

## Corporate Sustainability Determinant Model with Corporate Value in Manufacturing Companies on the Indonesia Stock Exchange (IDX)

**Amalia Dewi Ikawati**

Faculty of Economics, Sultan Agung Islamic University (UNISSULA) Semarang, Indonesia, E-mail: [Amaliadewiikawati@std.unissula.ac.id](mailto:Amaliadewiikawati@std.unissula.ac.id)

**Abstract.** *This research is motivated by the existence of differences of opinion from previous research that can cause a problem. The purpose of this study is to test and analyze the determinants of corporate sustainability. Therefore, in this study, company value is included as an intervening variable that aims to contribute to the gap in factors that can affect corporate sustainability and as a mediation of the influence of enterprise risk management (ERM), profitability, and corporate leverage on corporate sustainability. This study uses secondary data by taking financial report data and corporate sustainability reports from each manufacturing company on the Indonesia Stock Exchange. The results of the data obtained are processed using E-Views analysis. The results of the analysis inform that Enterprise Risk Management (ERM) has a significant effect on corporate sustainability in manufacturing companies. If the disclosure of enterprise risk management (ERM) increases, it can improve good corporate sustainability and vice versa if the disclosure of enterprise risk management (ERM) decreases, the sustainability of the company will worsen. With the disclosure of enterprise risk management (ERM), it is expected to minimize all risks accepted by the company so that the company can improve corporate sustainability. Profitability has a significant effect on corporate sustainability in manufacturing companies. If the company's profit increases, it can improve the sustainability of the company, conversely, if the company's profit decreases, the company's sustainability cannot be expressed properly and optimally. Company leverage does not have a significant effect on the sustainability of the company in manufacturing companies. If the level of company leverage increases, the level of disclosure of company sustainability will be smaller. Conversely, if the company's leverage is low, the disclosure of company sustainability will be better and increase. Company value is not a mediation of enterprise risk management (ERM) affecting the sustainability of the company in manufacturing companies. Disclosure of enterprise risk management (ERM) has a significant effect on the sustainability of the company without mediation from company value. Company value is not a mediation of profitability affecting the sustainability of the company in manufacturing companies. Profitability has a significant effect on the sustainability of the company without mediation from company value. Company value acts as a mediation of company leverage affecting the sustainability of the company in manufacturing companies. Company value is needed*

*as a mediation of company leverage on the sustainability of the company in manufacturing companies.*

**Keywords:** *Corporate Leverage; Corporate Sustainability; Corporate Value; Enterprise Risk Management (ERM); Profitability.*

## 1. Introduction

The main goal of a company is to make a profit. But in carrying out all activities in the company, it cannot run smoothly according to the expected goals, of course there are more or less obstacles faced in carrying out its activities. To achieve a goal, the company is expected to prioritize the interests of management, capital owners and also employees, consumers and the community. Financial management seeks to minimize costs, to ensure sufficient cash flow in the business.<sup>1</sup>In response to this, there are several concepts that can be associated with organizing, controlling, and planning financial activities such as the use and procedures of funds.

Some experts say that finance is a major source of sustainability. To carry out various management practices in the efficient and effective use of capital, companies can implement sustainable finance. The sustainability of a company is related to the ability to continue to excel by focusing on meeting current needs without sacrificing future goals.<sup>2</sup>Sustainability consists of several interrelated factors, namely social economic and environmental factors. Between one company and another has a different sustainability strategy.

In carrying out company activities both in external and internal environments, it certainly faces various business risks. To deal with these problems, companies need to provide management tools that can manage risks.<sup>3</sup>Good risk management will increase business certainty and can also increase competitive advantage and company value. With good risk management, it is expected to increase the sustainability of the company in the long term so that it can maintain the growth and development of the company.

There are several factors that can affect the sustainability of the company, one of which is profitability, liquidity, leverage and also ERM. There are many different research results that have evaluated several of these variables. The first is in the research of Dwi Anggoro Saputro, et al. (2013) entitled "The Effect of Financial Performance on the Disclosure of the Company's Sustainability Report on the IDX" which results that the relationship between liquidity and the

---

<sup>1</sup>Ameer, R., & Othman, R. (2012). Sustainability practices and corporate financial performance: A study based on the top global corporations. *Journal of business ethics*, 108(1), 61-79.

<sup>2</sup>Schaltegger, S. (2011). Sustainability as a driver for corporate economic success: Consequences for the development of sustainability management control. *Society and Economy*, 33(1), 15-28.

<sup>3</sup>Widjaya, P.E. and Sugiarti, Y. (2013), "Penerapan Risk Management Untuk Meningkatkan Non-Financial Firm Performance Di Perusahaan Murni Jaya", *Calyptra: Jurnal Ilmiah Mahasiswa Universitas Surabaya*, Vol. 2 No. 1.

sustainability report has an effect, while leverage and profitability do not have an effect on the sustainability report.<sup>4</sup>Then in the research Sustainability Reporting In A Global Context: What Are The Characteristics Of Corporations That Provide High Quality Sustainability Reports – An Empirical Analysis(Petra FA Dilling, 2010) stated that profitability influences sustainability reports.<sup>5</sup>According to researchThe Role of Leverage and Profitability on Sustainable Growth: A Study on the Manufacturing Sector at the IDX(Arinta Chandradinangga, et al. 2020) stated that leverage and profitability have an impact on sustainable growtp.<sup>6</sup>

## 2. Research Methods

The type of research is the type of data used in exploring sources of information to be used as research. The types of research are divided into two types, namely quantitative data is data in the form of definite numbers. And qualitative data is data that is not in the form of numbers. In this study, the type of research used is quantitative research because the data sources obtained as a guideline in this study are in the form of numbers which are then analyzed using the methods used and in accordance with the planned objectives.<sup>7</sup>

## 3. Results and Discussion

### 3.1. Enterprise Risk Management (ERM), Profitability, Leverage, Company Value and Company Sustainability

Table 3.1  
Operational Definition

| No | Variables                       | Definition   | Indicator  |
|----|---------------------------------|--|--|
| 1. | Corporate Sustainability        | Corporate Sustainability is a strategic effort for long-term growth and corporate survival resulting from the alignment of economic, social and environmental interests. | SRDI = number of scores met / maximum number of scores |
| 2. | Enterprise Risk Management(ERM) | Enterprise Risk Management(ERM) is an understanding and management of risk information carried out by a company and the  | ERM Disclosure = (Total items disclosed / 108) x 100%  |

<sup>4</sup>Dwi Anggoro Saputro, Fachrurrozie, Linda Agustina.(2013). Pengaruh Kinerja Keuangan Terhadap Pengungkapan Sustainability Report Perusahaan Di Bursa Efek Indonesia. *Accounting Analysis Journal*(ISSN 2252-6765).

<sup>5</sup> Petra F.A. Dilling. (2010). Sustainability Reporting In A Global Context: What Are The Characteristics Of Corporations That Provide High Quality Sustainability Reports – An Empirical Analysis. *International Business & Economics Research Journal – January 2010 Volume 9, Number 1*.

<sup>6</sup> Arinta Chandradinangga, Maria Rio Rita. (2020). Peranan *Leverage* dan Profitabilitas Terhadap *Sustainable Growth*: Studi pada Sektor Manufaktur di BEI. *International Journal of Social Science and Business*. Volume 4, Number 2, Tahun 2020, p. 155-161 P-ISSN : 2614-6533 E-ISSN : 2549-6409.

<sup>7</sup>Dwi Anggoro Saputro, Fachrurrozie, Linda Agustina.(2013). Pengaruh Kinerja Keuangan Terhadap Pengungkapan Sustainability Report Perusahaan Di Bursa Efek Indonesia. *Accounting Analysis Journal*(ISSN 2252-6765).

strategies carried out to reveal its impact on the company's future.

|    |                |  |                                |
|----|----------------|--|--------------------------------|
| 3. | Profitability  | Profitability is the company's ability to generate company profits in the future and a measure of the success of the company's operations. | ROA                            |
| 4. | Leverage       | Leverage is a funding policy for company decisions in financing the company.   | DAR = total debt/total equity. |
| 5. | Company Values | Company value is the market value that can provide maximum prosperity for shareholders if the company's share price increases.             | Torbin's Q                     |

Object description data analysis is used to provide an overview of variables. *enterprise risk management* (ERM), Profitability, Leverage, Company Value and Company Sustainability in manufacturing companies in Indonesia during a certain period. Object descriptions can be known through tables and graphs. In this study, descriptive statistics used are seen through the shift of points on the data graph image obtained from the variables determined during a certain period.<sup>8</sup>

Table 3.1. Variable Description

|           | ERM      | PROFITABILITY | LEVERAGE | COMPANY VALUES | CORPORATE SUSTAINABILITY |
|-----------|----------|---------------|----------|----------------|--------------------------|
| Mean      | 0.077263 | 1.819368      | 1.385474 | 2.263053       | 0.643474                 |
| Median    | 0.080000 | 1.660000      | 1.250000 | 1.570000       | 0.640000                 |
| Maximum   | 0.150000 | 3.910000      | 3.830000 | 9.340000       | 0.990000                 |
| Minimum   | 0.030000 | 0.340000      | 0.140000 | 0.680000       | 0.130000                 |
| Std. Dev. | 0.027846 | 0.853488      | 0.855959 | 2.146812       | 0.255367                 |

Source: Data analysis results

### 3.1.1. Corporate Sustainability

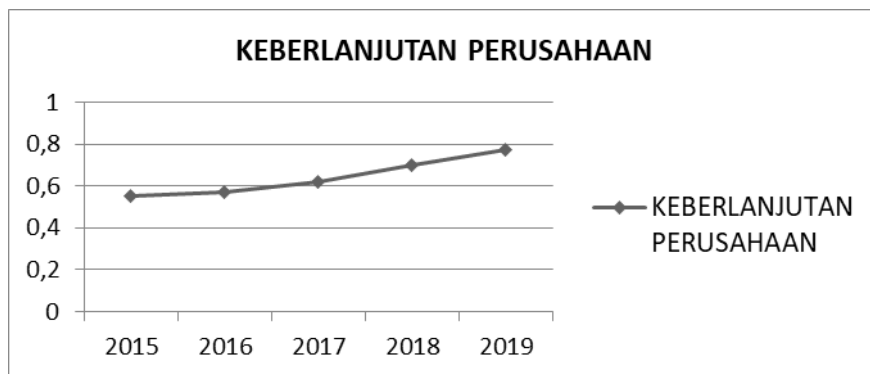
Corporate sustainability is a long-term growth strategy effort and the survival of the company resulting from the harmony between economic, social, and environmental interests. With corporate sustainability, it is expected to be able to see the growth of a company through *enterprise risk management* (ERM), profitability, and leverage. And with the existence of company value, it is also expected to improve the strategy in achieving a sustainable company.

Based on the results of table 4.3 of the descriptive analysis above, it can be seen that the sustainability value of companies in several manufacturing companies during the research period that has been determined in general is with the lowest value of 0.130 at PT Adhi Karya in 2015-2017. The highest value is 0.990 at Indah Kiat Pulp & Paper Tbk, Japfa Comfeed Indonesia Tbk, and Astra Agro Lestari in 2018-2019. KMI Wire & Cable Tbk, and Tjiwi Kimia Paper Factory Tbk in 2017-2019. Housing Development Company (Persero), Tbk and Bukit

<sup>8</sup>Camilleri, M. (2017). Corporate sustainability and responsibility: creating value for business, society and the environment. *Asian Journal of Sustainability And Social Responsibility*, 2(1), 59-74.

Asam (Persero) Tbk., in 2019. Unilever Indonesia Tbk in 2018. With an average sustainability of companies in all samples for five years of 0.643474.<sup>9</sup>

Manufacturing companies with above average corporate sustainability include Indah Kiat Pulp & Paper Tbk, Japfa Comfeed Indonesia Tbk, KMI Wire & Cable Tbk, Multi Bintang Indonesia Tbk, Tjiwi Kimia Paper Factory Tbk, Pembangunan Perumahan (Persero), Unilever Indonesia Tbk, Astra Agro Lestari, and Bukit Asam (Persero) Tbk. The following can be seen from the picture of the company's sustainability movement over the past five years with a predetermined number of samples.<sup>10</sup>



Source: Statistical data results

Figure 3.1.1 Corporate Sustainability

Judging from Figure 3.1.1 descriptive analysis on the previous page, it can be seen that the sustainability of companies in manufacturing companies in general has increased from year to year. This can be seen from the figure that the shift in points from the time data studied has changed. So with conditions like this, it can be interpreted that manufacturing companies are considered capable of providing long-term strategies to improve the company's image.<sup>11</sup>

### 3.1.2 Enterprise Risk Management (ERM)

*Enterprise Risk Management (ERM)* is an understanding and management of risk information carried out by the company and the strategies carried out to reveal its impact on the future of the company. With the disclosure of enterprise risk management (ERM) which is broader and with the principle of transparency can increase the sustainability of a good company.

Based on the results of table 3.1.2 of the descriptive analysis above, it can be seen that the enterprise risk management (ERM) value in several manufacturing companies during the research period that has been determined in general is with the lowest value of 0.030 in the Astra International company, and the Multi Bintang Indonesia Tbk company in 2015-2016.

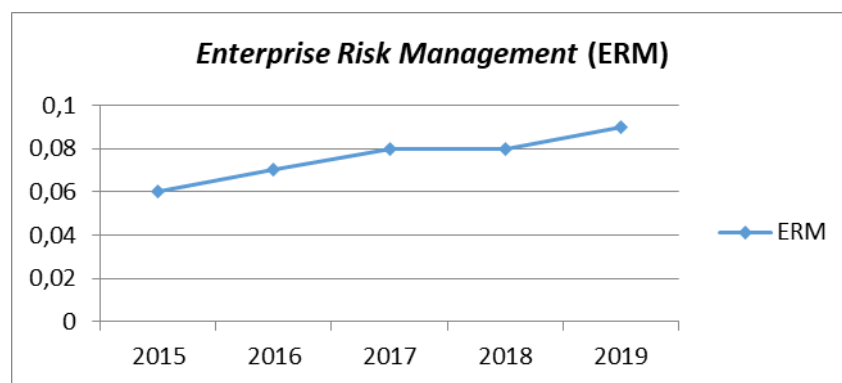
<sup>9</sup>Ghozali, Imam. (2017). Analisis Multivariat dan Ekonometrika Teori, Konsep, dan Aplikasi dengan EViews 10. Edisi 2. (Semarang: Fakultas Ekonomi dan Bisnis Universitas Diponegoro).

<sup>10</sup>Global Reporting Initiative 2000-2006. "Pedoman Laporan Keberlanjutan.", <http://www.globalreporting.org>.

<sup>11</sup>Gunawan. (2009). "Tanggung Jawab Sosial Perusahaan dan Krisis Global: Mempertahankan Keberlanjutan," dalam Bisnis Indonesia.



The highest value is 0.150 in the Indo Tambang Raya Megah Tbk company in 2017-2019. With an average enterprise risk management (ERM) in all samples for five years is 0.077263.<sup>12</sup> Manufacturing companies that disclose enterprise risk management (ERM) above average include Astra International, Indocement Tungal Prakasa Tbk, and Solusi Bangun Indonesia Tbk in 2017-2019. Indah Kiat Pulp & Paper Tbk, Indo Tambang Raya Megah Tbk, an Indonesian cement company, and Waskita Beton Precast Tbk in 2015-2019. Tjiwi Kimia Paper Factory Tbk, Unilever Indonesia Tbk, Wijaya Karya Beton Tbk, and PT Adhi Karya in 2016-2019. Housing Development Company (Persero), and XL Axiata Tbk., PT in 2018-2019. The following shows the movement of enterprise risk management (ERM) disclosure over the past five years with a predetermined number of samples.<sup>13</sup>



Source: Statistical data results

Figure 3.1.1 Enterprise Risk Management (ERM)

Judging from the figure 3.1.2 descriptive analysis above, it can be seen that enterprise risk management (ERM) in manufacturing companies in general has increased from year to year. This can be seen from the figure that the shift in points from the time data studied has changed. So with a situation like this, it can be interpreted that manufacturing companies are considered capable of increasing the number of enterprise risk management (ERM) disclosures so that the company is able to provide strategies for each risk it experiences.<sup>14</sup>

### 3.1.3 Profitability

Profitability is the company's ability to generate corporate profits in the future and a measure of the success of the company's operations. With the increasing company profits, it can

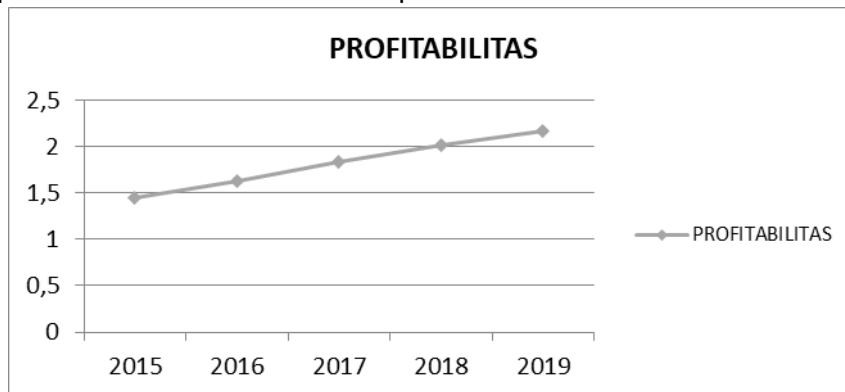
<sup>12</sup>Hanafi, M.M. (2009), *Manajemen Risiko*, Edisi Kedua, (UPP STIM YKPN : Yogyakarta).

<sup>13</sup>Hoyt, R.E. and Liebenberg, A.P. (2011), "The value of enterprise risk management", *Journal of Risk and Insurance*, Vol. 78 No. 4, p. 795-822.

<sup>14</sup>Lin, Y., Wen, M.-M. and Yu, J. (2012), "Enterprise risk management: strategic antecedents, risk integration, and performance", *North American Actuarial Journal*, Vol. 16 No. 1, p. 128.

increase the company's internal funding so that it can improve the sustainability of a good company.<sup>15</sup>

Based on the results of table 3.1.3 of the descriptive analysis above, it can be seen that the profitability value of companies in several manufacturing companies during the research period that has been determined in general is with the lowest value of 0.340 in the company XL Axiata Tbk., PT in 2015. The highest value is 3.910 in the company Indocement Tunggul Prakasa Tbk in 2019. With an average company profitability in all samples for five years of 1.819368, manufacturing companies that get above average company profitability include Astra International, Tjiwi Kimia Paper Factory Tbk, and Waskita Beton Precast Tbk in 2019. Chandra Asri Petrochemical, Indah Kiat Pulp & Paper Tbk, and Astra Agro Lestari, Bukit Asam (Persero) Tbk., PT in 2017-2019. Indo Tambang Raya Megah Tbk, Indocement Tunggul Prakasa Tbk, and KMI Wire & Cable Tbk in 2015-2019. Japfa Comfeed Indonesia Tbk, an Indonesian cement company, and Unilever Indonesia Tbk in 2016-2019. Wijaya Karya Beton Tbk in 2018-2019. The following shows the movement of the company's profitability over the past five years with a predetermined number of samples.<sup>16</sup>



Source: statistical data results

Figure 3.1.2 Profitability

Judging from the image 3.1.3 descriptive analysis on the previous page, it can be seen that profitability in manufacturing companies in general has increased from year to year. This can be seen from the image that the shift in points from the studied time data has changed. So with conditions like this, it can be interpreted that manufacturing companies are considered to get good company profits so that the company is able to run all its activities stably.<sup>17</sup>

<sup>15</sup>Saleem, Q. and Rehman, R.U. (2011), "Impacts of liquidity ratios on profitability (case of oil and gas companies of Pakistan)", *Interdisciplinary Journal of Research in Business*, Vol. 1 July, p. 95-98.

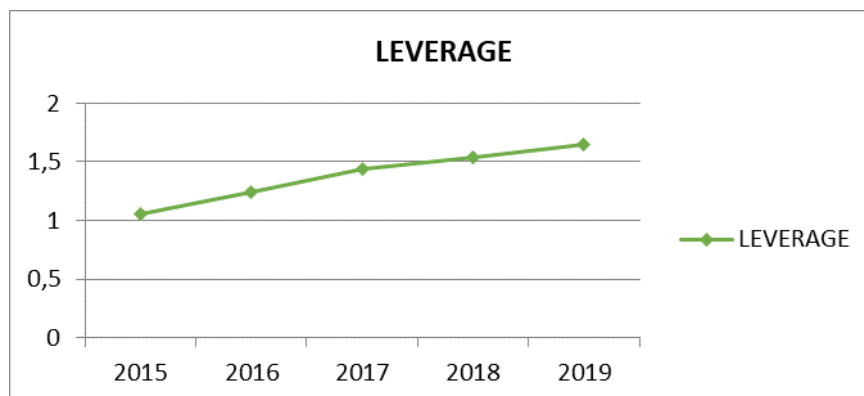
<sup>16</sup>Sanjaya, C.K. and Linawati, N. (2015), "Pengaruh Penerapan enterprise risk management dan Variabel Kontrol Terhadap Nilai Perusahaan di Sektor Keuangan", *Finesta*, Vol. 3 No. 1, p. 52-57.

<sup>17</sup>Shaheen, S. (2012), "The impact of Capital intensity, size of firm and profitability on debt financing in textile industry of Pakistan", *Interdisciplinary Journal of Contemporary Research in Business*, Vol. 3 No. 10, p. 1061-1066. Gill, A. and Mathur, N. (2011), "Factors that influence financial leverage of Canadian firms", *Journal of Applied Finance and Banking*, Vol. 1 No. 2, p. 19-37.

### 3.1.4 Leverage

Leverage is a funding policy on a company's decision to finance the company. So, by increasing the company's leverage level, it is expected to increase the company's sustainability disclosure.

Based on the results of table 3.1.4 of the descriptive analysis above, it can be seen that the leverage value in several manufacturing companies during the research period that has been determined in general is with the lowest value of 0.140 in the Astra Agro Lestari company in 2015. The highest value is 3.830 in the PT Adhi Karya company in 2017. With an average leverage value in all samples for five years is 1.385474. Manufacturing companies with values above the average include the Indah Kiat Pulp & Paper Tbk company, the Multi Bintang Indonesia Tbk company, the Unilever Indonesia Tbk company, the PT Adhi Karya company, and the XL Axiata Tbk., PT company in 2015-2019. The Japfa Comfeed Indonesia Tbk company, the Waskita Beton Precast Tbk company in 2017-2019. The Tjiwi Kimia Paper Factory Company Tbk, the Japfa Comfeed Indonesia Tbk company, the Pembangunan Perumahan (Persero) company, and the Solusi Bangun Indonesia Tbk company in 2016-2019. The following shows a picture of leverage movements over the last five years with a predetermined number of samples.<sup>18</sup>



Source: statistical data results

Figure 3.1.4 Leverage

Judging from the descriptive analysis figure 3.1.4 above, it can be seen that the company's leverage in manufacturing companies generally increases from year to year. This can be seen from the figure that the shift in points from the studied time data has changed. So with conditions like this, it can be seen that manufacturing companies are considered to have increased fulfillment of company financing obligations from year to year.

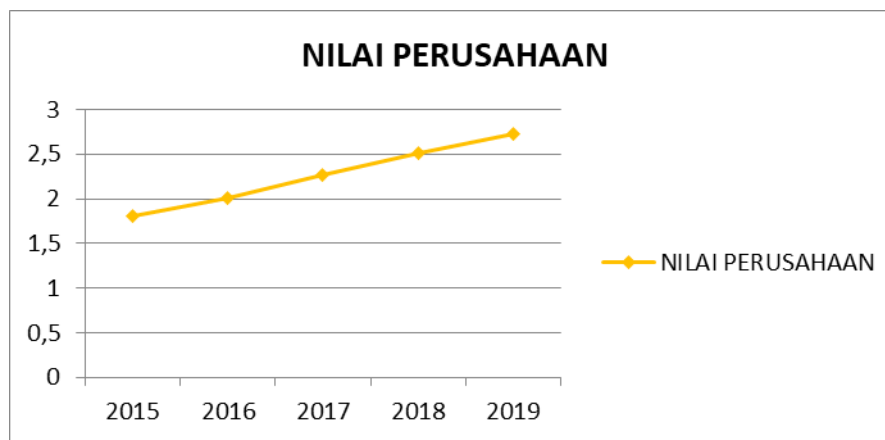
<sup>18</sup>Gill, A. and Mathur, N. (2011), "Factors that influence financial leverage of Canadian firms", *Journal of Applied Finance and Banking*, Vol. 1 No. 2, p. 19-37.



### 3.1.5 Company Values

Company value is the market value that is able to provide maximum prosperity for shareholders if the stock price increases. With the existence of company value, it is expected that the company is able to provide information on the sustainability of the company that is transparent, open and broad.

It can be seen that the company value of several manufacturing companies during the research period that has been determined in general is with the lowest value of 0.140 in the Astra Agro Lestari company in 2015. The highest value is 3.830 in the PT Adhi Karya company in 2017. With an average leverage value in all samples for five years is 1.385474. Manufacturing companies with values above the average include the Indah Kiat Pulp & Paper Tbk company, the Multi Bintang Indonesia Tbk company, the Unilever Indonesia Tbk company, the PT Adhi Karya company, and the XL Axiata Tbk company., PT in 2015-2019. The Japfa Comfeed Indonesia Tbk company, the Waskita Beton Precast Tbk company in 2017-2019. The Tjiwi Kimia Paper Factory Company Tbk, the Japfa Comfeed Indonesia Tbk company, the Pembangunan Perumahan (Persero) company, and the Solusi Bangun Indonesia Tbk company in 2016-2019. The following shows a picture of leverage movements over the last five years with a predetermined number of samples.<sup>19</sup>



Source: Statistical data results

**Figure 3.1.3 Company Values**

Judging from the figure 3.1.5 descriptive analysis above, it can be seen that the company value in manufacturing companies in general has increased from year to year. This can be seen from the figure that the shift in points from the time data studied has changed. So with conditions like this, it can be seen that the company value is able to act as a mediator in this study so

<sup>19</sup>Bhatti, A.M., Majeed, K., Rehman, I.U. and Khan, W.A. (2010), "Affect of leverage on risk and stock returns: evidence from Pakistani companies", *International Research Journal of Finance and Economics*, Vol. 58 No. 58, p. 32-49.

that the company value is able to provide maximum prosperity for shareholders if the company's stock price increases.<sup>20</sup>

### 3.2. Partial Test Results (T-Test) and Hypothesis Testing

3.2.1. Hypothesis (H1): Enterprise Risk Management (ERM) has a significant effect on corporate sustainability in manufacturing companies.

Figure 3.2.1 Chow Test

Redundant Fixed Effects Tests  
Equation: Untitled  
Cross-section fixed effects test

| Effects Test             | Statistics | df      | Prob.  |
|--------------------------|------------|---------|--------|
| Cross-section F          | 35.570933  | (18.72) | 0.0000 |
| Cross-section Chi-square | 217.721046 | 18      | 0.0000 |

Source: Panel regression analysis results, E-Views

Based on the results of the study in table 3.2.1, it is known that the probability value of the enterprise risk management (ERM) variable is 0.0144, which is smaller than 0.05 (0.0144 < 0.05) so that enterprise risk management (ERM) has a significant positive effect on corporate sustainability in manufacturing companies. The effect is positive because the regression coefficient of enterprise risk management (ERM) on corporate sustainability is 2.325533 (positive), meaning that with the disclosure of enterprise risk management (ERM) widely and with the principle of transparency, it can increase the sustainability of good companies and vice versa if there is no disclosure of enterprise risk management (ERM) that is not transparent, corporate sustainability will be implemented badly.<sup>21</sup>

Thus, the hypothesis stating that enterprise risk management (ERM) has a significant effect on corporate sustainability in manufacturing companies is accepted, meaning that enterprise risk management (ERM) has a significant positive effect on corporate sustainability in manufacturing companies.<sup>22</sup>

3.2.2. Hypothesis (H2): Profitability has a significant effect on company sustainability in manufacturing companies.

<sup>20</sup>Asif, A., Rasool, W. and Kamal, Y. (2011), "Impact of financial leverage on dividend policy: empirical evidence from Karachi stock exchange-listed companies", *African Journal of Business Management*, Vol. 5 No. 4, p. 1312-1324, doi: 10.5897/AJBM10.838.

<sup>21</sup>Hoyt, R. E., D. L. Moore, and A. P. Liebenberg. (2008). The Value of Enterprise Risk Management: Evidence from The U.S. Insurance Industry. *Journal of Financial and Quantitative Analysis*, 26, 519-532.

<sup>22</sup>Hoyt, R.E. and Liebenberg, A.P. (2011), "The value of enterprise risk management", *Journal of Risk and Insurance*, Vol. 78 No. 4, p. 795-822.

Based on the results of the study in table 3.2.1, it is known that the probability value of the profitability variable is 0.0471, which is smaller than 0.05 ( $0.0471 < 0.05$ ) so that profitability has a significant positive effect on the sustainability of the company in manufacturing companies. The effect is positive because the regression coefficient of profitability on the sustainability of the company is 0.074724 (positive), meaning that with the increasing company profit, it can increase the company's internal funding so that it can improve the sustainability of the company. Conversely, if the company's profit decreases, the company cannot carry out internal funding so that the sustainability of the company cannot be expressed properly and optimally.<sup>23</sup>

Thus, the hypothesis stating that profitability has a significant effect on the sustainability of companies in manufacturing companies is accepted, meaning that profitability has a significant positive effect on the sustainability of companies in manufacturing companies.

3.2.3. Hypothesis (H3): Company leverage has a significant effect on company sustainability in manufacturing companies.

Based on the results of the study in table 3.2.1, it is known that the probability value of the company's leverage variable is 0.3236, which is greater than 0.05 ( $0.3236 > 0.05$ ) so that company leverage does not have a significant positive effect on company sustainability in manufacturing companies. The effect is positive because the regression coefficient of company leverage on company sustainability is 0.037568 (positive), meaning that the higher the value of debt and real debt disclosure of a company, the lower the disclosure of company sustainability.<sup>24</sup>

Thus, the hypothesis stating that corporate leverage has a significant effect on corporate sustainability in manufacturing companies is rejected, meaning that corporate leverage does not have a significant positive effect on corporate sustainability in manufacturing companies.

3.2.4. Hypothesis (H4): Enterprise Risk Management (ERM) has a significant effect on company sustainability with company value as an intervening variable in manufacturing companies.

Based on the research results in table 3.2.1, it is known that the coefficient directly *enterprise risk management* (ERM) towards the sustainability of the company 2.325533. While indirectly (regression coefficient *enterprise risk management* (ERM) on company value X regression coefficient of company value on company sustainability) is  $(-18.25343 \times 0.048056 = -0.87718683)$ . The direct influence is greater than the indirect influence ( $2.32533 > -0.87718683$ ) so that automatically the company value is not a mediator between *enterprise risk management* (ERM) on the sustainability of the company. Because the indirect influence

---

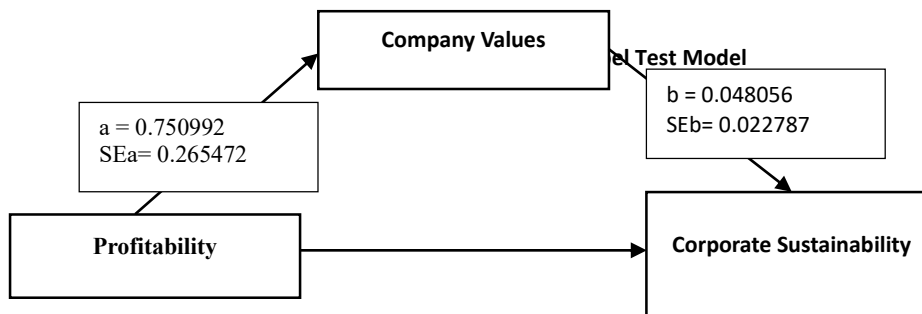
<sup>23</sup>Meulbroek, L. K. 2002. Integrated Risk Management for the Firm: A Senior Manager's Guide. Retrieved 2008, from Harvard Business School: [www.hbs.edu/research/facpubs/workingpapers/papers2/0102/02046.pdf](http://www.hbs.edu/research/facpubs/workingpapers/papers2/0102/02046.pdf).

<sup>24</sup>Meyer, K., & Kiyamaz, P. (2015). *Sustainability Considerations in Capital Budgeting Decisions: A Survey of Financial Executives*. Accounting And Finance Research, 4(2).

of the regression coefficient is -0.87718683 (negative), it means that the company value is not a mediator *enterprise risk management* (ERM) towards the sustainability of the company.<sup>25</sup> Thus, the hypothesis that states *enterprise risk management* (ERM) has a significant influence towards the sustainability of the company with the company value as an intervening variable in manufacturing companies. Rejected, meaning that the company value is not a mediator *enterprise risk management* (ERM) has a significant influence on the sustainability of companies in manufacturing companies.

3.2.5. Hypothesis (H5): Profitability has a significant effect on company sustainability with company value as an intervening variable in manufacturing companies.

Based on the results of the study in table 3.2.1, it is known that the direct regression coefficient of profitability on company sustainability is 0.750992. While indirectly (regression coefficient of profitability on company value X regression coefficient of company value on company sustainability) is (0.074724 x 0.048056 = 0.00359094). From both results, there is a positive effect so that a Sobel test is needed to choose a direct or indirect method that must be used in determining the effect of profitability on company sustainability. The following is a picture of the Sobel test model of company value strengthening the effect of profitability on company sustainability.<sup>26</sup>



Based on the image above, you can get the Sobel test results using the formula

$$Z = \frac{ab}{\sqrt{(a^2 SE_{a^2}) + (b^2 SE_{b^2})}}$$

If the calculated Z value > 1.98 then the company value can act as a mediator in the relationship between profitability and company sustainability. So that we get  $Z = 1.69098886$  ( $1.69098886 < 1.98$ ) means that company value is not a mediator in the relationship between profitability and company sustainability.

<sup>25</sup>Moeller, R.R. (2009), *Brink's Modern Internal Auditing: A Common Body of Knowledge*, John Wiley & Sons, New York, NY.

<sup>26</sup>Nurlela, R., dan Islahuddin. (2008). *Pengaruh Corporate Social Responsibility Terhadap Nilai Perusahaan dengan Prosentase Kepemilikan Manajemen Sebagai Variabel Moderating*. Simposium Nasional Akuntansi XI, Pontianak.

Thus, the hypothesis stating that profitability has a significant effect on company sustainability with company value as an intervening variable in manufacturing companies. Rejected, meaning that company value is not a mediator of profitability having a significant effect on company sustainability in manufacturing companies.

3.2.6. Hypothesis (H6): Company leverage has a significant effect on company sustainability with company value as an intervening variable in manufacturing companies.<sup>27</sup>

Based on the results of the study in table 3.2.1, it is known that the direct regression coefficient of leverage on corporate sustainability is 0.037568. While indirectly (corporate leverage regression coefficient on corporate value X corporate value regression coefficient on corporate sustainability) is  $(1.022341 \times 0.048056 = 0.04912962)$ . The direct effect is smaller than the indirect effect ( $0.037568 < 0.04912962$ ). Because the probability value of corporate leverage does not have a significant effect on corporate sustainability, the corporate value automatically acts as a mediator of corporate leverage which has a significant effect on corporate sustainability. It is proven from the direct regression coefficient which is smaller than the indirect regression coefficient, which is 0.04912962 (positive), meaning that the corporate value as a mediator of corporate leverage has a significant effect on corporate sustainability.<sup>28</sup>

Thus, the hypothesis stating that corporate leverage has a significant effect on corporate sustainability with corporate value as an intervening variable in manufacturing companies. Accepted, meaning that corporate value as a mediator of corporate leverage has a significant effect on corporate sustainability in manufacturing companies.

### 3.3. The influence of Enterprise Risk Management (ERM) on corporate sustainability in manufacturing companies

The probability value of the influence of enterprise risk management (ERM) on corporate sustainability is 0.0144 with a positive regression coefficient. So the probability value obtained is  $< 0.05$  and the regression coefficient is positive, then enterprise risk management (ERM) has a significant effect on corporate sustainability in manufacturing companies. Thus, it shows that the disclosure of enterprise risk management (ERM) widely and with the principle of transparency can increase the sustainability of good companies and vice versa if there is no disclosure of enterprise risk management (ERM) that is not transparent, the sustainability of the company will be disclosed badly. With the disclosure of enterprise risk management (ERM), it is expected to minimize all risks received by the company so that the company can carry out corporate sustainability that can improve the performance of the company. Disclosure of enterprise risk management (ERM) aims to create a system or

---

<sup>27</sup>Rezaee, Z. (2016). Business sustainability research: A theoretical and integrated perspective. *Journal of Accounting Literature*, 36, 48-64.

<sup>28</sup>Siahaan, P. (2009), *Manajemen Risiko pada Perusahaan dan Birokrasi*, PT Gramedia, Jakarta.



mechanism in the organization and help control management activities so that they can anticipate and minimize all risks that occur in a company.<sup>29</sup>

The results of this study are in line with Iswajuni et al.'s research (2018) states that enterprise risk management (ERM) has a significant effect on company value. Why is that? Because with the existence of increased and transparent disclosure of enterprise risk management (ERM) can increase investor confidence. So that the company can increase the sustainability of the company. So that enterprise risk management (ERM) has a significant effect on the sustainability of the company. Because with the disclosure of enterprise risk management (ERM) in a company, all risks that occur in the company can be managed and various company strategies to minimize them, so that the sustainability of the company can be carried out properly and in accordance with the company's strategy. With the disclosure of enterprise risk management (ERM), it is expected to be able to increase good sustainability and the right strategy for the company.<sup>30</sup>

### 3.3.1. The influence of profitability on company sustainability in manufacturing companies

The probability value of the influence of profitability on company sustainability is 0.041 with a positive regression coefficient. So the probability value obtained is  $<0.05$  and the regression coefficient is positive, then profitability has a significant effect on company sustainability in manufacturing companies. So that it shows that the increasing company profit can increase the company's internal funding so that it can improve good company sustainability. And vice versa if the company's profit decreases, the company cannot carry out internal funding so that the company's sustainability cannot be expressed properly and optimally. With increasing company profitability, it is expected to affect the growth and development of a company so that it reflects good company prospects.<sup>31</sup>

The results of this study are in line with the research of Petra FA Dilling 2010 and Arinta Chandradinangga, et al. 2020 that profitability affects the sustainability of the company. Why is that, because if the company's profit increases, it can increase the company's internal funding so that it can improve the sustainability of the company. So that profitability affects the sustainability of the company. Because with the increasing company profit in a manufacturing company, it can increase the company's internal funding sources so that the company can carry out good corporate sustainability. With the profitability of the company, it is expected that the company can grow and develop so that it can reflect the company's good prospects.<sup>32</sup>

---

<sup>29</sup>Sanjaya, C.K. and Linawati, N. (2015), "Pengaruh Penerapan enterprise risk management dan Variabel Kontrol Terhadap Nilai Perusahaan di Sektor Keuangan", *Finesta*, Vol. 3 No. 1, p. 52-57.

<sup>30</sup>*Ibid*

<sup>31</sup>Sukamulja, S. 2004. Good Corporate Governance di Sektor Keuangan: Dampak GCG terhadap Kinerja Perusahaan. *Benefit: Jurnal Manajemen dan Bisnis*, 8 (1), 1-25.

<sup>32</sup>Ross, W. (2007), Pengantar keuangan perusahaan, 8th ed., Salemba Empat, Jakarta.

### 3.3.2. The influence of corporate leverage on corporate sustainability in manufacturing companies

The probability value of the influence of corporate leverage on corporate sustainability is 0.3236 with a positive regression coefficient. So the probability value obtained is  $> 0.05$  and the regression coefficient is positive, then profitability does not have a significant effect on corporate sustainability in manufacturing companies. So it shows that the higher the level of corporate leverage, the lower the level of corporate sustainability disclosure. Conversely, if the corporate leverage is low, the disclosure of corporate sustainability will be better and increase. With the increasing value of debt in a company, it is expected to increase profits in a company, but if the amount of debt is high, it can cause a risk of default in the company to external parties. So that the company can utilize debt according to the company's capabilities and needs.<sup>33</sup>

The results of this study are in line with the research of Dwi Anggoro Saputro, et al. 2013 that corporate leverage does not affect corporate sustainability. Why is that, because the higher the level of corporate leverage, the lower the level of corporate sustainability disclosure. So that the company's leverage does not have a significant effect on the company's sustainability. Because with the increasing level of company leverage, it can reduce the level of corporate sustainability disclosure. With the decreasing corporate leverage, it is expected to increase corporate sustainability disclosure in manufacturing companies.<sup>34</sup>

### 3.3.3. The influence of enterprise risk management (ERM) on corporate sustainability with corporate value as an intervening variable in manufacturing companies

Regression coefficient *enterprise risk management* (ERM) on the sustainability of the company directly is greater than the indirect influence ( $2.32533 > -0.87718683$ ) so that automatically the company value is not a mediator *enterprise risk management* (ERM) is influential on the sustainability of the company. Because the indirect influence of the regression coefficient is  $-0.87718683$  (negative), it means that the company value is not a mediator *enterprise risk management* (ERM) has a significant influence towards the sustainability of the company.<sup>35</sup>

*Enterprise risk management* ERM aims to create a system or mechanism in an organization and help control management activities so that it can anticipate and minimize all risks that occur in a company to increase the company's value (Hoyt and Liebenberg, 2011). With the company's value as an intervening variable in this study, it aims to be a mediator *enterprise risk management* (ERM) is influential towards the sustainability of the company, but in this study, the company's value does not play a role as a mediator because it directly *enterprise risk management* (ERM) have a significant impact on the sustainability of the company. Disclosure *enterprise risk management* (ERM) increasing will increase the sustainability of a

<sup>33</sup>Hoyt, R. E., and A. P. Liebenberg. (2006). *The Value of Enterprise Risk Management: Evidence from the U.S. Insurance Industry*.

<sup>34</sup>Lin, Y., Wen, M.-M. and Yu, J. (2012), "Enterprise risk management: strategic antecedents, risk integration, and performance", *North American Actuarial Journal*, Vol. 16 No. 1, p. 128.

<sup>35</sup>*Ibid*

good company without any relationship from the company's value. Because all risks that occur in a company have been managed well which has an impact on the success of a company which creates good corporate sustainability without looking at the company's value. So it can be concluded that the company's value is not a mediation *enterprise risk management* (ERM) is influential towards corporate sustainability in manufacturing companies.<sup>36</sup>

#### 3.3.4. The influence of profitability on company sustainability with company value as an intervening variable in manufacturing companies

The calculated Z result obtained from the Sobel test in this study is  $Z = 1.69098886$  ( $1.69098886 < 1.98$ ) means that the company value is not a mediator of profitability affecting the company's sustainability. With the company value as an intervening variable in this study, it is expected to mediate the effect of profitability on the company's sustainability, but in this study, the company value does not play a role as a mediator because profitability directly has a significant effect on the company's sustainability. If the company's profit increases, it will increase the company's sustainability without any influence from the company's value. Because the company's income increases, it will have an impact on the success of a company to improve the company's sustainability without looking at the company's value. So it can be concluded that the company's value does not mediate profitability affecting the company's sustainability in manufacturing companies.<sup>37</sup>

#### 3.3.5. The influence of corporate leverage on corporate sustainability with corporate value as an intervening variable in manufacturing companies

The regression coefficient of corporate leverage on corporate sustainability is directly smaller than the indirect effect ( $0.037568 < 0.04912962$ ) so that automatically the value of the company as a mediation between corporate leverage on corporate sustainability. Because the influence of the indirect regression coefficient is 0.04912962 (positive) and also the probability value of corporate leverage on corporate sustainability is not significant, meaning that the value of the company plays a role as a mediation of corporate leverage influencing corporate sustainability.<sup>38</sup>

With the existence of company value as an intervening variable in this study aims to mediate the influence of company leverage on company sustainability. Because directly company leverage does not affect company sustainability but after the existence of company value as an intervening variable in this study, company value can act as a mediation of company

<sup>36</sup>Lindenberg, E. B, and S. A. Ross. (1981). Tobin's Q Ratio and Industrial Organization. *Journal of Business*. 54 (1), p. 1-32.

<sup>37</sup>Bhatti, A.M., Majeed, K., Rehman, I.U. and Khan, W.A. (2010), "Affect of leverage on risk and stock returns: evidence from Pakistani companies", *International Research Journal of Finance and Economics*, Vol. 58 No. 58, p. 32-49.

<sup>38</sup>Gill, A. and Mathur, N. (2011), "Factors that influence financial leverage of Canadian firms", *Journal of Applied Finance and Banking*, Vol. 1 No. 2, p. 19-37.

leverage affecting company sustainability. So it can be concluded that company value acts as a mediation of company leverage on company sustainability in manufacturing companies.<sup>39</sup>

#### 4. Conclusion

*Enterprise Risk Management*(ERM) has a significant effect on corporate sustainability in manufacturing companies. If the disclosure of enterprise risk management (ERM) increases, it can improve good corporate sustainability and vice versa if the disclosure of enterprise risk management (ERM) decreases, the sustainability of the company will worsen. With the disclosure of enterprise risk management (ERM), it is expected to minimize all risks received by the company so that the company can improve the sustainability of the company. Profitability has a significant effect on corporate sustainability in manufacturing companies. If the company's profit increases, it can improve good corporate sustainability, conversely if the company's profit decreases, the sustainability of the company cannot be disclosed properly and optimally.

Corporate leverage does not have a significant effect on corporate sustainability in manufacturing companies. If the level of corporate leverage increases, the level of corporate sustainability disclosure will be smaller. Conversely, if corporate leverage is low, corporate sustainability disclosure will be better and increase. Corporate value is not a mediator of enterprise risk management (ERM) influencing corporate sustainability in manufacturing companies. Disclosure of enterprise risk management (ERM) has a significant effect on corporate sustainability without mediation from corporate value. Corporate value is not a mediator of profitability influencing corporate sustainability in manufacturing companies. Profitability has a significant effect on corporate sustainability without mediation from corporate value. Corporate value plays a role in mediating corporate leverage influencing corporate sustainability in manufacturing companies. Corporate value is needed as a mediator of leverage company towards corporate sustainability in manufacturing companies.

#### 5. References

##### Journals:

- Ameer, R., & Othman, R. (2012). Sustainability practices and corporate financial performance: A study based on the top global corporations. *Journal of business ethics*, 108(1), 61-79.
- Arinta Chandradinangga, Maria Rio Rita. (2020). Peranan *Leverage* dan Profitabilitas Terhadap *Sustainable Growth*: Studi pada Sektor Manufaktur di BEI. *International Journal of Social Science and Business*. Volume 4, Number 2, Tahun 2020, p. 155-161 P-ISSN : 2614-6533 E-ISSN : 2549-6409.

---

<sup>39</sup>Jarrow, R. (2013), "A leverage ratio rule for capital adequacy", *Journal of Banking and Finance*, Vol. 37 No. 3, p. 973-976, doi: 10.1016/j.jbankfin.2012.10.009.



- Asif, A., Rasool, W. and Kamal, Y. (2011), "Impact of financial leverage on dividend policy: empirical evidence from Karachi stock exchange-listed companies", *African Journal of Business Management*, Vol. 5 No. 4, p. 1312-1324, doi: 10.5897/AJBM10.838.
- Bhatti, A.M., Majeed, K., Rehman, I.U. and Khan, W.A. (2010), "Affect of leverage on risk and stock returns: evidence from Pakistani companies", *International Research Journal of Finance and Economics*, Vol. 58 No. 58, p. 32-49.
- Camilleri, M. (2017). Corporate sustainability and responsibility: creating value for business, society and the environment. *Asian Journal of Sustainability And Social Responsibility*, 2(1), 59-74.
- Dwi Anggoro Saputro, Fachrurrozie, Linda Agustina.(2013). Pengaruh Kinerja Keuangan Terhadap Pengungkapan Sustainability Report Perusahaan Di Bursa Efek Indonesia. *Accounting Analysis Journal*(ISSN 2252-6765).
- Gill, A. and Mathur, N. (2011), "Factors that influence financial leverage of Canadian firms", *Journal of Applied Finance and Banking*, Vol. 1 No. 2, p. 19-37..
- Hoyt, R. E., and A. P. Liebenberg. (2006). *The Value of Enterprise Risk Management: Evidence from the U.S. Insurance Industry*.
- Hoyt, R. E., D. L. Moore, and A. P. Liebenberg. (2008). The Value of Enterprise Risk Management: Evidence from The U.S. Insurance Industry. *Journal of Financial and Quantitative Analysis*, 26, 519-532.
- Hoyt, R.E. and Liebenberg, A.P. (2011), "The value of enterprise risk management", *Journal of Risk and Insurance*, Vol. 78 No. 4, p. 795-822.
- Jarrow, R. (2013), "A leverage ratio rule for capital adequacy", *Journal of Banking and Finance*, Vol. 37 No. 3, p. 973-976, doi: 10.1016/j.jbankfin.2012.10.009.
- Lin, Y., Wen, M.-M. and Yu, J. (2012), "Enterprise risk management: strategic antecedents, risk integration, and performance", *North American Actuarial Journal*, Vol. 16 No. 1, p. 128.
- Lindenberg, E. B, and S. A. Ross. (1981). Tobin's Q Ratio and Industrial Organization. *Journal of Business*. 54 (1), p. 1-32.
- Petra F.A. Dilling. (2010). Sustainability Reporting In A Global Context: What Are The Characteristics Of Corporations That Provide High Quality Sustainability Reports – An Empirical Analysis. *International Business & Economics Research Journal – January 2010 Volume 9, Number 1*.
- Rezaee, Z. (2016). Business sustainability research: A theoretical and integrated perspective. *Journal of Accounting Literature*, 36, 48-64.
- Ross, W. (2007), Pengantar keuangan perusahaan, 8th ed., Salemba Empat, Jakarta.
- Saleem, Q. and Rehman, R.U. (2011), "Impacts of liquidity ratios on profitability (case of oil and gas companies of Pakistan)", *Interdisciplinary Journal of Research in Business*, Vol. 1 July, p. 95-98.
- Sanjaya, C.K. and Linawati, N. (2015), "Pengaruh Penerapan enterprise risk management dan Variabel Kontrol Terhadap Nilai Perusahaan di Sektor Keuangan", *Finesta*, Vol. 3 No. 1, p. 52-57.



Shaheen, S. (2012), "The impact of Capital intensity, size of firm and profitability on debt financing in textile industry of Pakistan", *Interdisciplinary Journal of Contemporary Research in Business*, Vol. 3 No. 10, p. 1061-1066. Gill, A. and Mathur, N. (2011), "Factors that influence financial leverage of Canadian firms", *Journal of Applied Finance and Banking*, Vol. 1 No. 2, p. 19-37.

Sukamulja, S. 2004. Good Corporate Governance di Sektor Keuangan: Dampak GCG terhadap Kinerja Perusahaan. *Benefit: Jurnal Manajemen dan Bisnis*, 8 (1), 1-25.

Widjaya, P.E. and Sugiarti, Y. (2013), "Penerapan Risk Management Untuk Meningkatkan Non-Financial Firm Performance Di Perusahaan Murni Jaya", *Calyptra: Jurnal Ilmiah Mahasiswa Universitas Surabaya*, Vol. 2 No. 1.

#### Books:

Decisions: A Survey of Financial Executives. *Accounting And Finance Research*, 4(2).

Ghozali, Imam. (2017). Analisis Multivariat dan Ekonometrika Teori, Konsep, dan Aplikasi dengan EViews 10. Edisi 2. (Semarang: Fakultas Ekonomi dan Bisnis Universitas Diponegoro).

Gunawan. (2009). "Tanggung Jawab Sosial Perusahaan dan Krisis Global: Mempertahankan Keberlanjutan," dalam *Bisnis Indonesia*.

Hanafi, M.M. (2009), *Manajemen Risiko*, Edisi Kedua, (UPP STIM YKPN : Yogyakarta).

Meyer, K., & Kiyamaz, P. (2015). *Sustainability Considerations in Capital Budgeting*

Moeller, R.R. (2009), *Brink's Modern Internal Auditing: A Common Body of Knowledge*, John Wiley & Sons, New York, NY.

Nurlela, R., dan Islahuddin. (2008). *Pengaruh Corporate Social Responsibility Terhadap Nilai Perusahaan dengan Prosentase Kepemilikan Manajemen Sebagai Variabel Moderating*. Simposium Nasional Akuntansi XI, Pontianak.

Schaltegger, S. (2011). *Sustainability as a driver for corporate economic success: Consequences for the development of sustainability management control*. *Society and Economy*, 33(1), 15-28.

Siahaan, P. (2009), *Manajemen Risiko pada Perusahaan dan Birokrasi*, PT Gramedia, Jakarta.

#### Internet:

Global Reporting Initiative 2000-2006. "Pedoman Laporan Keberlanjutan.", <http://www.globalreporting.org>.

Meulbroek, L. K. 2002. *Integrated Risk Management for the Firm: A Senior Manager's Guide*. Retrieved 2008, from Harvard Business School: [www.hbs.edu/research/facpubs/workingpapers/papers2/0102/02046.pdf](http://www.hbs.edu/research/facpubs/workingpapers/papers2/0102/02046.pdf).