

IMPACT OF GOOD CORPORATE GOVERNANCE TOWARDS CORPORATE VALUE WITH ENTERPRISE RISK MANAGEMENT AS MODERATING VARIABLE (EMPIRICAL STUDY OF FINANCIAL COMPANIES LISTED IN IDX FOR THE PERIOD 2017-2019)

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Received on 7 March 2021

Accepted on 31 May 2021

Abstract- This research aims to observe and analyze the impact of Good Corporate Governance towards Corporate Value as well as analyzing whether Enterprise Risk Management is able to moderate its impact. Good Corporate Governance is proxied by the presence of Independent Commissioners, Audit Committee, as well as Managerial Ownership. The population of this research includes all financial companies that publish their annual report in Bursa Efek Indonesia (BEI) over the period of 2017-2019. Data were analyzed using the multiple regression method and the moderated regression analysis. The result of this research found that Independent Commissioners and Audit Committee gives positive and significant impact towards Corporate Value while Managerial Ownership gives negative and insignificant impact towards Corporate Value. Enterprise Risk Management is not able to moderate the impact of Independent Commissioner and Managerial Ownership towards Corporate Value but is able to moderate the impact of the Audit Committee towards Corporate Value.

Keywords: *Audit Committee; Corporate Value; Corporate Governance; Independent Commissioner; Managerial Ownership*

1. INTRODUCTION

1.1 Research Background

Nowadays, the act of implementing Good Corporate Governance has become more popular among corporations, to the extent that compliance audit and related consulting firms (such as tax and accounting consulting firms, compliance consultants, regulatory consultants) can establish their business by helping corporations to implement Good Corporate Governance. Moreover, Good Corporate Governance has also been translated into international guidelines, such as the one made by Organization for Economic Cooperation and Development principles (International Finance Corporation & Otoritas Jasa Keuangan, 2018). In Indonesia, Komite Nasional Kebijakan Governance (KNKG) sets detailed guidelines as to how to implement Good Corporate Governance in companies nationwide. The International Finance Corporation (IFC) even established a formal cooperation with Indonesia Financial Services Authority (OJK)

to formulate the Indonesia Corporate Governance Manual that serves as a cornerstone to implement Good Corporate Governance in Indonesia.

Analyzing numbers shown in corporate valuation has the potential to plot a storyline of where the figures came from and how it can be further improved in the long run in order to maximize shareholders' wealth. Unfortunately, accounting practices would see it as merely a quantitative element that leads to a disadvantage as it is proven that a lot of different factors also correlate with the numbers shown in a company valuation through their financial performance, including the qualitative elements of a company (Schmidlin, 2014). One of the qualitative elements that companies are starting to implement is Good Corporate Governance, especially those that are classified as a public company. As globalisation continues to evolve along with rapid growth of technology, an effective implementation of corporate governance holds a crucial role for the company and its surroundings as failure to comply would give out undesired impact towards the economy and the society as a whole (Nuryanah & Islam, 2015). In addition, corporate governance also becomes a guidance as to how the company can comply to legal, institutional and cultural regulations it is operating in (Nuryanah & Islam, 2015).

An example of a successful Good Corporate Governance implementation can be seen from the Tylenol case of Johnson and Johnson. In 1982, the company encountered a major incident of 7 deaths due to the presence of cyanide in their tylenol and the company value dropped instantly. This could easily lead to an end for the company, but due to the right way of implementing Good Corporate Governance, managers were able to turn things around for the better. They formed a 'crisis team' and made their next step to recall their Tylenol capsules from stores within the area where the death cases were found. This adds to their financial loss in the short term, but this decision gained their company value back in the long run. Their course of action towards the crisis gained the public trust back and their company value recovered, as well as having Tylenol continue to be one of their top seller products (Adubato, 2008).

Given that, the success rates of Good Corporate Governance implementation are still uncertain as there are still cases in which companies fail to comply. An example is the case of Enron, the company manipulated the amount of profit which was reported in their financial reports, uncovering the fact that \$43 billion of their \$74 billion profit was an act of fraud (Lemus, 2014). They centered on performing exceedingly well within the financial aspects that they took the degree of deceiving shareholders and damaging their believe within the company. To revamp the shareholders' certainty in contributing and to keep the market lively, Sarbanes-Oxley Act of 2002 was formulated to set out the limits and strict directions to preserve the safeness of the stakeholders' investment within the company (Lemus, 2014).

The above cases exhibit not only the importance of corporate governance, but also how corporations are bound to face uncertainties in their business, which is also known as risk, that may either be inherited or come from other factors outside of their control. This is where risk management steps in as it involves the identification and understanding of risks in order to lessen the chances or better yet eliminate the probability of the undesired events it may lead to (Steinberg, 2011). Given that, for risk management to be effective in a corporation, it needs to align with their strategy and culture as a whole, which then leads to the importance of proper Enterprise Risk Management (ERM). ERM is a holistic approach to identify and manage risk that could affect the corporation's objectives which encompasses the components of COSO Internal Control Framework. Enterprise risk management not only allows the refinement of focus towards the downside potential, but also the upside potential that each company has. Other than that, ERM are proven to help reduce the audit hours and audit fees needed (Jalilvand & Malliaris, 2011).

Komite Nasional Kebijakan Governance (KNKG) of Indonesia (2012) states several reasons that support the important role of risk management in corporate governance. Firstly, the inseparable role of risk management in corporate governance gives reasonable guarantee to achieve corporate success. Secondly, proper risk management needs to implement principles of Good Corporate Governance such as transparency, accountability, responsibility and independency. Thirdly, risk is an inevitable element that every business faces. Hence, a balanced integration of Good Corporate Governance implementation and proper risk management may guide the company to generate added value in order to gain competitive advantage in the market for the long run.

Previous research done by Mulyadi, et al. (2020) found that Good Corporate Governance gives positive and significant effect towards corporate valuation while Sukamulja (2004) found that Good Corporate Governance does not give significant effect towards corporate valuation. Meanwhile, Purnamawati et al. (2017), Rivandi (2018), Oktaviani (2019), Widianingsih (2018), Muryati & Suardikha (2014) and Rizqia et al. (2013) found contradicting results of impact in regards to Good Corporate Governance mechanisms towards corporate valuation. Other research done by Iswajuni et al. (2018) and Devi et al. (2017) found that Enterprise Risk Management gives positive and significant effect towards corporate valuation. On the other hand, a research done by Lestari, et al. (2020) found that Risk Management and Good Corporate Governance gives no significant impact towards corporate valuation. Rivandi (2018) on his research also aligns with the findings that Enterprise Risk Management gives no significant impact towards corporate value. Meanwhile Desender & Lafuente (2009) states in their research that there is a positive and significant relationship between Good Corporate Governance and Enterprise Risk Management. Burhanuddin et al. (2020) later found in their research that Enterprise Risk Management moderates the impact of Good Corporate Governance towards Corporate Value, as well as Rasmini (2019) finding that Enterprise Risk Management also moderates the impact of Managerial Ownership towards Corporate Value.

Given that previous researches have discussed the topic about corporate governance, different results were concluded. This drives the writer to further elaborate this topic by also including risk management as a variable that may further affect the relationship. In addition, this research narrows the focus down to the financial industry in Indonesia to avoid a bias in regulation as the financial industry is especially regulated by Otoritas Jasa Keuangan and Bank Indonesia, different from any other industries. Risk management is also well regulated in the financial industry as they hold a crucial responsibility to manage the finances of Indonesia citizens and contribute in the wheel of economy of the nation (Amanda et al., 2020) This research was further driven by the case of Maybank Indonesia that became highlighted in 2020 where one of its customer had lost Rp. 22 billion within the bank. The case reflects the importance of corporate governance and risk management in the financial industry, especially within the bank industry.

1.2 Research Problem

Based on the background that the writer has described, it is known that the implementation of Good Corporate Governance (GCG) of a company has a crucial role to determine the corporate valuation. To achieve the expected target of this research, writer define research problems as follow:

1. Does Independent Commissioners positively impact Corporate Valuation?
2. Does the Audit Committee positively impact Corporate Valuation?
3. Does Managerial Ownership positively impact Corporate Valuation?

4. Does Enterprise Risk Management moderate the positive impact of Independent Commissioners towards Corporate Valuation?
5. Does Enterprise Risk Management moderate the positive impact of the Audit Committee towards Corporate Valuation?
6. Does Enterprise Risk Management moderate the positive impact of Managerial Ownership towards Corporate Valuation?

1.3 Literature Review

1.3.1 Corporate Governance

Corporate Governance can be defined as a system that involves the relationship between parties who have control over the company which has what might be conflicting interests between one another. This relationship is characterized by the structures within a company and the processes it goes through. To deal with these conflicting interests, corporate governance is aimed to properly distribute the responsibilities and duties between these parties in order to have unanimous priority to create long-term shareholder value (International Finance Corporation & Otoritas Jasa Keuangan, 2018). According to Solomon & Solomon (2004), corporate governance is a network of relationships not only between the company and its shareholders, but also towards other stakeholders as well.

A Good Corporate Governance (GCG) can benefit an entity as it minimizes risks, gives access to capital markets, improving trust confidence of shareholders, and boosts the entity's performance (Nuryanah & Islam, 2015). According to Komite Nasional Kebijakan Governance (2006), general principles of GCG includes the following:

1. Transparency
Companies are obligated to provide access to relevant information for their stakeholders.
2. Accountability
For its transparency, companies will be held accountable to information they disclose in order to control its activities while putting the stakeholders' interest in priority.
2. Responsibility
In performing their responsibilities, companies are obligated to abide by the laws and regulations that they operate in.
3. Independency
Companies are obligated to govern independently in order to avoid unwanted supremacy.
4. Fairness
Companies are obligated to govern their activities in a fair manner without discriminating parties involved.

1.3.2 Independent Commissioner

Based on Peraturan Otoritas Jasa Keuangan No.33 (2014) Independent Commissioners are members of the Board of Commissioners that are originated from outside of the public company and fulfills the requirements as an Independent Commissioner. They function as one who monitors the operation of a company and ensures that the company has implemented the principles of transparency, disclosure, independency, accountability, and principles of justice according to the regulations that apply in the economy. In accordance with the principles of Good Corporate Governance, it is highly argued how the presence of Independent Commissioners may adequately represent the implementation of Good Corporate Governance within the companies as a whole organization. Furthermore, the regulation from Otoritas Jasa Keuangan No. 33/POJK.04/2014 also regulates that public companies are obligated to have a minimum of 30% of independent commissioners from the total of board of commissioners.

The presence of independent parties within the board of commissioners is able to enhance the quality of monitoring because they are not affiliated with the company that may influence their decision making (O'Sullivan, 1997).

The Forum for Corporate Governance in Indonesia (2002) have formulated the requirements on being an Independent Commissioner as follows:

1. Independent Commissioners are not a part of management.
2. Independent Commissioners are not a part of the majority of shareholders, or an official from or by any means in direct or indirect relation towards the majority shareholders of a company.
3. In the past 3 years, Independent Commissioners are not employed in its capacity as an executive by the company or other companies in one sector of business and not employed in its capacity as a commissioner after leaving the position.
4. Independent Commissioners are not a professional advisor of the company or other companies in the same sector.
5. Independent Commissioners are not a supplier or a customer that significantly influences the company or other companies in the same sector, or by any means in relation to the supplier or customer.
6. Independent Commissioners do not have a contractual agreement with the company or other companies in the same sector other than being a commissioner of the company.
7. Independent Commissioners have to be free from any business importance or others in relation that may be considered as material intervention with its competencies as a commissioner to act upon personal interest that may benefit the company.

1.3.3 Audit Committee

According to Komite Nasional Kebijakan Governance (2002), member(s) of the audit committee must be appointed from members of the Board of Commissioners that are not performing the tasks of executive and must consist of a minimum of three people and majority of them must be independent.

The purpose of forming an Audit Committee is to:

1. Monitor independently upon the process of financial reporting and external auditing.
2. Independently monitors the process of risk management and control done by the Board of Directors and Board of Commissioners.
3. Independently monitors the implementation of corporate governance done by the Board of Directors and Board of Commissioners.

An effective Audit Committee works as a tool to enhance effectivity, responsibility, transparency, and objectivity of the Board of Commissioners and has the function to:

1. Improve the quality of financial reporting by monitoring financial reports from the Board of Commissioners.
2. Create a disciplined environment and control that will reduce the chances of fraud.
3. Enables the members of non-executives to contribute an independent judgement and plays a positive role.
4. Helps the Director of Finance by giving an opportunity where the main issues that are hard to be done can be presented.
5. Strengthen the position of external auditor by giving a channel of communication towards the main issues that are concerning effectively.
6. Strengthen the position of internal auditor by enhancing the independence from management.

7. Increases the public trust towards the qualifications and objectivity of financial reporting as well as increasing the public trust towards a better internal control.

The Audit Committee is considered to be a proxy of Good Corporate Governance in this research as their presence further supports the Board of Commissioners in the implementation of Good Corporate Governance within the organization as a whole through the 'tone of the top' culture that they may incorporate. In addition, the presence of the Audit Committee is regulated by Peraturan Otoritas Jasa Keuangan No. 55/POJK.04/2015 which states that every public company must have an audit committee and must consist of at least three independent parties.

Managerial Ownership

Managerial Ownership is a situation where managers of the company are also the shareholders of the company, which are shown from the percentage of share ownership that is owned by directors, managers, and Board of Commissioners that are stated in the annual report. Even though it is not mandatory, managerial ownership have become one of the driving tools of corporate governance as seen with the implementation throughout the industries in Indonesia.

Having managerial ownership in a company is an effort to resolve the agency problem by aligning the interest of managers with the interest of the owners. By owning the shares of the company, managers are expected to have a sense of ownership by implementing better control over the operational activities done by management. As part of the corporate governance mechanism, managerial ownership is expected to enhance the value of a company by further motivating them to take on their role to represent the implementation of Good Corporate Governance to be one of its proxies (Rasmini, 2019).

1.3.4 Enterprise Risk Management

Risk Management in itself is a good way to assess and analyze risk, but it only provides a look of the situation in a point of time and does not imply the ongoing process of risk identification and does not capture the newly emerging risks that may arise through the decision making process.

Therefore, a new approach of Enterprise Risk Management was developed to implement in companies. A definition from Steinberg (2011) states that Enterprise Risk Management is a holistic approach on the process to identify and assess risk that goes along with the decision making process in order to achieve company objectives.

Enterprise Risk Management is formulated to fulfill the four categories of obtaining the company's objectives, as follows:

1. Strategic: goals on the top-tier of the company, aligning with its vision and mission.
2. Operational: effectiveness of resource usage.
3. Reporting: fulfilling the reliability function of reporting.
4. Compliance: ensuring to act in accordance with the laws and regulations that apply in the working environment.

According to Steinberg (2011), Enterprise Risk Management encompasses the 8 components of the COSO Internal Control Framework that consists of:

1. Internal Environment: the environment in which the assessment of risks takes place, including the ethical values and management philosophy.
2. Objective Setting: the holistic approach ensures that management sets objectives that align with the vision and mission of the company.
3. Event Identification: events that take place throughout the process of achieving the objectives being set.

4. Risk Assessment: analyzing risks on an inherent and residual basis in order to choose which course of action needs to be taken.
5. Risk Response: management selects how to respond towards risk to either accept, avoid, reduce, or share the risk.
6. Control Activities: making sure that the risk responses are done in an effective manner.
7. Information and Communication: identifying and communicating information through the company vertically or horizontally in order to carry out responsibilities.
8. Monitoring: evaluation of enterprise risk management and to modify accordingly.



Figure 1. COSO ERM Integrated Framework Cube

Source: Committee of Sponsoring Organizations, 2004

Enterprise Risk Management benefits management to face uncertainties effectively by:

1. Aligning risk appetite and strategy
2. Enhancing risk-response decisions
3. Reducing operational surprises and losses
4. Identifying and managing cross-enterprise risk
5. Providing integrated responses to multiple risks
6. Seizing opportunities
7. Improving deployment of capital

In Indonesia, the risk management process for banking companies is regulated in Peraturan Otoritas Jasa Keuangan No. 18/POJK.03/2016. This regulation further addresses the scope of risk management in banking companies, the monitoring role of board of directors and board of commissioners and other detailed requirements and sanctions of the regulation.

1.3.5 Corporate Value

Theory of the firm by Jensen & Meckling (1976) explained that the main purpose of a company is to maximize its wealth or corporate value.

Managers are expected to work with the objective to increase the welfare of owners and shareholders (Iswajuni et al., 2018). The prosperity and wealth of owners and shareholders of a company can be obtained if the share price of the company is high. To make sure the share price of the company is high, corporate value needs to be paid attention to. Corporate Value is the investor's perception towards the going concern of the company. A high share price indicates a high corporate value. A high corporate value will make the market believe not only towards the performance of the company at the current state, but also the prospect of the company in the long run (Handayani, 2017).

Alfinur (2016) agrees that corporate value can be valued through the share price that is stable and experiences an increase in the long run because an increase in share price will align

with the increase of owners' and shareholder's wealth, as well as the increase of corporate value. The share prices of Go Public companies can be seen through the mechanism of supply and demand in Bursa Efek Indonesia that can be seen through the listing price. Share prices on the market reflect the result of the company's management policy, company's performance, as well as information that are disclosed to the public that influence the shareholder's decision on whether to invest on the bargain of buying or selling shares.

1.3.6 Literature Review

Mulyadi et al. (2020) defines Good Corporate Governance as a system that regulates the decision making process done by the top tier of the company which also regulates the parties involved including Board of Directors, Board of Commissioners, managers, and other shareholders in order to better manage and control the organization. Although research done by Sukamulja (2004) finds that Good Corporate Governance does not give significant impact towards corporate value, another research done by Mulyadi et al. (2020) finds that Good Corporate Governance does give positive significant impact towards corporate value.

As stated in the definitions as well as guidelines of Good Corporate Governance, several indicators of its implementation can be shown in the presence of Independent Commissioners, Audit Committee, and Managerial Ownership as they hold the key roles of corporate governance in important decision making processes as well as carefully managing and controlling risks. Previous research has been done by academics to see the impact of these indicators towards corporate value and different results were obtained. In terms of the relation of independent commissioners towards corporate value, research done by Rivandi (2018), Oktaviani (2019), and Muryati & Suardika (2014) finds a positive significant impact while research done by Lestari et al. (2020) and Widianingsih (2018) finds that there is no significant impact. In regards to observing the relation of the audit committee towards corporate value, research done by Rivandi (2018) and Widianingsih (2018) finds a positive significant impact while research done by Muryati & Suardika (2014) finds that there is negative impact. Furthermore, relation of managerial ownership towards corporate value have also been observed and research done by Purnamawati et al. (2017), Muryati & Suardika (2014), and Rizqia et al. (2013) finds a positive significant impact, while Oktaviani (2019) finds that there is no significant impact.

Devi et al. (2017) stated how uncertainty is an inevitable element in running a business and misconduct of its management can be fatal, as seen from cases such as Enron and Worldcom. Enterprise Risk Management was introduced by the Committee of Sponsoring Organizations (COSO) in 2004 as a way to see how the company has effectively implemented proper risk management based on the eight components of internal control. The concept is relatively new in Indonesia but research done by Iswajuni et al. (2018), Devi et al. (2017), as well as Hoyt & Liebenberg (2011) finds that Enterprise Risk Management has a positive and significant impact towards corporate value. Given that, there are also several studies that find either no impact or no significant impact of enterprise risk management towards corporate value such as research done by Rivandi (2018) and Lestari et al. (2020). In addition to these studies, Desender & Lafuente (2011) found in their research that good corporate governance gives a positive and significant impact towards enterprise risk management and Burhanuddin et al. (2020) as well as Rasmini (2019) found that Enterprise Risk Management moderates the impact of corporate governance towards corporate value. Due to previous research that still finds either no impact or no significant impact of enterprise risk management towards corporate value, the writer has found interest in utilizing enterprise risk management as a moderating

variable instead of an independent variable to also contribute towards the existing yet limited research on it.

1.3.7 Conceptual Framework

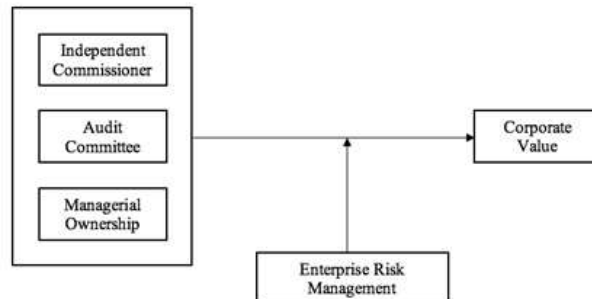


Figure 2. Conceptual Framework

Source: Researcher, 2020

The above Conceptual Framework exhibits the relationship between the variables that are used in this research, which then motivates the formulation of the hypothesis below that further describes the relationship.

A. Effect of Independent Commissioners on Corporate Value

Peraturan Otoritas Jasa Keuangan No.33 (2014) has regulated the presence of Independent Commissioners to be within a company and defined them as part of the Board of Commissioners that comes from outside of the public company. They have the function to monitor the operational activities within a company and ensure that the company has implemented the principles of transparency, disclosure, independency, accountability, and principles of justice according to the regulations that apply in the economy. The principles being stated are also principles of Good Corporate Governance formulated by Komite Nasional Kebijakan Governance. As the two principles align with one another, it is highly expected that the presence of Board of Commissioners, especially those with independent parties as members, will adequately represent the implementation of Good Corporate Governance within the company as they have the stewardship function to set the 'tone of the top' culture as the role model of other employees.

Independency of the commissioners ensures that they run their function to monitor and make decisions in an unbiased and neutral way, which in return will improve the quality of decision making by the executives of the company. The presence of independent commissioners indicates the implementation of corporate governance and enables it to increase corporate value.

Research done by Rivandi (2018), Oktaviani (2019), and Muryati & Suardikha (2014) supports this as their findings conclude that Independent Commissioners give significant positive impact towards corporate value. Therefore, the writer expects that the independence of commissioners will initiate better quality of decision making within the board and monitors the operational activities of a company in an objective way, which in return will enhance the corporate value in the long run.

H1: Independent Commissioners has a significant positive impact towards Corporate Value.

B. Effect of Audit Committee on Corporate Value

In running its monitoring function, the Board of Commissioner of a company forms an Audit Committee that consists of independent members that does not perform the tasks of executive (Komite Nasional Kebijakan Governance, 2002). The purpose of forming an Audit Committee is to monitor independently the process of financial reporting, external auditing, as well as risk management and implementation of corporate governance by the Board of Directors and Board of Commissioners. An effective Audit Committee will benefit the company to enhance effectiveness, responsibility, transparency, and objectivity of the Board of Commissioners.

The Audit Committee enforces corporate governance as it creates a disciplined environment and control that will reduce the chances of fraud, strengthening the position of external and internal auditor, as well as increasing the public trust towards the qualifications and objectivity of financial reporting and a better internal control. This will further propel how the presence of the Audit Committee reflects the implementation of Good Corporate Governance within the companies.

Previous research done by Rivandi (2018) and Widianingsih (2018) supports this as their findings conclude that the Audit Committee gives significant positive impact towards corporate value. Thereby, the writer expects the presence of the Audit Committee increases corporate value by monitoring and controlling the reports and audits of the company so that it minimizes the chances of fraud and gains public trust on their objectivity.

H2: Audit Committee has a significant positive impact towards Corporate Value

C. Effect of Managerial Ownership on Corporate Value

Managerial Ownership becomes one of the methods to resolve the agency problem being described in the agency theory where managers, as the agent, tend to prioritize personal ambitions rather than organizational goals. By having managers own shares of the company, they are expected to have a sense of ownership by implementing better control over the operational activities done by management. As part of the corporate governance mechanism, managerial ownership is expected to enhance the value of a company (Rasmini, 2019).

Research done by Purnamawati et al. (2017), Muryati & Suardikha (2014) and Rizqia et al. (2013) supports this as their findings conclude that the Managerial Ownership of a company gives significant positive impact towards corporate value.

This drives the writer to expect that managerial ownership impacts corporate value positively by having managers operate with better sense of ownership which will motivate them to increase corporate value as they will get their portion of the benefit.

H3: Managerial Ownership has a significant positive impact towards Corporate Value

D. Moderating role of Enterprise Risk Management on correlation of Good Corporate Governance and Corporate Value

A business normally faces a lot of uncertainties in their activities and decision making process, which are also known as risks. An improper management of risk could lead to fatal consequences seen from the major cases of Enron and Worldcom. This leads to the importance of proper risk management. Steinberg (2011) defines risk management as a process of identifying, understanding, and taking action upon risks to either reduce or eliminate it. The implementation of risk management within a company can be seen from their disclosure of enterprise risk management. Enterprise Risk Management is a newly introduced concept from COSO that encompasses the eight components of internal control.

Disclosing information regarding risk management is a form of signaling theory, where the information being disclosed fills the information gap and signals investors that corporate governance is being implemented well.

Risk management is part of the purpose and function of Independent Commissioners, Audit Committees, and Managers. Mustafa & Al-Nimer (2018) finds that implementing enterprise risk management gives the ability to enhance the quality of good corporate governance. Disclosing enterprise risk management in annual reports helps aid the difficulty investors might encounter in finding information that indicates the risk profile within the company. This difficulty may be encountered due to the complexity in assessing the company's strength, weakness, and financial risks it faces. Having independent parties included as part of the board of commissioner is expected to increase the ability to monitor operating activities as well as proper implementation of risk management as they are not affiliated with the company, thus encouraging decisions that are unbiased and neutral. In addition, commissioners that are independent are believed to have the ability in supervising and monitoring the effectiveness of the company's operation along with ensuring compliance towards the laws and regulations that apply (Wong, 2020). The Audit Committee executes the function to independently monitor the process of risk management and control done by the Board of Directors and Board of Commissioners (Komite Nasional Kebijakan Governance, 2002). Enterprise Risk Management enables management to effectively handle uncertainties in regards to risks and opportunities, as well as increasing the capacity to build on corporate value (Committee of Sponsoring Organizations, 2004).

In her research, Rasmini (2019) mentioned how Enterprise Risk Management becomes a variable of research that solves the inconsistencies of findings in regard to the impact of Good Corporate Governance towards Corporate Value. That same research later finds that Enterprise Risk Management is able to moderate the impact of managerial ownership towards Corporate Value. In addition to that, Burhanuddin et al. (2020) also supports the findings that Enterprise Risk Management moderates the positive impact of Corporate Governance towards Corporate Value.

Based on the theories and previous research, the writer expects that Enterprise Risk Management will be able to give a moderating effect that strengthens relationships between Independent Commissioner, Audit Committee, and Managerial Ownership towards Corporate Value.

H4: Enterprise Risk Management strengthen the effect on the positive relationship between Independent Commissioners and Corporate Value

H5: Enterprise Risk Management strengthen the effect on the positive relationship between Audit Committee and Corporate Value

H6: Enterprise Risk Management strengthen the effect on the positive relationship between Managerial Ownership and Corporate Value.

2. METHODOLOGY

2.1 Data and Sample

For the purpose of this research, secondary data will be used that are obtained from the financial statements and annual report of companies listed in the Indonesian Stock Exchange. Companies that do not have their financial statements and annual report listed in the Indonesian Stock Exchange will have it retrieved from the company's individual website.

The population that is used for data are 90 financial institution companies that are listed in the Indonesian Stock Exchange for the period of 2017-2019. Sample of this research are Bank Institutions listed in the Indonesian Stock Exchange for the period of 2017-2019. Final total observation is 116 based on purposive sampling criteria as follows:

1. The companies are listed at the Indonesian Stock Exchange for the period observed from 2017 until 2019 and are never delisted during the period observed.
2. Indonesia currency of Rupiah is used in the financial statements of observed companies.
3. Financial statements and annual reports are published every year by the observed companies for the period of 2017 until 2019.
4. Financial statements and annual reports contain the information required for this research, such as total market value, total book value of liabilities, total book value of assets, independent commissioners, audit committee, managerial ownership, and enterprise risk management disclosure items.

2.2 Empirical Model

In this research, a multiple linear regression model will be used to examine and test the impact of several independent variables which are independent commissioners, audit committee, and managerial ownership towards the dependent variable of corporate value that are reported in the Indonesia Stock Exchange.

The first equation of empirical model used in this research will be used for the moderated regression analysis of the independent variables towards the dependent variable is shown as follows:

$$CV = \alpha + \beta_1 IC + \beta_2 AC + \beta_3 MO + \beta_4 ERMD + \varepsilon + \dots \quad (1)$$

Where:

α	= Constant
$\beta_1 - \beta_4$	= Coefficient
CV	= Corporate value
IC	= Independent commissioners
AC	= Audit committee
MO	= Managerial ownership
ERMD	= Enterprise risk management
ε	= Error term

A second equation of an empirical model will be needed in order to do the moderated regression analysis and see the correlation of enterprise risk management as the moderating variable towards the relation between independent variables of independent commissioners, the audit committee, as well as managerial ownership and the dependent variable of corporate value. The second equation that will be used for this research is as follows (Rasmini, 2019):

$$CV = \alpha + \beta_1 IC + \beta_2 AC + \beta_3 MO + \beta_4 ERMD + \beta_5 IC * ERMD + \beta_6 AC * ERMD + \beta_7 MO * ERMD + \varepsilon + \dots \quad (2)$$

Where:

α	= Constant
$\beta_1 - \beta_7$	= Coefficient
CV	= Corporate value
IC	= Independent commissioners
AC	= Audit committee
MO	= Managerial ownership

ERMD = Enterprise risk management
 ε = Error term

2.3 Measurement for Dependent Variable: Corporate Value

Managers and investors tend to pay more attention to the market value of a company rather than seeing it through the balance sheet of financial statements. This is because the balance sheet does not necessarily reflect the holistic view of the wealth and prosperity of a company. Financial ratios are then used to know the market value of a company in the perspective of investors. The market value ratios of a company can be an indicator to the management of a company of how investors perceive their performance in the past and the prospect of it in the near future. One of the ratios that is used to calculate the market value of a company is Tobin's Q (Sukamulja, 2014).

Tobin's Q was first formulated by a Nobel prize winner in the United States of America, James Tobin. The formula was later developed and simplified by Chung & Pruitt (2014) which becomes continually used by researchers to calculate corporate value. Tobin's Q will be used in this research as a proxy towards corporate value as it reflects the overall shares of the company as well as the total asset the company holds, not just its equity.

$$\text{Tobin's Q} = ((\text{MVS} + \text{TL}))/\text{TA}$$

Where,

MVS: Market Value of Outstanding Stock

TL: Total Liabilities

TA: Total Assets

2.4 Measurement for Independent Variable: Good Corporate Governance Independent Commissioners

Peraturan Otoritas Jasa Keuangan No.33 (2014) regulates the presence of Independent Commissioners and defines them as members of the Board of Commissioners that comes from outside of the public company and fulfills the requirements as an Independent Commissioner. The presence of Independent Commissioners is expected to enhance the quality of monitoring because they are not affiliated with the company that may influence their decision making (O'Sullivan, 1997).

$$\frac{\text{Independent Commissioners}}{\text{Board of Commissioners}} \times 100\%$$

Audit Committee

Komite Nasional Kebijakan Governance (2002) defines the Audit Committee as appointed members of the Board of Commissioners that are not performing the tasks of executive and must consist of a minimum of three people and majority of them must be independent.

AC = Total Member of Audit Committee

Managerial Ownership

Managerial Ownership is a situation where managers of the company also own a percentage of shares of the company. Allowing managers to have ownership in a company is an effort to resolve the agency problem by aligning the interest of managers with the interest of the owners (Rasmini, 2019).

$$\frac{\text{Shares owned by Managers}}{\text{Outstanding Shares}} \times 100\%$$

2.5 Measurement for Moderating Variable: Enterprise Risk Management

Enterprise Risk Management indicates a holistic approach to the process to identify and assess risk that goes along with the decision making process in order to achieve company objectives. Enterprise Risk Management is formulated to fulfill the strategy, operational effectiveness, reporting reliability and compliance of obtaining the company's objectives (Steinberg, 2011).

The Committee of Sponsoring Organizations (COSO) published Enterprise Risk Management as a process of risk management that is formulated and implemented into the strategy of a company in order to achieve its objectives. Enterprise Risk Management Disclosure consists of 108 items that involves the eight dimensions based on enterprise risk management framework that is published by COSO, which are (1) internal environment, (2) objective setting, (3) event identification, (4) risk assessment, (5) risk response, (6) control activities, (7) information and communication, as well as (8) monitoring (Desender & Lafuente, 2009). The list of 108 Enterprise Risk Management Disclosure items will be attached in the appendix.

$$\text{ERMD} = \frac{\text{Disclosed Items of Enterprise Risk Management}}{\text{Enterprise Risk Management Items that should be Disclosed}}$$

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistics

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IC	116	.33	1.00	.6531	.16383
AC	116	3.00	7.00	4.1034	1.12967
MO	116	.00	.50	.0404	.07752
ERMD	116	.50	.85	.7254	.09844
CV	116	.76	1.65	1.0911	.18234
Valid N (listwise)	116				

Table 1 represents the descriptive statistics used for this research. As stated, the total number of observations (N) is 116 which aligns with the overview of the research data stated in Table 1. The descriptive statistics shown are the minimum value, maximum value, mean, as well as standard deviation of every variable.

For independent variables, it is represented with IC which represents independent commissioners, AC which represents the audit committee, and MO which represents the managerial ownership. The minimum and maximum value of independent commissioners were 0.33 and 1.00 respectively. This shows that the banking companies complies with *Peraturan Otoritas Jasa Keuangan* No. 33/POJK.04/2014 that regulates public companies to have a minimum of 30% of independent commissioners from the total of board of commissioners. The mean value of IC is 0.6531 and the standard deviation is 0.16383. To observe AC, the minimum and maximum value of audit committees were 3.0 and 7.00 respectively. This shows that the banking companies complies with *Peraturan Otoritas Jasa Keuangan* No. 55/POJK.04/2015 which states that every public company must have an audit committee and must consist of at least three independent parties. The mean value of AC is 4.1034 and the standard deviation is

1.12697. The next independent variable observed is MO and Table 1 shows the minimum and maximum value of managerial ownership were 0.00 and 0.50 respectively, with PT Bank Jago Tbk having implemented the maximum value of managerial ownership. This shows that the banking companies have minimum managerial ownership of 0% and maximum managerial ownership of 50%. The mean value of MO is 0.0404 and the standard deviation is 0.07752.

The dependent variable being observed is shown in Table 1. as CV with the minimum and maximum values of 0.76 from PT Bank Ina Perdana Tbk and 1.65 from PT Bank Central Asia Tbk respectively. The mean value of CV is 1.0911 and the standard deviation is 0.18234. In addition, the ERMD, which will be used as the moderating variable of this research has minimum and maximum values of 0.50 and 0.85 respectively. This means that enterprise risk management disclosure for banking companies ranges between 50% that was done by PT Bank China Construction Bank Indonesia Tbk up to 85% that was done by PT Bank Central Asia Tbk with the mean value of 0.7254 and standard deviation of 0.09844.

3.2 Classical Assumption Test

3.2.1 Normality Test

In order to pass the normality test, the Asymp. Sig. (2-tailed) in the One-Sample Kolmogorov-Smirnov Test must be $> 5\%$. The original data do not pass this test as the significance level is 0.000. The outlier method was used by running casewise diagnostics in order to remove data with extreme value. After removing outlier data through the method of casewise diagnostic, the One-Sample Kolmogorov-Smirnov Test from Table 3 shows Asymp. Sig. (2-tailed) value of 0.115 therefore showing Asymp. Sig. (1-tailed) value of 0.0575 which is $> 5\%$ so it can be known that the data is distributed normally and therefore H_0 is accepted. The normality test for the second research model shows Asymp. Sig. (2-tailed) value of 0.200 therefore showing Asymp. Sig. (1-tailed) value of 0.100 which is $> 5\%$ so it can be known that the data is distributed normally and therefore H_0 is accepted.

3.2.2 Multicollinearity Test

Multicollinearity assumption can be fulfilled when the tolerance level is > 0.10 and the VIF is < 10 from every variable. The first model passes this test. The second research model could not pass the multicollinearity test as the tolerance level is < 0.10 and the VIF is > 10 for every variable. Given that, this is nothing to worry about as it is normally found in the moderated regression model as it involves multiplication of variables.

3.2.3 Heteroscedasticity Test

The Glejser test was used to detect whether the data have heteroscedasticity problems. Some variables still have Sig. level $< 5\%$ which means that the first model does not pass the heteroscedasticity test as it shows to have heteroscedasticity problem. The second model could not pass the heteroscedasticity test as well. Because the data has been treated with the removal of outlier data, the data will not be treated again and this will be included in the limitations of research.

3.2.4 Autocorrelation Test

In order to pass the autocorrelation test, the durbin-watson table is needed to determine whether the value is classified within the range that is free from either positive or negative autocorrelation. First model passes the test as the durbin-watson value shows 1.884 that is between dU of 1.7690 and $(4-1.7690)$ 2.231. Second model passes the test as the durbin-watson value shows 1.848 that is between dU of 1.8266 and $(4-1.8266)$ 2.1734.

3.3 Hypothesis Testing

3.3.1 Coefficient Determination Test (Adjusted R2)

Table 2. Model 1 Adjusted R-Square

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.507 ^a	.257	.230	.15997

a. Predictors: (Constant), ERMD, MO, IC, AC

b. Dependent Variable: CV

Table 2 exhibits the model summary of the first research model used. From this table it can be seen that the Adjusted R Square is 0.230. This means that simultaneously, independent variables of independent commissioners, audit committee, managerial ownership, and enterprise risk management disclosure gives impact amounting to 23.0% towards corporate value. From this percentage it can be known that there are still 77.0% other factors that impact corporate value.

Table 3 Model 2 Adjusted R-Square

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.587 ^a	.344	.302	.15238

a. Predictors: (Constant), MOERMD, ERMD, IC, AC, ICERMD, ACERMD, MO

b. Dependent Variable: CV

Table 3 exhibits the model summary of the second research model used. From this table it can be seen that the Adjusted R Square is 0.302. This means that the moderating variable of enterprise risk management is able to improve the Adjusted R Square value of independent variables of independent commissioner, audit committee, and managerial ownership towards dependent variable of corporate value simultaneously. From this percentage it can be known that there are still 69.8 % other factors that impact corporate value.

3.3.2 ANOVA

Table 4 Model 1 ANOVA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.983	4	.246	9.601	.000 ^b
	Residual	2.841	111	.026		
	Total	3.824	115			

a. Dependent Variable: CV

b. Predictors: (Constant), ERMD, MO, IC, AC

Table 4 shows the ANOVA table for the first research model. It can be seen that the model passes the goodness of fit test by seeing the Sig. value of 0.000 which is < 5%. This also shows that simultaneously, independent variables of independent commissioner, audit committee, and managerial ownership as well as enterprise risk management is able to give significant impact towards the dependent variable of corporate value.

Table 5 Model 2 ANOVA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.316	7	.188	8.095	.000 ^b
	Residual	2.508	108	.023		
	Total	3.824	115			

a. Dependent Variable: CV

b. Predictors: (Constant), MOERMD, ERMD, IC, AC, ICERMD, ACERMD, MO

Table 5 shows the ANOVA table for the second research model. It can be seen that the model also passes the goodness of fit test by seeing the Sig. level is 0.000 which is < 5%. This also shows that simultaneously, independent variables of independent commissioner, audit committee, and managerial ownership as well as enterprise risk management and its moderating variables is able to give significant impact towards the dependent variable of corporate value.

3.3.3 Partial Test (t-test statistics)

Table 6 Model 1 Hypothesis Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.524	.123		4.267	.000
	IC	.285	.095	.256	3.000	.003
	AC	.055	.014	.342	3.997	.000
	MO	-.240	.201	-.102	-1.198	.234
	ERMD	.227	.156	.123	1.459	.147

a. Dependent Variable: CV

Table 6 exhibits the correlation of variables as a result of the multiple regression analysis. The first model shows the correlation between independent variables of independent commissioners, audit committee, and managerial ownership towards the dependent value of corporate value. As the hypothesis of this research is one-tailed, the Significance level of each variable will be divided by two to see the significance of its impact. The results of this correlation will be discussed in the following paragraphs.

It can be concluded from Table 6 that the correlation between independent commissioners and corporate value have a Beta of 0.285 and a Sig. level of 0.0015 by dividing the Sig.level of 0.003 from Table 4.16. This means that independent commissioners have a positive and significant impact which can be seen from the positive value of Beta and 0% Sig. level, which is < 5%. Therefore, H1 is accepted.

The correlation between the audit committee and corporate value have a Beta of 0.055 and a Sig. level of 0.000 by dividing the Sig.level of 0.000 from Table 6. This means that the audit committee has a positive and significant impact which can be seen from the positive value of t-value and 0% significance level, which is < 5%. Therefore, H2 is also accepted.

Meanwhile, the correlation between managerial ownership and corporate value has a Beta of -0.240 and a significance level of 0.117 by dividing the Sig.level of 0.234 from Table 6. This means that implementing managerial ownership has a negative and not significant impact which can be seen from the negative value of t-value and 11.7% significance level, which is > 5%. Therefore, H3 is rejected.

3.4 Moderated Regression Analysis (MRA)

Table 7 Model 2 Hypothesis Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.275	.533		4.269	.000
	IC	-.596	.669	-.535	-.891	.375
	AC	-.255	.103	-1.581	-2.467	.015
	MO	1.710	1.836	.727	.931	.354
	ERMD	-2.159	.731	-1.165	-2.952	.004
	ICERMD	1.198	.921	.953	1.300	.196
	ACERMD	.418	.139	2.268	3.008	.003
	MOERMD	-2.439	2.376	-.806	-1.027	.307

a. Dependent Variable: CV

Table 7 represents the results of Moderated Regression Analysis (MRA) through the moderating variable of enterprise risk management. The significance level of ICERMD, ACERMD, and MOERMD will determine whether the moderating variable is able to moderate the correlation between independent variables and the dependent variable. Enterprise risk management does not moderate the impact of independent commissioner towards corporate value because it can be seen from table 7 that the significance level of ICERMD is 0.098 by dividing the Sig.level of 0.196 indicating $> 5\%$ which means that the correlation is insignificant.

Enterprise risk management has been found to moderate the impact of audit committee towards corporate value because it can be seen from table 7 that the significance level of ACERMD is 0.0015 by dividing the Sig.level of 0.003 indicating $< 5\%$ which means that the correlation is significant and the t-value is also positive. Enterprise risk management does not moderate the impact of managerial ownership towards corporate value because it can be seen from table 7 that the significance level of MOERMD is 0.1535 by dividing the Sig.level of 0.307 indicating $> 5\%$ which means that the correlation is insignificant.

3.4.1 Impact of Independent Commissioners towards Corporate Value

The initial hypothesis indicates that independent commissioners give positive and significant impact towards corporate value. Based on the correlation result, it shows the value of Sig. < 0.05 . This proves that H1 is accepted. The result of this research aligns with previous research done by Rivandi (2018), Oktaviani (2019), Muryati & Suardikha (2014) and contradicts with the research done by Lestari et al. (2020), Ardianti et al. (2017) as well as Widianingsih (2018).

Accepting this hypothesis indicates that having the presence of independent commissioners benefits the financial institutions by encouraging efficient implementation of good corporate governance. Having independent parties within the board of commissioners can enhance the quality of decision making and monitoring as these independent commissioners are not affiliated with the financial institutions and are able to take actions in an unbiased and neutral way. Thus, enabling the increase of corporate value.

3.4.2 Impact of Audit Committee towards Corporate Value

The second hypothesis stated that the audit committee gives a positive and significant impact towards corporate value. Based on the correlation result, it shows the value of Sig. < 0.05 . This proves that H2 is accepted. The result of this research aligns with previous research done by and Rivandi (2018), Widianingsih (2018) and contradicts with the research done by Safitri et al. (2018) and Muryati & Suardikha (2014).

Accepting this hypothesis proves that the purpose of forming an audit committee to independently monitor as well as ensuring the implementation of good corporate governance can benefit financial institutions by giving positive and significant impact towards corporate value.

3.4.3 Impact of Managerial Ownership towards Corporate Value

The third hypothesis indicates that managerial ownership gives a positive and significant impact towards corporate value. However, the correlation result shows the value of Sig. > 0.05. This means that H3 is rejected. The result of this research aligns with previous research done by Suastini et al. (2016), Oktaviani (2019), and contradicts with the research done by Purnamawati et al. (2017) Muryati & Suardikha (2014) Rizqia et al., (2013).

It may be argued that the hypothesis is rejected due to the small proportion of managerial ownership that exists within the banking companies that were used as the sample of this research. Due to the small proportion of managerial ownership, managers do not have the sense of belonging in working within the company. This does not align with what the agency theory proposes in which it is assumed that allowing managers to act as owners of the company would resolve the agency problem between an agent and a principal.

3.4.4 Enterprise Risk Management moderates the impact of Independent Commissioners towards Corporate Value

The fourth hypothesis in this research is that enterprise risk management is able to moderate the positive impact of independent commissioners towards corporate value. Based on the statistical test using Moderation Regression Analysis, it shows that the Significance level is > 5%. This shows that H4 is rejected. Results contradicted with research by Burhanuddin et al. (2020) and S. A. Shatnawi et al. (2019).

It can be argued that this hypothesis is rejected because the risk management function is not necessarily done by the board of commissioners but rather delegating the duty to the risk committee, audit committee, and other supporting committees under the board of commissioners and board of directors as in reference to *Peraturan Otoritas Jasa Keuangan No. 17 /POJK.03/2014*. By delegating the duty, the independent commissioners' role is to monitor the result and make decisions based on the reports from the committee(s) that has been delegated. In addition, it can also be argued that enterprise risk management disclosure is not a significant information within the annual report that signals investors in regards to their investment decisions which aligns with the research by Rivandi (2018). Disclosing enterprise risk management may only signal as a form of formality that the company have complied to the regulation stated in *Peraturan Otoritas Jasa Keuangan No. 17 /POJK.03/2014*. This will not support the competency of enterprise risk management to strengthen the impact of independent commissioners towards corporate value.

This result contradicts the theory by O'Sullivan (1997) that the presence of Independent Commissioners is able to enhance the quality of monitoring because they are not affiliated with the company that may influence their decision making.

3.4.5 Enterprise Risk Management moderates the impact of Audit Committee towards Corporate Value

The fifth hypothesis in this research is that enterprise risk management is able to moderate the positive impact of an audit committee towards corporate value. Based on the statistical test using Moderation Regression Analysis, it shows that the Significance level is <

5%. This shows that H5 is accepted. Results support research results done by Burhanuddin et al. (2020) and S. Shatnawi et al. (2019).

The acceptance of this hypothesis shows that the audit committee within the financial institutions effectively implements their role of managing risks through monitoring as well as duties such as financial reporting, including reporting the risk management activities and supporting information in regards to the implementation of enterprise risk management. Showing the disclosure of enterprise risk management is able to give positive signals to investors of the quality of financial reporting that the audit committee is in charge of and thus, encourage the growth of corporate value.

3.4.6 Enterprise Risk Management moderates the impact of Managerial Ownership towards Corporate Value

The sixth hypothesis in this research is that enterprise risk management is able to moderate the positive impact of managerial ownership towards corporate value. Based on the statistical test using Moderation Regression Analysis, it shows that the Significance level is > 5%. This shows that H6 is rejected. This result is not consistent with Rasmini (2019) and Trisnawati et al. (2020).

It can be argued that this hypothesis is rejected because the proportion of managerial ownership is relatively small within the financial industries so the managers do not have the sense of ownership that was expected. This aligns to findings of research by Handayani (2017) that found that the involvement of managers as minority of shareholders have yet to be able to include them to participate in managing the company accordingly. In this manner, managers with a proportion of shares still tend to limit their responsibility to only fulfill the demands of the owners of the company in order to earn their portion of bonus, including with how they disclose information and implement enterprise risk management. Through this condition, managers are not encouraged to get more involved and are still unable to independently disclose enterprise risk management items that should be disclosed in an appropriate manner which will hinder their ability to increase corporate value optimally.

The increase of shares owned by managers also does not necessarily mean an increase in corporate value. This indicates the contradiction of the proposed solution to solve the agency problem as stated by Jensen & Meckling (1976). Instead of using their rights for the advantage of the company and all of its shareholders, managers become enabled to misuse the advantage for personal benefit. Thus, this does not encourage managers with a proportion of shares to support the implementation of a proper enterprise risk management.

In addition, the role and function to disclose enterprise risk management that has been observed is not necessarily done by managers with a proportion of shares. This role and function are still focused on being done by the audit committee in accordance to *Peraturan Otoritas Jasa Keuangan No. 55/POJK.04/2015* as well as other supporting committees under the board of commissioner and board of directors as they hold a major role in financial reporting as well as implementing their audit and internal control function. Those operating these roles might not necessarily own a proportion of managerial ownership.

To top it all off, the disclosure about enterprise risk management items might not necessarily give a positive signal to investors as what is found in the research done by Rivandi (2018). The information disclosed in regards to enterprise risk management might not be a significant information that is being paid attention by investors when making their investment decisions. Disclosing enterprise risk management may only signal as a form of formality that management have complied to the regulation stated in *Peraturan Otoritas Jasa Keuangan No.*

17 /POJK.03/2014. Thus, hindering the ability for enterprise risk management to strengthen the impact of managerial ownership towards corporate value.

4. CONCLUSION

4.1 Conclusion

Based on the result of the overall model fit test run on the model used in the study, the writer found that independence of board of commissioners, size of audit committee, and the proportion of managerial ownership simultaneously give influence to the quality of internal control disclosure. However, the result of t-test shows that not all the independent variables mentioned previously significantly influence the corporate value individually:

1. Independence of the board of commissioners significantly has a positive influence on corporate value.
2. The presence of an audit committee also significantly has a positive influence on corporate value.
3. Having a proportion of managerial ownership is found to have negative and insignificant influence on corporate value.
4. Enterprise risk management is found to not be able to moderate the influence of independence of board of commissioners towards corporate value.
5. Enterprise risk management is found to be able to moderate the influence of the audit committee towards corporate value.
6. Enterprise risk management is found to not be able to moderate the influence of managerial ownership proportion towards corporate value.

4.2 Research Limitation

The limitation to this research include the following:

1. Original data was found to not be distributed normally, thus making it not fulfilling the classical assumption test of normality. Data treatment through the removal of outlier data was done so that the data being observed may be distributed normally and fulfill the classical assumption test of normality.
2. There are four categories of tests run in this study, including descriptive statistics, test of classical assumption, multiple regression as well as analysis of regression. Out of all the tests, there is one test that could not pass the criteria which is the heteroscedasticity test. This means that the data is observed to possess heteroscedasticity problems.

4.3 Recommendation

The following are recommendations for future research that are expected to overcome the limitations of this research:

1. Following studies may try to take more samples from other sectors, such as agricultural sector, mining sector, property, real estate and construction sector, infrastructure, utilities and transportation sector, financial and trade sector, service and investment sector, to make the result of the study more generalizable for public companies in general. The study may have to do separate analysis because of the inclusion of other sectors, to prevent bias caused by other factors such as different regulation and respective industry's characteristics.
2. Following studies may add the independent variables other than the variables in model research. Thus, the results can more accurately explain their effects on the dependent

variable. Adding control variables are also recommended in hopes to avoid heteroscedasticity problems and for the data to be distributed normally.

3. More research on enterprise risk management is recommended in order to contribute more to this field of research and provide more references for future researchers to conduct their observation and analysis.

4.4 Implications of Research Results

Based on the results, several implications can be found as follows:

1. In practice, the audit committee is able to provide qualified and enhanced audit results that can increase corporate value. Having a sufficient amount of independent commissioners within the board of commissioners may be implemented not only for the purpose of complying to regulations but also encourage a proper monitoring function to ensure operational activities and decision making has been done accordingly in order to increase corporate value.
2. Enterprise risk management supports the audit committee in properly implementing their purpose to fully disclose important information in a transparent way. By doing so, it encourages the audit committee's role to enhance corporate value.
3. For companies, this research may encourage proper implementation of corporate governance and enterprise risk management not only for the purpose of reporting but to also achieve the common goal of business strategies and increasing corporate value.
4. This research is useful to increase knowledge and add insight and comprehension about the influence Good Corporate Governance has towards corporate value along with enterprise risk management. Further research on enterprise risk management is highly suggested as this is a relatively new field of research and there are yet to be a robust measure of enterprise risk management. Through further research, it may encourage a proper standard and guidance to even more hold the importance of enterprise risk management.

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