

ABSTRACT

This study aims to examine the relationship between the implementation of Enterprise Risk Management (ERM) and the Cost of Capital (CoC) in academic literature, as well as to identify research gaps and future research directions. This topic has become increasingly relevant due to the growing complexity and uncertainty of the global business environment, which requires firms to manage risks in an integrated manner. Although prior studies suggest that ERM may reduce the cost of capital through risk mitigation and improved transparency, existing empirical findings remain fragmented and inconclusive.

This research employs a qualitative approach using the Systematic Literature Review (SLR) method based on the PRISMA 2020 guidelines. Data were collected from the Scopus database, covering publications from 2015 to 2025. The literature selection process was conducted systematically through identification, screening, eligibility assessment, and inclusion stages, based on predefined inclusion and exclusion criteria. As a result, a total of 32 peer-reviewed articles were selected and analyzed to generate a comprehensive synthesis.

The findings indicate that, in general, ERM implementation tends to have a negative relationship with the cost of capital, suggesting that firms with more effective ERM practices are likely to experience lower financing costs. This effect is primarily driven by enhanced transparency, reduced information asymmetry, and lower perceived risk among investors and creditors. However, the relationship is not universally consistent and is influenced by several contextual factors, including corporate governance quality, industry characteristics, institutional environments, and the maturity level of ERM implementation. Furthermore, the study reveals that the literature on ERM and cost of capital remains largely fragmented, highlighting the need for more integrative research, particularly in the context of emerging markets.

Keywords: Enterprise Risk Management, Cost of Capital, Systematic Literature Review, PRISMA 2020, risk management, corporate finance.