The Effect of Enterprise Risk Management Disclosure, Intellectual Capital Disclosure, Independent Board of Commissioners, Board of Director and Audit Committee towards Firm Value

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**ABSTRACT**

The effect of enterprise risk management disclosure, intellectual capital disclosure, board commissioner independent, the board of director, and committee audit is tested towards firm value proxied using book value in this study. The companies in the sector of property, real estate, and building construction sector are tested for 2016-2018. The samples of this study are 60 companies with 180 observations. The data were taken from Indonesia Stock Exchange. The data analysis method used is multiple regression model. Based on the hypothesis that enterprise risk management disclosure, intellectual capital disclosure, independent board commissioner and audit committee have no significant effect on firm value meanwhile board of directors has a significant effect on firm value.

**Keywords**: Enterprise Risk Management Disclosure, Intellectual Capital Disclosure, Board Commissioner Independent, The Board of Director, Audit Committee, Firm Value

**INTRODUCTION**

With increasingly fierce competition, companies strive to continue to innovate in providing the latest information in the business world such as financial reports and annual reports that contain company profile information, management discussions, corporate governance and also corporate social responsibility reports (Ardianto and Rivandi, 2018).

Investors will see the company's performance and assess the company from the information published by companies, then the value given by investors will be reflected in the company’s stock price. Current performance and company’s future prospects could be seen from the high value of company. The increasing value of company will bring prosperity for the owners or shareholders and it is the company's main goal (Noor and Astika, 2016). Several factors can affect firm value, namely enterprise risk management disclosure (ERMD), intellectual capital disclosure (ICD) and management structure divided into the independent board of commissioners, boards of directors and audit committees (Ardianto and Rivandi, 2018).

Enterprise risk management (ERM) or Enterprise Risk Management Disclosure (ERMD) is one form of corporate responsibility in the control of management activities that can minimize...
the occurrence of fraudulent practices in the financial statements (Handayani and Yanto, 2013). Implementation and disclosure of ERM are some of the signals given by the company that the company is better than other companies because it has applied the principle of transparency (Meizaroh and Lucyanda, 2011). High ERM disclosure outlines the presence of good corporate risk management, including likewise guaranteeing the organization's internal control is kept up (Mariani and Suryani, 2018).

Disclosure of information about intangible assets is also non-financial information that is very important for investors, one of which is intellectual capital disclosure (ICD) (Mariani and Suryani, 2018). Intellectual capital (IC) as a resource that serves as the core of creating value for the company (Pratama, 2016). The increase in ICD which is published through the annual report provides credible and beneficial information for investors in making decisions so that it becomes an illustration in increasing the value of the company (Ardianto and Rivandi, 2018).

An independent board of commissioners is characterized as being unaffiliated with directors, different members of the board of commissioners and controlling shareholders and avoiding business relationships or other relationships (Ardianto and Rivandi, 2018). The Independent Board of Commissioners is the core of GCG whose duty is to guarantee the company's strategy to supervise managers and to require accountability in the company (Muryati and Suardikha, 2014).

The board of directors in a company acts as an agent or manager of the company whose position is fully responsible for the company's operational activities (Syafitri, et al., 2018). Supervision conducted by the board of commissioners and directors will prevent management from taking actions that will harm the company or that can reduce the value of the company (Muryati and Suardikha, 2014).

The audit committee functions in monitoring the mechanism for improving the quality of information flow between shareholders and managers that can help minimize problems, especially in management actions. This will improve the earning quality on the report which will eventually increase company value (Ardianto and Rivandi, 2018).

Then the purpose of this study was to examine the effect of ERMD, ICD, independent board of commissioners, the board of directors and audit committee on the firm value in the Property, Real Estate and Building Construction on 2016-2018.

According to Pearce II and Robinson (2007), agency theory is a group of ideas about organizational control based on the belief that the separation of ownership (principle) from management (agent) raises the potential that owner desires are ignored. When the principle delegates decision-making authority to another party, there is an agency relationship between
the two parties. The principle means as a shareholder while the agent is a management party that manages the company (Ardianto and Rivandi, 2018).

In agency theory, the separation of roles occurs between agents and principals that have the potential to cause agency conflict (Ardianto and Rivandi, 2018). However, this conflict can be minimized by a supervisory mechanism, namely an independent board of commissioners, a board of directors and an audit committee. To make sure that agent will work under the interests of the principal, it is needed a system that regulates and controls the company (Ardianto and Rivandi, 2018).

According to Fauziah (2017), signaling theory is one of the pillar theories in understanding financial management. In general, signals are interpreted as signals made by the company to investors. These signals can take the form of various forms, both those that can be directly observed and those that are carried out in more depth to find out (Ardianto and Rivandi, 2018). Signals transmitted through corporate actions can be positive and negative signals. This information is responded by investors and encourages an increase or decrease in stock trading volume, which in turn will push the company's value higher or vice versa (Arifah and Wirajaya, 2018). Investor will need complete, important, exact and timely data from capital market as an analytical tool for making investment decisions (Ardianto and Rivandi, 2018). Positive signals from companies are expected to get a positive response from the market, this can provide competitive advantages for the company and provide higher value for the company (Widarjo, 2011).

The Effect of Enterprise Risk Management Disclosure on Firm Value

The company's strategy in managing risk is manifested in the implementation of enterprise risk management disclosure. Companies with high levels of enterprise risk management disclosure describe good governance, including ensuring the control and management of corporate risk (Arifah and Wirajaya, 2018). Through ERM information, investors can assess the company's prospects going forward, so the disclosure of quality risk management disclosure could be a positive signal for investors (Arifah and Wirajaya, 2018).

The results of research by Devi, et al. (2016), Iswajuni, et al. (2018) and Handayani (2017) prove the positive and significant influence of enterprise risk management disclosure on firm value. Enterprise risk management disclosure is a positive signal because through enterprise risk management disclosure information, investors can assess the company's prospects (Ardianto and Rivandi, 2018).

H_{1}: Enterprise Risk Management Disclosure has a Positive Effect towards Firm Value
The Effect of Intellectual Capital Disclosure on Firm Value

The higher the amount of intellectual capital disclosure, the higher the value of the company because investors can capture the signals given by the company through intellectual capital disclosure and use this information in the analysis of investment policymaking. An increase in the number of intellectual capital disclosures can also affect market perceptions of company performance. Information submitted by companies through intellectual capital can reduce information asymmetry, the more disclosure of intellectual capital disclosure will make it easier for investors to know the prospects of overall company performance (Ardianto and Rivandi, 2018).

Research conducted by Devi, et al. (2016), Pamungkas and Maryati (2017) and Ardianto and Rivandi (2018) found the results of intellectual capital disclosure had a positive and significant effect on firm value. This means that companies that disclose more components of intellectual capital in their annual reports tend to have a higher market capitalization (Widarjo, 2011).

H2: Intellectual Capital Disclosure has a Positive Effect towards Firm Value

The Effect of Independent Board of Commissioners on Firm Value

Agency theory could explain the control function performed by the commissioner. To control opportunistic behavior of management, the board of commissioners is placed as internal mechanism to help align the interests of shareholders and managers. The role of the independent commissioner helps the company to conduct oversight and increase the value of the company (Rivandi 2018).

Research conducted by Rivandi (2018), Tambunan, et al. (2017) and Alfinur (2016) showed that the independent board of commissioners has a positive and significant influence on company value. The research has showed that the greater the independent board of commissioners, it is expected to empower the board of commissioners to carry out supervisory duties and provide advice to directors effectively and more efficiently to provide added value to the company (Ardianto and Rivandi, 2018).

H3: Independent Board of Commissioners Has Positive Effect towards Firm Value

The Effect of the Board of Directors on Firm Value

The board of directors as a corporate organ has a collegial duty and responsibility in managing the company (Ardianto and Rivandi, 2018). Supervision carried out by the board of commissioners and directors will prevent management from taking actions that can harm shareholders so that costs and losses due to management can be reduced (Muryati and
The board of directors in a company acts as an agent or management of the company whose position is fully responsible for the operational activities of the company Syafitri, et al. (2018).

Research conducted by Ardianto and Rivandi (2018), Syafitri, et al. (2018) and Muryati and Suardikha (2014) showed a positive and significant effect on firm value. More and more boards in the company will provide a form of supervision of the company's performance which is getting better, with good and controlled company performance, it will later be able to increase the company's stock price to produce good corporate value (Ardianto and Rivandi, 2018).

\[ H_4: \text{Board of Directors Has Positive Effect towards Firm Value} \]

The Effect of the Audit Committee on Firm Value

The audit committee is responsible for reviewing the results of work and developing a close working relationship with the independent external auditor Rivandi (2018). The audit committee is expected to have a working relationship and outwit the internal audit or Rivandi's corporate internal control system (2018). An increase in the work of an audit committee can provide an increase in Rivandi's corporate value (2018).

Research has proven by Rivandi (2018) and Syafitri, et al. (2018) which shows a significant positive effect on firm value. The existence of an audit committee within the company as a controlling mechanism in preparing financial reports and internal controls that can reduce the opportunity for fraud in the management of the company. The audit committee performs its functions properly and carries out good management within the company to provide an increase in the value of the company (Ardianto and Rivandi, 2018). Referring to agency theory and previous research explanations, it can develop hypotheses as follows:

\[ H_5: \text{Audit Committee Has a Positive Effect towards Firm Value} \]

RESEARCH METHODS

Sample selection is based on purposive sampling technique, and the sample criteria are used: 1) Is a property, real estate, and building construction company registered on the Indonesia Stock Exchange (BEI); 2) Publish a complete annual report (annual report) in 2016-2018 consecutively-according to the Indonesia Stock Exchange (IDX); 3) The company has complete data related to the variables used for research. The sample in this study can be seen in the following table:
Table 1. Determination of Number of Samples Table

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Company property, real estate and construction of buildings that Listed on the Stock Exchange Indonesia (BEI) (84 companies x 3 years of research)</td>
<td>252</td>
</tr>
<tr>
<td>2</td>
<td>Publish reports annual (annual report) Full year 2016 to 2018 in a row on the Stock Exchange Indonesia (BEI) (24 companies x 3 years of study)</td>
<td>72</td>
</tr>
<tr>
<td>3</td>
<td>Companies have the data complete related variables that are used for research</td>
<td>1</td>
</tr>
</tbody>
</table>

**Total number of samples during the study period**: 179

The formula used to measure Enterprise Risk Management Disclosure (ERMD) refers to Ardianto and Rivandi (2018), Devi, et al. (2016), and Arifah and Wirajaya (2018), namely:

\[ \text{ERMD} = \frac{\sum_{ij} \text{Ditem}}{\sum_{ij} \text{ADItem}} \]

Information:
- \( \text{ERMD} \) = ERM disclosure Index
- \( \sum_{ij} \text{Ditem} \) = total score ERM disclosure
- \( \sum_{ij} \text{ADItem} \) = total score ERM should have been disclosure

The formula used to measure Intellectual Capital Disclosure (ICD) which refers to Rivandi (2018) and Widarjo (2011), namely:

\[ \text{ICD} = \frac{\sum_{ij} \text{Ditem}}{\sum_{ij} \text{ADItem}} \]

Information:
- \( \text{ICD} \) = IC disclosure Index
- \( \sum_{ij} \text{Ditem} \) = total score IC disclosure
- \( \sum_{ij} \text{ADItem} \) = total score IC should have been disclosed

The variable unit used is the number of people. The measurement formula for independent board of commissioners refers to Ardianto and Rivandi (2018) and Tambunan, et al. (2017), namely:

\[ \text{DKI} = \frac{\text{The total independent board of commissioners}}{\text{Total board of commissioners}} \]

The variable unit used is the number of people. The measurement formula for the board of directors refers to the research of Ardianto and Rivandi (2018), namely:

\[ \text{DD} = \text{Total board of directors} \]
The variable unit uses the number of people. The audit committee measurement formula refers to the research of Ardianto and Rivandi (2018), namely:

\[ KA = \text{Total audit committee} \]  
(5)

The book value (BV) measurement formula refers to Salim (2010) and Widagdo and Lestari (2018) with the following formula is:

\[ BV = \frac{\text{Total equity}}{\text{Number of outstanding shares}} \]  
(6)

The research model used is the Regression Model analysis. The equation of the regression analysis model is formulated as follows:

\[ NP = \alpha + \beta_1 \text{ERMD} + \beta_2 \text{ICD} + \beta_3 \text{DKI} + \beta_4 \text{DD} + \beta_5 \text{KA} + e \]  
(7)

Information:
- NP = Firm value
- \( \alpha \) = Constant
- \( \beta_1-\beta_5 \) = Regression coefficient
- ERMD = Enterprise Risk Management Disclosure
- ICD = Intellectual Capital Disclosure
- DKI = Independent board of commissioners
- DD = Board of director
- KA = Audit committee
- e = error

**RESEARCH RESULTS AND DISCUSSION**

In the study’s data were analyzed using SPSS, the results of the test statistic descriptive can be seen in the table below is:

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Risk Management Disclosure</td>
<td>0.23</td>
<td>0.76</td>
<td>0.4331</td>
<td>0.09258</td>
</tr>
<tr>
<td>Intellectual Capital Disclosure</td>
<td>0.08</td>
<td>0.52</td>
<td>0.2742</td>
<td>0.09203</td>
</tr>
<tr>
<td>Independent Board Of Commissioners</td>
<td>0.17</td>
<td>1.00</td>
<td>0.3956</td>
<td>0.11304</td>
</tr>
<tr>
<td>Board of Director</td>
<td>2</td>
<td>12</td>
<td>5.04</td>
<td>1.689</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>2</td>
<td>5</td>
<td>3.05</td>
<td>0.441</td>
</tr>
<tr>
<td>Firm Value</td>
<td>1</td>
<td>13.289</td>
<td>1.1005</td>
<td>1.847,937</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regression Analysis Results

### Table 3. Results Coefficient Of Determination (R^2)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.506a</td>
<td>0.256</td>
<td>0.223</td>
<td>174,937</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Audit Committee, Independent Board of Director, Board of Directors, Intellectual Capital Disclosure, Enterprise Risk Management Disclosure

Based on the results of the test of the coefficient of determination can be analyzed that the tests showed the results of the value of Adjusted R Square of 0.223 or by 22,3 %. This result means that the dependent variable that is firm value can be explained by 5 independent variables namely enterprise risk management disclosure, intellectual capital disclosure, independent board of commissioners, the board of directors and audit committee of 22,3%, the rest is explained by other variables outside the research model of 77,7%.

### Table 4. Model Test Result (Uji Statistik F)

<table>
<thead>
<tr>
<th>Model</th>
<th>Df</th>
<th>F_{hitung}</th>
<th>F_{table}</th>
<th>Sig.</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>5</td>
<td>7,644</td>
<td>2.30</td>
<td>.000b</td>
<td>0,05</td>
</tr>
<tr>
<td>1 Residual</td>
<td>111</td>
<td>116</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>116</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Nilai Perusahaan

b. Predictors: (Constant), Audit Committee, Independent Board of Director, Board of Directors, Intellectual Capital Disclosure, Enterprise Risk Management Disclosure

Based on table 4 shows the magnitude of F is 7,644 expressed with a positive sign, the direction of the relationship is positive. The value statistically shows a significant result at α 0,05 which is equal to 0,000 meaning that a significant value < 0,05 and the model test is accepted.

### Table 5. Individual Parame Significance Test Results (t Statistical Test)

<table>
<thead>
<tr>
<th>Model</th>
<th>β</th>
<th>T_{hitung}</th>
<th>T_{table}</th>
<th>Sig</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>-56,258</td>
<td>-0,235</td>
<td>1,981</td>
<td>0,815</td>
<td>No effect</td>
</tr>
<tr>
<td>Enterprise Risk Management Disclosure</td>
<td>201,210</td>
<td>0,686</td>
<td>1,981</td>
<td>0,494</td>
<td>No effect</td>
</tr>
<tr>
<td>Intellectual Capital Disclosure</td>
<td>235,630</td>
<td>0,942</td>
<td>1,981</td>
<td>0,348</td>
<td>No effect</td>
</tr>
<tr>
<td>Independent Board of Commissioners</td>
<td>218,268</td>
<td>1,377</td>
<td>1,981</td>
<td>0,171</td>
<td>No effect</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>45,363</td>
<td>4,138</td>
<td>1,981</td>
<td>0,000</td>
<td>Have effect</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>-27,845</td>
<td>-0,405</td>
<td>1,981</td>
<td>0,687</td>
<td>No effect</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Nilai Perusahaan
To find out the $t$ table, it can be seen that the research sample is 117 and the degree of freedom $df = 111$ of $nk$ with a significance value of 5% so that the $t$ table value of 1.981 can be known.

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

The test results showed that the variables of enterprise risk management disclosure result $t$ value are smaller than $t$ table of $0.686 < 1.981$ in a positive direction. The level of significance $\alpha$ used in this study was set at $0.05$ (5%) and a confidence level of $0.95$ (95%). The results showed that the significance value of $0.494 > 0.05$; it can be concluded that the variable enterprise risk management disclosure does not affect the firm value or $H_1$ rejected.

According to Ardianto and Rivandi (2018), ERMD has no impact on firm value because investors do not see information about risk management in making decisions for investment. Investors in decision making may see factors other than ERMD, then ERMD nothing to do in increasing or decreasing the value of the company. Investors have not considered risk management by a company as one of the important things that can be considered to conduct an assessment of a company (Mariani and Suryani, 2018).

**The Effect of Intellectual Capital Disclosure on Firm Value**

The test results show that the intellectual capital disclosure variable obtained $t$ value smaller than $t$ table of $0.942 < 1.981$ in a positive direction. The level of significance $\alpha$ used in this study was set at $0.05$ (5%) and a confidence level of $0.95$ (95%). The results showed that the significance value of $0.348 > 0.05$; it can be concluded that the intellectual capital disclosure variable does not affect the firm value or $H_2$ is rejected.

According to Mariani and Suryani (2018), the cause of ICD does not affect because ICD is an intangible asset that is difficult to measure, assess and realize in the form of unit numbers so that generally the extent of company mastery of knowledge and technology is not followed by adequate reports on the mastery of the knowledge. According to Marcelia and Purnomo (2016), this is because investors are more interested in evaluating companies using quantitative data when compared to qualitative data. Or the possibility of ICD is still considered low by the market which tends to judge in terms of financial wealth compared to intellectual property. Disclosure of intellectual capital also still relatively low so it can not reflect the value of the company (Aida and Rahmawati, 2015).

**The Effect of Independent Board of Commissioners on Firm Value**

The test results show that the independent commissioner variable obtained $t$ value smaller than $t$ table of $1.377 < 1.981$ in a positive direction. The level of significance $\alpha$ used in this
study was set at 0.05 (5%) and a confidence level of 0.95 (95%). The results showed that the significance value of 0.171 > 0.05; it can be concluded that the variable independent board of commissioners does not affect the firm value or $H_3$ rejected.

This proves that the increasing number of independent commissioners in the company is considered not effective enough to conduct monitoring or monitoring and market participants do not fully trust the performance of the independent commissioners. As for the possibility that an independent board of commissioners was not formed based on predetermined requirements, so the influence of the independent board of commissioners could not be seen (Muliani, et al., 2019). According to Wardoyo and Veronica (2013), the monitoring conducted independent board does not preclude the behavior of managers to maximize their personal interests so that the target company to maximize the value of the company is difficult to achieve when there is such a divergence of interests.

**The Influence of the Board of Directors on Company Value**

The test results show that the board of directors variable obtained t value greater than t table of 4.138 > 1.981 in a positive direction. The level of significance $\alpha$ used in this study was set at 0.05 (5%) and a confidence level of 0.95 (95%). The results showed that the significance value of 0.000 < 0.05; it can be concluded that the variables of the board of directors have a positive effect on the firm value or $H_4$ received.

According to Syafitri, et al. (2018), the board of directors positively influences the value of the company because the board of directors within the company is important for achieving effective communication between board members to reduce the opportunistic behavior of management, so the more the number of boards of directors the more effective communication between management. According to Wardoyo and Veronica (2013), the number of board of directors of a company is adjusted to the condition of the company because it means that the management carried out by the board of directors is getting better the company's performance is increasing. The board of directors in a company will determine the policies to be taken or the company's strategy in the short and long term. Based on agency theory, it is explained that the board of directors can reduce opportunism and fraud so that the role of the board of directors in managing the company can be trusted by the principal (Ardianto and Rivandi, 2018).

**The Effect of the Audit Committee on Firm Value**

The test results show that the audit committee variable obtained t count smaller than t table of 0.405 < 1.981 in a negative direction. The level of significance $\alpha$ used in this study was set at 0.05 (5%) and a confidence level of 0.95 (95%). The results show that the significance
value of $0.687 > 0.05$; it can be concluded that the variables of the audit committee do not affect the firm value or $H_5$ was rejected.

According to Wardoyo and Veronica (2013) that there is a possibility that the existence of an audit committee is not a guarantee that the company's performance will be better, so the market considers the existence of an audit committee is not a factor they consider in appreciating the value of the company. And according to Ardianto and Rivandi (2018), many or at least the number of audit committees does not affect on firm value because some management structures are not based on the competencies designated by the company therefore the role of the audit committee is expected to help the board of commissioners in carrying out their duties.

**CONCLUSION**

From the discussion above some conclusions that enterprise risk management disclosure, intellectual capital disclosure, independent board of commissioners, audit committee does not affect firm value, while the board of directors has a positive effect on firm value. This study has several limitations, namely, the number of sample data used is still relatively small, namely using 3 periods of research, it is hoped that further research can use a longer period of observation so that the results of the study can be used to see trends in firm value over the long run. Research is limited to the corporate sector of the property, real estate, and building construction and is expected to expand the study sample in other sectors, namely the consumer goods industry sector, infrastructure, utilities, and transportation, or financial. Further research expected to add variables to see the effect on the variable value of the company as Corporate Social Responsibility and disclosure, financial performance or the ownership structure.

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