

ABSTRACT

The purpose of this study is to examine the effect of enterprise risk management on firm value and it also investigates investment decision as intervening variable on the relationship between enterprise risk management and firm value for companies listed on the Indonesia Stock Exchange for period 2017 and 2018. Sample of this study was 215 companies by applying Slovin's formula. The sampling method is used in this study by proportional random sampling.

Data analysis method used is path analysis. Path analysis and Sobel test is used to determine the mediating effect of investment decision. Enterprise risk management measured by using enterprise risk management maturity rating, firm value determined using Price Book Value (PBV), and investment decision measured by using capital expenditure to net PPE ratio.

Based on the results of the regression test, the results show that enterprise risk management have a positive and significant influence on firm value. The positive and significant influence of enterprise risk management on investment decision can also be empirically proven through the results of regression test. This research also provides information about investment decision that are able to mediate the enterprise risk management on firm value and partially mediate. But, the control variables from firm size have a negative significant influence on firm value, and board of director is not significant on firm value.

Key words: Enterprise Risk Management, Firm Value, Investment Decision, Firm Size, and Board of Director