Journal of Economics, Entrepreneurship, Management Business, and Accounting (JEEMBA)

E-ISSN: 2985-3222
P-ISSN: 2985-3168

JEEMBA Volume 1, Issue 3, September 2023

Do Enterprise Risk Management Disclosure and Intellectual Capital Disclosure Contribute to Firm Value?

[1*]Ari Purwati, [2]Abdul Tahir

[1]Universitas Dian Nusantara, Indonesia
[2]Akademi Teknik Soroako, Indonesia
[*]*Corresponding author: ari.purwanti@undira.ac.id*

Received : 20 Aug 2023
Accepted : 24 Sep 2023
Published : 30 Sep 2023

ABSTRACT

This study aims to determine the effect on the value of mining companies listed on the Indonesia Stock Exchange (IDX) from the aspect of disclosure of enterprise risk management and disclosure of intellectual capital. The variables that are the focus of this study are the disclosure of enterprise risk management (X1) and intellectual capital disclosure (X2), which are measured using the enterprise risk management disclosure index and intellectual capital disclosure index. Meanwhile, firm value (Y), which is measured using Tobin's Q, acts as the dependent variable in this analysis. The sample of this study was selected through purposive sampling technique, so that there were 32 mining companies that became the sample of the study. The data used in this study were obtained through data collection techniques in the form of documentation. Then, this data is analyzed using data analysis techniques which include classical assumption tests, multiple linear regression tests, and hypothesis testing. The results showed that individually, the disclosure of enterprise risk management practices has a negative impact on firm value, while the disclosure of intellectual capital has a positive impact on the value of mining companies listed on the Indonesia Stock Exchange in 2022. Together, the disclosure of enterprise risk management practices and the disclosure of intellectual capital have a positive impact on the value of the same company in the same year.

Keywords: *enterprise risk management, intellectual capital, firm value*

1. INTRODUCTION

In an increasingly complex and rapidly changing business era, companies are faced with various challenges that affect their performance and value. Enterprise risk management and intellectual capital have emerged as key elements in addressing these challenges. Disclosure of information related to risk management practices and intellectual capital is becoming increasingly important in an effort to understand the value of the Company (Septia & Asyik, 2022). These two aspects can have significant implications and contributions to firm value if managed properly and transparently. In an increasingly information-focused business environment, stakeholders such as investors, analysts, and regulators are increasingly demanding more complete and transparent information on how companies manage risk and optimize their intellectual capital. This information is expected to provide a better view of the company's prospects and potential risks it may face.

However, although more and more companies are starting to disclose information related to risk management and intellectual capital, the question of whether these disclosures actually have a positive impact on firm value is still debatable. Some studies suggest that proper disclosure of enterprise risk management and intellectual capital can increase stakeholder trust and, ultimately, affect the Company's share price and performance (Shad et al., 2019; Jayanti et al., 2021). However, there is still uncertainty and disagreement about the extent to which these disclosures actually contribute to firm value. Therefore, more in-depth and comprehensive research is needed to explore the true impact of disclosure of enterprise risk management practices and intellectual capital on firm value.

The many and complex risks faced by a company make good risk management an important factor in maintaining the sustainability of the company. Enterprise risk management is a holistic approach in identifying, measuring, managing, and reducing the risks that may be faced by a company (Lisnawati et al., 2023). This includes aspects such as financial, operational, legal and reputational risks. Risk management is very necessary for companies to know the possibility of business risks that will occur (Giannakis & Papadopoulos, 2016). This then becomes important to be included in the financial statements related to its disclosure to be considered by investors in deciding their investment choices. The disclosure of enterprise risk management also serves as a signal of the company's commitment to risk management (Florio & Leoni, 2017; Zhao et al., 2013). Broader and more specific disclosure of enterprise risk management will be a strategy to increase company value because it provides more trust related to investors and existing stakeholders.

Apart from enterprise risk management, intellectual capital is also one of the important non-financial information to be disclosed in a company's financial statements (Emar & Ayem, 2020). Intellectual Capital is information and knowledge that can be applied to a job to create value in the company (Wang et al., 2014). Intellectual capital refers to the value contained in the company's intangible assets, such as knowledge, expertise, brands, and customer relationships (Randa & Solon, 2012; Wijaya & Amanah, 2017). The company's assignment of knowledge and technology is generally not followed by adequate reporting on the assignment of knowledge because intellectual capital is an intangible asset so it is difficult to measure, assess and realize it in the form of numerical units.

Disclosure of intangible assets through intellectual capital disclosure is one of the alternatives proposed to overcome these problems (Zambon, 2017). Intellectual capital information is needed by investors because this information reflects the company's capabilities in the future. Disclosure of intellectual capital in the company's annual report has no regulations that require it so it is still voluntary. Firm value is the actual value per share that will be received if the company's assets are sold at the share price (Prasetyorini, 2013). The value of a company is reflected in the price of its shares traded on the Indonesia Stock Exchange (IDX). If the company's stock price increases, the value of the company also increases, as does the wealth of its shareholders (Sigar & Kalangi, 2019). Many factors affect firm value, both financial and non-financial factors.

Disclosure of enterprise risk management and intellectual capital is predicted to affect firm value (Jannah, 2020). Both types of information indicate that the company has used a comprehensive approach in managing the company's overall risk, increasing the company's ability to manage uncertainty, minimize threats, maximize opportunities and also indicate that the company has a competitive advantage. This is supported by Agency theory and Signaling theory.

Singh & Zahn (2008) in their research divided intellectual capital into 6 components, namely: 1) Human resources, 2) Customers, 3) Information technology, 4) Processes, 5) Research and development, 6) Strategic statements. Disclosure of intellectual capital plays an important role for external parties in seeing the company's performance both in the company's managerial performance. However, based on the results of research conducted by Suhardjanto & Wardhani (2010), the level of intellectual capital disclosure in Indonesia is still low. This should be a motivation for companies to disclose intellectual capital by disclosing the true value of the company's intellectual capital which will be expected to generate trust from external parties to make investments.

Meanwhile, firm value is the actual value per share that will be received if the company's assets are sold at the share price (Husna & Satria, 2019). Company value can basically be measured through several aspects, one of these aspects is Tobin's Q. This ratio is considered to provide the best information because all elements of the company's debt and share capital are calculated, not only common shares and not only company equity are included but all company assets. Including all company assets means that the company is not only focused on one type of investor, namely investors in the form of shares but also for creditors because the source of financing the company's operations is not only from equity but also loans provided by creditors. The greater the Tobin's Q value, the company shows good growth prospects.

Based on the explanation related to the background, the author wants to know the effect of disclosure of enterprise risk management and disclosure of intellectual capital on the value of mining companies listed on the IDX. Based on the background and the main problems stated above, the hypothesis proposed is:

H1 = It is suspected that partially the disclosure of enterprise risk management has a positive effect on the value of mining companies listed on the IDX.

H2 = It is suspected that partially the disclosure of intellectual capital has a positive effect on the value of mining companies listed on the IDX.

Journal of Economics, Entrepreneurship, Management Business, and Accounting (JEEMBA)

E-ISSN: 2985-3222
P-ISSN: 2985-3168

JEEMBA Volume 1, Issue 3, September 2023

H3 = It is suspected that simultaneously disclosure of enterprise risk management and disclosure of intellectual capital has a positive effect on the value of mining companies listed on the IDX.

2. RESEARCH METHODS

2.1. Research Variables

The variables involved in this study are: 1) Disclosure of enterprise management risk as independent variable 1 (Independent variable) which is symbolized by (X1). 2) Disclosure of intellectual capital as independent variable 2 (independent variable) which is symbolized by (X2). 3) Firm value as the dependent variable which is symbolized by (Y).

2.2. Operational Definition

To obtain a clear picture of the variables to be studied, the operational definitions have the following limitations: 1) Disclosure of Enterprise Risk Management is the provision and delivery of information regarding the implementation of management functions in risk management to stakeholders to meet information needs as a basis for consideration in decision making in mining companies listed on the IDX in 2022. 2) Intellectual Capital Disclosure is the provision and delivery of information regarding various resources of knowledge and experience, expertise and abilities, good relationships with customers, and technological capacity owned in mining companies listed on the IDX in 2022. 3) Company Value is the investor's perception of the company's success rate in managing resources which is reflected in the stock price of mining companies listed on the IDX in 2022.

2.3. Variable Measurement

a. Enterprise Risk Management disclosure is measured using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) working paper developed by Desender and Lafuente (2009). Based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) working paper, there are 108 disclosure items covering 8 interconnected components, namely the internal environment, goal setting, event identification, risk assessment, risk response, supervisory activities, information and communication, and monitoring. Then calculated using the formula:

$$\text{ERMDI} = \frac{\text{D}item}{\text{AD}item}$$

Description:
ERMDI = *Enterprise Risk Management Disclosure Index*
D*item* = Total enterprise risk management disclosure score
AD*item* = Number of items in the enterprise risk management disclosure index
The information related to the disclosure of Enterprise Risk Management will be obtained from the company's annual report contained in the company's risk management section.

b. Intellectual capital disclosure is measured using the intellectual capital disclosure index developed by Singh & Zahn (2008) which has 81 items. Intellectual capital disclosure is then calculated using the following formula:

$$\text{ICDI} = \frac{\text{D}item}{\text{AD}item}$$

Description:
ICDI = *Intellectual Capital Disclosure Index*
D*item* = Total score of the Company's intellectual capital disclosure
AD*item* = Number of items in the intellectual capital disclosure index
The information related to the disclosure of intellectual capital will be obtained from the company's annual report contained in the human resources section.

c. Company value is measured using the Tobin's Q formula (Damodaran, 2006: 752), while the Tobin's Q formula formulation is as follows:

$$Tobin's\ Q = \frac{MVS + D}{TA}$$

Description:

Tobin's Q	=	Firm Value
MVS	=	Stock market value obtained from multiplying the number of shares outstanding by the stock price.
D	=	Market value of debt derived from (current liabilities - current assets + long-term liabilities)
TA	=	Total assets of the company

2.4. Population and Samples

The population in this study is the annual report of mining companies listed on the Indonesia Stock Exchange (IDX) in 2020, namely 48 companies. Determination of the sample used in this study using purposive sampling technique using several considerations related to the sample to be used. The criteria for determining the sample of this study are:

a. Mining companies listed on the IDX in 2022.
b. The company has published and published annual reports in 2022.
c. The company did not delist its shares during 2022.

The sample required is the annual report of 32 mining companies listed on the IDX in 2022.

2.5. Data Collection Technique

The data collection technique used in this research is documentation. The documentation is in the form of collecting research-related documents, namely the financial statement data of the companies sampled in this study.

2.6. Data Analysis Technique

The research data used is secondary data, so to fulfill the conditions specified before hypothesis testing through the t test and F test, it is necessary to test several classical assumptions used, namely normality, autocorrelation, multicolonierity and heteroscedasticity. Then proceed with the multiple linear regression analysis test. The last test carried out is the hypothesis test to answer the research hypothesis which consists of the t test and F test.

3. RESULTS AND DISCUSSION

Based on the calculation and analysis carried out regarding the effect of the enterprise risk management disclosure variable and the intellectual capital disclosure variable on the firm value variable, it can be explained as follows:

3.1 The Effect of Disclosure of Enterprise Risk Management on Firm Value

The importance of implementing enterprise risk management in supporting the achievement of company goals causes investors to be very interested in knowing enterprise risk management information as a basis for analyzing investment decisions. Adequate disclosure of enterprise risk management is necessary for investors to minimize the level of risk and uncertainty. Disclosure of enterprise risk management is a positive signal because through enterprise risk management information investors will also be able to assess the company's prospects. Investors positively assess companies that disclose a broader implementation of enterprise risk management because the more enterprise risk management items disclosed by the company also shows that the company has a better commitment to risk management. This can then encourage positive investor perceptions of the company and will affect the increase in the value of the company.

Based on partial testing (t test) between the variable disclosure of enterprise risk management on firm value, it is known that the B value is negative at -1.749 and the significance value is 0.035 where this value is smaller than 0.05 or 5%. These values indicate that partially the disclosure of enterprise risk management has a negative effect on firm value and the first hypothesis H1 is rejected. This is in line with research conducted by Siregar & Safitri (2019) which shows that disclosure of enterprise risk management has a negative effect on firm value. The negative effect in this study indicates the company's failure to provide information to stakeholders regarding the management of company risk presented in the financial statements. The lack of risk management information has caused investors in Indonesia not to capture the disclosure of enterprise risk management as good news that can encourage firm value (Munawwaroh et al., 2021). This is related to the nature of the disclosure of enterprise risk management itself, where the disclosure is still voluntary or there are no regulations governing the disclosure for non-financial sector companies, so that the disclosures made by the company seem to be merely without paying attention to the completeness of information and the impact of disclosure for the company.

3.2 The Effect of Intellectual Capital Disclosure on Firm Value

Welfare for investors will be achieved if investors invest in companies that are able to achieve high performance because companies that are able to achieve high performance will have the ability to provide high dividends to investors. Every investor always expects a return on investment in the form of high dividends so that on that basis investors will value higher shares of companies that are able to create high performance. Intellectual capital is a resource to maximize company performance so that intellectual capital information is of great interest to investors, and investors will give higher valuations to companies that have broader intellectual capital disclosures. Investors have the belief that the more intellectual capital ownership in a company will make it easier for the company to achieve maximum performance. This belief encourages investors to trade shares so that the stock market value of the company will increase.

Based on partial testing (t test) between intellectual capital disclosure variables on firm value, it is known that the B value is positive at 1.820 and significance is 0.016 where this value is smaller than 0.05 or 5%. This value indicates that partially the disclosure of intellectual capital has a positive effect on firm value and the second hypothesis H2 is accepted. This is supported by research conducted by Ardianto & Rivandi (2018) which shows that disclosure of intellectual capital has a positive effect on firm value.

3.3 The Effect of Enterprise Risk Management Disclosure and Intellectual Capital Disclosure on Firm Value

Disclosure of enterprise risk management and disclosure of intellectual capital are two important information needed by investors as a consideration in making investment decisions. Agency Theory and Signaling Theory explain that the more information disclosed, the greater the level of investor confidence and will affect the value of the company.

Based on the results of the simultaneous test (F test) between the variables of enterprise risk management disclosure and intellectual capital disclosure on firm value, it is known that the significance value is 0.042 where this value is smaller than 0.05 or 5%. This value indicates that disclosure of enterprise risk management and disclosure of intellectual capital simultaneously has a positive effect on firm value and the third hypothesis H3 is accepted. This is supported by research conducted by Emar & Ayem (2020) and Siregar & Safitri (2019) which shows that disclosure of enterprise risk management and disclosure of intellectual capital has an effect on firm value.

4. CONCLUSIONS AND SUGGESTION

Based on the test results and discussion described in the previous section, it can be concluded that: 1) Disclosure of enterprise risk management partially has a negative and significant effect on the value of mining companies listed on the Indonesia Stock Exchange and the first hypothesis is accepted. 2) Partial disclosure of intellectual capital has a positive and significant effect on the value of mining companies listed on the Indonesia Stock Exchange and the second hypothesis is accepted. 3) Disclosure of enterprise risk management and intellectual capital disclosure variables simultaneously have a positive and significant effect on the value of mining companies listed on the Indonesia Stock Exchange and the third hypothesis is accepted.

After conducting research, discussing and formulating conclusions from the research results, the authors provide several suggestions related to the research that has been carried out to serve as input and consideration that is useful for interested parties, including: 1) The company should not provide information related to the implementation of management functions in risk management and provide more information related to various resources of knowledge and experience, expertise and capabilities, good relationships with customers, and technological capacity owned by the company so as to increase stakeholder confidence for consideration in making investment decisions. 2) For investors or potential investors, in assessing the company, pay attention to information that is not only financial but also non-financial. 3) For future researchers, you should use a larger sample and add other independent variables.

REFERENCE

Ardianto, D., & Rivandi, M. (2018). Pengaruh Enterprise risk management disclosure, intellectual capital disclosure dan struktur pengelolaan terhadap nilai perusahaan. *Profita: Komunikasi Ilmiah Dan Perpajakan*, *11*(2), 284-305.

Emar, A. E. S., & Ayem, S. (2020). Pengaruh pengungkapan enterprise risk management dan pengungkapan intellectual capital terhadap nilai perusahaan dengan good corporate governance sebagai moderasi. *Wacana Ekonomi (Jurnal Ekonomi, Bisnis dan Akuntansi)*, *19*(2), 79-90.

Florio, C., & Leoni, G. (2017). Enterprise risk management and firm performance: The Italian case. *The British Accounting Review*, *49*(1), 56-74.

Giannakis, M., & Papadopoulos, T. (2016). Supply chain sustainability: A risk management approach. *International Journal of Production Economics*, *171*, 455-470.

Husna, A., & Satria, I. (2019). Effects of return on asset, debt to asset ratio, current ratio, firm size, and dividend payout ratio on firm value. *International Journal of Economics and Financial Issues*, *9*(5), 50-54.

Jannah, L., Aulia, D., & Sumunar, K. I. (2020). Enterprise Risk Management Discloure, Komite Manajemen Risiko Dan Nilai Perusahaan. *Syntax Literate*, *5*(8), 595-604.

Jayanti, E. D., Wulandari, A., & Kompyurini, N. (2021). Determinan Pengungkapan Manajemen Risiko Perusahaan, Pengungkapan Modal Intelektual, dan Kepemilikan Asing Terhadap Nilai Perusahaan. *InFestasi*, *17*(2), 168-180.

Lisnawati, T., Hussaen, S., Nuridah, S., Pramanik, N. D., Warella, S. Y., & Bahtiar, M. Y. (2023). Manajemen Risiko dalam Bisnis E-commerce: Mengidentifikasi, Mengukur, dan Mengelola Risiko-risiko yang Terkait. *Jurnal Pendidikan Tambusai*, *7*(2), 8252-8529.

Munawwaroh, A. F., Fatoni, N., & Warno, W. (2021). Pengaruh Pengungkapan Enterprise Risk Management terhadap Nilai Perusahaan dengan Profitabilitas sebagai Variabel Moderasi. *Eksos*, *17*(2), 81-93.

Prasetyorini, B. F. (2013). Pengaruh ukuran perusahaan, leverage, price earning ratio dan profitabilitas terhadap nilai perusahaan. *Jurnal ilmu manajemen*, *1*(1), 183-196.

Randa, F. D. A. S., & Solon, S. A. (2012). Pengaruh modal intelektual terhadap nilai perusahaan. *Jurnal sistem informasi manajemen dan akuntansi*, *10*(1), 24-27.

Septia, S. U., & Asyik, N. F. (2022). Pengaruh enterprise risk management disclosure dan intellectual capital disclosure pada nilai perusahaan. *Jurnal Ilmu dan Riset Akuntansi (JIRA)*, *11*(4).

Shad, M. K., Lai, F. W., Fatt, C. L., Klemeš, J. J., & Bokhari, A. (2019). Integrating sustainability reporting into enterprise risk management and its relationship with business performance: A conceptual framework. *Journal of Cleaner production*, *208*, 415-425.

Sigar, P., & Kalangi, L. (2019). Pengaruh ukuran perusahaan dan pertumbuhan penjualan terhadap harga saham pada perusahaan manufaktur sektor industri barang konsumsi yang terdaftar di Bursa Efek Indonesia. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis Dan Akuntansi*, *7*(3).

Singh, I., & Zahn, W. M. (2008). Determinants of Intellectual Capital Disclosure in Prospectuses of Initial Public Offerings. *Accounting and Business Research*, 427- 429.

Siregar, N. Y., & Safitri, T. A. (2019). Pengaruh pengungkapan enterprise risk management, intellectual capital, corporate social responsibility, dan sustainability report terhadap nilai perusahaan. *Jurnal Bisnis Darmajaya*, *5*(2), 53-79.

Suhardjanto, D., & Wardhani, M. (2010, Juni). Praktik Intellectual Capital Disclosure Perusahaan yang Terdaftar di Bursa Efek Indonesia. *Jurnal Akuntansi dan Auditing Indonesia*, 71-85.

Wang, Z., Wang, N., & Liang, H. (2014). Knowledge sharing, intellectual capital and firm performance. *Management decision*, *52*(2), 230-258.

Wijaya, M. H., & Amanah, L. (2017). Pengaruh Intellectual Capital terhadap kinerja perusahaan otomotif di bursa efek Indonesia. *Jurnal Ilmu dan Riset Akuntansi (JIRA)*, *6*(1).

E-ISSN: 2985-3222
P-ISSN: 2985-3168

JEEMBA Volume 1, Issue 3, September 2023

Zambon, S. (2017). Intangibles and intellectual capital: an overview of the reporting issues and some measurement models. *The economic importance of intangible assets*, 153-183.

Zhao, X., Hwang, B. G., & Low, S. P. (2013). Critical success factors for enterprise risk management in Chinese construction companies. *Construction Management and Economics*, *31*(12), 1199-1214.