ABSTRACT

This study aims to analyze the effect of Enterprise Risk Management (ERM) on financial performance (profitability) as an intervening variable, as well as company size, LDR and dividends as control variables, on firm value proxied by Tobin's Q.

This study uses a quantitative approach, using secondary data from audited annual financial reports. The research population is financial institutions in the form of banks that have been registered on the Indonesia Stock Exchange (IDX) from 2018 to 2020. The method of determining the sample is purposive sampling so that a sample of 35 is obtained. The hypothesis in the study was tested using path analysis and the Sobel test.

The results of this study show that ERM has a significant effect but the direction is negative on profitability. These results do not support the hypothesis that companies that implement ERM will have higher profitability than companies that do not implement it. Meanwhile, ERM has a significant positive effect on firm value, as well as profitability has a significant positive effect on firm value. Profitability is also able to mediate the effect of ERM on firm value.

Keywords: Enterprise Risk Management, Firm Value, Profitability