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DETERMINANTS OF THE FIRM VALUE IN INFRASTRUCTURE COMPANIES: EMPIRICAL EVIDENCE FROM THE INDONESIA STOCK EXCHANGE

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ABSTRACT

Firm value is an important indicator for investors in assessing a company's performance and future prospects. However, the declining company value in infrastructure sector and inconsistency of previous research results indicate the need for further study. This study examines the simultaneous and partial effects of Enterprise Risk Management (ERM), managerial ownership, firm size, and profitability on firm value. The research sample consists of 28 infrastructure companies listed on the IDX during the 2020-2024 period, selected through purposive sampling. The analysis method used is panel data regression with the help of EViews 12. The research results show thar ERM has a positive and significant effect on firm value, which means that good risk management can increase investor confidence and company performance. Meanwhile, managerial ownership and firm size has a negative and insignificant effect, so they have not been able to optimally increase firm value. Profitability has a positive but insignificant effect, indicating that profit alone is not strong enough to enhance firm value. The novelty of this study lies in testing the four variables simultaneously in the infrastructure sector using post-COVID-19 data, which reflects dynamic economic conditions. This study contributes to increasing understanding of the factors that influence firm value and serves as a consideration for companies in improving performance and investor confidence.

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INTRODUCTION

The increasingly competitive business conditions, along with the rapid technological developments in this era, compel every company to win competition in the market. Every company strives to continuously grow and increase its firm value in the long term to enhance shareholder welfare. Firm value is investor's perception of a company's level of success, which is often linked to its stock price, because a high stock price increases investor confidence in the company, thereby leading to an increase in firm value (Nursetya & Nur Hidayati, 2021).

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Infrastructure companies in Indonesia are also among the sectors striving to increase their corporate value. However, in recent years, particularly since the COVID-19 pandemic in 2020, the firm value in this sector has declined, as reflected by the decreasing Price to Book Value (PBV) ratio during the 2020-2023 period.

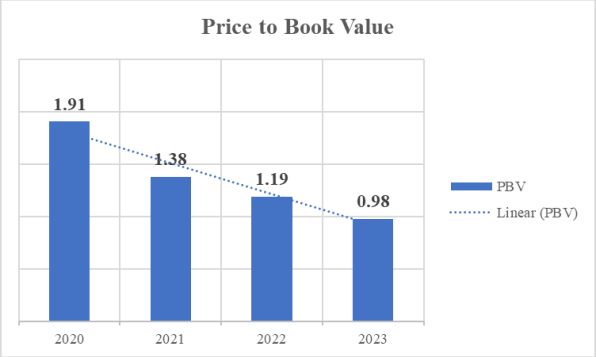

Figure 1. Infrastructure Company PBV Values for 2020-2023
Source: Annual Statistic Report of the Indonesia Stock Exchange for 2020-2023

The decrease PBV infrastructure companies shows in Figure 1 indicates that in 2020, the average PBV of infrastructure companies stood at 1.91 and continued to decline until reaching 0,98 in 2023. This decline may reflect a loss of investor confidence in the infrastructure sector as a result of COVID-19, which could be caused by various factors, such as business prospects deemed less favorable, high project risk, and suboptimal financial management efficiency.

On the other hand, the construction sector plays a significant role in Indonesia's Gross Domestic Product (GDP) structure, with an average contribution of 10,31%. In 2023, its contribution to the national GDP reached 9,92%. The contribution of the infrastructure sector to the economy in Indonesia is something that companies need to pay attention to. Various funding challenges related to investor confidence in a company's long-term potential can lead to a decline in PBV and hinder infrastructure development in Indonesia. In efforts to enhance firm value, there are several factors that play an important role in their influence on firm value, including Enterprise Risk Management (ERM), Managerial Ownership, Firm Size, and Profitability.

Enterprise Risk Management (ERM) is a process designed to minimizing potential risks through planning, organizing, implementing, and monitoring business activities. Its aim is to enhance the company's managerial and financial capabilities in dealing with economic uncertainty and other external factors, as well as to boost the confidence of investors, business partners and consumers in the company. Companies that can implement risk management effectively will see an impact on their performance, thereby driving up share prices and increasing firm value (Ismanu *et al*., 2020). However, previous research findings by Qalby *et*

al. (2023), indicate that the implementation of ERM actually reduces company value. Disclosure of ERM may trigger a negative response from investors, as the company is perceived to carry significant risk, thereby raising concerns among investor about investing and potentially leading to a decline in firm value.

In addition to ERM, managerial ownership is also a subject of debate in terms of its impact on firm value. Managerial ownership refers to the number of shares held by management (Ardi & Windijarto, 2023). Increasing managerial ownership within a company will encourage managers to make more optimal decisions as shareholders in order to maximize the company's profits (Naibaho & Widyastari, 2023). This could be positive sign for investors if the company's profits increase, thereby boosting its value. From a different perspective, previous research conducted by Fujianti *et al*. (2020) shows that managerial ownership can also negatively affect firm value if the proportion of managerial ownership is relatively small in the sample company, which is only around 5%, so the goal of managerial ownership to reduce potential agency conflicts and increase firm value has not been optimal.

Another factor that can influence a firm value is its size. A firm size reflects how large or small it is, which can be measured by its total assets (Radja & Artini, 2020). According to Bon & Hartoko (2022), if company has a large amount of assets, this may encourage investors to invest more frequently in large companies, as they perceived to be performing well and capable of improving the company's performance and value. However, in study by Shalini *et al*. (2025) suggest the opposite. Larger companies tend to retain these funds as higher retained earnings, thereby avoiding the payment of dividends which could deter investors from investing. Furthermore, although larger companies have greater resources, this does not automatically boost investor confidence unless accompanied by effective operational strategies and sound management practices (Elisa Dwi Handini & Dwi Ermayanti Susilo, 2025).

When assessing a firm value, profitability ratios are essential for determining the company's ability to generate profits efficiently form the resources it possesses and controls. Furthermore, profitability ratios are also used as indicators to measure a company's overall financial performance (Nuru *et al*., 2025).

According to Sutrisno (2020), companies with high profitability are expected to pay high dividends to shareholders, thereby encouraging investors to buy the company's shares. This can have the opposite effect if a company's high profitability is used solely to invest in and expand the business without playing dividends to shareholders, this situation may be viewed

negatively by investors (Ismiyatun *et al*., 2021). This could undermine investor confidence and lead to a decline in the firm value (Debora *et al*., 2025).

Based on the above discussion, there is inconsistency in the findings of previous studies regarding the influence of independent variables on firm value, with some studies indicating a positive influence whilst others show the opposite result, thereby creating uncertainty regarding the relationship between variables. This highlights a research gap that requires further investigation. In addition, previous research has been conducted in specific sector and remains limited in examining the relationship between the variables in this study and the infrastructure sector, which possesses distinct characteristics. Therefore, the research objective is to analyze and test the influence of ERM, managerial ownership, firm size, and profitability on firm value in infrastructure companies listed on the Indonesia Stock Exchange. The novelty of this study lies in the simultaneous testing of these four variables with a focus on the infrastructure sector, as well as the use of the post-COVID-19 pandemic period from 2020 to 2024, thereby providing a more comprehensive understanding of the determinants of firm value in dynamic economic environment.

LITERATURE REVIEW AND HYPOTHESIS

Firm Value

A company's value, as reflected in its stock price, can be calculated using the PBV ratio by comparing the stock price to the book value per share (Anggraeni & Budi, 2023). A higher company value will increase the stock price and generate greater shareholder wealth (Morri *et al*., 2023).

Enterprise Risk Management (ERM)

Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines *Enterprise Risk Management* (ERM) as a process within an organization that involved the board of directors, management, and other personnel. In setting company-wide strategies, ERM is designed to identify potential events that could affect the organization and manage risk levels to provide reasonable assurance regarding the achievement of the entity's objectives (Leng *et al*., 2022).

ERM is information disclosed in financial or non-financial form by the company to its investors, company clients, and the general public that has an impact on the company future (Wibowo *et al*., 2024). Based on signaling theory, information that contains good news will generate a positive market reaction (Ayu Lestari *et al*., 2024). Risk disclosure by the company,

accompanied by its solutions and good prospects in the future, is expected to encourage investors' desire to invest, thereby increasing the firm value.

ERM is measured by analyzing 108 ERM disclosure items in accordance with COSO recommendations, which cover eight dimensions. However, in this study, the researchers analyzed only the risk assessment dimension, consisting of 25 disclosure items in the companies' annual report, to determine whether the companies implemented ERM in management practices. Each ERM disclosure item by the company will be assigned a value of 1, and a value of 0 if the disclosure item is not found, indicating that the company does not implement ERM. Subsequently, the total ERM disclosure found will be compared with the total of 25 disclosure items in the risk assessment dimension (Salim Saputra *et al*., 2023).

H_1: *Enterprise Risk Management* (ERM) has a significant positive effect on firm value

Managerial Ownership

Managerial ownership is the ratio of shares held by management to the total number of outstanding shares (Cheung & Lai, 2025). A high level of ownership can lead to increased opportunism on the part of managers, causing them to make decisions that benefit their own interests but may potentially harm the company's value, this can result in conflicts of interest within the company due to the separation between management and ownership (Wijayanto *et al*., 2024). To address this issue, Jensen & Meckling (1976) agency theory highlights the importance of granting stock options to managers as an incentive to mitigate behavioral problems among managers, ensuring they bear the consequences of their decisions by aligning their financial interests with those of the principal. According to Mardiana *et al*. (2024), the higher the percentage of shares held by managers, the greater their commitment to acting prudently when making decisions.

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

Firm Size

Firm size is a variable used to measure firm value, which can be assessed through criteria such as total assets, revenue, and equity (Waskito Adi *et al*., 2020). A large firm size may indicate that the company has a desire to continue growing, which in turn boosts investor confidence (Sugiyanto *et al*., 2021). This can send a positive signal to investors and demonstrate better company performance (Lestari *et al*., 2025). With this confidence, the company's stock price will continue to rise.

H_3: Firm Size has a significant positive effect on firm value

Profitability

Profitability is a measure used to determine whether a company's investments are capable of generating net income for the company (Supriyatno *et al*., 2025). According to Nuru *et al*. (2025), profitability is closely linked to firm value through signaling theory. High profitability can convey positive information about a firm's financial strength and future potential (Indrabudiman, 2023). In line with this theory, firms that disclose their financial performance, capital structure, profitability, and firm value tend to attract greater investor interest, leading to an increase firm value (Cahyani Pangestuti *et al*., 2022).

H_4: Profitability has a significant positive effect on firm value

METHODS

This study employs a quantitative approach to examine the effects of ERM, managerial ownership, firm size, and profitability on firm value through empirical hypothesis testing. The study population comprises infrastructure companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2024 period, with purposive sampling applied to ensure data completeness and consistency. The sample selection criteria for this study are as follows:

a. Companies that were listed continuously registered throughout the study period
b. Companies that published complete financial statements and annual reports
c. Companies for which comprehensive research data is available

The study uses secondary data form the IDX website, https://www.idx.co.id.id. Collected through documentation of financial statement and annual reports. Data are analyzed using EViews 12, including descriptive statistics, panel data regression, classical assumption tests, and hypothesis testing. The operational definitions of all variables used in this study are described in detail in Table 1.

Table 1. Operational Variable

Variable	Indicators	Scale
Firm Value (FV) (Trisnawati *et al*., 2024)	$Price\ to\ Book\ Value\ (PBV) = \frac{Harga\ saham\ saat\ ini}{Nilai\ buku\ per\ lembar\ saham}$	Ratio
Enterprise Risk Management (ERM) (Salim Saputra *et al*., 2023)	$ERM = \frac{Jumlah\ item\ yang\ diungkapkan}{25\ item\ dimensi\ penilaian\ risiko}$	Ratio
Managerial Ownership (MO) (Dihardjo & Hersugondo, 2023)	$MO = \frac{\sum Saham\ Manajerial}{\sum Jumlah\ Saham\ Beredar}\ x\ 100\%$	Ratio
Firm Size (FS) (Ummah & Yuliana, 2023)	$FS = (Ln)\ Total\ Aset$	Ratio
Profitability (ROA) (Khalifaturofi'ah & Setiawan, 2024)	$Return\ on\ Asset\ (ROA) = \frac{Laba\ Bersih}{Total\ Aset}\ x\ 100\%$	Ratio

RESULT

Descriptive statistics provide an overview of the data collected regarding the research variables. Based on the analysis results presented in Table 2, this study utilized a total of 120 valid samples from infrastructure sector companies listed on the IDX during the period 2020 to 2024.

Table 2. Descriptive Statistics Result

	Firm Value (FV)	Enterprise Risk Management (ERM)	Managerial Ownership (MO)	Firm Size (FS)	Profitability (ROA)
Mean	1.655722	0.409333	0.050625	29.06543	0.029807
Median	1.188725	0.400000	0.000524	29.41614	0.025436
Maximum	8.442933	0.560000	0.605838	33.33372	3.612400
Minimum	-5.895322	0.240000	0.000000	17.98265	-1.391200
Std. Dev.	1.799530	0.082112	0.123109	2.693646	0.384302
Observations	120	120	120	120	120

Source: Output Eviews 12, 2026

Based on the table above, it can be seen that the firm value (FV) variable ha a minimum value of -5,89 and maximum value of 8,44, with a standard deviation of 1,79 and mean of 1,65. A mean value smaller than the standard deviation indicates low data variation, meaning the distribution of firm value can be considered stable. There are no values that are too low or too high, with a mean value of 1,65.

In this study, classical assumption tests were conducted to ensure that the resulting coefficient estimates are unbiased. The testing technique involved examining signs of multicollinearity and heteroscedasticity using panel data regression analysis.

Table 3. Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	3.268251	127.5444	NA
ERM	4.795952	32.61133	1.251415
MO	1.856140	1.274326	1.088683
FS	0.004306	143.1732	1.209126
ROA	0.177447	1.020356	1.014203

Based on the results of the multicollinearity test in Table 3, it is evident that no independent variable has a Variance Inflation Factor (VIF) value greater than (<) 10. Therefore, it can be concluded that there is no multicollinearity in the regression model. In addition to the multicollinearity test, a heteroscedasticity test is conducted to determine whether there is

heteroscedasticity in the residuals of a regression. The presence or absence of heteroscedasticity can be assessed using the Breusch-Pagan-Godfrey test.

Table 4. Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	**1.659357**	**Prob. F(4,115)**	**0.1643**
Obs*R-squared	6.548078	Prob. Chi-Square(4)	**0.1618**
Scaled explained SS	23.78654	Prob. Chi-Square(4)	**0.0001**

Based on the results of the heteroscedasticity test in Table 4 above, it is evident that the probability value Obs*R-*squared* > 0,05, specifically 0,1618. Therefore, it can be concluded that there is no heteroscedasticity in the regression model.

The autocorrelation test is used to determine the relationship between the residuals of one observation and those of another within a regression model. This study employs the Durbin-Watson (DW) test, which determines whether autocorrelation is present in the regression model.

Table 5. Result of Auto Correlation Test

Model	R-squared	Adjusted R-squared	Std. Error of regression	Durbin-Watson
1	0.705	0.618	1.111	1.833

Based on Table 5, the autocorrelation test yielded a Durbin-Watson (DW) value of 1,833425. Based on the Durbin-Watson table criteria, this value falls within the range $d\_u <$ DW $< 4 - d\_u$, specifically $1{,}7715 < 1{,}833425 < 2{,}2285$, indicating that there is no autocorrelation in the research regression model.

Panel data regression analysis is an analysis conducted to test the significance of independent variables on the dependent variable, the estimation models used in this analysis consist of three models: Fixed Effect Model (FEM), Common Effect Model (CEM), and Random Effect Model (REM). When selection one of these three models, it is crucial to test for significance using the Chow test, which is used to choose between CEM and FEM, and the Hausman test, which is used to compare FEM and REM.

Table 6. Chow Test Results

Effects Test	**Statistic**	**d.f,**	**Prob.**
Cross-section F	8.451530	(23,92)	0.0000
Cross-section Chi-square	136.265896	23	0.0000

Based on Table 6, the cross-sectional F-statistic value of 0,000 (<0,05) indicates that the appropriate model is the Fixed Effect Model (FEM).

Table 7. Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	3.671708	4	0.4523

Based on the hausman test results in Table 7, it is evident that the p-value for the cross-sectional random hypothesis is 0,4523, which is greater than 0,05. Therefore, it can be concluded that the most appropriate model is the Random Effects Model (REM).

Table 8. Model Fit Analysis

Model Summary	R-squared
Fixed Effect Model	0.705215
Random Effect Model	0.034530

However, given the low R-squared value of the Random Effects Model (REM), the researcher opted to use the Fixed Effect Model (FEM). FEM yielded a higher R-squared value, indicating that this model provides better estimates and a more accurate interpretation of the relationships among the variable under study. After selecting the regression model as described above, the results indicate that the most appropriate panel data regression model for this case is the Fixed Effect Model (FEM).

Table 9. Results of the Fixed Effects Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.866477	4.049485	-0.460917	**0.6459**
ERM	11.66502	3.543247	3.292184	**0.0014**
MO	-0.826624	3.231503	-0.255802	**0.7987**
FS	-0.041692	0.132515	-0.314622	**0.7538**
ROA	0.032384	0.295688	0.109520	**0.9130**

Table 9 shows the results of the panel data regression analysis at a 5% significance level. Based on this table, the following regression equation can be derived:

$$FV = \alpha + \beta_1 ERM_{i,t} + \beta_2 MO_{i,t} + \beta_3 FS_{i,t} + \beta_4 ROA_{i,t} + e_{i,t} \quad \text{..... (1)}$$

In this equation, the constant coefficient of -1,866477 indicates that, in the absence of contributions from the independent variables, the firm's value tends to be low or even negative. The ERM coefficient is positive, meaning that a one-unit increase in ERM increases the firm's value by 11,665. Conversely, managerial ownership and firm size have negative coefficients, each reducing the firm's value by 0,826 and 0,041, respectively. Meanwhile, profitability has a positive effect, increasing the firm's value by 0,032 for every one-unit increase.

Table 10. Results of Determination Coefficient Test and F-Test

Root MSE	0.972959	**R-squared**	**0.705215**
Mean dependent var	1.655722	Adjusted R-squared	0.618702
S.D. dependent var	1.799530	S.E. of regression	1.111198

Akaike info criterion	3.249718	Sum squared resid	113.5980
Schwarz criterion	3.900132	Log likelihood	-166.9831
Hannan-Quinn criter.	3.513854	**F-statistic**	**8.151553**
Durbin-Watson stat	1.833425	**Prob(F-statistic)**	**0.000000**

Based on Table 10, the coefficient of determination (R^2) of 0.705 indicates that the dependent variable (Firm Value) is simultaneously explained by 70,5% of the variation from the variables ERM, managerial ownership, firm size, and profitability. The remaining 29,48% is explained by other variables not included in this study. Furthermore, the results of the panel data regression test show that the F-statistic value is 8,151553, with a prob(F-*statistic*) value of 0,000000, which is less than 5% (0,000000 < 0,05). These results indicate that the four independent variables simultaneously have a significant effect on firm value in infrastructure sector companies listed on the IDX for the 2020-2024 period. Thus, this model is considered suitable for explaining on firm value.

The t-test was used to assess the extent to which independent variables partially influence the dependent variable, assuming all other variables remain constant. If the significance level (sig.) < 0,005, the proposed hypothesis is accepted. Otherwise, it is rejected. The results of the t-test for the hypotheses are presented in the following table:

Table 11. Partial Test Result (t-test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.866477	4.049485	-0.460917	**0.6459**
ERM	11.66502	3.543247	3.292184	**0.0014**
MO	-0.826624	3.231503	-0.255802	**0.7987**
FS	-0.041692	0.132515	-0.314622	**0.7538**
ROA	0.032384	0.295688	0.109520	**0.9130**

Table 11 shows the probability values obtained for each research variable. Based on the results of this analysis, ERM significantly influences firm value. This can be seen from the probability value (0.0014), which is below the acceptable error level of α (0,05). Meanwhile, the probability values for the managerial ownership variable, firm size, and profitability variables are 0,7987;0,7538; and 0,9139, which are greater than α (0,05), indicating that these variables do not have a significant effect on firm value.

DISCUSSION

The Effect of Enterprise Risk Management on Firm Value. The results of the panel data regression analysis indicate that ERM has a positive coefficient of 11,665 which is positive, with a probability value of 0,001, smaller (<) than α or 0,05, indicating a significant effect.

Thus, it can be concluded that ERM has a positive and significant effect on firm value in the infrastructure sector in Indonesia, so the first hypothesis is accepted. This positive relationship indicates that the more ERM items a company discloses, the higher its firm values, these findings align with previous studies by Faisal & Challen (2021) and Wibowo *et al*. (2024). The findings of this study indicate that the average infrastructure company in Indonesia that as an ERM disclosure score above 0,50 or disclose 13 items out of a total of 25 risk assessment dimension items, has an average company value above one and none are in negative condition. Although each infrastructure company in Indonesia has a different level of ERM implementation, companies with higher levels of ERM disclosure are proven to have a positive impact on the company.

The Effect of Managerial Ownership on Firm Value. The results of panel data regression analysis in this study show that managerial ownership has a coefficient of determination of -0,826, which is negative, with a probability level of 0,798, greater (>) than α or 0,05, thus having an insignificant effect. So, it can be concluded that managerial ownership partially has a negative and insignificant effect on firm value, thus the second hypothesis is rejected, these finding align with previous research by Wijayanto *et al*. (2024). According to Fujianti *et al*. (2020), one of the factors that can cause the negative impact on managerial ownership on firm value is the small proportion of managerial ownership in the company, which reduces the managers' motivation work optimally. The average proportion of managerial ownership in infrastructure companies in Indonesia is relatively small at 5% and tends to remain static from year to year, thus it is not a major consideration for investors.

The Effect of Firm Size on Firm Value. The results of the panel data regression analysis in this study indicate that firm size has a determination coefficient of -0,041, which is negative, with a probability level of 0,753, greater (>) than α or 0,05, thus having an insignificant effect. Therefore, it can be concluded that firm size partially has a negative and insignificant effect on firm value, so the third hypothesis is rejected. These results are in line with previous research by Elisa Dwi Handini & Dwi Ermayanti Susilo (2025) and Shalini *et al*. (2025), which found that a large firm size cannot guarantee and increase in company valuation if it is not accompanied by better financial performance or investor confidence in the company. A real example can be seen in several infrastructure companies in Indonesia, namely PT Megapower Makmur Tbk (MPOW) and PT Meta Epsi (MTPS). Although the average growth rate of these companies from 2020 to 2024 is above 20%, their market value during that period remains

below 1. This illustrates that ineffective corporate performance also causes investors to lose interest in investing, even in large companies, which in turn reduces the company's value.

The Effect of Profitability on Firm Value. The results of the panel data regression analysis in this study show that profitability has a coefficient of determination of 0,032, which is positive with a probability level of 0,913, greater (>) than α or 0,05, indicating an insignificant effect. Therefore, it can be concluded that firm size partially has a positive and insignificant effect on firm value, thus the fourth hypothesis is rejected. Based on previous research by Lestari *et al*. (2025), a higher profitability value indicates that the company effectively manages its assets and income, thereby attracting investors to invest and leading to an increase in stock prices and the overall value of the company. Overall, the results of this study indicate that while profitability has a positive effect on firm value in Indonesia's infrastructure sector, this effect is not statistically significant (Trisnawati *et al*., 2024). This suggests that, within the infrastructure subsector, profitability is not a dominant factor in determining firm value. The difference in the level of significance compared to other sectors indicates that the effect of profitability on firm value can be highly dependent on industry characteristics.

CONCLUSION

This study analyzes the effects of ERM, managerial ownership firm size, and profitability on firm value in infrastructure companies listed on the Indonesia Stock Exchange. The results of the study show that ERM has a positive and significant effect on firm value, indicating that the implementation of good risk management can increase investor confidence. Meanwhile, managerial ownership and firm size have a negative but not significant effect, and profitability has a positive but not significant effect, so these factors are not yet able to strongly explain the increase in firm value in this sector.

The implications of this study suggest that companies should focus on optimizing ERM implementation as a key strategy to enhance firm value. However, this study is limited by its sample scope, which only covers the infrastructure sector, a relatively short research period, and limited variables. Therefore, future research is recommended to include additional variables, expand the sector and period of study, and incorporate broader ERM measurement dimensions beyond risk assessment to achieve more comprehensive and accurate results.

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