



Capital Structure, Enterprise Risk Management, and Firm Value: The Moderating Role of Firm Growth in Cyclical and Non-Cyclical Sectors on the Indonesia Stock Exchange

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Abstract

Background: Firm value reflects investors' assessments of corporate performance and prospects, yet evidence regarding the associations of capital structure and enterprise risk management (ERM) disclosure with firm value remains mixed.

Objective: This study examines the associations of capital structure and ERM disclosure with firm value and tests whether firm growth moderates these relationships among Indonesian non-financial firms.

Methods: An explanatory quantitative design was applied to 484 firm-year observations from 242 non-financial companies listed on the Indonesia Stock Exchange during 2023-2024. Firms were selected through purposive sampling. Firm value was measured using Tobin's Q, capital structure using the debt-to-equity ratio, ERM disclosure using a 25-indicator COSO-based index, and firm growth using annual sales growth. The hypotheses were tested through pooled panel regression with moderated regression analysis.

Results: Capital structure was negatively associated with firm value ($\beta = -0.188$, $p = 0.004$), whereas ERM disclosure was positively associated with firm value ($\beta = 1.721$, $p < 0.001$). Firm growth did not significantly moderate the capital structure-firm value association ($\beta = -0.004$, $p = 0.296$). However, firm growth strengthened the positive association between ERM disclosure and firm value ($\beta = 0.030$, $p = 0.031$) and functioned as a quasi-moderator.

Conclusion: The findings indicate that lower leverage and more comprehensive ERM disclosure are associated with higher firm value, while firm growth strengthens only the value relevance of ERM disclosure within the observed sample and period.

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INTRODUCTION

Corporate value creation has increasingly been recognized as a function not merely of asset size or reported profit, but of the quality of managerial judgment in structuring corporate financing and managing risk amid mounting global economic uncertainty. Agency theory frames this problem from two competing perspectives: while financing decisions that are not optimally calibrated may widen the conflict of interest between managers and shareholders Jensen and Meckling (1976), debt can also serve as a disciplinary mechanism that constrains managerial discretion and reduces free-cash-flow agency costs (Jensen, 1986). This duality implies that the relationship between leverage and firm value is neither inherently positive nor negative but depends on the balance between these competing effects, even as the central purpose of the firm remains to maximize value as the embodiment of shareholder wealth.

Corporate valuation is commonly recognized as a key measurement utilized by investors to assess the overall performance of a business entity, future growth potential, and long-term sustainability. Consequently, the factors associated with firm value remain a major focus in both financial research and corporate decision-making. Firm value (FV) represents the market's evaluation of a company's ability to generate future cash flows and create economic benefits. According to Tobin (1969), this evaluation can be measured by comparing a firm's market value with the value of its assets, resulting in the ratio known as Tobin's Q. This measure is extensively applied in empirical finance because it provides a broader representation of investor expectations regarding a firm's performance and future prospects than traditional accounting-based indicators (Chung & Pruitt, 1994).

Cross-sector valuation gaps on the IDX illustrate that this value-formation process is far from uniform. Price-to-Book Value (PBV) data published by IDX in its Statistical Highlight (August 2025) show that non-cyclical sectors, on average, trade at a substantially higher multiple than cyclical sectors, as summarized in Table 1. The cyclical and non-cyclical classification follows the IDX Industrial Classification (IDX-IC), which was introduced in January 2021 to replace the Jakarta Stock Industrial Classification (JASICA) system (IDX, 2021). Under IDX-IC, sectors such as Energy, Basic Materials, Industrials, Consumer Cyclical, Properties & Real Estate, and Technology are categorized as cyclical because their revenues are demonstrably sensitive to macroeconomic fluctuations, whereas Consumer Non-Cyclicals, Healthcare, Financials, Infrastructures, and Transportation & Logistics are classified as non-cyclical owing to their relatively stable demand profiles across business-cycle phases. The sector averages in Table 1 are calculated by the authors as simple unweighted means of the individual sector PBV values reported by IDX. Although the sector-level phenomenon is illustrated using PBV, for consistency with prior valuation research, the empirical tests in this study use Tobin's Q, which integrates market value and asset structure and is therefore considered a more comprehensive proxy of firm value than price-based measures alone.

Table 1

IDX Sector Valuation (Price-to-Book Value), August 2025

Sector Group	PBV (x)	Characteristic
Energy	3.37	Sensitive to global commodity price swings
Basic Materials	2.52	Driven by industrial raw-material demand
Industrials	0.93	Tracks the production and expansion cycle
Consumer Cyclical	1.62	Durable goods and discretionary services
Properties & Real Estate	1.42	Tied to interest rates and investment demand
Technology	7.15	High valuation driven by growth expectations
Average - Cyclical	~2.47	Fluctuates, tends to rise during expansion
Consumer Non-Cyclicals	1.65	Staple goods, stable across cycle phases
Healthcare	3.46	Stable due to constant healthcare demand
Financials	1.70	Semi-stable, shaped by interest rates and confidence
Infrastructures	4.22	Relatively stable basic services
Transportation & Logistics	6.92	Semi-stable, still demand-dependent
Average - Non-Cyclical	~3.79	Higher and more stable market valuation

Cyclical industries - energy, basic materials, industrials, consumer cyclical, property, and technology - averaged a PBV of roughly 2.47 times, against approximately 3.79 times for non-cyclical industries such as consumer staples, healthcare, financials, and infrastructure. Because sensitivity to the business cycle differs sharply across these groups, the gap suggests that firm value is shaped jointly by macroeconomic conditions, internal financing choices, and sector-specific characteristics rather than by any single, uniform mechanism.

Two firm-level decisions dominate the literature on value formation: capital structure and enterprise risk management (ERM). Capital structure (CS) - the mix of debt and equity used to finance operations - sits at the center of a long-running theoretical debate. Trade-off theory holds that debt raises firm value up to a point through the tax shield on interest payments, but that

beyond that point, bankruptcy risk and agency costs erode value (Kraus & Litzenberger, 1973); meanwhile, the pecking-order framework explains that companies generally prioritize the use of internally generated resources rather than relying on external sources of capital because of information asymmetry between managers and outside investors (Myers & Majluf, 1984). Empirical findings mirror this theoretical tension: Wijaya et al. (2021) report a positive effect of capital structure on firm value among Indonesian manufacturers, Bui et al. (2023) reveal an adverse relationship among Vietnamese listed firms, Thao (2019) shows that the direction of the relationship shifts across firm-value quantiles, and more recently Karaca et al. (2025) document an inverted U-shaped pattern in an emerging-market setting, implying that leverage is value-enhancing only up to an optimal threshold.

A similar debate exists regarding Enterprise Risk Management (ERM). In theory, adopting an integrated approach to risk identification, assessment, and management is expected to enhance managerial decision-making while reducing organizational uncertainty (COSO, 2017), yet the evidence is mixed: Faisal et al. (2021) find that ERM disclosure is associated with higher firm value through more efficient investment decisions, Son (2023) shows that ERM's payoff intensifies under conditions of economic instability, while Aprilyani et al. (2021) find no significant ERM effect among Indonesian food-and-beverage firms. This inconsistency suggests that the association between ERM disclosure and value may be contingent upon firm, industry, and contextual characteristics rather than universal.

One characteristic that plausibly explains these divergent findings is firm growth. High-growth firms typically require larger amounts of financing and confront more complex operating risk than slower-growing firms Suastini et al. (2016), which, under contingency theory Donaldson (2006), implies that the effectiveness of any financing or risk-management policy is contingent on the organizational conditions in which it is applied. Two distinct moderation mechanisms are theoretically plausible. First, regarding capital structure, higher growth may alter the cost-benefit calculus of leverage: growth-oriented firms may incur additional debt to finance expansion opportunities, but the resultant increase in financial risk and interest burden may offset the expected returns from investment, rendering the net effect of leverage on value contingent on the pace of growth. Second, regarding ERM, rapid growth introduces a wider and more complex set of strategic, operational, and financial risks; under signaling theory Connelly et al. (2011), firms that can demonstrate comprehensive risk-management disclosure during periods of expansion send a credible signal of governance quality, which the market may capitalize into a higher valuation. This distinction is important because it implies that growth may function as a contingency for one financial decision while remaining largely irrelevant for another.

Despite this substantial body of work, three gaps remain open. First, prior studies have rarely tested capital structure and ERM together within a single model Hoyt & Liebenberg, (2011), each examine only one antecedent), making it difficult to compare their relative association with value. Second, firm growth has mostly been treated as an independent predictor of firm value Hirdinis (2019) rather than as a factor that conditions how other financial decisions are associated with value. Third, aggregate, cross-industry samples dominate the literature even though cyclical and non-cyclical firms differ in risk sensitivity, financing needs, and growth patterns, as the PBV gap in Table 1 illustrates. Based on the foregoing theoretical and empirical reasoning, the following hypotheses are proposed:

- 1) H1: Capital structure is negatively associated with firm value among non-financial firms listed on the IDX.
- 2) H2: ERM disclosure is positively associated with firm value among non-financial firms listed on the IDX.
- 3) H3: Firm growth moderates the association between capital structure and firm value.
- 4) H4: Firm growth moderates the association between ERM disclosure and firm value.

Accordingly, this study examines whether capital structure and ERM disclosure are associated with firm value among non-financial firms listed on the IDX and whether firm growth moderates these associations. By jointly examining financing decisions, risk-management disclosure, and firm growth, the study applies trade-off, pecking-order, signaling, and contingency perspectives to the Indonesian capital-market context. The findings are expected to provide evidence relevant to corporate financing and risk-disclosure practices while offering a basis for future comparative research across firms, sectors, and emerging markets.

METHOD

This study employed an explanatory quantitative design using panel data that combined cross-sectional observations of firms with repeated annual observations. The population comprised non-financial companies listed on the Indonesia Stock Exchange (IDX). Financial companies were excluded because their financing structures, regulatory requirements, and risk-management characteristics differ substantially from those of non-financial companies. The classification of firms into cyclical and non-cyclical sectors was used only to describe the sectoral coverage of the sample and was not included as a moderator, control variable, or basis for subgroup comparison in the regression model. Firms were selected through purposive sampling and were required to have published complete audited annual reports during the 2023-2024 observation period and to provide sufficient information for calculating all research variables. Following the screening process and winsorization at the 1st and 99th percentile thresholds, the final sample comprised 242 non-financial companies and 484 firm-year observations.

Firm value was measured using the simplified Tobin's Q approximation, calculated as the sum of the market value of equity and total debt divided by total assets (Chung & Pruitt, 1994; Lindenberg & Ross, 1981). The market value of equity was determined using the company's share price and number of shares outstanding. The measurement was specified as follows:

$$\text{Tobin's Q} = \frac{MVE + TD}{TA}$$

In which MVE is the market value of equity, TD is total debt, and TA is total assets. Capital structure was measured using the Debt-to-Equity Ratio (DER), defined as total liabilities divided by shareholders' equity Titman & Wessels (1988), as follows:

$$DER = \frac{TL}{SE}$$

In which TL represents total liabilities and SE represents shareholders' equity. Enterprise Risk Management (ERM) disclosure was measured using an index comprising 25 indicators derived from content analysis of annual and sustainability reports. The indicators were based on the COSO Enterprise Risk Management Framework (2017) and the ERM maturity dimensions proposed by Farrell and Gallagher (2018), including ERM orientation, risk identification, business-process governance, organizational risk tolerance, root-cause analysis discipline, organizational resilience, and strategic performance management. Each indicator was scored from 0 to 3 according to the comprehensiveness and evidential quality of the information disclosed, following (Papoutsis & Sodhi, 2020; Rachmawati, 2021). Risk-related information available through the ESG.ai platform was used only as an additional verification source. The ERM disclosure index was calculated as follows:

$$ERMDI = \frac{\sum_{j=1}^{25} s_j}{75}$$

In which s_j is the score assigned to each of the 25 ERM disclosure indicators and 75 is the maximum possible score. The resulting index ranges from 0 to 1. Firm growth was measured using annual sales growth, consistent with Fajaria (2018) and Suastini et al. (2016), and was calculated as follows:

$$FG = \frac{Sales_t - Sales_{t-1}}{Sales_{t-1}} \times 100\%$$

In which $Sales_t$ represents sales in the current year and $Sales_{(t-1)}$ represents sales in the preceding year. Firm size and firm age were included as control variables. Firm size was measured using the natural logarithm of total assets, whereas firm age was measured as the number of years since the company was listed on the IDX.

Panel regression was employed to examine the associations among capital structure, ERM disclosure, firm growth, and firm value. Moderation was assessed through the interaction between capital structure and firm growth and the interaction between ERM disclosure and firm growth. To reduce structural multicollinearity, capital structure, ERM disclosure, and firm growth were mean-centered before the interaction terms were constructed, following (Aiken and West, 1991). The regression model was specified as follows:

$$FV_{it} = \beta_0 + \beta_1 CS_{it} + \beta_2 ERM_{it} + \beta_3 FG_{it} + \beta_4 (CS_{it} \times FG_{it}) + \beta_5 (ERM_{it} \times FG_{it}) + \beta_6 SIZE_{it} + \beta_7 AGE_{it} + \varepsilon_{it}$$

In which FV represents Tobin's Q, CS represents the mean-centered DER, ERM represents the mean-centered ERM disclosure index, FG represents mean-centered sales growth, SIZE represents the natural logarithm of total assets, AGE represents the number of years since the company was listed, and epsilon represents the error term. The Chow, Hausman, and Breusch-Pagan Lagrange Multiplier tests were applied to select the appropriate specification among pooled OLS, fixed-effects, and random-effects models. The selected model was subsequently evaluated using the Jarque-Bera normality test, variance inflation factors, the Breusch-Pagan-Godfrey and White heteroscedasticity tests, and the Durbin-Watson statistic. The hypotheses were tested at a 5% significance level using EViews 13.

Because the study used a two-year observational panel and did not employ an explicit strategy to address endogeneity or reverse causality, the estimated coefficients were interpreted as conditional associations rather than causal effects. The study relied exclusively on secondary data obtained from publicly accessible audited financial statements, annual reports, sustainability reports, and IDX publications. The data were collected and managed in accordance with the academic-integrity principles of the authors' institution.

RESULTS AND DISCUSSION

Results

Descriptive Statistics and Data Characteristics

Following winsorization at the 1st and 99th percentiles, Table 2 reports the descriptive statistics for 484 firm-year observations. Firm value, proxied by Tobin's Q, recorded a mean of 2.42, with a standard deviation of 1.06 and values ranging from 0.14 to 6.50. These figures indicate that, on average, the sampled companies were valued by the market at levels exceeding their book values, while the wide dispersion signals considerable heterogeneity in how the market assesses firms across the sample. Capital structure (DER, total liabilities to equity) averaged 0.99 (SD = 0.69; range 0.05–4.52), suggesting that, on balance, sample firms financed operations with roughly equal proportions of debt and equity, though the range points to markedly different financing postures across firms. The ERM disclosure index averaged 0.34 (SD = 0.16; range 0.10–0.81), indicating substantial cross-firm variation in risk-management disclosure practices, consistent with Anton and Nucu's (2020) observation that ERM maturity among public firms in emerging markets remains uneven. Sales growth averaged 10.13 percentage points (SD = 21.12; range –40.00 to 85.00), reflecting substantial variation in operating momentum across sectors, while firm size (Ln total assets) and firm age (years since listing) averaged 27.49 (SD = 2.02) and 12.93 years (SD = 10.13), respectively, confirming that the sample spans firms of markedly different scale and market experience.

Table 2

Descriptive Statistics (n = 484)

Variable	N	Mean	Median	Max	Min	SD
Firm Value (Tobin's Q)	484	2.42	2.48	6.50	0.14	1.06
Capital Structure (DER)	484	0.99	0.82	4.52	0.05	0.69
ERM Disclosure Index	484	0.34	0.34	0.81	0.10	0.16
Firm Growth (%)	484	10.13	10.18	85.00	-40.00	21.12
Firm Size (Ln Assets)	484	27.49	27.40	33.00	23.00	2.02
Firm Age (years)	484	12.93	11.00	47.00	2.00	10.13

A Pearson correlation analysis showed that capital structure was negatively correlated with firm value ($r = -0.13$), whereas ERM disclosure was positively correlated with firm value ($r = 0.25$). Correlations among the independent variables did not exceed 0.30 in absolute value, providing an initial indication that multicollinearity was unlikely to affect the regression estimates. This assessment was subsequently supported by variance inflation factors below 1.06.

Model Selection and Classical Assumption Tests

Since the panel combines a large cross-section (242 firms) with a short time dimension (two years), model selection followed the conventional Chow–Hausman–Lagrange Multiplier sequence. The Chow test indicated that the pooled regression specification was more appropriate than the fixed-effects approach, as reflected by a cross-sectional F-test probability value of 0.609. The Hausman test favored the Random Effect Model (REM) over the Fixed Effect Model (FEM), with a χ^2 probability of 0.297. The Breusch–Pagan Lagrange Multiplier test ultimately indicated that the pooled regression specification was the most appropriate alternative to the REM (joint test probability = 0.488). This outcome was further supported by the random-effects estimation, which produced a cross-sectional random variance of zero, indicating no meaningful firm-specific random effect in the data. Overall, the model selection procedure indicated that the pooled OLS approach was the most suitable estimation technique. The model was subsequently assessed against standard diagnostic tests. The Jarque–Bera test indicated normally distributed residuals (JB = 0.17, $p = 0.92$); variance inflation factors for every regressor, including the two mean-centered interaction terms, remained below 1.06, well under the conventional threshold of 10, indicating no meaningful multicollinearity; both the Breusch–Pagan–Godfrey and White tests failed to reject homoscedasticity ($p = 0.75$ and $p = 0.53$, respectively); and the Durbin–Watson statistic of 2.04 gave no indication of serial correlation. These diagnostics support the reliability of the pooled OLS estimates reported below, although the study acknowledges that passing these tests does not establish exogeneity, and potential endogeneity between the regressors and firm value remains an unresolved limitation.

Hypothesis Testing

Table 3 reports the results of the moderated panel regression, in which capital structure, ERM, and firm growth were mean-centered before their interaction terms were formed. The model was jointly significant ($F = 11.646$, $p < 0.001$) and explained 13.4 percent of the variation in firm value (adjusted $R^2 = 0.134$) - a modest but unsurprising figure given that a broad, cross-industry sample of this kind is also shaped by profitability, liquidity, dividend policy, macroeconomic conditions, and market sentiment that fall outside the scope of the present model.

Table 3
Moderated Panel Regression Results

Variable	Coefficient	t-stat	Prob.
Constant	0.163	0.263	0.793
Capital Structure (DER)	-0.188	-2.863	0.004**
ERM Disclosure Index	1.721	5.928	<0.001***
Firm Growth (Sales Growth)	0.009	3.960	<0.001***
Capital Structure × Firm Growth	-0.004	-1.046	0.296
ERM Disclosure × Firm Growth	0.030	2.160	0.031*
Firm Size (Ln Total Assets)	0.086	3.837	<0.001***
Firm Age (Years since IPO)	-0.008	-1.829	0.068

Adjusted $R^2 = 0.134$; F-statistic = 11.646 ($p < 0.001$); Durbin-Watson = 2.043; $n = 484$

Note: * $p < .05$, ** $p < .01$, *** $p < .001$. Independent and interaction variables are mean-centered. Coefficients are unstandardized.

The study examined four proposed hypotheses. Capital structure was negatively associated with firm value, and the association was statistically significant ($\beta = -0.188$, $p = 0.004$), lending support to H1 and suggesting that a greater reliance on debt financing is associated with lower market valuation within this sample. Conversely, the ERM disclosure index exhibited a positive and significant association with firm value ($\beta = 1.721$, $p < 0.001$), confirming H2 and indicating that firms with more comprehensive ERM disclosures tend to receive higher valuations from investors. The moderating role of firm growth, however, differed across the two relationships. The interaction between capital structure and firm growth did not achieve statistical significance ($\beta = -0.004$, $p = 0.296$), indicating that no significant moderation was detected within this sample and period; H3 was therefore not supported. Conversely, the interaction between ERM disclosure and firm growth yielded a positive and statistically significant coefficient ($\beta = 0.030$, $p = 0.031$), suggesting that the association between ERM disclosure and firm value becomes more pronounced as firms experience stronger growth, thereby supporting H4. Based on the moderator classification proposed by Sharma (1981), firm growth can be categorized as a quasi-moderator in the ERM disclosure–firm value relationship because it exerts both a statistically significant direct association with firm value ($\beta = 0.009$, $p < 0.001$) and a significant interaction term with ERM disclosure. By comparison, in the capital structure model, the absence of a significant interaction indicates that firm growth operates only as an independent explanatory variable rather than functioning as a moderating variable.

In contrast, the significant ERM disclosure $\times$ firm growth interaction indicates that the positive association between ERM disclosure and firm value becomes stronger as firm growth increases. This finding suggests that comprehensive risk-management disclosure may become increasingly relevant during periods of business expansion, when firms face greater strategic, operational, and financial complexity.

Discussion

The negative and significant association between capital structure and firm value indicates that, within the observed sample, higher leverage is associated with lower market valuation. This outcome is consistent with the trade-off theory, which argues that although debt utilization may contribute to increasing company valuation through tax-shield advantages at moderate levels, excessive borrowing eventually increases the likelihood of financial distress and agency-related costs, causing these disadvantages to outweigh the associated benefits (Kraus & Litzenberger, 1973). The negative coefficient suggests that many of the sampled firms may operate at leverage levels beyond the point where debt-related costs exceed tax-shield benefits, although this interpretation remains tentative in the absence of a non-linear leverage specification or threshold estimation in the present model. The results are also compatible with the pecking-order theory Myers and Majluf (1984), as a high dependence on external debt may signal to investors that internally generated funds are inadequate to support corporate activities, thereby reducing market confidence and firm valuation. The findings also align with the agency-theory perspective Jensen and Meckling (1976), in that a heavier dependence on debt financing may strengthen creditor oversight and impose stricter contractual obligations on managers, potentially constraining managerial discretion and reducing the firm's strategic flexibility. Comparable evidence was presented by Bui et al. (2023) based on Vietnamese firms, while Karaca et al. (2025) similarly identified the descending phase of an inverted U-shaped association in a different emerging-market setting. However, the findings differ from the conclusions of Wijaya et al. (2021), who documented a positive association between leverage and firm value among manufacturing firms in Indonesia — a divergence plausibly attributable to differences in sector composition, sampling period, and the point along the leverage curve at which each set of sample firms happens to operate.

The positive and significant coefficient on the ERM disclosure index indicates that firms with more comprehensive risk-management disclosures tend to receive higher market valuations. This association is consistent with signaling theory (Spence, 2002): comprehensive ERM disclosure may function as a credible signal of governance quality and preparedness for uncertainty, which the market may capitalize into a higher valuation. It is also consistent with the COSO (2017) view of ERM as a value-creating rather than a purely defensive function, insofar as it supports better-informed strategic and investment decisions. Because ERM is operationalized

through a disclosure index, the finding captures the association between risk-management transparency and firm value rather than independently verified ERM implementation effectiveness. The finding corroborates Hoyt and Liebenberg (2011), and Son (2023), each of which reports a positive association between stronger ERM practice and firm value, but diverges from Aprilyani et al. (2021), whose narrower single-sector sample found no significant ERM disclosure effect — a contrast that itself supports this study's premise that the association between ERM disclosure and value may be contingent upon firm and industry characteristics.

The non-significant interaction between capital structure and firm growth indicates that no statistically significant moderation was detected within this sample and period. This suggests that, at least within the observed two-year window, variation in sales growth does not materially alter the negative association between leverage and firm value among Indonesian non-financial firms. Under contingency theory Donaldson (2006), one might expect the market to distinguish between debt raised to finance genuine growth opportunities and debt used for other purposes; however, the non-significant interaction coefficient provides insufficient evidence to support this expectation. One possible, though untested, explanation is that rapid sales growth does not reliably translate into higher profitability once the additional interest burden associated with expansion-related debt is considered, but this mechanism was not directly measured in the present study and warrants examination in future research. This result diverges from Fajaria (2018), who reports that growth conditions capital structure's association with value, but is broadly consistent with Suastini et al. (2016), who treat growth's role as contingent on the specific relationship being examined rather than as a universal moderator.

In contrast, the significant ERM disclosure $\times$ firm growth interaction indicates that the association between ERM disclosure and firm value becomes more pronounced as firm growth increases. This finding suggests that investors may place greater importance on comprehensive risk-management disclosure during periods of business expansion, when the ability to manage uncertainty is arguably more critical. This pattern is consistent with contingency theory's core claim that a management practice's effectiveness depends on the conditions surrounding it (Donaldson, 2006): faster-growing firms confront a wider and more complex set of strategic, operational, and financial risks as they pursue new investment opportunities, so a demonstrably integrated risk-management system becomes more material to investors evaluating whether that growth is being pursued responsibly. The finding is consistent with Bromiley et al.'s (2015) observation that ERM's value implications are shaped by firm-specific context, and with Farrell and Gallagher's (2018) evidence that the ERM maturity-performance relationship is itself moderated by contextual factors; together, they support the view that ERM disclosure and growth interact synergistically beyond what either factor achieves independently.

These findings contribute to the application of trade-off, pecking-order, and contingency-theory perspectives by jointly testing capital structure and ERM disclosure as correlates of firm value, and by treating firm growth as a selectively rather than universally operating moderator. The results show that the same contextual factor can be associated with a significant contingency for one financial decision (risk-management disclosure) while remaining largely non-significant for another (financing) within the same set of firms, a distinction that has received little explicit attention in prior emerging-market studies such as those conducted in Vietnam (Thao, 2019). As the study is limited to Indonesian non-financial firms, generalization to other emerging Southeast Asian markets remains an empirical question that future comparative research should address. Nevertheless, the evidence suggests that scholars and practitioners should be cautious about assuming that firm growth uniformly amplifies the value relevance of corporate financial policies; instead, its association appears to depend on whether the policy in question is primarily a financing decision, which may be priced on its own risk merits, or a governance and risk-oversight practice, whose value relevance may be more visibly contingent on the complexity that growth introduces.

Several limitations qualify these findings. The two-year observation window, while sufficient to satisfy data-completeness criteria, is short relative to a full business cycle and may understate how these relationships evolve under different macroeconomic conditions. The ERM measure captures the extent and quality of risk-related disclosure rather than a directly verified assessment of risk-management practice, so it may not fully represent firms that manage risk

effectively without disclosing it in comparable detail. Tobin's Q, while theoretically comprehensive, is also sensitive to short-term share-price movements and market sentiment that are unrelated to the fundamentals under study. The adjusted R^2 of 13.4 percent indicates that a substantial share of the variation in firm value is associated with factors outside the model, such as profitability, liquidity, dividend policy, and macroeconomic conditions, which represent plausible omitted influences rather than established explanations for the unexplained variance. Finally, the study does not employ an explicit endogeneity identification strategy, so the coefficients should be interpreted as conditional associations rather than causal effects, and reverse causality between firm value and the independent variables cannot be ruled out.

CONCLUSION

The evidence indicates that capital structure is negatively associated with firm value among Indonesian non-financial listed firms, whereas ERM disclosure is positively associated with firm value. Firm growth does not significantly moderate the association between capital structure and firm value within the observed sample and period. However, firm growth strengthens the positive association between ERM disclosure and firm value and therefore functions as a quasi-moderator in this relationship. These findings demonstrate that firm growth operates as a significant contingency for ERM disclosure but not for capital structure within the tested model.

The study contributes Indonesian evidence by jointly examining capital structure and ERM disclosure as correlates of firm value and by demonstrating their different interactions with firm growth. Nevertheless, the findings are limited by the two-year observation period, the disclosure-based measurement of ERM, the sensitivity of Tobin's Q to market conditions, and the absence of an explicit endogeneity-identification strategy. Future research should extend the observation period, incorporate additional financial and macroeconomic controls, verify ERM practices using complementary indicators, and explicitly compare cyclical and non-cyclical firms. For corporate managers and investors, the results underscore the relevance of prudent leverage management and comprehensive risk-management disclosure, particularly during periods of business expansion.

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AUTHOR CONTRIBUTION STATEMENT

Sukriyah contributed to conceptualization, data curation, formal analysis, investigation, and writing the original draft. Ety Murwaningsari contributed to supervision, methodology, validation, and manuscript editing.

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