ABSTRACT

This study aims to examine the effect of profitability and the Risk Management Committee on firm value, with Enterprise Risk Management (ERM) as a mediating variable in banking sector companies listed on the Indonesia Stock Exchange during the 2019–2023 period. Profitability is proxied by Return on Assets (ROA), firm value is measured using Tobin's Q, while the Risk Management Committee and ERM are assessed based on disclosures presented in the companies' annual reports.

Methodologically, this research employs a quantitative approach using secondary data obtained from financial statements and annual reports. The sample was selected through purposive sampling, resulting in 33 banking companies with a total of 165 observations. The relationships among variables are analyzed using panel data regression with the assistance of EViews 12 software, while the mediating effect is tested using the Sobel test to assess the indirect role of ERM in the research model.

The empirical results indicate that profitability has a negative and significant effect on firm value, and ERM also shows a negative and significant effect on firm value. In contrast, profitability has a positive and significant effect on ERM. Meanwhile, the Risk Management Committee does not have a significant effect on either firm value or ERM. The mediation test reveals that ERM is able to mediate the relationship between profitability and firm value, but it does not mediate the relationship between the Risk Management Committee and firm value.

These findings suggest that, in the banking sector, investors do not rely solely on profitability levels when making investment decisions, but also consider how firms manage and disclose risk. Therefore, effective implementation of ERM is essential to support sustainable firm performance and to enhance investor confidence.

Keywords: Profitability, Return on Assets, Risk Management Committee, Enterprise Risk Management, Firm Value, Tobin's Q.