CORPORATE SOCIAL RESPONSIBILITY, ECONOMIC VALUE ADDED, ENTERPRISE RISK MANAGEMENT, AND FINANCIAL PERFORMANCE: INTELLECTUAL CAPITAL MODERATION

JAM
20, 4
Received, July '22
Revised, July '22
August '22
October '22
Accepted, November '22

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Abstract: Financial performance is required to evaluate possible economic resource changes and forecast the existing resources' production potential. This study examines how intellectual capital acts as a buffer between the effects of corporate social responsibility, economic value-added, and pricing risk management on financial performance. The 52 manufacturing enterprises that were listed on the Indonesia Stock Exchange between 2016 and 2020 made up the study's population. Purposive sampling was utilized during sampling. Manufacturing businesses in the consumer goods sector that consistently disclose an exhaustive annual report meet the sample criteria. Based on these standards, 39 businesses were selected for the sample. The method of data processing employs moderate regression analysis (MRA). The findings demonstrated that enterprise risk management, economic value-added, and corporate social responsibility impacted financial performance. The impact of corporate social responsibility on financial performance is strengthened by intellectual capital. The influence of economic value addition and the impact of enterprise risk management on financial performance is strengthened by intellectual capital. The innovative aspect of this study is the non-monetary IC index, which measures intellectual capital.

JAM

Journal of Applied Management (JAM)
Volume 20 Number 4,
December 2022
Indexed in DOAJ - Directory of Open Access Journals, ACI - ASEAN Citation Index, SINTA - Science and Technology Index, and Google Scholar.

Keywords: Corporate Social Responsibility, Economic Value-added, Enterprise Risk Management, Intellectual Capital, Financial Performance

Cite this article as: Savitri, E. 2022. Corporate Social Responsibility, Economic Value Added, Enterprise Risk Management, and Financial Performance: Intellectual Capital Moderation. Jurnal Aplikasi Manajemen, Volume 20, Number 4, Pages 878–888. Malang: Universitas Brawijaya. DOI: http://dx.doi.org/10.21776/ub.jam.2022.020. 04.10.

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Future financial performance provides evidence of the company's strong growth potential. Financial performance data is required to evaluate possible economic resource changes and forecast present resource output capability. The company's financial performance provides all the information necessary for stakeholders or other interested parties (Barauskaite and Streimikiene, 2021). Successful and consistent innovators will produce high-caliber human resources. Utilizing the right technologies and sustaining positive customer connections are the keys to business continuity.

Financial performance is a crucial indicator of an organization's efficacy and efficiency in achieving its goals (Xu and Liu, 2021). By successfully allocating resources and utilizing resources, businesses can maximize business performance. Effective money management is used to produce the best results possible and prevent losses for the business (Galant and Cadez, 2017). Resource efficiency aims to keep the business from wasting money, which may be avoided with sound financial management. Reviews of the organization's finances are intended to measure its success.

The fluctuating Return on Assets (ROA) and Return on Equity (ROE) metrics were used to assess the financial performance of manufacturing firms in the products and consumer industrial sectors between 2016 and 2019. The industrial sector index hasn't demonstrated strong performance, claimed Yudho (2019). The index, which includes companies that turn raw materials into completed or semi-finished goods, has fallen 9.33% this year (ytd). Several of the stocks in this index also display erratic behavior. Stock in PT. For instance, UNVR has declined 8.31% since the start of the year. PT GGRM and PT are the two biggest cigarette manufacturers. HMSP has decreased by 36.50% and 43.40%, respectively, since the year's beginning. The reason for this variation is something that researchers are curious to learn.

Corporate Social Responsibility (CSR) impacts a company's performance. CSR is the way a business works with the community. People can select quality items because of effective company governance. Numerous studies have examined the link between CSR and financial performance. However, there were discrepancies in the study's findings. Madorran and Garcia (2016) and Chen et al. (2015) stated that CSR stands for corporate social responsibility. CSR has an impact on financial performance in certain ways.

On the other hand, a business with a weak CSR commitment will affect investors who are unconcerned with the company's operations. Access to stockholders will be restricted, which could harm the business's reputation. It differs from Sakti (2017), which claimed that CSR disclosure has no impact on financial success measured by ROA and ROE.

Maximizing economic value-added (EVA) increases company value. EVA's financial performance will therefore improve. The well-being of the shareholders will rise as the company performs better (Opazo and González, 2021). EVA demonstrates how much value the business has produced for its investors. Ismail (2011) stated that EVA could deliver effective performance. Effective business management can produce wealth for businesses and investors. Contrary to Sunardi's (2020) findings, it demonstrated that changes in EVA value did not affect changes in firm performance.

Enterprise risk management (ERM) refers to a company's capacity to comprehend, regulate, and be accountable for the risks incurred in managing corporate strategy. The advantages of ERM give enterprise-wide risk management a perspective and focus. Programs for enterprise risk management (ERM) can aid in raising risk awareness. Through more uniform use of processes and controls, ERM enhances operational efficiency while also enhancing regulatory and internal compliance needs. By offering a structure that unifies all risk management operations, ERM implementation aims to manage risk across departments. Wu et al. (2014) stated that enterprise risk management impacts financial performance. In contrast to McShane et al. (2011), who claimed that ERM has no impact on financial performance, this demonstrates that companies that can control or regulate ERM in that company will also suffer from its effect on financial performance.

Intellectual capital is one of the data that enables a company's capability to be evaluated. To build a better power system in the future, we need this information. IC impacts the financial success of the company. Companies with highly capable, committed, and committed human resources will boost productivity and efficiency, increasing company profitability. Companies that perform well in their IC typically do a better job of communicating their IC. The better the disclosure level, the greater the company's IC performance (Sardo et al., 2017).

The performance of the business also improves with effective IC utilization and administration (Xu and Liu, 2021). The company's added value is IC management. The company's human resources capacity is known as IC. IC impacts the deployment of CSR in businesses. IC offers reliable data and lowers investor error when determining a company's stock price.

The novelty of this research is using the IC index to measure IC using a non-monetary approach (human capital, organizational capital, and customer capital). The purpose of this study is to examine how CSR, EVA, and ERM impact financial performance and how IC can either increase or diminish that relationship. Companies must provide financial data to improve financial performance. Businesses having strong financial results can be chosen by investors. This study will provide information to the government regarding Indonesian stock exchange companies, especially manufacturing companies involved in CSR.

LITERATURE REVIEW

Financial performance is the selection of specific metrics that can gauge a company's success in turning a profit. Financial performance is the outcome or accomplishment that the firm's management has attained in successfully managing corporate assets over a specific time period (Rudianto, 2013). Financial performance is a company's finances concerning specified objectives, benchmarks, and standards (Sawir, 2015).

Corporate social responsibility (CSR) is defined by Gassing (2016) as an organization's commitment to enhancing community welfare through ethical business practices and resource donations. Products oriented constructively toward society and the environment must be produced by businesses to manage their business operations (Fourati and Dammak, 2021).

EVA focuses on managerial efficiency during a specific year. EVA is a calculation used to assess the company's actual economic profit for the current year. Mardiyanto (2013) stated that the value added by management to shareholders during a specific year is referred to as "economic added value" because operating profit is decreased by taxes, interest payments on debt, and reduced capital cost reserves.

Enterprise Risk Management (ERM) is a philosophy applied in a business or corporate setting. Because without effective firm administration, businesspeople will struggle to recognize or be aware of many happenings. A corporation or organization may also have an enterprise risk management capability. Therefore, enterprise risk management is the capacity of an organization or corporation to recognize and control the degree of risk taken in terms of business management and accountability for the risks taken (Savitri et al., 2020).

Intellectual capital is called the resources, capabilities, and competencies that underpin corporate performance and value generation. Knowledge, data, intellectual property rights, and expertise that can be leveraged to generate profit are collectively referred to as intellectual capital (Ulum et al., 2008). Knowledge, information, intellectual property, and experience are all forms of intellectual capital that can be leveraged to generate income.

HYPOTHESIS DEVELOPMENT

CSR describes businesses that voluntarily consider the environment, society, and local communities. CSR can introduce business contacts. Communities near businesses benefit from increased economic activity. Corporate social responsibility is effectively accomplished when the local economy is growing. Investors must be drawn to the company by the favorable image that CSR initiatives have helped to create to demonstrate that the firm's financial performance is improving. Nollet et al. (2016) stated that businesses that have never engaged in CSR previously are more likely to experience public protests or demonstrations, which may force them to shut down their activities and incur losses. By implementing CSR well, the company can avoid public protests so that it can continue to run. CSR can be done in several ways to minimize risk and increase profitability. Elmghaamez et al. (2022) stated that CSR is a company strategy to improve performance by managing the social environment. Without consumer support, CSR is unlikely to be effective.

H_1 : Corporate Social Responsibility affects Financial Performance

Businesses that have seen an increase in profitability have generated more value through their operational activities. The company's financial performance will improve if it can build corporate value. Kurfi et al. (2017) stated that an increase in operating profit after tax does not necessarily increase the value of EVA because such an increase may raise the business risk for the company if it results from investing in a new location rather than internal efficiency. Sunardi (2020) showed how EVA affects financial results. A business that can utilize all of its potential, including its human resources, structural assets, and the effective management of all these opportunities, will provide value for the business and boost its financial performance.

H_2: EVA affects financial performance

ERM is used to describe how the organization manages its risks. Disclosure of the company's risk management practices going forward. The company's ERM has been very beneficial for stakeholders in choosing investments. ERM is a channel for businesses to reach out to stakeholders. The corporation needs stakeholder trust to manage operational tasks. The supplier is one of the parties whose confidence needs to be upheld (Savitri et al., 2020). Because raw materials purchased from suppliers will be necessary for the company's operational activities, supplier trust is essential in manufacturing organizations, particularly in the consuming sector. Due to its ability to manage its resources effectively, a company's success will benefit from supplier trust. Customer confidence must be maintained since customers are crucial to the company's operating activities. Shad et al. (2019) stated that increasing ERM implementation improves a company's financial performance.

H_3 : Enterprise risk management (ERM) affects financial performance

Companies with high IC will help businesses more and more with resource management, including CSR disclosure. Dženopoljac et al. (2016), IC will raise potential investors' interest in the company. The more money potential investors put into a company, the higher the stock price of that company will be. The capital of the business also rises as a result. A large amount of capital can be managed by businesses to produce significant profits and improve financial performance. The impact of CSR on financial performance will increase as intellectual capital rises. Mahrani and Soewarno (2018) stated that IC and financial performance are positively correlated. High IC typically has an impact on financial performance.

H_4 : IC has the ability to control how much CSR affects financial performance.

Businesses that handle IC well will be able to provide value and gain competitive advantages that boost performance. Savitri et al. (2020) claimed that the additional value obtained increased with the efficiency with which the corporation used its intellectual capital. The value of the organization can therefore be increased through optimizing resource management. Ismail (2011) stated that EVA has an impact on financial results. This circumstance demonstrates that the business was successful in generating value for investors. Investors are highly worried about how the company's added value is affecting the value of the business.

H_5: IC is able to moderate the effect of EVA on financial performance.

Companies with enough intellectual capital will expand the financial instruments' completeness by adding ERM and IC components. ERM and IC completion is anticipated to impact the company's performance. Both pieces of evidence showed that the business had employed a thorough strategy for managing overall business risk. Businesses are better equipped to handle unpredictability. Reduce dangers, seize opportunities, and establish the company's competitive advantage. The significance of ERM and IC complexity for investors as a data source to evaluate the company's prospects. Sorin (2018) stated that the outcomes of risk management implementation could impact business performance. Since IC can strengthen a company's competitive advantage, it will also improve its financial performance.

H_6: The impact of enterprise risk management on financial performance is moderated by intellectual capital.

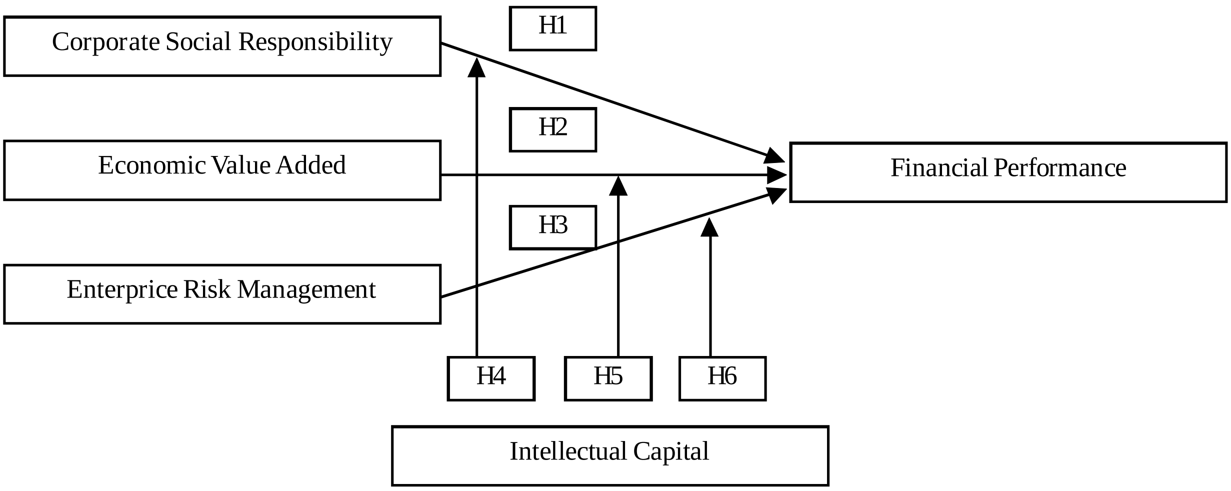

Figure 1. Conceptual Framework

METHOD

This research used a quantitative methodology. Secondary data is the type of information used in this study. The Indonesia Stock Exchange website at http://www.idx.co.id, where financial statements of businesses in the consumer goods manufacturing sector that consistently recorded or revealed their annual reports from 2016 to 2020, served as the study's data source. Companies in the manufacturing sector listed on the IDX (Indonesian Stock Exchange) between 2016 and 2020 make up the study's population. The manufacturing firms in the consumer goods sector that consistently submit or disclose a complete annual report are the conditions for sampling, which is done using the purposive sample approach. Based on these standards, 39 businesses were selected for the sample. In this work, the analysis methods employed were panel data regression and moderated regression analysis (MRA). The Eviews 11 program was used to carry out the data processing technique. Financial performance, including features of fund-raising and distribution, is a summary of the company's financial status over a specific period. The ratio of net profit to total assets, or ROA, is used to gauge financial performance. ROE = Net Profit/Capital times 100% (Kasmir, 2015). CSR is a type of action that deviates from the business' ethical principles and strives to boost the economy and improve living conditions for employees and their families, as well as for the local community and the larger society. These are the measurement indicators:

$$\frac{\sum Xij}{nj}$$

Explanation: CSRIj is Company Index CSR disclosure j; nj is the number of items for the company j. Σij is the overall score or number that each company received. Xij is 1=if item I is disclosed; 0= if the item I isn't disclosed. Therefore, 0<CSDI>1 (Gassing, 2016). EVA refers to the amount of shareholder value that was created or lost over a specific period, usually a year. The measurement indicators are VAIC = VACA + VAHU + STVA (Rudianto, 2013). VACA is Value added/Capital Employed.

VAHU is Value added/ Human Capital. STVA is Structural Capital/Value Added. ERM is a coordinated process to steer and manage the organization to control risks. The indicator for measuring is:

$$ERM\ Disclosure\ Index = \frac{\sum ijD_{item}}{\sum ij\Delta D_{item}}$$

Explanation: ERMDI is ERM Disclosure Index, ΣijD_{item} is the total score of ERM items disclosed, and $\Sigma ij\Delta D_{item}$ is the total disclosed ERM items. IC is a knowledge resource the business uses to create value for the firm. It might take the form of workers, clients, processes, or technology. Index IC = Market Value / Book Value is the measurement indicator (Ulum et al., 2008).

RESULTS

Descriptive Statistics

Table 1 displayed the descriptive statistics of the variables. The descriptive statistics of the variables are reported in Table 1, as seen. Table 1 showed that CSR has an average value higher than the median. The majority of businesses, therefore, have good CSR. Since the average ERM value is higher than the median value, most reported ERM are likely to be high. Tobin's Q variable data has a mean value greater than its median. It indicates that the majority of the sample companies have strong financial results. The EVA's median value is higher than its mean value. It indicates that most sample companies had a diverse set of profitability factors. The majority of the sample companies have strong resources because the mean value of the IC is higher than the median value.

Panel Data Regression Model Selection

The F test and chi-square test results were less than = 0.05 (5%), or 0.0000, based on the Chow test displayed in table 2. According to this test, H0 is rejected, and H1 is accepted, indicating that it is preferable to estimate the regression of the Common Effect panel data using the fixed effect. Go ahead and perform the Hausman test for it.

The Hausman test was the next examination. The conclusion that the Fixed Effect on panel data regression is then utilized to explain the drivers of ROA and ROE in businesses may be drawn from the results of paired tests on three-panel data regression models, as shown in Tables 2 and 3.

Table 1. The Descriptive Statistics of Variables

	ROA (Y1)	ROE (Y2)	CSR (X1)	EVA (X2)	ERM (X3)	IC (Z)
Mean	0,0804	0,1573	0,3363	5,3556	0,5118	19,74766
Minimum	0,6071	-1,5372	0,1868	-47,513	0,2870	16,1165
Maximum	-0,5999	1,4548	0,5714	41,0197	0,7130	24,5228
Std. Deviation	0,137562	0,034624	0,081046	8,239359	0,094661	1,887352

Note :
ROA = Return on asset, ROE = Return on equity, CSR = Corporate social responsibility, EVA = Economic value added, ERM = Enterprice risk management, IC = Intellectual capital

Table 2. Chow Test

Variable	F Value	Chi-Square Test	The Conclusion Used
ROA	0,000	0,000	Fixed Effect
ROE	0,000	0,000	Fixed Effect

Table 3. Hausman Test

Variable	Chi-Sq. Statistic	The Conclusion Used
ROA	0,0038	Fixed Effect
ROE	0,0027	Fixed Effect

Table 4. Hypothesis Test Results with Multiple Linear Regression

Variable	Coefficient	t-statistic	p-value
CSR*ROA	0.947477	5.860235	0.0000
EVA*ROA	0.002830	3.462561	0.0007
ERM *ROA	0.496486	2.576531	0.0109
CSR*ROE	1.938972	5.465183	0.0000
EVA*ROE	0.005245	2.924288	0.0040
ERM*ROE	0.898770	2.125512	0.0351

Table 5. Coefficient of Determination Results

Dependent Variable	R Square	Adjusted R Square
ROA	0,7126	0,6356
ROE	0,7639	0,7006

Table 4 showed that CSR positively impacts financial performance (ROA). EVA has a favorable impact on financial results (ROA). Financial performance is improved with ERM (ROA). CSR has a favorable impact on financial results (ROE). EVA has a favorable impact on financial results (ROE). Financial performance is improved with ERM (ROE).

Coefficient of Determination Test (Adjusted R^2)

The results of the determination coefficient test reveal that CSR, EVA, and ERM can explain 63% of ROA. The remaining 37% is explained by other factors not included in this study model, with an adjusted R-Square value of 0.6356. Additionally, the Adjusted R-Square value is 0.7006; this indicates that CSR, EVA, and ERM can explain 70% of the variation in ROE, with the remaining 30% being explained by additional variables not included in this study model. The table below provides a summary of the coefficient of determination's findings.

Hypothesis Testing with MRA Results

Based on Table 6, it was obtained that the positive coefficient value and P-value interaction (X_1*Z) of 0.0212 smaller than 0.05 indicate that IC can strengthen the influence of CSR on Financial Performance (ROA). The positive coefficient value and P-value interaction (X_2*Z) of 0.0039 smaller than 0.05 indicate that IC can strengthen the EVA effect. Positive Coefficient value and P-value interaction (X_3*Z) of 0.0022 smaller than 0.05. So it can be concluded that IC can strengthen the effect of capital intensity on financial performance (ROA). The positive coefficient value and P-value interaction (X_1*Z) of 0.0001 smaller than 0.05 indicate that IC can strengthen the influence of CSR on ROE. The positive coefficient value and P-value interaction (X_1*Z) of 0.0008 smaller than 0.05 indicate that IC can strengthen the influence of EVA on ROE. P-value intercation (X_3*Z) is 0.0052 smaller than 0.05. It is concluded that IC can strengthen ERM's influence on ROE.

Table 6. Hypothesis Test Results with MRA

Variable	Coefficient	t-statistic	p-value
(CSR)*Z (IC) → ROA	0.208856	2.328619	0.0212
(EVA)*Z (IC) → ROA	0.001230	2.933159	0.0039
(ERM)*Z (IC) → ROA	0.168253	3.100608	0.0022
(CSR)*Z (IC) → ROE	0.710660	3.407459	0.0008
(EVA)*Z (IC) → ROE	0.003845	4.104713	0.0001
(ERM)*Z (IC) → ROE	-0.597226	-2.838156	0.0052

DISCUSSION

The Effect of Corporate Social Responsibility (CSR) on Financial Performance

CSR has a beneficial impact on business results. Long-term benefits result from the business's social responsibility initiatives for the environment. Profits and improved financial performance of the company will be evidence of the implementation of CSR. Fourati and Dammak (2021) stated that putting CSR into practice improves the company's reputation. In both the commodity and capital markets, social costs (costs associated with linking the business with its stakeholders) can help the company's reputation. Investors will be drawn to a firm with a strong brand since loyal customers are more likely to support it. Customer retention rises, business revenue rises, and profitability is anticipated. Increased sales, market credibility, the number of investors in the capital market, and value for the owners' welfare are only a few of the economic benefits of higher levels of CSR. Madorran and Garcia (2016) stated that CSR refers to business performance and corporate social responsibility. Contrary to Sakti (2017), the study's findings indicated no meaningful connection between CSR disclosure and financial performance.

The Effect of Economic Value Added (EVA) on Financial Performance

EVA has a beneficial impact on financial outcomes. The rising EVA figure indicates that the rate of return was greater than the level of capital costs or the expected rate of return on investment by investors. This circumstance demonstrates that the business successfully generated value for the capital owners. Ismail (2011) stated that EVA is a gauge of value-based financial performance. EVA that is rising is a sign of value creation. Ismail (2011) demonstrated how EVA affects financial results. The business successfully produces outcomes, and its management creates wealth for the business and its investors. Contrary to Sunardi (2020), the findings demonstrated no indirect relationship between the EVA values of each company; i.e., an increase in one does not necessarily result in an increase or drop in the other, and vice versa.

The Effect of Enterprise Risk Management on Financial Performance

Financial performance benefits from ERM. When ERM is correctly implemented in the organization, the organization's financial performance will be affected. It is clear from the COSO measures that enterprises in the consumer sector account for more than half of all ERM indicators. Stakeholders will be informed that the corporation has successfully managed the business through good ERM disclosure. Hoyt and Liebenberg (2011) stated that ERM is extremely helpful for stakeholders in making investment decisions. ERM discloses the influence of risk management on the company's future and contains information about it. ERM is one of the elements that can impact a company's financial success. Florio and Leoni (2017) stated that businesses implementing risk management see significant financial and market gains. Companies utilize risk management as a technique to lessen uncertainty in the business environment. Ping and Muthuveloo (2015), the application of ERM will improve a company's performance. Shad et al.

(2019) stated that increasing ERM implementation improves a company's financial performance.

The Moderation role of Intellectual Capital (IC) on The Effect of Corporate Social Responsibility (CSR) on Financial Performance

IC increases the impact of CSR on financial outcomes. The more information corporations share, including CSR disclosure, the more it aids in good resource management for businesses. Consumer perception of the company will improve due to increased CSR transparency. As a result, customers will be influenced to purchase the company's goods. Madorran and Garcia (2016), a company's performance improves the more CSR is implemented. By looking at the growing number of disclosed corporate CSR activities (Hasan and Harahap, 2010). Kamatra and Kartikaningdyah (2015) stated that IC could enhance financial performance.

The Moderation role of Intellectual Capital (IC) on The Effect of Economic Value Added (EVA) on Financial Performance

EVA has a stronger impact on financial performance thanks to IC. The development of intellectual capital can significantly enhance business performance. Dženopoljac et al. (2016), businesses with high IC also have good financial performance. The three pillars of the company's IC are human, structural, and customer. IC is intellectual property that may be leveraged to create assets with added value and competitive advantage. It includes information, knowledge, innovation, and intellectual experience. Businesses that handle IC well will be able to provide value and gain competitive advantages that boost performance. Afroz et al. (2018) stated that an organization could receive more added value when implementing IC successfully. Consequently, maximizing the management of a company's resources can raise the company's value.

The Moderation role of Intellectual Capital (IC) on The Effect of Enterprise Risk Management (ERM) on Financial Performance

IC strengthens the impact of ERM on financial performance. If a corporation has a high IC, its ERM will also be high in the future. Future IC companies are often extremely good and can serve as a standard for investors when making judgments. Wu et al. (2014) stated that ERM affects business performance. Companies that reveal IC can enhance risk management, which affects business performance. ERM's growth rate impacts IC. It occurs because an improvement in a company's ERM Growth Rate indicates an improvement in its internal control. Sorin (2018) stated that the results of applying ERM impact business performance. Because IC is a quantifiable resource to boost competitive advantage, it will help the business succeed financially.

CONCLUSIONS

Corporate Social Responsibility (CSR) affects how well a company performs financially. To be involved in the community, the company has implemented one of the CSR indicators for good production waste management. Economic Value Added EVA impacts performance in the financial area. Performance in the financial area is impacted by Enterprise Risk Management (ERM). ERM conducted by the organization is particularly beneficial for stakeholders when making investment decisions. Intellectual Capital (IC) has the ability to increase the impact of CSR on financial results. A high IC will provide reliable information. With a high IC, they will increase the implementation of CSR to improve financial performance. IC is able to strengthen the influence of EVA on financial performance. Companies with good IC will excel in business competition, obtain good financial performance, and provide added economic value. IC is able to strengthen the influence of ERM on financial performance. Companies that have adequate IC will be able to understand and reduce the occurrence of risks in the future.

IMPLICATIONS

Companies can provide more details about the CSR efforts their company has undertaken. Investors by taking into account EVA calculations and choices when deciding capital intensity. Managers must develop IC to boost business success, particularly in knowledge-based organizations.

LIMITATIONS

Only the moderating variable, non-meter intellectual capital, is measured in this study. This study focuses only on manufacturing businesses in the consumer goods industry sector.

RECOMMENDATIONS

Future studies can quantify IC factors from monetary measurements using different devices. Further investigation into businesses from different industries listed on the Indonesia Stock Exchange. Companies can effectively apply ERM because they have control over management activities, allowing them to reduce the impact of risk on their businesses.

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