

**BUKTI KORESPONDENSI**  
**ARTIKEL JURNAL INTERNASIONAL BEREPUTASI**

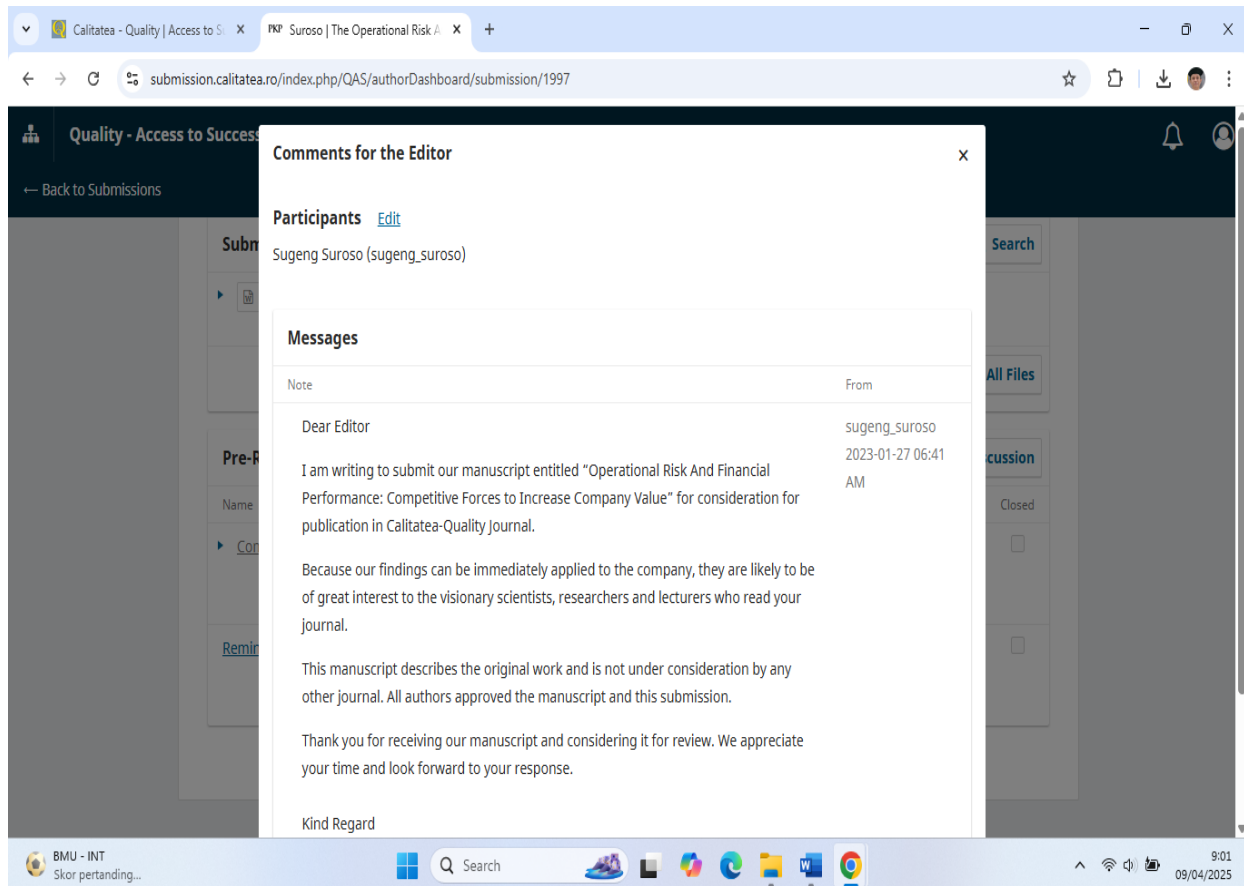
Judul artikel : Operational Risk and Financial Performance: Competitive Forces to Increase Company Value

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# 1. Bukti Submit Artikel dan Artikel yang Disubmit (27 Januari 2023)



# Bukti Artikel yang di submit

## *Operational Risk And Financial Performance: Competitive Forces to Increase Company Value*

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1.

### **Abstract**

Real estate companies are one of the most frequently requested companies. The need for houses, offices, entertainment, and infrastructure will be much more significant, causing land and building prices to continue to increase. However, the real estate sector is an unpredictable and high-risk quality sector. Events show that the real estate sector is booming and oversupplies during high monetary developments and favorable macroeconomic conditions. Therefore, this study aims to determine how the risk strength and performance of competing companies increase the company's value. The population consists of companies listed in the housing sector on the Indonesia Stock Exchange. The firm value uses Tobin's Q proxy. Operational risk uses Enterprise Risk Management, while financial performance uses Debt Policy, Company size, and profitability proxies. Data collection was carried out using the target method from 2018 to 2020. The results showed a positive relationship between Tobin's Q and business risk. However, debt size and profitability policy variables have a negative impact.

**Keywords :** Operational Risk, Financial performance, Company Value

### **1. INTRODUCTION**

Indonesia's large population will greatly support investment in the real estate sector. Therefore, the need for housing, leisure, entertainment, and other infrastructure becomes more significant, resulting in a yearly increase in the price of land and buildings.

In general, the real estate sector is highly unpredictable. This indicates that high economic growth and good macroeconomic conditions cause housing and real estate surplus. However, when

the economy experiences a decline, with bad macroeconomic conditions in recession, the sector faces drastic reduction. Currently, there is evidence of a decrease in gross domestic product contribution growth.

The growth of the real estate sector affects a company's value, which is very important because it can affect investors' perceptions. The company's value reflects the outlook and expectations of its ability to increase asset value in the future. The market value of the stock price measures it.

Furthermore, managers are expected to effectively and efficiently manage the company's finances. In a public company, the market value of the company will be determined by the supply and demand of shares (Smriti & Das, 2018).

The company's high value will be considered reasonable by investors if the company's performance shows good performance. To attract investors, every business owner will consistently demonstrate to potential investors that their companies are viable investment alternatives. However, the real estate sector is an unpredictable and high-risk quality industry.

## **2. LITERATUR REVIEW**

### **2.1. The value of the company**

The company's goal is to maximize the equity obtained by maximizing its value. Entrepreneurs desire a high value because it indicates high equity (Suroso, 2021). Husnan (2010) argues that the price investors are willing to pay for an outstanding share is the best indicator of companies' value. The business goal of maximizing shareholder value forces companies to make decisions that always consider the impact on the value or price of their shares (Freeman, 2013). Management must consider this factor because it is the investor's perception of companies' past performance and future prospects.

### **2.2. Enterprise risk management**

Enterprise Risk Management is a comprehensive risk management system that integrates all possible existing risks to improve business performance (Nocco & Stulz, 2006). According to COSO, ERM is a cycle influenced by senior management and other personnel, completed when making general decisions about procedures and associations. It identifies opportunities that could affect the association, monitors the dangers, and provides appropriate confirmation. Enterprise Risk Management has four classifications: strategy, operations, reporting, and consistency. ERM disclosures were scored using the COSO format. On the framework provided by the COSO, 108 ERM articulations cover eight aspects: internal objectives, identification, events, risk assessment, responses, control, communication, and information, as well as observations (Desender & Lafuente, 2009).

### **2.3. Debt Policy**

There are several assumptions about leverage versus companies' value strategy. According to Modigliani and Miller's theory, increasing debt can improve an organization's value, assuming it has not yet reached its sweet spot. Debts contribute to business owners' profits to increase shareholder value as long as interest rates can be used to reduce costs (Brigham and Houston, 2012). The trade-off theory states that debt can increase the value of the business at some point.

Organizations prefer to use debt capital because the costs involved are lower than offering shares. It can also reduce the costs of organizational activities and offices. Furthermore, it is challenging to determine the full utilization of debt in corporate activities. As the compromise hypothesis demonstrates, the greater the debt, the higher the liquidation risk for the organization because the increase in interest costs is higher than the reserve funds.

Debt expansion will pose a level of danger to the organization's sources of income. The greater the significance of the debt, the more likely it is that the organization will be unable to meet its obligations, including interest and principal debt. Therefore, they need to be cautious while determining their accountability strategy, as an increase underwater will cause a decline in the organization's value (Azahar. H, 2012)

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#### 2.4. Company Size

Company size is the scale at which a business can be managed in various ways, including resource utilization, ledger size, and exchange value (Fu et al., 2017; Lindenberg & Rot ss, 1981). It shows a degree of commitment and ability to grow, indicating the capacity and level of risk in overseeing investor efforts to build development opportunities (Basyith, 2016). Large companies are generally easier to grow, have easier access to capital markets and pay low financing costs (Tang & Liou, 2010). Furthermore, expansion is the growth of an item or line of business completed to increase benefits. A business will be compensated by another item or region when it experiences a decline in a specific item or region. A more stable income or salary reduces business risk and increases value.

#### 2.5. Profitability

The companies objective is to make the greatest possible profit (Suroso, 2022a). Productivity is an essential aspect aspect in determining the health of the business. According to Brigham and Houston (2013), profitability is a set of proportions that show the combined impact of cash, board resources, and liabilities on job outcomes. The higher the productivity percentage, the better it

describes the company's ability to generate high profits. Furthermore, to measure the productivity of the company used Return on Assets (ROA). A high ROA indicates that resources are used more productively (Suroso, 2022b). ROA is the ratio of net income to total assets, a measure used to determine after-interest and tax return on investment on total assets.

### 3. METHOD

This study used quantitative data from secondary sources by searching the Internet through each company's website of the Indonesian Stock Exchange (IDX). The population consists of listed companies on IDX from 2018 to 2020.

Table 1  
Operational variable

| No | Variable                   | Indicator | Parameter                                                                                            |
|----|----------------------------|-----------|------------------------------------------------------------------------------------------------------|
| 1  | Company Value              | Q         | $\frac{\text{Market Value of Equity} + \text{Book Value of Debt}}{\text{Book Value of Total Asset}}$ |
| 2  | Enterprise Risk Management | ERM       | $\frac{\text{Total Disclosur}}{\text{Total disclosur sholud be}}$                                    |
| 3  | Debt Policy                | DER       | $\frac{\text{Total liabilities}}{\text{Total Equity}}$                                               |
| 4  | Company Size               | Size      | Ln Total Asset                                                                                       |
| 5  | Profitability              | ROA       | $\frac{\text{Net Profit}}{\text{Total Asset}}$                                                       |

The dependent variable is companies value, while the independent includes Enterprise Risk Management (ERM), debt policy, size, and profitability. The comparison between the dependent variable and the independent variable can be explained as follows:

$$Y = \beta_0 + \beta_1.X1 + \beta_2.X2 + \beta_3.X3 + \beta_4.X4 + \varepsilon$$

Y = Tobin's Q;  $\beta_0$  = Constant;  $\beta_1$  = Coefficient ERM;  $\beta_2$  = Coefficient DER;  $\beta_3$  = Coefficient Size;  $\beta_4$  = Coefficient ROA;  $\varepsilon$  = error term

### 4. RESULT

#### 4.1. Descriptive statistics

Table. 2  
Descriptive statistics

|             | TOBINS_Q | ERM       | DER      | TOTAL_ASSET | ROA       |
|-------------|----------|-----------|----------|-------------|-----------|
| Mean        | 1.050560 | 0.724143  | 0.881631 | 29.59058    | 0.037179  |
| Median      | 0.980500 | 0.726500  | 0.724500 | 29.64350    | 0.032500  |
| Maximum     | 2.306000 | 0.806000  | 3.065000 | 31.67000    | 0.159000  |
| Minimum     | 0.228000 | 0.639000  | 0.043000 | 26.79200    | -0.060000 |
| Std. Dev.   | 0.435165 | 0.038946  | 0.636575 | 1.168099    | 0.040062  |
| Skewness    | 0.776347 | -0.010685 | 1.133229 | -0.296748   | 0.058308  |
| Kurtosis    | 3.168181 | 2.641004  | 4.192335 | 2.362194    | 2.752279  |
| Jarque-Bera | 8.537008 | 0.452672  | 22.95472 | 2.656622    | 0.262377  |
| Probability | 0.014003 | 0.797450  | 0.000010 | 0.264924    | 0.877052  |

|              |          |          |          |          |          |
|--------------|----------|----------|----------|----------|----------|
| Sum          | 88.24700 | 60.82800 | 74.05700 | 2485.609 | 3.123000 |
| Sum Sq. Dev. | 15.71761 | 0.125896 | 33.63386 | 113.2498 | 0.133210 |
| Observations | 84       | 84       | 84       | 84       | 84       |

The fixed value measured by Tobin's Q reached a mean of 1.051 for a standard deviation of 0.435 and 2.306 as the highest value. This indicates that companies can create the highest fixed value of 2.306 times the invested capital. On the other hand, the lowest value is 0.228. ERM has a mean, standard deviation, highest, and lowest value of 0.724, 0.038, 0.806, and 0.639, respectively. Furthermore, debt policies measured using the debt/equity ratio (DER) have a mean, standard deviation, highest, and lowest value of 0.883, 0.636, 3.065, and 0.043, respectively. The size obtained an average value of 29.591 and 1.168 for standard deviation. Its highest and lowest values are 31.670 and 26.792, respectively.

#### 4.2. Chow Test

Testing to determine the most appropriate fixed effect or common effect model used in the paneldata model.

2. **Table 3**  
3. **Chow Test Results**

| Effects Test             | Statistic  | d.f.    | Prob.  |
|--------------------------|------------|---------|--------|
| Cross-section F          | 11.906378  | (29,50) | 0.0000 |
| Cross-section Chi-square | 173.677049 | 29      | 0.0000 |

Based on table 3., the results of the Chow Test show that the probability value is 0.0000. The probability value < (0.05). In other words, the estimation model used is FEM.

#### 4.3. Housman Test

Determine the estimation model between the Fix Effect Model (FEM) and the Random Effect Model (REM) can be done with the Hausman Test

Tabel 4  
Housman Test Result

| Test Summary         | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob.  |
|----------------------|-------------------|--------------|--------|
| Cross-section random | 10.008581         | 4            | 0.0403 |

Based on table 4. the results of the Hausman Test show that the probability value is 0.0403. Probability value < (0.05). In other words, the estimation model used is FEM

#### 4.4. Fix Effect Model

based on the results of Chow and Hausman tests, The results are presented in Table 5 below

Table 5  
Fixed Effect Model

| Variable    | Coefficient | Std. Error | t-Statistic | Prob.  |
|-------------|-------------|------------|-------------|--------|
| C           | 15.91094    | 2.136881   | 7.445872    | 0.0000 |
| ERM         | 3.223479    | 0.707453   | 4.556457    | 0.0000 |
| DER         | 0.137907    | 0.066956   | 2.059644    | 0.0447 |
| TOTAL_ASSET | -0.586180   | 0.066432   | -8.823734   | 0.0000 |
| ROA         | 0.784945    | 0.364433   | 2.153881    | 0.0361 |

Based on Table 5, it produces the panel data multiple regression equation as follows:

$$Y = 15.9109 + 3,22347 \text{ ERM} + 0.13790 \text{ DER} - 0.58618 \text{ LnTA} + 0.78494 \text{ ROA}$$

#### 4.5. Partial Tests

The t-statistical test shows how far the influence of one explanatory or independent variable individually explains the variation of the dependent variable. The test used a significance level of 0.05 ( $\alpha=5\%$ ).

Table 6  
Results of the Partial Test (t-test)

| Variable   | Coefficient | Std. Error | t-Statistic | Prob.  |
|------------|-------------|------------|-------------|--------|
| C          | 15.91094    | 2.136881   | 7.445872    | 0.0000 |
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| DER        | 0.137907    | 0.066956   | 2.059644    | 0.0447 |
| TOTAL_ASET | -0.586180   | 0.066432   | -8.823734   | 0.0000 |
| ROA        | 0.784945    | 0.364433   | 2.153881    | 0.0361 |

The probability value of the companies risk management variable is  $0.0000 < 0.05$ . This indicates that it has significant increasing power at the value level (Tobin's Q), hence, the hypothesis is accepted. DER has a value of  $0.0447 < 0.05$ , which means that this ratio has a significant effect on Tobin's Q, for that the hypothesis can be accepted. ROA value is  $0.0361 < 0.05$ , which means that there is a power that significantly affects the level of Tobin's Q. Therefore, the hypothesis is accepted.

## 5. DISCUSSION

### **5.1. The Strength of Enterprise Risk Management on Company Value**

Based on the results of the statistical tests in Table 4, the ERM disclosure variable positively and significantly impacts company value. These results are consistent with Devi et al. (2017) that ERM disclosure has a positive and significant effect on value. Bravo (2017) states that more ERM disclosures result in a higher value. The results of this study are consistent with Nocco's (2006) theory that applying ERM can increase value. Furthermore, investors demand proper ERM disclosures to minimize risks and uncertainties.

### **5.2. Strength of Debt to Equity Ratio to Company Value**

The DER positively affects companies' value. Its positive impact shows that the companies manage their debt well, thereby increasing shareholder value. This result is consistent with Gill (2012) that DER had a positive and significant effect on value.

The value is high when indebtedness is still reasonable. However, the value decreases when the debt exceeds the limit because more costs will be paid to creditors. This problem caused a decline in investor interest which led to bankruptcy. The positive market response shows that the debts of real estate and its companies are still reasonable and can be repaid by society. This study's result is consistent with Miller and Modigliani's debt policy theory which states that an increase in debt can increase its value, suppose it is yet to reach its optimal point (Brigham & Houston, 2013).

### **5.3. The Strength of Company Size on Value**

The statistical test results in Table 4 showed that the size variable has a negative regression coefficient. This indicates that the size is inversely related to the value. In addition, the larger the size of the business, the lower its value. Assets include everything owned by the business, including equity, retained earnings, and debts to third parties. In a case where debt dominates the composition of total assets, then they are considered risky. Although total assets are significant, when dominated by debt reduce the value, as measured by Tobin's Q. This result is consistent with Prewett & Terry (2018).

Large companies are generally more diversified, have easier market access, and pay lower interest rates (La'lbar et al., 2012). Based on this theory, the size, as proxied by total assets, indicates the number of assets deposited.

### **5.4. The Strength of Profitability Against Company Value**

The statistical test results in Table 4 showed that the profitability variable (ROA) positively and significantly affects value. This result is consistent with the report of Piluso F (Piluso, 2013) that profitability significantly affects value.

These results showed that higher profitability ensures higher value, effectiveness, and efficiency in generating profits. Furthermore, the high profits indicate that companies are performing well and have long-term prospects, hence, can attract investors to buy shares. The rising share price reflects a better image. Investors will like this because they can buy shares of companies that will generate profits in the future.

## **6. CONCLUSION**

This study concludes that the ERM variable has a significant positive effect on Tobin's Q results (Curkovic et al., 2013). This result indicated that ERM significantly increases the company's value.

The greater the number of published ERM disclosures by the company, the higher its value. Furthermore, the scope of voluntary ERM disclosures published by companies receives a positive response from the market. This is due to the market's belief that ERM disclosure is one of the relevant pieces of information in forecasting the future and business continuity (Devi et al., 2017). This study's results are consistent with the signaling theory. According to Wahyu Hidayat (2017), enterprise-facing ERM information is a good commitment to ERM. Therefore, ERM disclosure is good news that can be interpreted as a positive signal because investors can assess the prospects through ERM information.

The implementation of ERM to support the achievement of objectives piques the attention of stakeholders, specifically investors, in learning about ERM information as a basis for analyzing investment decisions. Interested parties can also evaluate prospects through ERM information. According to Buallay et al. (2017), investors need adequate ERM disclosure to minimize the level of risk and uncertainty. Furthermore, investors rate companies that reveal broader ERM implementations, as this action indicate that they are more engaged in risk management (Suroso, 2020). Investors are confident that large corporations will be willing to disclose ERM more broadly and specifically. Their confidence in the quality and commitment to risk management can foster positive investor perception, resulting in increased shareholder value.

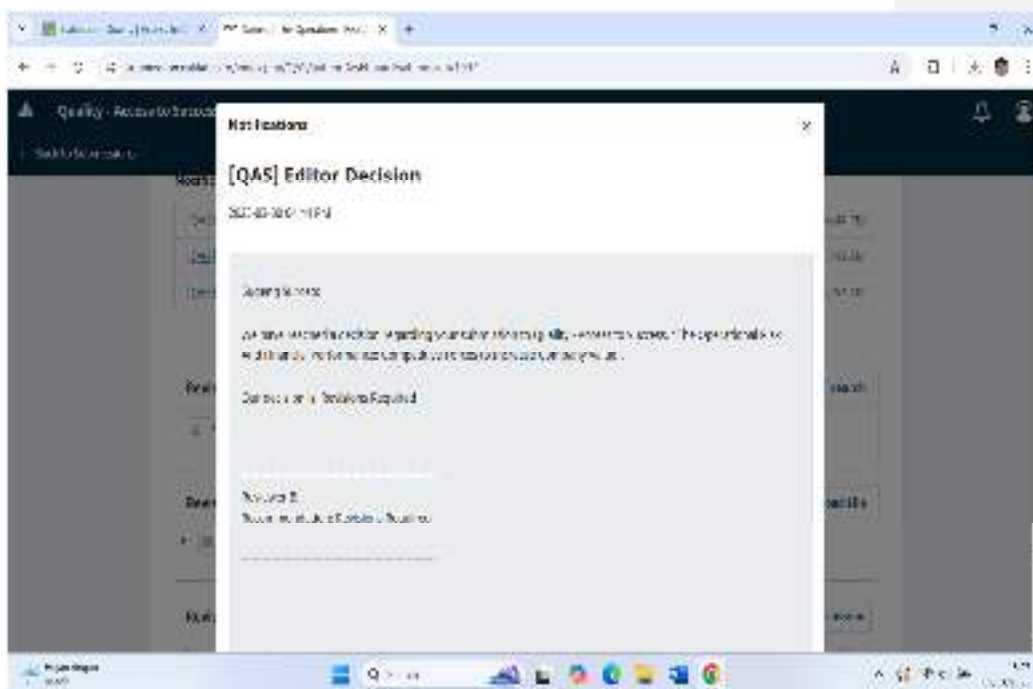
The data processing results showed that DER significantly affects companies' value. This indicate that companies have many opportunities for expansion or development using high debts. As the companies develop, profits for investors improve, thereby ensuring their interest in buying stock. The results also showed that the variable of companies' size negatively and significantly impacts value. This study's result showed that investors avoid high total assets. Real estate companies' assets are comprised of land, buildings, infrastructure, office equipment, project, and machinery. Most of these assets consist of land, buildings, and infrastructure. Furthermore, investors tend to avoid companies whose assets increase without a corresponding profit increase because buildings and infrastructure require maintenance costs.

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## 2. Bukti Konfirmasi Review untuk direvisi (30 Maret 2023)



# Bukti Konfirmasi Review

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Real estate companies are one of the most frequently requested companies. The need for houses, offices, entertainment, and infrastructure will be much more significant, causing land and building prices to continue to increase. However, the real estate sector is an unpredictable and high-risk quality sector. Events show that the real estate sector is booming and oversupplies during high monetary developments and favorable macroeconomic conditions. Therefore, this study aims to determine how the risk strength and performance of competing companies increase the company's value. The population consists of companies listed in the housing sector on the Indonesia Stock Exchange. The firm value uses Tobin's *Q* proxy. Operational risk uses Enterprise Risk Management, while financial performance uses Debt Policy, Company size, and profitability proxies. Data collection was carried out using the target method from 2018 to 2020. The results showed a positive relationship between Tobin's *Q* and business risk. However, debt size and profitability policy variables have a negative impact.

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Enterprise Risk Management is a comprehensive risk management system that integrates all possible existing risks to improve business performance (Nocco & Stulz, 2006). According to COSO, ERM is a cycle influenced by senior management and other personnel, completed when making general decisions about procedures and associations. It identifies opportunities that could affect the association, monitors the dangers, and provides appropriate confirmation. Enterprise Risk Management has four classifications: strategy, operations, reporting, and consistency. ERM disclosures were scored using the COSO format. On the framework provided by the COSO, 108 ERM articulations cover eight aspects: internal objectives, identification, events, risk assessment, responses, control, communication, and information, as well as observations (Desender & Lafuente, 2009).

### 2.3. Debt Policy

There are several assumptions about leverage versus companies' value strategy. According to Modigliani and Miller's theory, increasing debt can improve an organization's value, assuming it has not yet reached its sweet spot. Debts contribute to business owners' profits to increase shareholder value as long as interest rates can be used to reduce costs (Brigham and Houston, 2012). The trade-off theory states that debt can increase the value of the business at some point.

Organizations prefer to use debt capital because the costs involved are lower than offering shares. It can also reduce the costs of organizational activities and offices. Furthermore, it is challenging to determine the full utilization of debt in corporate activities. As the compromise hypothesis demonstrates, the greater the debt, the higher

the liquidation risk for the organization because the increase in interest costs is higher than the reserve funds.

Debt expansion will pose a level of danger to the organization's sources of income. The greater the significance of the debt, the more likely it is that the organization will be unable to meet its obligations, including interest and principal debt. Therefore, they need to be cautious while determining their accountability strategy, as an increase underwater will cause a decline in the organization's value (Azahar. H, 2012)

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#### 2.4. Company Size

Company size is the scale at which a business can be managed in various ways, including resource utilization, ledger size, and exchange value (Fu et al., 2017; Lindenberg & Rot ss, 1981). It shows a degree of commitment and ability to grow, indicating the capacity and level of risk in overseeing investor efforts to build development opportunities (Basyith, 2016). Large companies are generally easier to grow, have easier access to capital markets and pay low financing costs (Tang & Liou, 2010). Furthermore, expansion is the growth of an item or line of business completed to increase benefits. A business will be compensated by another item or region when it experiences a decline in a specific item or region. A more stable income or salary reduces business risk and increases value.

#### 2.5. Profitability

The companies objective is to make the greatest possible profit (Suroso, 2022a). Productivity is an essential aspect aspect in determining the health of the business. According to Brigham and Houston (2013), profitability is a set of proportions that show the combined impact of cash, board resources, and liabilities on job outcomes. The higher the productivity percentage, the better it describes the company's ability to generate high profits. Furthermore, to measure the productivity of the company used Return on Assets (ROA). A high ROA indicates that resources are used more productively (Suroso, 2022b). ROA is the ratio of net income to total assets, a measure used to determine after-interest and tax return on investment on total assets.

### **3. METHOD**

This study used quantitative data from secondary sources by searching the Internet through each company's website of the Indonesian Stock Exchange (IDX). The population consists of listed companies on IDX from 2018 to 2020.

Table 1  
Operational variable

| No | Variable                   | Indicator | Parameter                                                                                            |
|----|----------------------------|-----------|------------------------------------------------------------------------------------------------------|
| 1  | Company Value              | Q         | $\frac{\text{Market Value of Equity} + \text{Book Value of Debt}}{\text{Book Value of Total Asset}}$ |
| 2  | Enterprise Risk Management | ERM       | $\frac{\text{Total Disclosur}}{\text{Total disclosur sholud be}}$                                    |
| 3  | Debt Policy                | DER       | $\frac{\text{Total liabilities}}{\text{Total Equity}}$                                               |
| 4  | Company Size               | Size      | Ln Total Asset                                                                                       |
| 5  | Profitability              | ROA       | $\frac{\text{Net Profit}}{\text{Total Asset}}$                                                       |

The dependent variable is companies value, while the independent includes Enterprise Risk Management (ERM), debt policy, size, and profitability. The comparison between the dependent variable and the independent variable can be explained as follows:

$$Y = \beta_0 + \beta_1.X1 + \beta_2.X2 + \beta_3.X3 + \beta_4.X4 + \varepsilon$$

Y = Tobin's Q;  $\beta_0$  = Constant;  $\beta_1$  = Coefficient ERM;  $\beta_2$  = Coefficient DER;  $\beta_3$  = Coefficient Size;  $\beta_4$  = Coefficient ROA;  $\varepsilon$  = error term

Commented [H2]: Your Research Method is not clear

## 4. RESULT

### 4.1. Descriptive statistics

Table. 2  
Descriptive statistics

|              | TOBINS Q | ERM       | DER      | TOTAL ASSET | ROA       |
|--------------|----------|-----------|----------|-------------|-----------|
| Mean         | 1.050560 | 0.724143  | 0.881631 | 29.59058    | 0.037179  |
| Median       | 0.980500 | 0.726500  | 0.724500 | 29.64350    | 0.032500  |
| Maximum      | 2.306000 | 0.806000  | 3.065000 | 31.67000    | 0.159000  |
| Minimum      | 0.228000 | 0.639000  | 0.043000 | 26.79200    | -0.060000 |
| Std. Dev.    | 0.435165 | 0.038946  | 0.636575 | 1.168099    | 0.040062  |
| Skewness     | 0.776347 | -0.010685 | 1.133229 | -0.296748   | 0.058308  |
| Kurtosis     | 3.168181 | 2.641004  | 4.192335 | 2.362194    | 2.752279  |
| Jarque-Bera  | 8.537008 | 0.452672  | 22.95472 | 2.656622    | 0.262377  |
| Probability  | 0.014003 | 0.797450  | 0.000010 | 0.264924    | 0.877052  |
| Sum          | 88.24700 | 60.82800  | 74.05700 | 2485.609    | 3.123000  |
| Sum Sq. Dev. | 15.71761 | 0.125896  | 33.63386 | 113.2498    | 0.133210  |

|              |    |    |    |    |    |
|--------------|----|----|----|----|----|
| Observations | 84 | 84 | 84 | 84 | 84 |
|--------------|----|----|----|----|----|

The fixed value measured by Tobin's Q reached a mean of 1.051 for a standard deviation of 0.435 and 2.306 as the highest value. This indicates that companies can create the highest fixed value of 2.306 times the invested capital. On the other hand, the lowest value is 0.228. ERM has a mean, standard deviation, highest, and lowest value of 0.724, 0.038, 0.806, and 0.639, respectively. Furthermore, debt policies measured using the debt/equity ratio (DER) have a mean, standard deviation, highest, and lowest value of 0.883, 0.636, 3.065, and 0.043, respectively. The size obtained an average value of 29.591 and 1.168 for standard deviation. Its highest and lowest values are 31.670 and 26.792, respectively.

## 5.2. Chow Test

Testing to determine the most appropriate fixed effect or common effect model used in the paneldata model.

4. **Table 3**  
5. **Chow Test Results**

| Effects Test             | Statistic  | d.f.    | Prob.  |
|--------------------------|------------|---------|--------|
| Cross-section F          | 11.906378  | (29,50) | 0.0000 |
| Cross-section Chi-square | 173.677049 | 29      | 0.0000 |

Based on table 3., the results of the Chow Test show that the probability value is 0.0000. The probability value < (0.05). In other words, the estimation model used is FEM.

## 5.3. Housman Test

Determine the estimation model between the Fix Effect Model (FEM) and the Random Effect Model (REM) can be done with the Hausman Test

Tabel 4  
Housman Test Result

| Test Summary         | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob.  |
|----------------------|-------------------|--------------|--------|
| Cross-section random | 10.008581         | 4            | 0.0403 |

Based on table 4. the results of the Hausman Test show that the probability value is 0.0403. Probability value < (0.05). In other words, the estimation model used is FEM

## 5.4. Fix Effect Model

**Commented [H3]:** Good research not only about statistical form.  
we must make a new model of novelty in our research

based on the results of Chow and Hausman tests, The results are presented in Table 5 below

Table 5  
Fixed Effect Model

| Variable    | Coefficient | Std. Error | t-Statistic | Prob.  |
|-------------|-------------|------------|-------------|--------|
| C           | 15.91094    | 2.136881   | 7.445872    | 0.0000 |
| ERM         | 3.223479    | 0.707453   | 4.556457    | 0.0000 |
| DER         | 0.137907    | 0.066956   | 2.059644    | 0.0447 |
| TOTAL_ASSET | -0.586180   | 0.066432   | -8.823734   | 0.0000 |
| ROA         | 0.784945    | 0.364433   | 2.153881    | 0.0361 |

Based on Table 5, it produces the panel data multiple regression equation as follows:

$$Y = 15.9109 + 3.22347 \text{ ERM} + 0.13790 \text{ DER} - 0.58618 \text{ LnTA} + 0.78494 \text{ ROA}$$

### 5.5. Partial Tests

The t-statistical test shows how far the influence of one explanatory or independent variable individually explains the variation of the dependent variable. The test used a significance level of 0.05 ( $\alpha=5\%$ ).

Table 6  
Results of the Partial Test (t-test)

| Variable   | Coefficient | Std. Error | t-Statistic | Prob.  |
|------------|-------------|------------|-------------|--------|
| C          | 15.91094    | 2.136881   | 7.445872    | 0.0000 |
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| ROA        | 0.784945    | 0.364433   | 2.153881    | 0.0361 |

The probability value of the companies risk management variable is 0.0000 < 0.05. This indicates that it has significant increasing power at the value level (Tobin's Q), hence, the hypothesis is accepted. DER has a value of 0.0447 < 0.05, which means that this ratio has a significant effect on Tobin's Q, for that the hypothesis can be accepted. ROA value is 0.0361 < 0.05, which means that there is a power that significantly affects the level of Tobin's Q. Therefore, the hypothesis is accepted.

## 6. DISCUSSION

### 6.1. The Strength of Enterprise Risk Management on Company Value

Based on the results of the statistical tests in Table 4, the ERM disclosure variable positively and significantly impacts company value. These results are consistent with Devi et al. (2017) that ERM disclosure has a positive and significant effect on value. Bravo (2017) states that more ERM disclosures result in a higher value. The results of this study are consistent with Nocco's (2006) theory that applying ERM can increase value. Furthermore, investors demand proper ERM disclosures to minimize risks and uncertainties.

### **6.2. Strength of Debt to Equity Ratio to Company Value**

The DER positively affects companies' value. Its positive impact shows that the companies manage their debt well, thereby increasing shareholder value. This result is consistent with Gill (2012) that DER had a positive and significant effect on value.

The value is high when indebtedness is still reasonable. However, the value decreases when the debt exceeds the limit because more costs will be paid to creditors. This problem caused a decline in investor interest which led to bankruptcy. The positive market response shows that the debts of real estate and its companies are still reasonable and can be repaid by society. This study's result is consistent with Miller and Modigliani's debt policy theory which states that an increase in debt can increase its value, suppose it is yet to reach its optimal point (Brigham & Houston, 2013).

### **6.3. The Strength of Company Size on Value**

The statistical test results in Table 4 showed that the size variable has a negative regression coefficient. This indicates that the size is inversely related to the value. In addition, the larger the size of the business, the lower its value. Assets include everything owned by the business, including equity, retained earnings, and debts to third parties. In a case where debt dominates the composition of total assets, then they are considered risky. Although total assets are significant, when dominated by debt reduce the value, as measured by Tobin's Q. This result is consistent with Prewett & Terry (2018).

Large companies are generally more diversified, have easier market access, and pay lower interest rates (La'lbar et al., 2012). Based on this theory, the size, as proxied by total assets, indicates the number of assets deposited.

### **6.4. The Strength of Profitability Against Company Value**

The statistical test results in Table 4 showed that the profitability variable (ROA) positively and significantly affects value. This result is consistent with the report of Piluso F (Piluso, 2013) that profitability significantly affects value.

These results showed that higher profitability ensures higher value, effectiveness, and efficiency in generating profits. Furthermore, the high profits indicate that companies are performing well and have long-term prospects, hence, can attract investors to buy shares. The rising share price reflects a better image. Investors will like this because they can buy shares of companies that will generate profits in the future.

## **7. CONCLUSION**

This study concludes that the ERM variable has a significant positive effect on Tobin's Q results (Curkovic et al., 2013). This result indicated that ERM significantly increases the company's value.

The greater the number of published ERM disclosures by the company, the higher its value. Furthermore, the scope of voluntary ERM disclosures published by companies receives a positive response from the market. This is due to the market's belief that ERM disclosure is one of the relevant pieces of information in forecasting the future and business continuity (Devi et al., 2017). This study's results are consistent with the signaling theory. According to Wahyu Hidayat (2017), enterprise-facing ERM information is a good commitment to ERM. Therefore, ERM disclosure is good news that can be interpreted as a positive signal because investors can assess the prospects through ERM information.

The implementation of ERM to support the achievement of objectives piques the attention of stakeholders, specifically investors, in learning about ERM information as a basis for analyzing investment decisions. Interested parties can also evaluate prospects through ERM information. According to Buallay et al. (2017), investors need adequate ERM disclosure to minimize the level of risk and uncertainty. Furthermore, investors rate companies that reveal broader ERM implementations, as this action indicates that they are more engaged in risk management (Suroso, 2020). Investors are confident that large corporations will be willing to disclose ERM more broadly and specifically. Their confidence in the quality and commitment to risk management can foster positive investor perception, resulting in increased shareholder value.

The data processing results showed that DER significantly affects companies' value. This indicates that companies have many opportunities for expansion or development using high debts. As the companies develop, profits for investors improve, thereby ensuring their interest in buying stock. The results also showed that the variable of companies' size negatively and significantly impacts value. This study's result showed that investors avoid high total assets. Real estate companies' assets are comprised of land, buildings, infrastructure, office equipment, project, and machinery. Most of these assets consist of land, buildings, and infrastructure. Furthermore, investors tend to avoid companies whose assets increase without a corresponding profit increase because buildings and infrastructure require maintenance costs.

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### 3. Bukti Konfirmasi submit hasil revisi dan artikel yang diresubmit.



## Bukti Artikel revisi yang diresubmit

### *Operational Risk And Financial Performance: Competitive Forces to Increase Company Value*

**Sugeng SUROSO**

Faculty of Economics and Business, Universitas Bhayangkara Jakarta Raya

Email: [sugeng.suroso@ubharajaya.ac.id](mailto:sugeng.suroso@ubharajaya.ac.id)

#### *Abstract*

*Real estate companies are one of the most frequently requested companies. The need for houses, offices, entertainment, and infrastructure will be much more significant, causing land and building prices to continue to increase. However, the real estate sector is an unpredictable and high-risk quality sector. Events show that the real estate sector is booming and oversupplies during high monetary developments and favorable macroeconomic conditions. Therefore, this study aims to determine how the risk strength and performance of competing companies increase the company's value. The population consists of companies listed in the housing sector on the Indonesia Stock Exchange. The firm value uses Tobin's Q proxy. Operational risk uses Enterprise Risk Management, while financial performance uses Debt Policy, Company size, and profitability proxies. Data collection was carried out using the target method from 2018 to 2020. The results showed a positive relationship between Tobin's Q and business risk. However, debt size and profitability policy variables have a negative impact.*

**Keywords :** *Operational Risk, Financial performance, Company Value*

#### **1. INTRODUCTION**

Indonesia's large population will greatly support investment in the real estate sector. Therefore, the need for housing, leisure, entertainment, and other infrastructure becomes more significant, resulting in a yearly increase in the price of land and buildings.

In general, the real estate sector is highly unpredictable. This indicates that high economic growth and good macroeconomic conditions cause housing and real estate surplus. However, when the economy experiences a decline, with bad macroeconomic conditions in recession, the sector faces drastic reduction. Currently, there is evidence of a decrease in gross domestic product contribution growth.

The growth of the real estate sector affects a company's value, which is very important because it can affect investors' perceptions. The company's value reflects the outlook and expectations of its ability to increase asset value in the future. The market value of the stock price measures it.

Furthermore, managers are expected to effectively and efficiently manage the company's finances. In a public company, the market value of the company will be determined by the supply and demand of shares (Smriti & Das, 2018).

From 2016 to 2020, Indonesia's business sector experienced ups and downs. The real estate and construction sectors are no exception. Real estate is generally showing positive developments despite experiencing a decline. As a comparison, all business fields in Indonesia are displayed. (pu.go.id).

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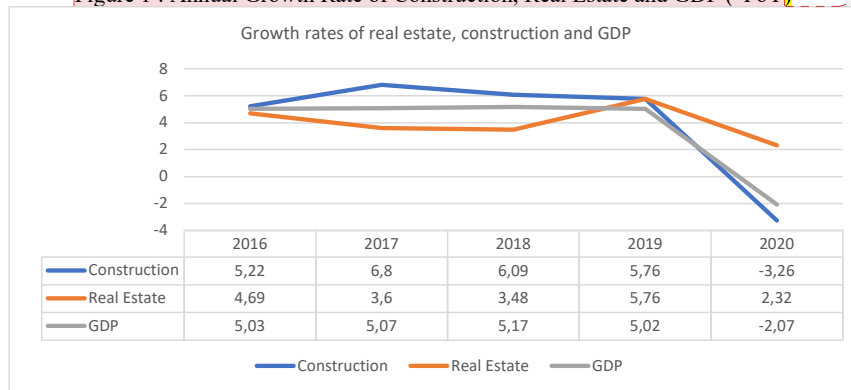
Table 1 : GDP Growth Rate by Business Field 2016-2020

| Business Field                       | Growth Rate |      |      |       |        |
|--------------------------------------|-------------|------|------|-------|--------|
|                                      | 2016        | 2017 | 2018 | 2019  | 2020   |
| 1. Agriculture, Forest & Fish        | 3,37        | 3,92 | 3,88 | 3,61  | 1,75   |
| 2. Mining & Quarrying                | 0,95        | 0,66 | 2,16 | 1,22  | -1,95  |
| 3. Processing Industry               | 4,26        | 4,29 | 4,27 | 3,8   | -2,93  |
| 4. Electricity and Gas               | 5,39        | 1,54 | 5,47 | 4,04  | -2,34  |
| 5. Water, Garbage, Waste             | 3,6         | 4,59 | 5,56 | 6,83  | 4,94   |
| 6. Construction                      | 5,22        | 6,8  | 6,09 | 5,76  | -3,26  |
| 7. Trade & Vehicle Repair            | 4,03        | 4,46 | 4,97 | 4,6   | -3,72  |
| 8. Transportation & Warehousing      | 7,45        | 8,49 | 7,05 | 6,39  | -15,04 |
| 9. Hotels & Restaurants              | 5,17        | 5,41 | 5,68 | 5,79  | -10,22 |
| 10. Information and Communication    | 8,88        | 9,63 | 7,02 | 9,42  | 10,58  |
| 11. Financial Services and Insurance | 8,93        | 5,47 | 4,17 | 6,61  | 3,25   |
| 12. Real Estate                      | 4,69        | 3,6  | 3,48 | 5,76  | 2,32   |
| 13. Corporate Services               | 7,36        | 8,44 | 8,64 | 10,25 | -5,44  |
| 14. Government & Social Security     | 3,2         | 2,05 | 6,97 | 4,65  | -0,03  |
| 15. Education Services               | 3,84        | 3,72 | 5,36 | 6,3   | 2,63   |
| 16. Health and Social Services       | 5,16        | 6,84 | 7,15 | 8,69  | 11,6   |
| 17. Other services                   | 8,01        | 8,73 | 8,95 | 10,57 | -4,1   |
| GROSS DOMESTIC PRODUCT               | 5,03        | 5,07 | 5,17 | 5,02  | -2,07  |

**Commented [u5]:** Additional table that you suggest

Real estate growth in Indonesia in 2020, during the Covid-19 pandemic, still shows a positive increase compared to the growth rate of the construction sector and the GDP growth rate (YoY), which is experiencing a negative growth rate. Real estate growth was shown by the increase of +2.32, while construction growth contracted by -3.26 and GDP contracted by -2.07%.

Figure 1 : Annual Growth Rate of Construction, Real Estate and GDP ( YoY)



**Commented [u6]:** Additional figures that you suggest

The company's high value will be considered reasonable by investors if the company's performance shows good performance. To attract investors, every business owner will consistently demonstrate to potential investors that their companies are viable investment

alternatives. However, the real estate sector is an unpredictable and high-risk quality industry.

## **2. LITERATUR REVIEW**

### **2.1. The value of the company**

The company's goal is to maximize the equity obtained by maximizing its value. Entrepreneurs desire a high value because it indicates high equity (Suroso, 2021). Husnan (2010) argues that the price investors are willing to pay for an outstanding share is the best indicator of companies' value. The business goal of maximizing shareholder value forces companies to make decisions that always consider the impact on the value or price of their shares (Freeman, 2013). Management must consider this factor because it is the investor's perception of companies' past performance and future prospects.

### **2.2. Enterprise risk management**

Enterprise Risk Management is a comprehensive risk management system that integrates all possible existing risks to improve business performance (Nocco & Stulz, 2006). According to COSO, ERM is a cycle influenced by senior management and other personnel, completed when making general decisions about procedures and associations. It identifies opportunities that could affect the association, monitors the dangers, and provides appropriate confirmation. Enterprise Risk Management has four classifications: strategy, operations, reporting, and consistency. ERM disclosures were scored using the COSO format. On the framework provided by the COSO, 108 ERM articulations cover eight aspects: internal objectives, identification, events, risk assessment, responses, control, communication, and information, as well as observations (Desender & Lafuente, 2009).

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Debt expansion will pose a level of danger to the organization's sources of income. The greater the significance of the debt, the more likely it is that the organization will be unable to meet its obligations, including interest and principal debt. Therefore, they need to be cautious while determining their accountability strategy, as an increase underwater will cause a decline in the organization's value (Azahar. H, 2012)

companies' value strategy. According to Modigliani and Miller's theory, increasing debt can improve an organization's value, assuming it has not yet reached its sweet spot. Debts contribute to business owners' profits to increase shareholder value as long as interest rates can be used to reduce costs (Brigham and Houston, 2012). The trade-off theory states that debt can increase the value of the business at some point.

Organizations prefer to use debt capital because the costs involved are lower than offering shares. It can also reduce the costs of organizational activities and offices. Furthermore, it is challenging to determine the full utilization of debt in corporate activities. As the compromise hypothesis demonstrates, the greater the debt, the higher the liquidation risk for the organization because the increase in interest costs is higher than the reserve funds.

Debt expansion will pose a level of danger to the organization's sources of income. The greater the significance of the debt, the more likely it is that the organization will be unable to meet its obligations, including interest and principal debt. Therefore, they need to be cautious while determining their accountability strategy, as an increase underwater will cause a decline in the organization's value (Azahar. H, 2012)

#### 2.4. Company Size

Company size is the scale at which a business can be managed in various ways, including resource utilization, ledger size, and exchange value (Fu et al., 2017; Lindenberg & Rot ss, 1981). It shows a degree of commitment and ability to grow, indicating the capacity and level of risk in overseeing investor efforts to build development opportunities (Basyith, 2016). Large companies are generally easier to grow, have easier access to capital markets and pay low financing costs (Tang & Liou, 2010). Furthermore, expansion is the growth of an item or line of business completed to increase benefits. A business will be compensated by another item or region when it experiences a decline in a specific item or region. A more stable income or salary reduces business risk and increases value.

#### 2.5. Profitability

The companies objective is to make the greatest possible profit (Suroso, 2022a). Productivity is an essential aspect in determining the health of the business. According to Brigham and Houston (2013), profitability is a set of proportions that show the combined impact of cash, board resources, and liabilities on job outcomes. The higher the productivity percentage, the better it describes the company's ability to generate high profits. Furthermore, to measure the productivity of the company used Return on Assets (ROA). A high ROA indicates that resources are used more productively (Suroso, 2022b). ROA is the ratio of net income to total assets, a measure used to determine after-interest and tax return on investment on total assets.

### 3. METHOD

#### 3.1. Sample description & Analysis

The empirical analysis uses data obtained from the Indonesian stock exchange database. The sampling technique in this research is purposive sampling, a sampling technique from data sources with specific considerations.

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The sample selection criteria in this study were property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the observation period, from 2018 to 2020, annual financial report data available from 2018 to 2020, complete financial data and market data by the research variables. The analysis uses a regression model with the variables used Enterprise Risk Management (ERM), debt policy, size, and profitability.

### 3.2. Operational Variable

Table 2 : Operational variable

| No | Variable                   | Indicator | Parameter                                                                                            |
|----|----------------------------|-----------|------------------------------------------------------------------------------------------------------|
| 1  | Company Value              | Q         | $\frac{\text{Market Value of Equity} + \text{Book Value of Debt}}{\text{Book Value of Total Asset}}$ |
| 2  | Enterprise Risk Management | ERM       | $\frac{\text{Total Disclosur}}{\text{Total disclosur sholud be}}$                                    |
| 3  | Debt Policy                | DER       | $\frac{\text{Total liabilities}}{\text{Total Equity}}$                                               |
| 4  | Company Size               | Size      | Ln Total Asset                                                                                       |
| 5  | Profitability              | ROA       | $\frac{\text{Net Profit}}{\text{Total Asset}}$                                                       |

### 3.2 Regression model and variables used in the research

The dependent variable is companies value, while the independent includes Enterprise Risk Management (ERM), debt policy, size, and profitability. The comparison between the dependent variable and the independent variable can be explained as follows:

$$Y = \beta_0 + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_4 + \varepsilon$$

Y = Tobin's Q;

$\beta_0$  = Constant;

$\beta_1$  = Coefficient ERM;

$\beta_2$  = Coefficient DER;

$\beta_3$  = Coefficient Size;

$\beta_4$  = Coefficient ROA;

$\varepsilon$  = error term

## 4. RESULT

### 4.1. Descriptive statistics

Table 3 : Descriptive statistics

|         | TOBINS_Q | ERM      | DER      | TOTAL_ASSET | ROA       |
|---------|----------|----------|----------|-------------|-----------|
| Mean    | 1.050560 | 0.724143 | 0.881631 | 29.59058    | 0.037179  |
| Median  | 0.980500 | 0.726500 | 0.724500 | 29.64350    | 0.032500  |
| Maximum | 2.306000 | 0.806000 | 3.065000 | 31.67000    | 0.159000  |
| Minimum | 0.228000 | 0.639000 | 0.043000 | 26.79200    | -0.060000 |

The fixed value measured by Tobin's Q reached a mean of 1.051 for a standard deviation of 0.435 and 2.306 as the highest value. This indicates that companies can create the highest fixed value of 2.306 times the invested capital. On the other hand, the lowest value is 0.228. ERM has a mean, standard deviation, highest, and lowest value of 0.724, 0.038, 0.806, and 0.639, respectively. Furthermore, debt policies measured using the debt/equity ratio (DER) have a mean, standard deviation, highest, and lowest value of 0.883, 0.636, 3.065, and 0.043, respectively. The size obtained an average value of 29.591 and 1.168 for standard deviation. Its highest and lowest values are 31.670 and 26.792, respectively.

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we must make a new model of novelty in our research

### 6.2. Test Panel Data Models

From the results of the panel data models test, the following results were obtained

| Test         | Result Prob. | Information                                       |
|--------------|--------------|---------------------------------------------------|
| Chow Test    | < 0.05       | The estimation model used is the Fix Effect Model |
| Housman Test | < 0.05       | The estimation model used is the Fix Effect Model |

### 6.3. Fix Effect Model

based on the results of Chow and Hausman tests, The results are presented in Table 5 below

Table 4 : Fixed Effect Model

| Variable    | Coefficient | Std. Error | t-Statistic | Prob.  |
|-------------|-------------|------------|-------------|--------|
| C           | 15.91094    | 2.136881   | 7.445872    | 0.0000 |
| ERM         | 3.223479    | 0.707453   | 4.556457    | 0.0000 |
| DER         | 0.137907    | 0.066956   | 2.059644    | 0.0447 |
| TOTAL ASSET | -0.586180   | 0.066432   | -8.823734   | 0.0000 |
| ROA         | 0.784945    | 0.364433   | 2.153881    | 0.0361 |

Based on Table 5, it produces the panel data multiple regression equation as follows:

$$Y = 15.9109 + 3.22347 \text{ ERM} + 0.13790 \text{ DER} - 0.58618 \text{ LnTA} + 0.78494 \text{ ROA}$$

The probability value of the companies risk management variable is 0.0000 < 0.05. This indicates that it has significant increasing power at the value level (Tobin's Q), hence, the hypothesis is accepted. DER has a value of 0.0447 < 0.05, which means that this ratio has a significant effect on Tobin's Q, for that the hypothesis can be accepted. ROA value is 0.0361 < 0.05, which means that there is a power that significantly affects the level of Tobin's Q.

### 6.4. Spearman Corelation Table

Table 5 : Spearman Corelation Table

|           | Tobin's Q | ERM | DER | Total Asset | ROA |
|-----------|-----------|-----|-----|-------------|-----|
| Tobin's Q | 1         |     |     |             |     |
| ERM       | -0,25412* | 1   |     |             |     |

|             |           |           |           |           |   |
|-------------|-----------|-----------|-----------|-----------|---|
| DER         | 0,044764* | 0,155633* | 1         |           |   |
| Total Asset | -0,32088  | 0,031778* | 0,212941* | 1         |   |
| ROA         | -0,03837* | 0,195061* | -0,13033* | 0,010831* | 1 |

Notes: All p-values are two-tailed; \* Coefficient is significant with p-value <0.05

From the Spearman correlation table, it can be explained that ERM and Total Asset have a negative relationship with Tobins'Q, while DER has a positive relationship with Tobins'Q. ROA has a negative association with Tobin's

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## 8. DISCUSSION

### 8.1. The Strength of Enterprise Risk Management on Company Value

Based on the results of the statistical tests in Table 4, the ERM disclosure variable positively and significantly impacts company value. These results are consistent with Devi et al. (2017) that ERM disclosure has a positive and significant effect on value. Bravo (2017) states that more ERM disclosures result in a higher value. The results of this study are consistent with Nocco's (2006) theory that applying ERM can increase value. Furthermore, investors demand proper ERM disclosures to minimize risks and uncertainties.

### 8.2. Strength of Debt to Equity Ratio to Company Value

The DER positively affects companies' value. Its positive impact shows that the companies manage their debt well, thereby increasing shareholder value. This result is consistent with Gill (2012) that DER had a positive and significant effect on value.

The value is high when indebtedness is still reasonable. However, the value decreases when the debt exceeds the limit because more costs will be paid to creditors. This problem caused a decline in investor interest which led to bankruptcy. The positive market response shows that the debts of real estate and its companies are still reasonable and can be repaid by society. This study's result is consistent with Miller and Modigliani's debt policy theory which states that an increase in debt can increase its value, suppose it is yet to reach its optimal point (Brigham & Houston, 2013).

### 8.3. The Strength of Company Size on Value

The statistical test results in Table 4 showed that the size variable has a negative regression coefficient. This indicates that the size is inversely related to the value. In addition, the larger the size of the business, the lower its value. Assets include everything owned by the business, including equity, retained earnings, and debts to third parties. In a case where debt dominates the composition of total assets, then they are considered risky. Although total assets are significant, when dominated by debt reduce the value, as measured by Tobin's Q. This result is consistent with Prewett & Terry (2018).

Large companies are generally more diversified, have easier market access, and pay lower interest rates (La'lbar et al., 2012). Based on this theory, the size, as proxied by total assets, indicates the number of assets deposited.

### 8.4. The Strength of Profitability Against Company Value

The statistical test results in Table 4 showed that the profitability variable (ROA) positively and significantly affects value. This result is consistent with the report of Piluso F (Piluso, 2013) that profitability significantly affects value.

These results showed that higher profitability ensures higher value, effectiveness, and efficiency in generating profits. Furthermore, the high profits indicate that companies are performing well and have long-term prospects, hence, can attract investors to buy shares. The rising share price reflects a better image. Investors will like this because they can buy shares of companies that will generate profits in the future.

## 9. CONCLUSION

This study concludes that the ERM variable has a significant positive effect on Tobin's Q results (Curkovic et al., 2013). This result indicated that ERM significantly increases the company's value.

The greater the number of published ERM disclosures by the company, the higher its value. Furthermore, the scope of voluntary ERM disclosures published by companies receives a positive response from the market. This is due to the market's belief that ERM disclosure is one of the relevant pieces of information in forecasting the future and business continuity (Devi et al., 2017). This study's results are consistent with the signaling theory. According to Wahyu Hidayat (2017), enterprise-facing ERM information is a good commitment to ERM. Therefore, ERM disclosure is good news that can be interpreted as a positive signal because investors can assess the prospects through ERM information.

The implementation of ERM to support the achievement of objectives piques the attention of stakeholders, specifically investors, in learning about ERM information as a basis for analyzing investment decisions. Interested parties can also evaluate prospects through ERM information. According to Buallay et al. (2017), investors need adequate ERM disclosure to minimize the level of risk and uncertainty. Furthermore, investors rate companies that reveal broader ERM implementations, as this action indicates that they are more engaged in risk management (Suroso, 2020). Investors are confident that large corporations will be willing to disclose ERM more broadly and specifically. Their confidence in the quality and commitment to risk management can foster positive investor perception, resulting in increased shareholder value.

The data processing results showed that DER significantly affects companies' value. This indicates that companies have many opportunities for expansion or development using high debts. As the companies develop, profits for investors improve, thereby ensuring their interest in buying stock. The results also showed that the variable of companies' size negatively and significantly impacts value. This study's result showed that investors avoid high total assets. Real estate companies' assets are comprised of land, buildings, infrastructure, office equipment, project, and machinery. Most of these assets consist of land, buildings, and infrastructure. Furthermore, investors tend to avoid companies whose assets increase without a corresponding profit increase because buildings and infrastructure require maintenance costs.

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