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The Effect of Enterprise Risk Management, Managerial Ownership, and Institutional Ownership on Firm Value: Evidence from Indonesia

Nur Fadhilah Syafa[1], Ferry Diyanti[2*], Triana Fitriastuti[3]
[1,2,3]Mulawarman University, Samarinda, Indonesia
[3]Ghent University, Ghent, Belgium

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A B S T R A C T
Economic uncertainty and fluctuations in the performance of manufacturing companies in Indonesia affected firm value, making it an important indicator for investors evaluating management performance and growth prospects. This study aimed to empirically examine the influence of enterprise risk management, managerial ownership, and institutional ownership on firm value in manufacturing companies listed on the Indonesia Stock Exchange during 2020–2023. The research employed a quantitative method using multiple linear regression. The sample comprised 58 companies and 232 observations, selected through purposive sampling. The findings revealed that institutional ownership had a significant positive effect on firm value. External supervision by institutions enhanced efficiency and transparency, thereby strengthening investor trust and increasing firm value. Enterprise risk management and managerial ownership did not significantly influence firm value. Risk management disclosure failed to build investor confidence despite adequate reporting. Low managerial ownership weakened internal supervision, resulting in decisions and strategies misaligned with managerial expectations and in slow risk mitigation due to reliance on majority shareholder approval.

1. INTRODUCTION

A company certainly has goals it wants to achieve, one of which is to increase and maximize firm value. However, there are many obstacles to overcome due to economic uncertainty, including fluctuations in market and stock prices, as well as business competition, which encourage the company to attract investors to obtain funds to excel and grow. Firm value can attract investors because it reflects an assessment of a company's performance and prospects and is therefore often associated with stock prices (T. N. Sitanggang & Doloksaribu, 2021; Heng & Nugroho, 2023; Budiman et al., 2024). The Composite Stock Price Index (IHSG) in 2023 increased to 7,303.89, up 6.62% from 2022 (Bursa Efek Indonesia, 2023). This development illustrates investors' growing confidence, especially in manufacturing companies.

A manufacturing company is one that produces goods for sale from raw or basic materials, which are then processed into finished or semi-finished goods (Bandaso et al., 2023). Manufacturing companies help Indonesia develop and innovate, thereby increasing investment and consumption even amid economic uncertainty or instability. The trend or average annual growth in manufacturing company production performance declined consecutively from 2021 to 2023 (Badan Pusat Statistik, 2024).

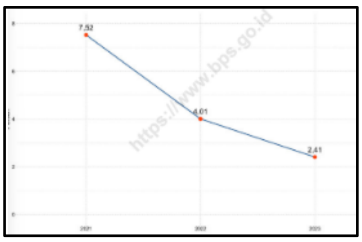

Figure 1. Performance of Manufacturing Company Production in 2021-2023

* Corresponding Author: Ferry Diyanti: ferry.diyanti@feb.unmul.ac.id

Although the annual average performance of manufacturing production has declined consecutively, the national Gross Domestic Product (GDP) from 2020 to 2023 has increased. The Central Statistics Agency (2024) states that manufacturing sector companies contributed significantly, amounting to 4.64% of the national Gross Domestic Product (GDP) in 2023. This growth in national Gross Domestic Product (GDP) has been one of the reasons attracting other investors to invest in manufacturing companies to boost performance and trend figures.

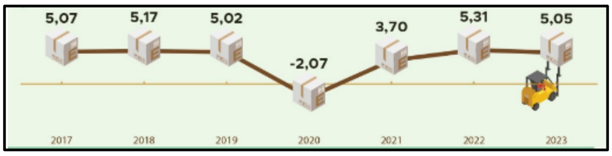

Figure 2. National Gross Domestic Product Growth

A company's high performance reflects large-firm value (Utami & Wulandari, 2021). The company needs to establish a strategy and strong governance to improve performance and firm value, attract investors, and maintain shareholder trust (Putra et al., 2022). Firm value can be measured using the Tobin's Q ratio, which reflects overall assets and predicts future performance (Ghani et al., 2023). The measurement of firm value aims to help investors understand stock price information in financial statements.

Information in financial statements alone is not sufficient to assess a company's condition; other reports, such as non-financial reports, are needed (Rosya & Novita, 2023). The report in question may contain disclosures on enterprise risk management. A state institution under the Ministry of Finance, namely the Financial Services Authority (OJK), issued Circular Letters No. 16/SEOJK.04/2021 and 6/POJK.04/2021 governing company annual reports related to enterprise risk management. These regulations were issued to assist in implementing enterprise risk management to foster growth and sustainability (Otoritas Jasa Keuangan, 2021). However, the implementation of enterprise risk management in companies in Indonesia is inadequate because the costs and benefits obtained are not proportional to expectations; for manufacturing companies in Indonesia, it is carried out only because of necessity and initiative (SISI 2023; Qalby et al., 2023).

Financial reports may include disclosures of managerial and institutional ownership. The Financial Services Authority (OJK) issued Regulation No. 4 of 2024 concerning company share ownership reports. This regulation is designed to be transparent, so sanctions are applied if share ownership and changes in it are not disclosed, ranging from written warnings to business revocation. Companies require managerial ownership to directly monitor company performance (internal supervision) and institutional ownership (external supervision) to control manager performance, thereby reducing conflicts that arise in agency theory (Yusmir & Mulyani, 2024).

Based on several previous studies, there is a research gap characterized by inconsistent results, so it is necessary to re-examine the different opinions regarding the variables of enterprise risk management, managerial ownership, and institutional ownership, and their effects on firm value. This research is conducted to provide insights and remind companies in Indonesia of the importance of enterprise risk management, so that regulations issued by the Financial Services Authority (OJK) aimed at fostering growth and sustainability can be implemented.

Literature Review

Signalling Theory

Signaling theory explains the importance of providing company information to external parties. Talmor (1981) explained that this theory emerged from the imbalance or asymmetry in information between companies and external parties. Companies need to provide the same information to external parties so they can signal and gain the trust and loyalty of shareholders and investors to invest. This statement builds on Spence (1973), which explains how companies signal relevant information to investors or recipients to build trust in investment decisions.

The information provided to investors or signal recipients can be in financial or non-financial form. A company's non-financial information can include annual or sustainability reports. This information contains how management creates opportunities for the company to grow and manage risks, such as the implementation of enterprise risk management. The implementation of enterprise risk management signals to investors that it can manage the risks faced in producing high-quality financial statements. A company that can compete and achieve long-term profitability will attract investors, thereby increasing firm value.

Agency Theory

Agency theory explains the importance of the relationship between agents and principals to avoid conflicts between the two parties. The agent manages and handles the company, while the principal owns or controls it (the investors). Eisenhardt (1989) explains that this theory occurs because both parties have a tendency to prioritize their own interests. Conflicts between agents and principals will never be absent from life. Jensen & Meckling (1976) explain the relationship between agents and principals in terms of conflicts of interest.

The interests of managers are the company's interests in supervision and internal control, thereby increasing efficiency and performance effectiveness. Managers as agents will enhance control or supervision over performance through managerial ownership, so managers will feel losses or benefits from their decisions based on the company's stock price (Wijaya et al., 2023).

The increased control managers exert due to managerial ownership will motivate employees and optimize company operations to achieve goals (Ifada et al., 2021; Edhitya CP & Suzan, 2023; Ismanto et al., 2023). The company requires managerial ownership to directly monitor its performance, thereby reducing the principal-agent conflict that arises in agency theory (Firdaus et al., 2024; Jensen & Meckling, 1976; Yusmir & Mulyani, 2024). Shareholding by managers, or managerial ownership, should not be implemented in isolation; it should be accompanied by other governance mechanisms, such as institutional ownership or institutional shareholding (Short & Keasey, 1999; Shan, 2019).

Bathala et al. (1994) and David & Kochhar (1996) explain the importance of external monitoring or supervision of managers due to institutional share ownership, which can reduce conflicts in agency theory. Institutions act as principals as the external supervisory party. Agrawal & Mandelker (1990) describe institutional share ownership, or institutional ownership, as active management supervision that can protect and maximize shareholder profits. Managers (agents) are given constraints on decision-making to prevent fraudulent behavior or self-interested actions arising from excessively high ownership levels (Fama, 1980; Fama & Jensen, 1983; Zogning, 2017). Institutional ownership is also necessary to enhance management supervision, thereby ensuring effective asset utilization and avoiding waste (Cristofel & Kurniawati, 2021).

The roles of institutions and managers in a company are equally important to reduce conflicts arising from agency theory. Jensen & Meckling (1976), Bathala et al. (1994), Short & Keasey (1999), and Demsetz & Villalonga (2001) explained resolving agency conflicts by creating balanced ownership between managers and institutions so that firm value can be maximized by maintaining investor trust due to good performance and rising stock prices.

Hypothesis

Several previous studies demonstrate that enterprise risk management has a significant positive effect on firm value, including those by Amerta & Soenarno (2022), Ayem & Seldis (2023), and Wahdah et al. (2024). Enterprise risk management provides information on risks related to the company. Enterprise risk management aims to enable investors to understand the company's ability to implement strategies to address or identify risks. Based on this explanation, the first hypothesis that can be formulated is as follows:

H_1 : Enterprise risk management has a significant positive effect on firm value

Several previous studies that demonstrate that managerial ownership has a significant positive effect on firm value include those by D. M. Sari & Wulandari (2021), Fauziah et al. (2022), and Malik et al. (2024). The proper implementation of corporate governance, such as increased managerial control through managerial ownership, can improve the optimality of company activities in achieving goals by motivating employees. Based on this explanation, the second hypothesis that can be formulated is as follows:

H_2 : Managerial ownership has a significant positive effect on firm value

Several previous studies demonstrate that institutional ownership has a significant positive effect on firm value, including those by Cristofel & Kurniawati (2021), Yuwono & Aurelia (2021), and Malik *et al.* (2024). Institutional ownership is needed to prevent management from engaging in fraudulent actions, thereby encouraging investors to develop loyalty or trust in investing and increasing the firm's value. Based on this explanation, the third hypothesis can be formulated as follows:

H_3 : Institutional ownership has a significant positive effect on firm value

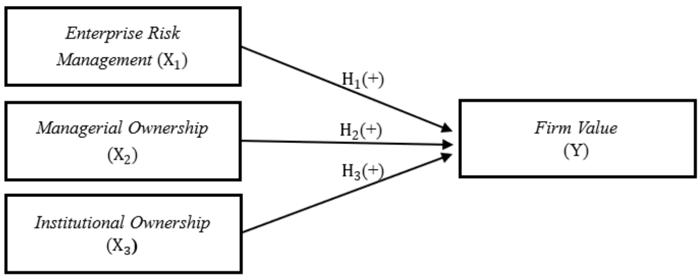

Figure 3. Research Model

2. METHOD

This research uses quantitative data. The population in this study consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023, totaling 176 companies. The population in this study, which includes the impact of the COVID-19 pandemic, was selected because manufacturing companies contribute significantly to the national Gross Domestic Product (GDP) and help Indonesia develop and innovate, despite economic uncertainty or instability. The research population comprises 4 subsectors: the consumer goods industry subsector, the basic industry subsector, the chemical subsector, and the industrial subsector. This study uses the purposive sampling method to determine the sample size. The 58 companies that meet the criteria amount to 232 financial statement data points. The following table presents sample size screening based on the established selection criteria.

Table 1. Sample Screening Based on Criteria

No.	Criteria	Sample
1.	Manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023	176
2.	Manufacturing companies that delisted and were suspended on the Indonesia Stock Exchange from 2020-2023	(39)
3.	Manufacturing company that does not provide corporate risk management data	(16)
4.	Manufacturing company that does not provide complete managerial and institutional ownership data	(63)
	The number of samples used	58
	Year of research	4
	Total sample	232

Source: processed data, 2025

Firm Value

Firm value is an indicator of the growth potential created and of investors' perception of a company's value. Tobin's Q ratio is considered relevant and more accurate because its calculation reflects overall assets and considers, as well as predicts, future performance and growth potential that will affect firm value. The formula for calculating the ratio (Septyanto & Nugraha, 2021) is as follows:

$$Tobin's\ Q = \frac{MVE + D}{TA} \tag{1}$$

Keterangan:

MVE : The market value of equity is calculated from the current stock price multiplied by the number of shares outstanding

D : Total liabilities

TA : Total assets

Enterprise Risk Management

Enterprise risk management is a strategy used by companies to control and manage risks to increase firm value. Enterprise risk management is a dummy variable, so it uses criteria measurement to identify or give an assessment. A value given that is disclosed is given 1, and not disclosed is given 0.

The measurement of enterprise risk management is based on the Committee of Sponsoring Organizations (COSO) enterprise risk management framework, which can be grouped into 5 components with a total of 20 criteria, namely: (1) Governance and culture with 5 criteria; (2) Strategy and objective-setting with 4 criteria; (3) Performance with 5 criteria; (4) Review and revision with 3 criteria; and (5) Information, communication, and reporting with 3 criteria. If the enterprise risk management ratio approaches 1 (perfect), the better the company is at managing its risks (Wahyuni, 2022). The formula for calculating the ratio (Ismanto et al., 2023) is as follows

$$\text{Enterprise Risk Management} = \frac{\sum \text{Revealed item}}{\sum \text{Disclosure item}} \tag{2}$$

Managerial Ownership

Managerial ownership is the number of company shares owned by management to facilitate the company and its employees. Managerial ownership has several levels of ownership, namely (Budiningsih et al., 2022): (1) Low levels with ownership of 0%-5%; (2) Intermediate level with ownership of 5%-25%; (3) High levels with ownership of 40%-50%; (4) High levels with full ownership and authority, which is more than 50%; and (5) Very high levels as a sole owner. The formula for calculating the ratio (Edhitya CP & Suzan, 2023) is as follows:

$$\text{Managerial Ownership} = \frac{\text{Total shares owned by management}}{\text{Total outstanding shares}} \quad (3)$$

Institutional Ownership

Institutional ownership is the ownership of shares by non-bank institutions or organizations that have more influence than ordinary investors in a company.The formula for calculating the ratio (Yuwono & Aurelia, 2021) is as follows:

$$\text{Institution Ownership} = \frac{\text{Total institutional share ownership}}{\text{Total outstanding shares}} \quad (4)$$

3. RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 2. Descriptive Statistical Analysis

Descriptive Statistics					
Variabel	N	Minimum	Maximum	Mean	Std. Deviation
Firm Value	232	0.341	14.415	1.524	1.587
Enterprise Risk Management	232	0.250	1.000	0.594	0.165
Managerial Ownership	232	0.000	0.649	0.102	0.145
Institutional Ownership	232	0.000	1.563	0.653	0.277
Valid N (listwise)	232				

Source: SPSS Output 30, 2025

Descriptive statistical analysis is used to provide an overview of the data characteristics of the research variables relative to the observed objects, using mean, maximum, minimum, and standard deviation. Based on Table 2, Firm Value has a minimum value of 0.341 and a maximum value of 14.415. The mean and standard deviation are 1.524 and 1.587, respectively. Enterprise Risk Management has a minimum value of 0.250 and a maximum value of 1.000. The mean and standard deviation are 0.594 and 0.165. Managerial Ownership has a minimum value of 0.000 (0,000002) and a maximum value of 0.649. The mean and standard deviation are 0.102 and 0.145. Institutional Ownership has a minimum value of 0.000 (0,0005) and a maximum value of 1.563. The mean and standard deviation are 0.653 and 0.277.

Classical Assumption Test
Normality Test

Table 3. Normality Test

			Unstandardized Residual
N			232
Normal Parameters[a,b]	Mean		0.000
	Std. Deviation		0.965
Most Extreme Differences	Absolute		0.055
	Positive		0.055
	Negative		-0.035
Test Statistic			0.055
Asymp. Sig. (2-tailed)[c]			0.091
Monte Carlo Sig. (2-tailed)[d]	Sig.		0.095
	99% Confidence Interval	Lower Bound	0.088
		Upper Bound	0.103

Source: SPSS Output 30, 2025

This normality test uses the One-Sample Kolmogorov-Smirnov test; if the significance value is greater than 0.05 (Sig. > 0.05), the data are considered normal.The data follow a normal distribution, as confirmed by a one-sample Kolmogorov-Smirnov test. In the normality test, Asymp. Sig. (2-tailed) is greater than 0.05 (0.091 > 0.05), so the test is feasible.

Multicollinearity Test

Table 4. Multicollinearity Test

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.000	0.064		0.006	0.996		
	Enterprise Risk Management	0.121	0.068	0.118	1.787	0.075	0.941	1.063
	Managerial Ownership	-0.016	0.082	-0.016	-0.200	0.842	0.681	1.469
	Institutional Ownership	0.188	0.076	0.188	2.468	0.014	0.715	1.399

Source: SPSS Output 30, 2025

This test can be detected using the Variance Inflation Factor (VIF). It is said that the data is not multicollinear if the Variance Inflation Factors (VIF) value is less than 10 (VIF < 10). In the multicollinearity test, the VIF values for the variables Enterprise Risk Management, Managerial Ownership, and Institutional Ownership are 1.063, 1.469, and 1.399. The data used appear to have no multicollinearity.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.621	0.337		1.845	0.066
	Enterprise Risk Management	0.710	0.517	0.092	1.373	0.171
	Managerial Ownership	-0.610	0.679	-0.069	-0.898	0.370
	Institutional Ownership	0.120	0.091	0.099	1.314	0.190

Source: SPSS Output 30, 2025

This test is used to determine whether residual variants are not constant or unequal across all predictor values. This test uses the Glejser test. It is said that there is no heteroscedasticity problem if the significance value is greater than 0.05 (Sig. > 0.05). Table 5, the significance values for the variables Enterprise Risk Management, Managerial Ownership, and Institutional Ownership are 0.171, 0.370, and 0.190. The test results indicate that the data do not exhibit heteroscedasticity, as the p-value is above 0.05 (Sig. > 0.05).

Autocorrelation Test

Table 6. Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.175[a]	0.031	0.018	1.169	1.984

Source: SPSS Output 30, 2025

This test is used to determine whether there is a correlation between residual values at a given time and those at previous or subsequent times. This test uses Durbin-Watson. Based on the Durbin-Watson table with n = 230 and k = 3, the values obtained are dL = 1.766; 4-dL = 2.234; dU = 1.801; and 4-dU = 2.199. The test results indicate that the data do not exhibit autocorrelation, as the Durbin-Watson statistic falls between dU and 4-dU (1.801 < 1.984 < 2.199).

Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-0.058	0.566		-0.103	0.918
	Enterprise Risk Management	0.984	0.635	0.103	1.551	0.122
	Managerial Ownership	0.956	0.921	0.088	1.038	0.300
	Institutional Ownership	1.376	0.473	0.241	2.911	0.004

Coefficients[a]

Source: SPSS Output 30, 2025

The multiple linear regression model equation from the calculation results in Table 7 can be presented as follows:

$$FV = -0.058 + 0.984\,ERM - 0.956\,MO + 1.376\,IO + e \qquad (5)$$

1. The constant value obtained is -0.058. This indicates that if enterprise risk management, managerial ownership, and institutional ownership are 0, then the firm value will decrease by -0.058.
2. The regression coefficient value for ERM (Enterprise Risk Management) is 0.984. This indicates that enterprise risk management has a positive coefficient, so for every increase of 1, firm value increases by 0.984.
3. The regression coefficient value for MO (Managerial Ownership) is 0.956. This indicates that managerial ownership has a positive coefficient, for every increase of 1, firm value increases by 0.956.
4. The regression coefficient value for IO (Institutional Ownership) is 1.376. This indicates that institutional ownership has a positive coefficient, so for every increase of 1, firm value increases by 1.376.

Model Feasibility Test (F Test)

Table 8. F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.526	3	9.842	4.059	.008[b]
	Residual	552.787	228	2.425		
	Total	582.312	231			

ANOVA[a]

Source: SPSS Output 30, 2025

The F test is used to determine whether the regression model is feasible. The regression model is considered feasible if the p-value is less than 5% (0.05). Table 8 shows that the significance value is 0.008, indicating that this model meets the criteria for this test. This model shows a significance value of less than 0.05 (0.008 < 0.05), so it is feasible to use.

Coefficient of Determination

Table 9. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.225[a]	0.051	0.038	1.557

Model Summary[b]

Source: SPSS Output 30, 2025

The coefficient of determination test is used to assess the magnitude of the influence between variables, based on the coefficient value. Table 9 shows that the R-Squared value is 0.051 (5.1%), indicating that the variables of enterprise risk management, managerial ownership, and institutional ownership explain 0.051 of firm value, while the remaining variables not included in the research model explain 94.9%.

Although the R-squared value in this study is relatively low, the model remains relevant and appropriate because the primary objective of the research is to examine the theoretical and empirical relationships between

Enterprise Risk Management (ERM), managerial ownership, institutional ownership, and firm value, rather than solely to maximize predictive power. A low coefficient of determination does not automatically invalidate the model, particularly when the regression coefficients remain statistically significant and theoretically consistent. Enterprise Risk Management is associated with improved risk control and strategic decision-making, while managerial and institutional ownership represent corporate governance mechanisms that may reduce agency conflicts and enhance monitoring effectiveness. Therefore, even though their contribution to the overall explanatory power is relatively limited, these variables still provide meaningful insights into how governance practices influence firm value in the Indonesian context.

Hypothesis Test

Hypothesis testing is conducted to determine the effect of variables partially (individually). Hypothesis testing is performed at a significance level of 5% (0.05).

Table 10. Hypothesis Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.058	0.566		-0.103	0.918
	Enterprise Risk Management	0.984	0.635	0.103	1.551	0.122
	Managerial Ownership	0.956	0.921	0.088	1.038	0.300
	Institutional Ownership	1.376	0.473	0.241	2.911	0.004

Source: SPSS Output 30, 2025

1. The test results indicate that the enterprise risk management coefficient is 0.984, with a significance level of 0.122. The significance value is greater than 0.05 (0.122 > 0.05), which indicates that enterprise risk management does not have a significant effect on firm value. The first hypothesis is rejected: enterprise risk management has a significant positive effect on firm value.
2. The test results show that the managerial ownership coefficient value is 0.956 with a significance value of 0.300. The significance value is greater than 0.05 (0.300 > 0.05), indicating that managerial ownership does not have a significant effect on firm value. The second hypothesis is rejected: managerial ownership has no significant positive effect on firm value.
3. The test results show that the coefficient for institutional ownership is 1.376, with a significance value of 0.004. The significance value is less than 0.05 (0.004 < 0.05), indicating that the third hypothesis, which states that institutional ownership has a significant positive effect on firm value, is supported. The third hypothesis is accepted, indicating that institutional ownership has a significant positive effect on firm value.

Discussion

The Influence of Enterprise Risk Management on Firm Value

The results of the hypothesis testing indicate that enterprise risk management shows a regression coefficient of 0.984, with a p-value greater than 0.05 (0.122 > 0.05). This finding indicates that the first hypothesis is rejected, or that it has not been proven that enterprise risk management is a significant cause of firm value. The results of this study are consistent with those of Ismanto et al. (2023), Karina et al. (2023), and Hardi & Baskara (2024) who found that enterprise risk management does not have a significant effect on firm value. Based on the results of this study, it can be concluded that although enterprise risk management has been implemented by manufacturing companies listed on the Indonesia Stock Exchange, its impact during 2020-2023 was not optimal and therefore was not statistically significant. Factors that can be the cause (Alawattegama, 2022) are the immature implementation of enterprise risk management information and the lack of support from top management. These factors result in investors not considering enterprise risk management information as material for making investment decisions, thereby affecting firm value. On the other hand, the results of this study are not in line with Amerta & Soenarno (2022), Ayem & Seldis (2023), and Wahdah et al. (2024), who reported that enterprise risk management has a significant positive effect on firm value.

The Influence of Managerial Ownership on Firm Value

The results of the hypothesis testing indicate that managerial ownership shows a regression coefficient value of 0.956 with a significance value greater than 0.05 (0.300 > 0.05). These findings indicate that the second hypothesis is rejected or that managerial ownership is not a significant cause of firm value. The results of this study are in line with Ayem & Seldis (2023), Edhitya CP & Suzan (2023), Gustriadhi Nugroho & Muid (2024), and Ismanto et al. (2023), who stated that managerial ownership does not have a significant effect on firm value. In this study, managerial ownership is low, making them a minority party in decision-making. Low ownership leads to internal supervision and to decisions and strategies that do not align with the manager's expectations. Managers also cannot make decisions quickly or agilely to mitigate risks to the company's performance because they require the consideration of the majority shareholders. This prevents managers from influencing and increasing firm value, resulting in internal oversight of the company's performance. On the other hand, the results of this study are not in line with those of D. M. Sari & Wulandari (2021 Fauziah et al. (2022), and Malik et al. (2024), who reported that managerial ownership has a significant positive effect on firm value.

The Influence of Institutional Ownership on Firm Value

The hypothesis test results indicate that institutional ownership has a regression coefficient of 1.376, with a p-value of 0.04 (< 0.05). This finding indicates that the third hypothesis is accepted, or that institutional ownership is a significant factor in influencing firm value. The results of this study are in line with Cristofel & Kurniawati (2021), Yuwono & Aurelia (2021), and Malik et al. (2024), who stated that institutional ownership has a significant positive effect on firm value. These findings indicate that agency theory is consistent with this study. Agency theory explains that institutions serve as a means of external oversight over managerial performance within a company. The external oversight conducted by the institutions in this study has been effective. High external oversight can reduce the risk that managers will act in their own self-interest. Oversight conducted by institutions can encourage transparency and efficiency, thereby improving managerial performance in the company. The company's performance will affect the firm's value, as it continues to maintain investor confidence, and the stock price at which it trades can rise. In other words, institutional ownership can increase firm value by fostering active external oversight and monitoring within the company. On the other hand, the results of this study are not in line with D. M. Sari & Wulandari (2021), Azzahra et al. (2022), and Wardoyo & Fauziah (2024), who stated that institutional ownership does not have a significant effect on firm value.

4. CONCLUSION

Based on the discussion of the research results, several conclusions can be explained as follows: (1) Enterprise risk management does not have a significant effect on firm value, (2) Managerial ownership does not have a significant effect on firm value, and (3) Institutional ownership has a significant positive effect on firm value in manufacturing companies listed on the Indonesia Stock Exchange in 2020-2023.

The results of the statistical testing show that the R-squared value is relatively low, indicating that Enterprise Risk Management (ERM), managerial ownership, and institutional ownership explain only a limited proportion of the variation in firm value within the Indonesian manufacturing sector. This implies that firm value is influenced not only by governance and risk management factors, but also by various other financial, operational, macroeconomic, and industry-specific factors that were not included in this study. Nevertheless, the findings remain important because they provide empirical evidence regarding the role of risk management and corporate governance mechanisms in influencing firm value. Future researchers are encouraged to include additional variables beyond those examined in this study, such as intellectual capital and dividend policy, in order to provide a more comprehensive explanation of firm value.

Future researchers can also extend the research period or use different objects. For companies, optimization can be achieved through the implementation of enterprise risk management information and the consideration of increasing managerial ownership as internal supervision, thus providing long-term benefits that will be material to investors in their decision to invest. For investors, non-financial information, such as enterprise risk management, is needed as a reference in making investment decisions.

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