

Determinants of Firm Value with Enterprise Risk Management as a Moderating Variable in KBMI 3 and 4 Commercial Banks

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ABSTRACT

The banking sector plays a pivotal role in a nation's economic stability and growth, with firm value being a critical indicator of a bank's health and market perception. In Indonesia, banks are categorized based on core capital (*Kelompok Bank Berdasarkan Modal Inti—KBMI*), where groups 3 and 4 comprise the largest institutions with significant systemic influence. This research aims to analyze the influence of profitability, credit risk, institutional ownership, and corporate social responsibility (CSR) on firm value, with enterprise risk management (ERM) as a moderating variable. Firm value is measured using the Price to Book Value (PBV) ratio. The sample consists of 13 commercial banks categorized under KBMI 3 and 4 during the period 2017 to 2024. The analytical method used is panel data regression employing the random effect model approach. The results indicate that profitability and CSR have a positive and significant effect on firm value. On the other hand, non-performing loans (NPL) and institutional ownership do not have a significant effect on firm value. The moderation test reveals that ERM strengthens the relationship between profitability and CSR with firm value. However, ERM does not moderate the relationship between NPL and institutional ownership with firm value. These findings highlight the importance of profitability, CSR implementation, and effective risk management in enhancing firm value in the banking sector. Meanwhile, asset quality and ownership structure have not shown a significant role in shaping market perception.

Keywords: Firm Value, Profitability, Credit Risk, Institutional Ownership, CSR, Enterprise Risk Management, PBV, Banking Sector

INTRODUCTION

Economic growth is one of the key concerns in the administration of a country. This is because *economic growth* is an indicator of successful development in a country's economy (Azam, 2022). Positive *economic growth* signals that the economy is expanding, including increasing production, investment, consumption, and job creation. Sustainable *economic growth* is considered an important goal because it brings economic and social benefits such as increased per capita income, reduced poverty rates, and improved living standards.

The banking industry sector is a vital component that plays an important role as the driver of a country's economy. As a crucial sector, the banking industry significantly impacts *economic growth*, financial stability, and the welfare of the populace. Based on Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking, it is stated that "Banking is everything related to banks, including institutions, business activities and ways and processes in carrying out their business activities." The same regulation defines a Commercial Bank as a bank that conducts business activities conventionally and/or based on *Sharia Principles*, which provides services in payment traffic. According to Article 1 number 3 of Law Number 10 of 1998, Commercial Banks can accept deposits in the form of current

accounts, deposits, savings, and/or other equivalent forms, as well as distribute funds to the public in the form of credit and other forms to support the community's economic activities.

Commercial banks, as financial intermediary institutions, have a strategic role in maintaining financial system stability and promoting national *economic growth* through their primary function as collectors and distributors of public funds and other financial service providers (Financial Services Authority, 2020). Based on Financial Services Authority Regulation Number 12/POJK.03/2021 concerning Commercial Banks, it is explained that based on Core Capital, banks are grouped into four KBMIs, namely: a) KBMI 1 is a bank with Core Capital up to IDR 6,000,000,000,000 (six trillion rupiah); b) KBMI 2 is a bank with Core Capital of more than IDR 6,000,000,000,000 (six trillion rupiahs) to IDR 14,000,000,000,000 (fourteen trillion rupiahs); c) KBMI 3 is a bank with Core Capital of more than IDR 14,000,000,000,000 (fourteen trillion rupiah) to IDR 70,000,000,000,000 (seventy trillion rupiah); and d) KBMI 4 is a bank with Core Capital of more than IDR 70,000,000,000,000 (seventy trillion rupiah).

Banking companies as economic institutions have both short-term and long-term goals. In the short term, the company aims to obtain maximum profits using existing resources, while in the long term, the objective is to maximize the company's value (Fajariyah & Susetyo, 2020).

Company value reflects the overall state of a company; the better the company's value, the higher it is valued by investors, and vice versa, since company value is a key factor considered in investment decisions. Rahmi et al. (2023) stated that when the company's value decreases, it can reduce or even eliminate investor and potential investor confidence in the company's shares, leading companies to have difficulty obtaining external funding.

Company value is an important indicator reflecting investors' perceptions of the future prospects and long-term performance of a business entity (Brigham & Houston, 2018). A high company value not only reflects management's success in managing assets and generating profits but also indicates investors' confidence in the company's operational sustainability and future growth. This is especially relevant in the banking sector, which is heavily regulated and has a systemic influence on the national economy. In the banking industry, company value is frequently used by investors and supervisory authorities as a benchmark to assess the resilience of financial institutions in facing economic challenges and operational risks.

One ratio commonly used to measure company value is Price Book Value (PBV). PBV is an investment valuation ratio often used by investors to compare the market value of a company's shares with its book value (Hartono, 2017). PBV is an indicator of how expensive or cheap a company's stock price is relative to its net asset value.

A high PBV ratio indicates that the market perceives the company as having good growth and profitability prospects. Conversely, a low PBV can signal a lack of market confidence in the company's ability to create added value. According to Fahmi (2014), PBV is an effective tool to measure the extent to which the market appreciates a company's net worth, especially in asset-intensive companies such as banks.

Based on available data, fluctuations in Price to Book Value (PBV) in the banking sector show interesting dynamics, both generally and within the KBMI 3 and 4 classifications. From 2014 to 2018, the banking sector showed a relatively stable PBV with an average of 1.60, where a ratio above 1 indicates that the stock price may be considered expensive or overvalued. However, PBV increased significantly in 2019 to 2.56 and continued to rise to 2.78 in 2020,

indicating that these companies' shares were becoming more expensive. Subsequently, PBV dropped to 0.90 in 2023, suggesting the stock may be undervalued. Fortunately, in 2024, the banking sector shows improvement, with PBV rising to 1.77, reflecting recovery in investor confidence in the national banking industry prospects. The COVID-19 pandemic, which began to spread late 2019 and peaked in 2020, had a major impact on the Indonesian economy, causing declines in *economic growth*, worsening employment, and poverty. Nevertheless, it is noteworthy that the banking sector experienced its highest PBV spikes in 2019 and 2020 despite this crisis.

Furthermore, Kamarudin et al. (2022) revealed that the economic impact caused by the COVID-19 pandemic even exceeded the global financial crisis of 2008–2009, showing that the financial sector was under immense pressure. This phenomenon indicates that bank company values are very sensitive to macroeconomic conditions and market sentiment.

During 2014 to 2024, the average PBV of KBMI 4 group banks consistently remains far above KBMI 3 banks and the national industry average. This indicates that investors have higher assessments of large banks such as BCA, Mandiri, BRI, and BNI compared to KBMI 3 banks. Notably, from 2022 to 2024, KBMI 3 banks' PBV remains below 1, which theoretically reflects undervaluation. The PBV disparity between the general banking sector and KBMI 3 and 4 groups serves as an important indicator for assessing market perception of fundamentals and prospects of these bank groups.

PBV fluctuations year to year, including the sharp decline in 2023 and recovery in 2024, indicate that market perceptions remain dynamic and are influenced by various factors both internal, such as profitability, risk management, and governance, and external, such as interest rates, regulations, and macroeconomic stability.

According to Hartono (2023), company value is determined by internal factors (profitability and sales growth) and external factors (economic, political, and financial). Previous research by Ammy & Ramadhan (2021), Prabawati et al. (2021), and Kansil et al. (2021) found that company value is influenced by variables including profitability and credit risk.

A good company value is certainly the desire of shareholders; effective financial management will impact company growth and sustainability. Profitability is one factor that affects company value (Kolamban et al., 2020).

Research by Ammy & Ramadhan (2021) and Harahap (2023) shows profitability positively influences company value. However, research by Kansil et al. (2021) indicates that ROA has no effect on company value.

According to Zs et al. (2022), "Non-performing Loans (NPLs) are the ratio between total non-performing loans and total loans provided by the debtor. A bank is said to have a high NPL value if the number of non-performing loans exceeds the total loans granted by the debtor."

Studies by Ammy & Ramadhan (2021) and Prabawati et al. (2021) show that credit risk negatively affects company value. Conversely, Kansil et al. (2021) and Zs et al. (2022) found that credit risk has no effect on company value.

Besides profitability and credit risk, other factors must be considered when observing PBV. Previous research by Tenriwaru & Nasaruddin (2020), Bakhtiar et al. (2021), and Seviona & Haryati (2024) showed that company value is also influenced by institutional ownership, Corporate Social Responsibility (CSR), and Enterprise Risk Management (ERM).

According to Bakhtiar et al. (2021), "Institutional ownership refers to shares owned by institutions such as insurance companies, banks, investment companies, and other institutional entities." Institutional ownership acts as a monitoring party, ensuring shareholder prosperity by supervising management decisions that may reduce company value, resulting in more optimal management oversight.

Bakhtiar et al. (2021) found that institutional ownership negatively influences company value. However, Saragih & Tampubolon (2023) found no influence between institutional ownership and company value.

Corporate Social Responsibility (CSR) means the company is responsible not only economically and legally to shareholders but also ethically to all stakeholders including customers, employees, communities, governments, suppliers, and investors (Tenriwaru & Nasaruddin, 2020). CSR reflects the company's commitment to a sustainable economy.

Businesses aim not only for profit but also benefit their stakeholders. One way is through CSR programs. Increased disclosure of company responsibilities tends to enhance public trust and positively influences market response to CSR disclosures.

Research by Tenriwaru & Nasaruddin (2020) and Amerta & Soenarno (2022) showed that CSR had no influence on company value. This contrasts with findings from Fana & Prena (2021) and Rahman et al. (2020), which showed that CSR positively affects company value.

Enterprise Risk Management (ERM) enables comprehensive, integrated risk management, helping companies anticipate uncertainty and minimize potential losses. ERM improves decision-making, supports achievement of strategic objectives, strengthens governance and regulatory compliance, builds stakeholder trust, and maintains long-term performance stability—ultimately contributing to increasing company value.

Most companies in Indonesia, especially in the financial sector, implement risk management following Financial Services Authority (OJK) regulations, particularly POJK Number 18/POJK.03/2016 concerning Risk Management Implementation for Commercial Banks. Both Commercial Banks and Non-Bank Financial Services Institutions (LJKNB) must report risk management implementation to OJK.

According to COSO (2004), ERM encourages management to act effectively and efficiently under uncertain environmental conditions related to business risks and opportunities, increasing the company's capacity to enhance value. Research by Syafitri et al. (2023) and Seviona & Haryati (2024) shows ERM positively affects company value. However, Emar & Ayem (2020) found ERM has no effect, while Gonzales et al. (2020) concluded ERM negatively affects company value. Fitriani et al. (2023) found that ERM moderates the influence of CSR on company value.

Several previous studies have shown inconsistent results (research gaps) concerning the effects of profitability, credit risk, institutional ownership, and CSR on company value. Therefore, further research is needed by including ERM as a moderating variable.

Additionally, this study differs from prior research with its longer observation period spanning eight years (2017–2024). By analyzing long-term trends, the study provides a comprehensive view of banking sector company values during this period. The focus is on banks in KBMI 3 and 4 groups, which have the largest core capital, high market capitalization, and significant systemic influence on national financial system stability.

This study aims to test and analyze the influence of each independent variable on firm value and examine the moderating role of *ERM* in these relationships. The research is expected to contribute both theoretically and practically. Theoretically, it seeks to deepen understanding of corporate performance and market valuation via the Price to Book Value (PBV) approach, provide empirical evidence on these variables, and serve as a reference for future studies. Practically, the findings are anticipated to assist investors in making informed investment decisions aligned with their objectives and risk tolerance, help companies formulate policies and strategies related to firm value and business sustainability, and guide regulators in implementing relevant banking sector and capital market policies.

METHOD

This research employed a quantitative approach focused on collecting and analyzing numerical data for statistical measurement. According to Sugiyono (2019), quantitative research methods are based on positivist philosophy and are used to test predetermined hypotheses on specific populations or samples. This study adopted a causal research design to analyze the influence of independent variables on the dependent variable, considering a moderating variable.

The independent variables included Profitability, Credit Risk, Institutional Ownership, and Corporate Social Responsibility (CSR); the dependent variable was Company Value, and the moderating variable was Enterprise Risk Management (ERM). Secondary data were obtained from the annual reports of banking companies listed on the Indonesia Stock Exchange, covering the period from 2017 to 2024.

Profitability was measured using Return on Assets (ROA), Credit Risk by Non-Performing Loans (NPL), Institutional Ownership as the percentage of shares owned by institutions, CSR by the ratio of CSR fund allocation to net profit, and Company Value by Price to Book Value (PBV). ERM was assessed based on disclosures following the COSO ERM Framework.

The population comprised 13 commercial banks in the KBMI 3 and KBMI 4 groups, and saturated sampling was applied to include all banks. Data collection involved gathering secondary data from annual reports and official websites.

Data analysis employed panel data regression using EViews software. Prior to analysis, classical assumption tests—normality, multicollinearity, and heteroskedasticity—were conducted to validate the model. The appropriate estimation model was selected using the Chow test, Hausman test, and Lagrange Multiplier test. The Adjusted R^2 coefficient measured the model's explanatory power, while the F test and t-test assessed the significance of the independent variables' influence on the dependent variable.

RESULTS AND DISCUSSION

Model Determination Analysis

In conducting panel data regression analysis, there are three main approaches that can be used, namely the Common Effect Model, the Fixed Effect Model, and the Random Effect Model. To choose the most suitable model, it is necessary to carry out a series of comparative tests, namely the Chow Test, the Hausman Test, and the Lagrange Multiplier Test. The following are the provisions in determining the most suitable model

Table 1. Model Selection Conditions

Test Type	Criterion	Probability	Selected Models
Chow Test	Cross-section F (Prob.)	> 0.05	EMC
		< 0.05	FEM
Hausman Test	Cross-section random (Prob.)	> 0.05	BRAKE
		< 0.05	FEM
Lagrange Multiplier Test	Breusch-Pagan	> 0.05	EMC
		< 0.05	BRAKE

Source: Researcher's Results, 2025

Referring to the provisions in Table 1, the following are the results of the Chow Test, Hausman Test, and Lagrange Multiplier Test in this study:

Table 2. Results of the Model Determination Analysis

Test Type	Criterion	Probability	Selected Models
Chow Test	<i>Cross-section F (Prob.)</i>	0,0000	FEM
Hausman Test	<i>Cross-section random (Prob.)</i>	0,3976	REM
Lagrange Multiplier Test	<i>Breusch-Pagan</i>	0,0000	REM

Source: Data processing Eviews 13 (2025)

Based on the results of the panel model testing that has been carried out, it is concluded that the best model in this study is the Random Effect Model (REM)

Panel Data Regression Analysis

After the panel data model is determined, the research can be continued with panel data regression analysis. In this study, the analysis was carried out using a random effect model. The results of the panel data test can be seen in the following table:

Table 3. Panel Data Regression Test Results

Variable	Coefficient Value	Probability Value
Constant (Log_PBV)	2.3444	0,0000
LENGTH	1,2124	0,0129**
NPL	-0,2246	0,5867
Log_KI	0,0002	0,9917
Log_CSR	1,4084	0,0679*
ROA*ERM	0,0142	0,0333**
NPL*ERM	-0,0033	0,5583
Log_KI*ERM	0,0002	0,5105
Log_CSR*ERM	0,0181	0,0966*

Source: Data processing Eviews 13 (2025)

The regression equation based on the results of the panel data test can be seen as follows:

$$\text{Log_PBV} = 2.3444 + 1.2124 \text{ LONG} - 0.2246 \text{ NPL} + 0.0002 \text{ Log_KI} + 1.4084 \text{ Log_CSR} + 0.0142 \text{ LONG*ERM} - 0.0033 \text{ NPL*ERM} + 0.0002 \text{ Log_KI*ERM} + 0.0181 \text{ Log_CSR*ERM}$$

The interpretation of the above equation is:

1. The constant value for Log_PBV is 2.3444. This means that if the variables ROA, NPL, Log_KI, Log_CSR, ROA*ERM, NPL*ERM, Log_KI*ERM, and Log_CSR*ERM are constant, then the Log_PBV value is 2.3444.
2. The value of the ROA regression coefficient is 1.2124, meaning that every increase of one unit, assuming the other variables are fixed, the value of Log_PBV will increase by 1.2124
3. The value of the NPL regression coefficient is -0.2246, meaning that every increase of one unit, assuming that the other variables are fixed, then the value of Log_PBV will decrease by 0.2246 (or increase by -0.2246)
4. The value of the regression coefficient Log_KI is 0.0002, which means that every increase of one unit, assuming the other variables are fixed, the value of Log_PBV will increase by 0.0002
5. The value of the regression coefficient Log_CSR is 1.4084, meaning that every increase of one unit, assuming the other variables are fixed, the value of Log_PBV will increase by 1.4084
6. The value of the ROA*ERM regression coefficient is 0.0142, meaning that each interaction between ROA and ERM increases by one unit, assuming that other variables are fixed, then the Log_PBV value will increase by 0.0142.
7. The value of the NPL*ERM regression coefficient is -0.0033, meaning that each interaction between NPL and ERM increases by one unit, assuming the other variables are fixed, then the Log_PBV value will decrease by 0.0033 (or increase by -0.0033).
8. The value of the regression coefficient Log_KI*ERM is 0.0002, meaning that every interaction between Log_KI and ERM increases by one unit, assuming that other variables are fixed, then the value of Log_PBV will increase by 0.0002.
9. The value of the regression coefficient Log_CSR*ERM is 0.0181, meaning that every interaction between Log_CSR and ERM increases by one unit, assuming the other variables are fixed, then the Log_PBV value will increase by 0.0181.

Feasibility Test Results

1. Determination coefficient test

The determination coefficient test is carried out to measure how much the ability of the free variable to predict changes from the bound variable. This test uses the Adjusted R-squared value, where the Adjusted R-squared value is in the range of 0 to 1. The higher the value, the better the ability of all independent variables to predict changes related to bound variables.

Based on the results of the determination coefficient test, the Adjusted R-squared value is 0.2559 or 25.59%. This shows that all independent variables in the model are able to predict a change in the bound variable (Log_PBV) by 25.59%. Meanwhile, the remaining 74.41% was explained by other factors or variables outside the scope of this study.

2. Test F

The F test was conducted to assess the significance of the influence of each independent variable on the dependent and moderation variables simultaneously (together). The basis for decision-making in this test is the Prob(F-statistic) value, where a variable is said to have a significant effect if the probability value is smaller than the specified level of significance, i.e. $\alpha = 0.05$.

Based on the results of the determination coefficient test, the Prob(F-statistic) value is 0.000012, where the value is less than 0.05. This shows that all independent variables and moderation variables used in this study (ROA, NPL, Log_KI, Log_CSR, ROA*ERM, NPL*ERM, Log_KI*ERM, and Log_CSR*ERM) have a significant effect on the bound variables (Log_PBV). This shows that the regression model is considered feasible and can explain the variation in company value (PBV).

Hypothesis Test Results (t-Test)

The t-test was carried out to assess the significance of the influence of each independent variable on the dependent variable, either directly or through interaction with the moderation variable. The basis for decision-making in this test is the probability value, where a variable is said to have a significant effect if the probability value is smaller than the specified level of significance, which is 10% or $\alpha = 0.1$.

1. The Effect of Profitability (ROA) on Company Value (Log_PBV) has a probability value of 0.0129, where the value is less than 0.1, meaning that Profitability has a significant effect on Company Value
2. The Effect of Credit Risk (NPL) on Company Value (Log_PBV) has a probability value of 0.5867, where the value is greater than 0.1, meaning that Credit Risk does not have a significant effect on Company Value
3. The Influence of Institutional Ownership (Log_KI) on Company Value (Log_PBV) has a probability value of 0.9917, where the probability value is greater than 0.1, meaning that Institutional Ownership does not have a significant effect on Company Value.
4. The influence of CSR (Log_CSR) on Company Value (Log_PBV) has a probability value of 0.0679, where the value is less than 0.1, meaning that CSR has a significant effect on Company Value.
5. The role of ERM moderation (ERM) on the effect of Profitability (ROA) on Company Value (Log_PBV) has a probability value of 0.0333, where the value is less than 0.1, meaning that ERM can moderate the effect of Profitability on Company Value.
6. The role of ERM moderation (ERM) on the effect of Credit Risk (NPL) on Company Value (Log_PBV) has a probability value of 0.5583, where the value is greater than 0.1, meaning that ERM cannot moderate the effect of Credit Risk on Company Value.
7. The role of ERM moderation (ERM) on the influence of Institutional Ownership (Log_KI) on Company Value (Log_PBV) has a probability value of 0.5105, where the value is greater than 0.1, meaning that ERM cannot moderate the influence of Institutional Ownership on Company Value
8. The role of moderation from ERM (ERM) to the influence of CSR (Log_CSR) on Company Value (Log_PBV) has a probability value of 0.0966, where the value is less than 0.1, meaning that ERM can moderate the influence of CSR activities on Company Value

Table 4. Hypothesis Test Results

Variable	Probability Value	Information	Conclusion
	Direct Influence		
ROA	0,0129**	Significant	Dilemmatic hypothesis

Variable	Probability Value	Information	Conclusion
Direct Influence			
NPL	0,5867	Insignificant	Hypothesis rejected
Log_KI	0,9917	Insignificant	Hypothesis rejected
Log_CSR	0,0679*	Signifikan	Dilemmatic hypothesis
Moderation			
LENGTH*ERM	0,0333**	Moderate	Dilemmatic hypothesis
NPL*ERM	0,5583	Not Moderation	Hypothesis rejected
Log_KI*ERM	0,5105	Not Moderation	Hypothesis rejected
Log_CSR*ERM	0,0966*	Moderate	Dilemmatic hypothesis

Source: Data processing Eviews 13 (2025)

The Effect of Profitability on Company Value

The results of data processing show that profitability, measured through the Return on Assets (ROA) indicator, has a significant positive effect on the company's value in banks included in the KBMI 3 and 4 categories during the 2017-2024 period. These findings confirm that the higher the ability of a bank to generate profits from its assets, the higher the company's value in the eyes of investors. This is in line with the Signalling Theory which explains that an increase in profit is a positive signal for investors regarding the company's prospects. Information about high profitability provides confidence that the invested funds are optimally managed, thereby increasing the market's perception of the company's value.

The increase in profitability reflects the company's good performance and profitable business prospects, so that it is able to attract investors and provide positive signals to the management of the funds that have been invested. High profitability not only indicates efficiency in the company's operations, but also contributes to increasing the company's value in the eyes of investors and shareholders. Therefore, the higher the profitability achieved, the higher the value of the company.

This result is also explained by Indira et. al. (2021), where increased profitability indicates the success and future prospects of a business. Increased profitability will increase the attractiveness of the company in the eyes of investors as it reflects good performance and promising prospects. Thus, increased profitability will make the company more attractive and valuable in the eyes of investors, ultimately driving an increase in the value of the company.

Then, Prabawati et al. (2021) added that the company's ability to optimize operational activities is shown by the profitability generated. Thus, high profitability is an indicator of good company performance. This condition provides a positive signal for the welfare of shareholders, as it shows that their investment funds are optimally managed. As a result, increased profitability will be followed by an increase in the company's value.

The Effect of Credit Risk on Company Value

The results of data processing show that Credit Risk, which is measured through the Non-Performing Loan (NPL) indicator, does not have a significant effect on the company's value in banks included in the KBMI 3 and 4 categories during the 2017–2024 period. This indicates that the large non-performing loan ratio owned by banks does not directly affect the

company's value. The results show a discrepancy with signal theory, where a high non-performing loan ratio should be a negative signal for investors and a low credit ratio can be perceived as a positive signal. This indicates that information about NPLs is not considered the main signal in investment decision-making by investors.

Credit risk has no effect on the Company's Value due to Bank Indonesia's implementation of a loose monetary policy during the COVID-19 pandemic by gradually lowering the benchmark interest rate from around 5% in early 2020 to 3.5% in February 2021. In addition, since March 2020, the OJK has implemented a credit relaxation policy through POJK No. 11/POJK.03/2020 and its amendments (POJK No. 48/2020 and 17/2021), which allows banks to suspend the classification of non-performing loans for debtors affected by COVID-19 with certain conditions, where this policy is extended until March 2023.

Another cause is fee-based income. Fee-based income is generally generated from credit and debit card services; electronic transfers and transactions; wealth management; trade finance and export-import as well as administrative costs and other banking services. Investors no longer focus on credit risk when evaluating the performance of banks.

This result is explained by Novianti (2020) that investors no longer take credit risk into account when assessing companies due to innovations in banking products and services. Banking revenue sources are no longer focusing primarily on productive assets, but have begun to shift to other types of income such as fee-based income derived from securities activities, interbank fund placement, and various other financial services.

Haryanto & Susanto (2023) added that credit risk is no longer taken into account by investors when assessing banking companies, because when economic obstacles due to the Covid-19 pandemic occur, the government and related institutions concentrate on maintaining banking and financial ratios at a safe level through strict regulations. In addition, through credit restructuring, banks can also minimize the impact of non-performing loans.

The Influence of Institutional Ownership on Company Value

The results of data processing show that Institutional Ownership does not have a significant effect on the Company Value of banks included in the KBMI 3 and 4 categories during the period 2017–2024. From the point of view of agency theory, institutional ownership should be able to be a monitoring mechanism for management. From the perspective of agency theory, the greater the proportion of shares owned by the institution, the stronger the institution's ability to monitor management, so that it is expected to suppress opportunistic behavior of managers and increase company value. However, the results of the study show that institutional shareholders are more likely to focus on short-term profits (e.g. dividends) rather than pressuring management to disclose strategic information that can increase the value of the company

Although institutions have significant ownership, not all institutions are active in supervisory or managerial involvement. Many of them tend to be passive, focusing only on portfolio profits without getting involved in the company's operational policies. This makes the monitoring function not run optimally, so that the influence on the company's value is not significant (Sutrisno, 2020).

The banking sector in Indonesia is a highly regulated sector and is under strict supervision from the Financial Services Authority (OJK). With strict regulations and the

obligation to implement the principles of Good Corporate Governance (GCG), the potential for an active role of institutional investors in increasing the value of the company has become relatively small, as most of the control and governance functions have been taken over by regulators

This result is in line with the results of Sukmawardini & Ardiansari's (2018) research where institutional ownership does not affect the company's value due to the information gap between shareholders and the company's internals. This gap hinders institutions in supervising management behavior, because the information they have is not as good as the information that management has, so that institutions have difficulty in controlling management behavior

The Influence of Corporate Social Responsibility (CSR) on Company Value

The results of data processing show that CSR has a significant positive effect on the Company Value of banks included in KBMI 3 and 4 categories during the 2017–2024 period. This positive influence shows that the CSR activities carried out by the bank have a direct effect on the bank's Company Value. This result is in accordance with the theory of legitimacy that emphasizes the importance of matching company activities with societal values and expectations. Through CSR, companies gain social legitimacy that strengthens their reputation as well as public trust, which ultimately increases the company's value in the eyes of investors.

In the Indonesian banking sector, especially banks in KBMI 3 and 4, CSR reporting and implementation has become a common and strategic practice, especially since the enactment of OJK regulation No. 51/POJK.03/2017 on sustainable finance. The bank's CSR activities not only include social activities such as education, health, and the environment, but also financial inclusion initiatives, MSME financing, and financial literacy programs. Major banks have made CSR part of their sustainability strategies, which are reported in a structured manner in sustainability reports. This reinforces investors' positive perception of the company's reputation and long-term prospects, which ultimately increases the company's value

CSR activities contribute positively to the improvement of the company's reputation and value. CSR not only improves relationships with employees, customers, and other stakeholders, but also becomes an important indicator in the assessment of corporate governance by the public. With good CSR implementation, companies can build a positive image, increase customer loyalty, and strengthen trust from external parties such as the government and investors, which overall has an impact on increasing the company's value

This result is explained by Fana & Prena (2021), where CSR activities can improve employee morale, which in turn reduces labor problems, as well as increase customer loyalty to the company's products, which will ultimately improve the company's reputation.

Then, Fitriani et. al. (2023) added that CSR activities are one of the components of corporate governance that will be assessed by the public. So, the better the implementation of CSR activities, the better the public's opinion of the company, which will later increase their loyalty to the company's products. Ultimately the company's reputation increases, and it can increase the company's value.

Enterprise Risk Management (ERM) in Moderating the Influence of Profitability on Company Value

The results of data processing show that ERM can moderate the influence of Profitability (measured by ROA) on Company Value in banks included in KBMI 3 and 4 categories during 2017 - 2024. This result is in accordance with signal theory where risk management disclosure plays an important role as a signal for investors to assess the extent to which the company is able to deal with the risks inherent in its business activities. Through this disclosure, investors can consider whether the profits earned by the company have been free of risk. In addition, effective risk management reflects management's ability to handle uncertainty, thereby increasing confidence that the company's profit-making activities are carried out in a safe and controlled manner.

By regulation, KBMI 3 and 4 commercial banks are required to have a more complex and integrated risk management structure, in accordance with POJK No. 18/POJK.03/2016 concerning the Implementation of Risk Management. This shows that in large banks, ERM is not only a formality but has also become part of the main management strategy. With a good implementation of ERM, these risks can be managed effectively, thereby increasing investors' confidence that the profitability achieved is the result of sustainable management. Investors trust banks that are not only profitable, but also have a good risk management system.

The role of moderation is explained by Julito & Ticoalu (2023) that with the disclosure of risk management, it will be seen how the company's actions in dealing with risks inherent in its business activities will continue to generate profits. Of course, it is a consideration for investors in taking their investment policies, especially in seeing whether the company's profits are free of risk or not.

In addition, Yusuf & Lastanti (2024) added that risk management disclosure shows how company management effectively handles the uncertainties and risks that exist in the business they run, especially those related to the company's profit-seeking activities. Thus, risk management will provide certainty that the company's activities in seeking profits are free from risk.

Enterprise Risk Management (ERM) in Moderating the Influence of Credit Risk on Company Value

The results of data processing show that ERM cannot moderate the influence of Credit Risk (measured by NPLs) on Company Value in banks included in KBMI 3 and 4 categories during 2017 - 2024.

Enterprise Risk Management focuses on managing risks comprehensively and collectively, such as market, operational, liquidity, and reputational risks, not just individual risks such as credit risk. Therefore, ERM is less effective for managing credit risk specifically, credit risk management requires a more focused and in-depth management strategy, as it is influenced by various external factors and debtor characteristics. Therefore, ERM disclosure is considered less relevant in assessing a company's credit performance, so it is not able to moderate the influence of credit risk on the company's value.

During the observation period, especially during the COVID-19 pandemic, there are various policies such as credit relaxation from the government and the Financial Services Authority (OJK), one of which is through POJK No.11/POJK.03/2020, which provides leeway

in the treatment of non-performing loans. This policy can cause NPL levels to not fully reflect real credit risk, thereby weakening the relationship between NPLs and company value and reducing the effectiveness of ERM as a moderation variable.

This is explained by Hasan et. al. (2021) which explains that the implementation of ERM is more focused on managing risk collectively to see what company activities have the greatest risk of the company's total risk, so that it is not focused on individual risks (such as credit risk). ERM is designed to manage the risk of all company activities so that they are at an optimal point that does not harm the company. Thus, ERM cannot necessarily be used to manage credit risk more deeply, especially if the bank's credit risk is still under control. Hasan et. al. (2021) also added that to overcome credit risk more deeply, a bank risk management strategy is needed that specifically aims to control the efficiency of credit activities starting from the identification, monitoring, and measurement of credit risks.

Enterprise Risk Management (ERM) in Moderating the Influence of Institutional Ownership on Company Value

The results of data processing show that ERM is unable to moderate the influence of Institutional Ownership on Company Value in banks that are included in the KBMI 3 and 4 categories during 2017 - 2024.

Risk management disclosures through ERM have no significant relevance to institutional ownership, as institutional positions are outside the company's internal structure. In addition, institutional shareholders' primary focus tends to be more on achieving short-term gains (such as dividends), as opposed to direct involvement in implementing a company's internal risk management system. Therefore, even if companies have formally implemented and disclosed ERM systems, it is not enough to moderate the relationship between institutional ownership and corporate values.

This is reinforced by Jamaluddin et al. (2020) who stated that the implementation of corporate risk management through ERM disclosure is an aspect that is irrelevant to the institutional ownership structure. This is because the ownership of the institution is outside of internal management, so the disclosure of ERM carried out by the management does not directly affect or be influenced by the institution's shareholders.

In addition, according to Purwandani and Wafiroh (2024), institutional shareholders generally prioritize short-term financial gains, such as dividends, rather than encouraging company management to openly disclose various aspects of risk. As a result, although ERM disclosure is carried out as a form of transparency and good risk management, it has not been able to strengthen the supervisory function or provide a significant strategic influence of institutional ownership on the increase in company value.

Enterprise Risk Management (ERM) in Moderating the Influence of Corporate Social Responsibility on Company Value

The results of data processing show that ERM is able to moderate the influence of CSR on Company Value in banks that are included in the KBMI 3 and 4 categories during 2017 - 2024.

In the context of banking, CSR disclosure has an important role in building public reputation and trust. When CSR is carried out in conjunction with structured risk management

through ERM, it creates synergies that have a positive impact on market perception. The existence of this disclosure allows investors to assess that operational activities, including CSR, have been carried out taking into account existing risks. Thus, risk management plays a role in evaluating CSR implementation, which creates a positive signal to investors, regulators, and the wider community, ultimately driving increased company value.

Commercial banks in the KBMI 3 and 4 categories have a large and complex scale of operations, so it is very important for them to implement ERM and CSR practices consistently and integrated. These banks have the obligation to disclose CSR activities periodically in accordance with POJK No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance, as well as implement comprehensive risk management in accordance with POJK No. 18/POJK.03/2016.

The role of this moderation is explained by Meliniawaty & Supatmi (2021) that the level of risk management through ERM disclosure is a form of corporate commitment to shareholders. The level of ERM disclosure will provide a signal to investors, because it can be assessed how the company's ability to manage its business risks so that existing risks can be avoided or minimized, including risks arising from CSR activities.

In addition, Fitriani et. al. (2023) added that the submission of information related to risk management provides investors with an overview of the extent to which the company's operational activities are carried out by paying attention to potential risks, including risks that may arise from the implementation of CSR programs. Therefore, risk management disclosure can reduce the uncertainty felt by investors about the various risks faced by companies, especially those arising from social responsibility activities.

CONCLUSION

Based on the research findings, profitability positively affected company value, indicating that banks that efficiently utilized assets to generate profits were viewed more favorably by investors. Credit risk and institutional ownership showed no significant impact on company value, likely due to monetary easing policies mitigating credit risk effects and many institutional owners being passive with limited managerial oversight. Corporate Social Responsibility (CSR) positively influenced company value by enhancing investor perceptions and corporate reputation. Enterprise Risk Management (ERM) strengthened the relationship between profitability and company value and moderated the impact of CSR by improving corporate governance perceptions and investor trust, but it did not moderate the effects of credit risk or institutional ownership. Future research could explore more specific approaches to credit risk management and investigate the active roles of institutional investors in influencing firm value within the banking sector.

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