high-risk industrial sectors such as mining, the implementation of Enterprise Risk Management Disclosure is increasingly crucial, as it directly relates to issues of sustainability, occupational safety, environmental compliance, and the company's operational resilience to market and regulatory volatility. Therefore, Enterprise Risk Management Disclosure not only reflects managerial capacity in managing uncertainty but also serves as a strategic communication tool for the company to build legitimacy and reputation among investors and other stakeholders.

The COSO framework is used in this study to measure Enterprise Risk Management Disclosure.

The formula of Enterprise Risk Management Disclosure :

$$ERMD_i = \frac{\sum \text{Score ERMD}}{\sum \text{Total Score ERMD}}$$

Note.

ERMD_i = *Entreprise Risk Management Disclosure index*

Intellectual Capital Disclosure

Intellectual Capital Disclosure refers to the disclosure of non-financial information related to a company's intangible assets, such as human resources, organizational structure, innovation, brands, technology, and external relationships. In the context of a knowledge-based economy, this disclosure is a crucial element in assessing a company's performance and long-term potential (Guthrie et al., 2004).

Intellectual Capital Disclosure is generally classified into three main components: human capital, structural capital, and relational capital (Bontis, 1998). Disclosure of these components

allows stakeholders to understand an organization's ability to create value through intangible assets that are not directly reflected in traditional financial statements.

Within the framework of stakeholder theory, *Intellectual Capital Disclosure* plays a crucial role as a strategic communication tool for companies to build trust, credibility, and legitimacy among stakeholders (Bruggen et al., 2009). The higher the level of intellectual capital disclosure, the greater the company's chances of gaining support from investors, employees, customers, and the surrounding community, which can ultimately have a positive impact on company value.

However, the effectiveness of *Intellectual Capital Disclosure* in enhancing firm value also depends on the industry context and the company's economic structure. In the capital-intensive, physical-asset-based mining sector, the direct impact of *Intellectual Capital Disclosure* on a company's market value may be more limited than in knowledge-based sectors. Therefore, it is important for companies in this sector to ensure that intellectual capital disclosure is not merely symbolic but truly reflects a measurable value creation strategy.

Intellectual Capital Disclosure Framework used in this study refers to the research of Li *et al* (2008).

The formula of Intellectual Capital Disclosure :

$$ICDi = \frac{\sum \text{Score ICD}}{\sum \text{Total Score ICD}}$$

Note.

$ICDi = \text{Intellectual Capital Disclosure index}$

Profitability

Profitability is a key indicator in assessing a company's financial performance, reflecting the company's ability to generate profits from its operational activities. One commonly used measure in financial and accounting research is Return on Equity (ROE) , the ratio of net income to total equity. ROE reflects the rate of return shareholders receive on their investment in the company (Penman, 2012).

In the context of testing the firm value model, profitability is often positioned as a mediating variable between non-financial factors, such as disclosure *and* strategic management, and *firm value* . This means that strategic disclosures such as Enterprise Risk Management and Intellectual Capital Disclosure will only create value if they contribute to increased profitability first (Gordon et al., 2009; Florio & Leoni, 2017).

Thus, profitability is not only a measure of managerial efficiency but also a strategic bridge in converting disclosure policies into increased corporate value. Particularly in the capital-intensive and high-risk mining sector, profitability stability is crucial because it influences a company's ability to withstand external volatility such as commodity price fluctuations, regulatory changes, and environmental pressures.

The formula of Profitability :

$$ROE = \frac{\text{Earning After Tax}}{\text{Total Shareholder Qs Equity}}$$

Note.

ROE = Return on Equity
Shareholder's Equity

The study hypothesizes hypothesis that:

H 1 : Enterprise Risk Management Disclosure influential positive to Firm Value

H 2 : Intellectual Capital Disclosure influential positive to Firm Value

H 3 : Enterprise Risk Management Disclosure influential positive to Firm Value

H 4 : Intellectual Capital Disclosure influential positive to Profitability

H 5 : Profitability influential positive to Firm Value

H 6 : Profitability mediate influence Enterprise Risk Management Disclosure on Firm Value

H 7 : Profitability mediate influence Intellectual Capital Disclosure to Firm Value

3. Method

This study adopts a quantitative causal-comparative research design using an ex post facto approach, aiming to examine the causal relationship between non-financial disclosures namely Enterprise Risk Management Disclosure and Intellectual Capital Disclosure and firm value, with profitability (ROE) as a mediating variable. Since the data are collected from published secondary sources, no direct manipulation or intervention is involved. The framework is grounded in stakeholder theory, which posits that transparent disclosures can build trust and ultimately enhance firm value.

The sample used in this study were *cyclical companies* in the mining sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2019-2023. The mining subsector was chosen because of its crucial role in global economic dynamics and the involvement of various types of mining, each with its own distinct challenges and opportunities. The analysis used *Structural Equation Modeling – Partial Least Squares* (SEM-PLS) techniques.

The Panel regression model is formulated below:

$$FV_{it} = \alpha + \beta_1 ERMD_{it} + \beta_2 ICD_{it} + u_{it} \dots\dots\dots (1)$$

$$PROF_{it} = \alpha + \beta_4 ERMD_{it} + \beta_5 ICD_{it} + u_{it} \dots\dots\dots (2)$$

$$FV_{it} = \alpha + \beta_6 PROF_{it} + u_{it} \dots\dots\dots (3)$$

Note.

FV = Firm Value
 ERMD_{it} = Enterprise Risk
 Management ICD_{it} = Intellectual Capital
 Disclosure PROF_{it} = Profitability

4. Results

Data Analysis and Discussion

Based on the results of data processing, the descriptive statistics of this study are explained in Table 1.

Table 1 Statistics Descriptive

Variable	Observation	Minimum	Maximum	Mean	Standard Deviation
ERMD (X1)	130	0.5	0.87	0.6755	0.0728
ICD (X2)	130	0.36	0.9	0.6921	0.0938
ROE (Z)	130	- 1.54	0.52	0.0542	0.1824
Tobins (Y)	130	0.16	165.65	6.0634	15.7392

Source : Data processed smart PLS (2025)

Based on Table 1. The average value of *Enterprise Risk Management Disclosure* is 0.6755, with standard deviation 0.0728. Mark This average indicates that most mining companies have disclosed information related to environmental risk management at a moderate to high level. Average from *Intellectual Capital Disclosure* is as large as 0.6921, with standard deviation 0.0938. This show that Companies in this sector are quite active in disclosing their intellectual assets, including human, structural, and relational capital. Furthermore, the average ROE value is 0.0542, with a standard deviation of 0.1824. This means that most companies company experience loss or performance finance Which not enough stable throughout the observation period. High variability indicates inequality in profitability among mining companies. Meanwhile, the average Firm Value is 6.0634, with a standard deviation of 15.7392. This indicates that although companies have a high market value compared to their book value, the distribution is highly uneven.

Thus, based on the descriptive data above, it can be concluded that there are disparities between companies in terms of environmental risk disclosure, intellectual capital, and financial performance achievement, which are ultimately reflected in differences in company market value. This variation illustrates that not all mining sector companies have optimally responded to stakeholder demands. Furthermore, this is within the framework of theory stakeholders, results This confirm that management and responsive reporting to stakeholder interests, both internal and external, is a critical factor influencing company value. Therefore, increasing

consistency in disclosure and achieving healthy financial performance can be a sustainability strategy that aligns with the long-term interests of all stakeholders.

Table 2 Direct Effect Test

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
Enterprise Risk Management Disclosure (X1) -> Profitability (Z)	0.263	0.263	0.089	2,970	0.003
Intellectual Capital Disclosure (X2) -> Profitability (Z)	0.268	0.265	0.092	2,917	0.004
Enterprise Risk Management Disclosure (X1) -> Firm Value (Y)	0.159	0.162	0.079	2,013	0.045
Intellectual Capital Disclosure (X2) -> Firm Value (Y)	0.136	0.133	0.086	1,567	0.118
Profitability (Z) -> Firm Value (Y)	0.278	0.268	0.101	2,745	0.006

Source : Data processed smart PLS (2025)

Table 4.10 Mediation Test

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Enterprise Risk Management Disclosure (X1) -> Profitability (Z) -> Firm Value (Y)	0.073	0.070	0.037	1,993	0.047
Intellectual Capital Disclosure (X2) -> Profitability (Z) -> Firm Value (Y)	0.074	0.071	0.037	2,006	0.045

Source : Data processed smart PLS (2025)

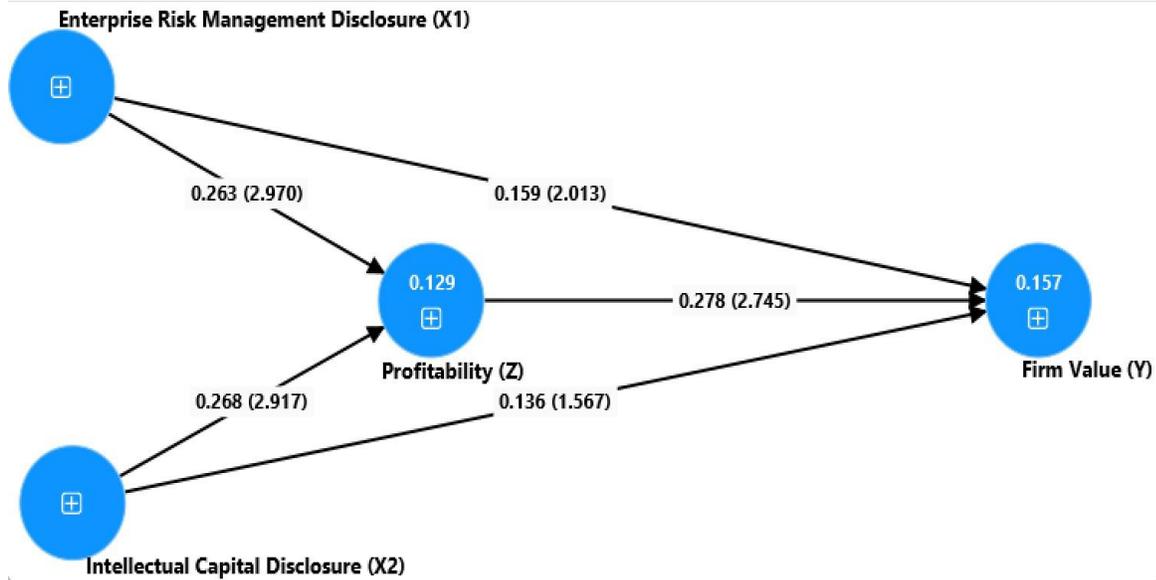


Figure 1. Research Models

This study found that Enterprise Risk Management Disclosure has an effect positive significant to firm value in sector cyclical Indonesian mining. Findings This confirm that Enterprise Risk Management Comprehensive disclosure is a strategic factor that not only increases transparency but also strengthens market and investor perceptions of a company's stability and prospects.

The results of this study indicate that Intellectual Capital Disclosure has influence positive But No significant to firm value in sector cyclical mining in Indonesia. Thus, although on average

mining companies disclose Intellectual Capital Disclosure at a fairly high level, but because If the variation between companies is low and is not strongly reflected in market perception, then Intellectual Capital Disclosure does not have a significant effect on firm value .

Furthermore, this study also found that Enterprise Risk Management Disclosure has an effect positive significant to Company profitability Which measured by Return on Equity (ROE) in sector cyclical mining Indonesia. Hal This indicates that company Which in a way active And transparent disclosure of risk management strategies and processes tends to have more structured internal management, better operational control, and higher efficiency , thus being able to produce more optimal financial performance.

Intellectual Capital Disclosure has influence positive And significant to profitability company , as measurement of Return on Equity (ROE), in sector cyclical mining in Indonesia. Results findings This reflect that disclosure information related to capital man, capital structural, And capital relational can give value-added real to achievement performance finance company. Information it works No only as form transparency, but Also as signal to the market And stakeholders that company own capacity intellectual and managerial which strong in support productivity And efficiency.

Study This find that profitability Which measured with Return Return on Equity (ROE) has a positive and significant influence on firm value . The findings This confirm that the more tall ability The more a company generates a return on the capital invested by shareholders, the higher the market valuation of the company.

Based on the results of this study, profitability can also mediate the relationship between Enterprise Risk Management Disclosure to Firm Value. This shows that profitability is an important bridge that explains how business practices management risk Which Good can translated become improvement economic value for the company .

Furthermore, profitability can also mediate the relationship between Intellectual Capital Disclosure and Firm Value. These findings indicate that a company's value is not solely derived from its tangible assets or market valuation. Furthermore, a company's value is also significantly determined by its internal capabilities in managing and communicating its intellectual capital as part of its business strategy.

5. Conclusion and Recommendation

This study aims to analyze the influence of Enterprise Risk Management Disclosure and Intellectual Capital Disclosure on firm value, considering the mediating role of profitability (ROE), in the context of the cyclical mining sector in Indonesia. The analysis results show that both Enterprise Risk Management Disclosure and Intellectual Capital Disclosure have a positive influence on profitability, which subsequently contributes to increasing firm value. However, only Enterprise Risk Management Disclosure shows a significant direct effect on firm value,

while Intellectual Capital Disclosure does not show a significant direct effect, but has an indirect effect through profitability.

These findings underscore the crucial role of profitability as a strategic pathway in converting non-financial disclosures into economic value. Therefore, companies need to ensure that their risk and intellectual capital disclosure policies drive better financial performance to enhance company value. This research also reinforces the relevance of stakeholder theory, which emphasizes the importance of accountability and transparency in addressing stakeholder expectations as the basis for long-term value creation.

The results of this study provide significant practical and theoretical implications. Practically, mining companies are advised to focus not only on formal Enterprise Risk Management Disclosure and Intellectual Capital Disclosure compliance, but also to ensure that such disclosures result in tangible financial performance. Strengthening risk management capacity and optimizing intellectual assets should be directed towards improving operational efficiency and profitability, thus directly impacting company value.

Theoretically, these findings broaden our understanding of *value creation mechanisms* through a stakeholder approach, demonstrating that the influence of non-financial disclosure on firm value is indirect and dependent on profitability. Thus, profitability serves as a strategic channel required in the value creation process through Enterprise Risk Management Disclosure and Intellectual Capital Disclosure.

Further research may consider conducting cross-sector or cross-country analyses to increase the generalizability of findings, combining quantitative and qualitative approaches (*mixed methods*) to gain deeper insights into the motivations and strategies of Enterprise Risk Management Disclosure and Intellectual Capital Disclosure and using other moderators such as governance quality or stakeholder pressure to evaluate conditions that may strengthen or weaken the influence of disclosure on Company value.

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