

The Role of Mediation of Financial Performance in the Relations of Islamic Corporate Governance and Islamic Social Reporting to Corporate Values

Asbi Amin

STIEM Bongaya Makassar

Letjen. Pol. A. Mappaoudang No. 28 Street, Makassar, Sulawesi Selatan, Indonesia

asbi.amin@stiem-bongaya.ac.id

Nasir Hamzah

University of Fajar Makassar, Indonesia

Prof. Abdurahman Basalamah No.101 Street, Makassar, Sulawesi Selatan, Indonesia

Rahman Ambo Masse

UIN Alauddin Makassar, Indonesia

Sultan Alauddin No. 63 Street, Makassar, Indonesia

Syaiful Muchlis

UIN Alauddin Makassar, Indonesia

Sultan Alauddin No. 63 Street, Makassar, Indonesia

Correspondence : asbi.amin@stiem-bongaya.ac.id

Abstract- The purpose of this study is to examine the effect of Islamic Corporate Governance on company value; to examine the effect of Islamic Social Reporting on firm values; to test the influence of Islamic corporate governance on financial performance; to test the effect of Islamic Social Reporting on financial performance; to test the effect of financial performance on firm value; to examine the effect of Islamic Corporate Governance on corporate value through financial performance; to test the effect of Islamic Social Reporting on firm value through financial performance. The research method used is descriptive and associative research methods with a quantitative approach. In this study, researchers will measure the influence of Islamic corporate governance, Islamic Social Reporting on financial performance and firm value in Islamic banks in Indonesia, then the resulting data will be tested using the Structural Equation Modeling (SEM) method with the Partial Least Square (PLS) technique. The population in this study is the financial statements of Islamic banking which are listed on the Indonesia Stock Exchange for 2012-2020 of 14 companies. Then the sampling technique was carried out by purposive sampling. So the total sample in this study was 70 financial report data for 10 years. The software used to process this data is Smart PLS 3.0 as a descriptive statistical measurement tool. The results of this study found that Islamic Corporate Governance has a significant effect on company value; Islamic Social Reporting has a significant effect on company value; Islamic Corporate Governance has no significant effect on financial performance; Financial performance has a significant positive effect on firm value; Financial performance is able to mediate the relationship between Islamic Corporate Governance and company values; Financial performance is not able to mediate the disclosure of Islamic Social Reporting on company values.

Keywords: Islamic Corporate Governance, Islamic Social Reporting, Firm Value, Financial Performance

1. Introduction

One company that has a fast and good performance development is an Islamic bank entity. Along with the development of globalization, the practice of Islamic finance is also global. Sharia banking is one of the most popular systems in the Islamic economy in the world and is well received in various continents and regions, both in Asia, Africa, Australia, Europe, America and Canada, the Middle East, and others. Indonesia is one of the countries with the largest Muslim population in the world, with many Muslims making Indonesia part of the development of the Islamic financial sector in the world. The development of total Islamic banking assets in Indonesia in the last five years for the 2017-2021 period has continued to show significant growth even though seen from the aspect of the total assets of Islamic banks it has experienced a decline. This development can be seen in the following figure :

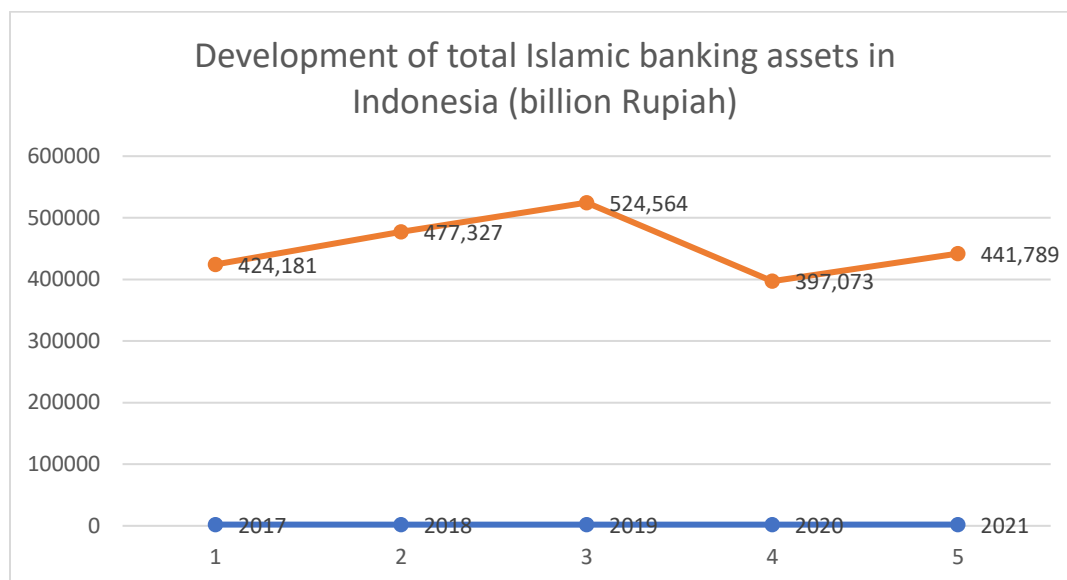


Figure 1. Development of Total Assets of Islamic Banking in Indonesia

Source: Sharia Banking Statistics (processed, 2022)

The growth of Islamic banking assets which has increased is considered to be a challenge in itself for Islamic banks and is still struggling with the ability of Islamic financial institutions to improve their performance for short-term goals and maximize their company value for long-term goals in order to attract customers or investors so that they can maintain their existence in order to be able to compete with conventional banking. So that transparency of Islamic bank performance reports is important, not only for *stakeholders* but also important for investors to measure company performance and company value.

Measurement of financial performance can be measured if the availability of information presented by the company in the financial statements is quite complete. Because financial reports that present information on company performance are the main tool for management and investors to obtain information. Financial reports are important components that are often used as a tool to inform company performance.

The demand for good governance and in accordance with the principles of Islamic teachings makes sharia banking need to implement *Islamic corporate governance*. The concept of *Islamic Corporate Governance* (ICG) found in the Qur'an and Hadith (Amin et al., 2022),

makes it different from the concept of *Good Corporate Governance* , where good corporate governance must be integrated with sharia rules and *monotheism* as its core.

Disclosure of *Islamic corporate governance* can be in the form of information about the parties involved in banking operations, how management works, the form of control exercised and the role of the sharia supervisory board (Sunarto, 2016) . That is, p This is also a positive signal for financial institutions to maximize value. Implementation of *Islamic Corporate Governance* is a must for Islamic banks to improve reputation and maintain customer trust and protect the interests of *stakeholders* . With good ICG disclosure practices, you will be able to improve the financial performance of Islamic banks h (Siswanti et al., 2017) .

Islamic Corporate Governance is a system that regulates and controls companies in conducting their business for success and accountability based on Islamic laws (Sutapa & Hanafi, 2019). To improve financial performance cannot be separated from the role of good corporate governance. This phenomenon shows that the implementation of corporate governance in Indonesia is currently still relatively low. According to a survey conducted by *the Asian Corporate Governance Association* on business behavior in Asia, Indonesia still ranks 10th below countries such as Malaysia, Thailand, India and other Asian countries. The weak implementation of GCG is due to a lack of awareness of basic values and practices in running a business, the implementation of GCG should be able to improve the company's financial performance.

The results of research (Mardiani et al., 2019) and (Ananda & Erinos, 2020) state that the disclosure of *Islamic Corporate Governance* has a positive effect on financial performance when measured by Islamic financial ratios. In contrast to research conducted by (Kurniawan, 2022) which states that the disclosure of *Islamic Corporate Governance* has no influence on the financial performance of Islamic banks.

Other factors that influence the increase in financial performance cannot be separated from the role of corporate concern for social responsibility and corporate reputation in the eyes of investors. *Islamic Corporate Social Responsibility* as the basis of ethics in business. Islam provides a complete concept of life, directing every phase of human life including spirituality, business and justice in social life. *Islamic social reporting* is an extension of social reporting that has Islamic values embedded in it (Rachmania & Alviana, 2020) . On *Islamic Social Reporting* (ISR) With this disclosure we can assess how the bank expresses its concern for internal parties of Islamic banks such as employees, external parties of the company such as customers, Muslims and the environment. (Mais & Lufiani, 2018) .

The results of research conducted by (Pratomo, 2021) found that *Islamic Social Reporting* (ISR) positive and significant effect on firm value. Meanwhile (Ibrahim & Muthohar, 2019) found that the ISR index did not have a significant effect on firm value. Then, the results of research conducted by (Perwitasari, 2019) shows that CSR *disclosure* has a positive effect on the financial performance (ROA) of Islamic banks. Meanwhile (Hadinata, 2019) found *Islamic Social Reporting* to have a negative effect on *Return On Assets* (ROA).

The purpose of this study is to examine the effect. The purpose of this study is to examine the effect of *Islamic corporate governance* on firm value; to test influence *Islamic Social Reporting* on company value; to test the influence of *Islamic Corporate Governance* on financial performance; to test influence *Islamic Social Reporting* on financial performance; to test the effect of financial performance on firm value; to examine the effect of *Islamic Corporate Governance* on corporate value through financial performance; to test influence *Islamic Social Reporting* on company value through financial performance.

2. Literature review

Firm value is very closely related to financial performance, where the financial performance of Islamic banking is an important factor to be considered by investors when making decisions. Performance in Islamic banking can be influenced by *Islamic corporate governance* and *Islamic social reporting*.

Company value is very important for the company, because related to the survival of the company. Mark company is mark market from something equity company plus debt market value (Fernández, 2007) . Firm value can also be interpreted as investors' perceptions of The success rate of the company is closely related to its stock price (Komarudin & Affandi, 2020) . Price share Which tall make mark company Also tall, And increase market confidence not only in the company's current performance but also prospectscompany in the future (Sutama & Lisa, 2018) . Furthermore, (Purba & Africa, 2019) argues that high corporate value is a desire shareholders because high corporate value indicates prosperity holder share Also tall. Riches holder share And company represented by price market from share Which is reflection from decisioninvestment funding.

Company survival Of course, it is related to one of the accounting postulates, namely *going concern* . *going concern* own meaning that objective founded company is No For disbanded, but is expected to continue. In addition , the value of the company become very important Because reflect how much big company the can give profit for investors. The more tall mark company, the more bigprosperity that will be received by the owner of the company. This is in line with the basis of *stakeholder theory* which states that the purpose a company was founded for improve the welfare of all *stakeholders* , so the company must be able fulfil desire stakeholders, like holder share And investors Which want results optimal on investment they, employee want to get competitive income, customers want quality goods and services at a reasonable price, the local people want attention from the company and regulators want to comply with the regulations.

theory _ *signalling* in this research was used For explain delivery *the accountability signal of Islamic banks in Indonesia in annual reports and the media publication* (Aaron et al., 2020) . Islamic bank customers expect Islamic banks to have implemented Mark Islam, activity managed with Good as regulation Which has defined, and the activity seeks not only commercial gain but also give usefulness on bend social. For give information related _ activity the so expected bank sharia send *signals* in report its annual. So that public become understand And can take best decision from information what he got.

Furthermore, *Shariah Enterprise Theory* has concern on a wide range of stakeholder 's viz God, man, And natural. *Shariah Enterprise theory* is a form of embodiment of human accountability as God's representative on earth (*khalifatullah fil ard*). *Khalifatullah fil ard* accountability just detect dimensions accountability on the other hand creativity.

A company can grow healthily and well to maintain the company's existence, moreover for financial institutions it can be implemented through the implementation of GCG (Nugroho, 2015). *Islamic corporate governance* (ICG) as a form of implementing GCG that refers to Islamic law is expected to be able to provide protection and guarantees to stakeholders in order to minimize actions that can harm the company for the personal interests of management.

Research on *Islamic relations Corporate Governance* has a positive effect on firm value in Islamic banks among others have been carried out by (Anom & Bambang, 2019) and (Wahyunia & Pujihartob, 2020) found that *Islamic Corporate Governance* has a positive effect on firm value in Islamic banks. Disclosure of *Islamic Corporate Governance* can have a positive

impact on the company, the implementation of good corporate governance within the company has an impact on the welfare of stakeholders (*stakeholders*). With he did disclosure related practice *corporate governance* so customers will believe about bank sharia. So that on Finally will increase performance finance banks (Ananda & Erinos, 2020) .

The results of research conducted by (Lestari, 2020) state that the *I Islamic Corporate Governance* (ICG) variable has a positive and significant relationship to financial performance. Furthermore, Yastutik and Yudiana state that *Islamic Corporate Governance* (ICG) has a positive and significant relationship to financial performance. (Yastutik & Yudiana, 2021) . In contrast to the results of the study (Mardiani et al., 2019) found that ICG was not effect on financial performance.

Islamic Disclosure social reporting (ISR) is also a strategy that can be applied by Islamic banking institutions to win the competition and is essential for the performance and value of Islamic banking because investors tend to choose to invest in entities that carry out CSR activities. *Islamic social reporting* (ISR) used as indicator in sharia business social performance reporting (Mardliyyah et al., 2020) . ISR doesn't just help with retrieval decision for the Muslim side but also to help the company to perform the fulfillment of obligations to God and society. When company operate practice business Which responsible answer in a manner social to many parties, the performance of the organization will increase due in part group Which given service give reaction positive to the company even has an impact on improving performance .

Research by Setiawan et al., (2019) shows that *Islamic Social Reporting* has a positive effect on firm value. said that the company's value will be guaranteed to grow sustainably (sustainable) if the company pays attention to the economic, social and environmental dimensions, because sustainability is a balance between economic, environmental and community interests. Results of research conducted by (Indriastuti & Najihah, 2020) states that *Islamic corporate social responsibility* has a positive and significant effect on financial performance while (Nurhayati & Rustiningrum, 2021) states that ICSR has no effect on financial performance.

In the research gap above, it can be seen that there are still inconsistent research results (inconsistencies) in other words, the findings of previous studies still show mixed results, so to get more accurate and up-to-date research results, researchers are interested in further research on Islamic banking in Indonesia with data in accordance with current conditions. In order to achieve novelty , in this research the variables studied were developed.

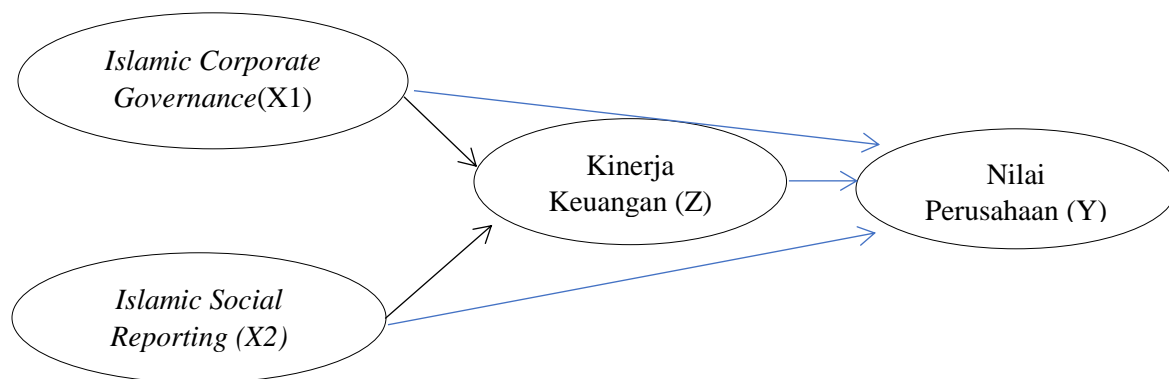


Figure 1. Conceptual Framework

3. Research Methods

The research method used is descriptive and associative research methods with a quantitative approach. In this study, researchers will measure the influence of *Islamic corporate governance*, *Islamic Social Reporting* on financial performance and firm value in Islamic banks in Indonesia, hereinafter data generated will be tested using the *Structural Equation Modeling method* (SEM) to determine the magnitude of the correlation coefficient and determine its significance whether or not the relationship of these variables. The research analysis was carried out using a quantitative approach aims to test the hypothesis. The research data was then analyzed using the *time series analysis method*, which aims to study the movement patterns of variable values at a time interval (eg week, month, year) is set. The population of the financial reports of Islamic banking listed on the Indonesia Stock Exchange for 2012-2020 is 14 companies. Then, the sampling technique was carried out by *purposive sampling*, that is :

Table 1. Sample Criteria

No.	Company Sample Selection Criteria	Amount
1	Financial statements of Islamic banking companies listed on the Indonesia Stock Exchange for the 2012-2021 period	14
2	Islamic banking companies that do not publish consecutive financial reports during the 2012-2021 period	0
3	Islamic banking financial reports that do not include data needed by researchers during the 2012-2021 period	(3)
Number of Samples		7

Then the total sample in this study is 70 financial report data for 10 years. The software used to process this data is Smart PLS 3.0 as a descriptive statistical measurement tool.

Table 2. Variable Operational Definition

Variable Study	Method Measurement	Scale	SourceData
Mark Company (Y).	$Tobin's Q = \frac{Market Value Equity + Debt}{Total Aset}$	Ratio	Secondary
Financial performance (Z)	$ROA = \frac{Laba bersih setelah pajak}{Total Aset}$	Ratio	Secondary
Islamic Corporate Governance (X2)	$ICG = \frac{Jumlah Item Yang diungkapkan}{Jumlah maksimal pengungkapan} \times 100\%$	Ratio	Secondary
Islamic Social Reporting (X3)	$ISR = \frac{Jumlah Item Yang diungkapkan}{Jumlah maksimal pengungkapan} \times 100\%$	Ratio	Secondary

4. Results

The R Square determination value (R²) through financial performance (Z) shows the number 0.357 or 35.70%. This means that variations in the ups and downs of financial performance variables (Z) can be explained by variations in *Islamic corporate governance* (X1) and *Islamic social reporting* (X2). Meanwhile, the remaining 100% - 35.70% = 64.30% is explained by other variables outside the model studied. Then, the value of the determination of R Square (R²) the value of the company (Y) shows the

number 0.482 or 48.20%. This means that variations in the ups and downs of the firm value variable (Y) can be explained by variations in *Islamic corporate governance* (X1) and *Islamic social reporting* (X2). Meanwhile, the remaining 100% -48.20% = 51.80% is explained by other variables outside the model studied.

Table 2. Coefficient of Determination

Variable	R Square
Financial Performance (Z)	0.357
Firm value (Y)	0.482

Source : PLS 3.0 Test Results processed data (2022)

Data analysis in this study was carried out using the *Structural Equation Model* (SEM). Testing was carried out with the help of the *Smart PLS* program. Figure 2 below presents the results of testing the SEM model using PLS as follows:

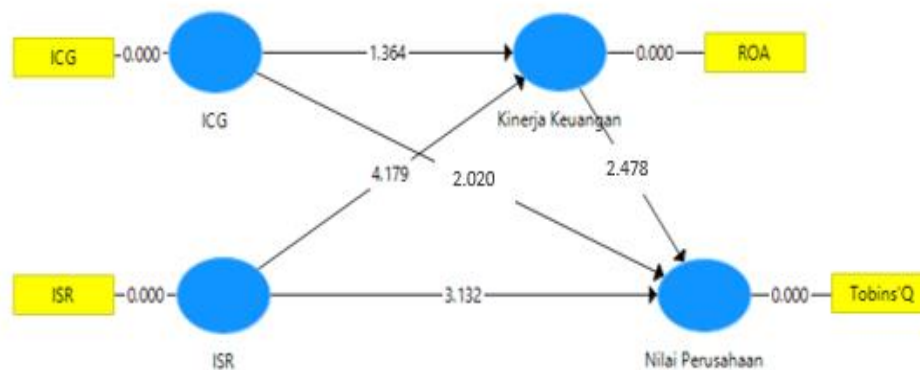


Figure 2. *Structural Equation Model* (SEM)

Source : PLS 3.0 Test Results processed data (2022)

Testing the proposed hypothesis is carried out by testing the structural model (*inner model*) by looking at the *path coefficients* which show the parameter coefficients and the statistical significance value of t. Thus, on the hypothesis, it can be concluded as in the following table:

Table 3 . Summary of hypothesis testing results

No	hypothesis	B	t value	Sig	Conclusion
1	<i>Islamic corporate governance</i> on firm value	0.253	2020	0.022	Proven
2	<i>Islamic social reporting</i> on company value	0.256	3.132	0.001	Proven
3	<i>Islamic corporate governance</i> on financial performance	0.221	1,364	0.165	Not proven
4	<i>Islamic social reporting</i> on financial	0.193	4,179	0.000	Proven

performance					
5	Financial performance on firm value	0.265	2,478	0.031	Proven
6	<i>Islamic corporate governance</i> on firm value through financial performance	0.051	1,427	0.154	Not proven
7	<i>Islamic social reporting</i> on company value through financial performance	0.258	2,412	0.030	Proven

Source: Processed data, 2022

Based on the results of calculations using partial least squares (PLS), the following test results are obtained: The hypothesis states *Islamic corporate governance* effect on acceptable firm value . Testing the direct effect of *Islamic corporate governance* on firm value obtained an inner weight coefficient value of 0.253 with a T-statistic value of 2.020 and a P-value of 0.022. Because the T-statistic value is <1.668 and the P-value is <0.000, there is a direct influence between *Islamic corporate governance* on firm value . Given that the inner weight coefficient is positive, it indicates that the relationship between the two is positive, meaning that the higher the *Islamic corporate governance* on firm value, the higher the firm value will be.

The hypothesis that states *Islamic social reporting* effect on acceptable firm value . Testing the direct effect of *Islamic social reporting* to firm value, the inner weight coefficient value is 0.256 with a T-statistic value of 3.132 and a P-value of 0.001. Because the T-statistic value < 1.668 and P-value < 0.001, there is a direct effect between *Islamic social reporting* effect on firm value. Considering that the inner weight coefficient is positive indicating that the relationship between the two is positive, meaning that the higher the *Islamic social reporting* will result in higher firm value.

The hypothesis that states *Islamic corporate governance* effect on financial performance (Y) can be rejected. Testing the direct effect of *Islamic corporate governance* on firm value obtained an inner weight coefficient value of 0.221 with a T-statistic value of 1.364 and a P-value of 0.165. Because the T-statistic value is <1.668 and the P-value is > 0.165, there is no direct influence between *Islamic corporate governance* on firm value . Considering that the inner weight coefficient is positive indicating that the relationship between the two is positive but not significant, meaning that more *Islamic corporate governance* will not result in high firm value.

The hypothesis that states *Islamic social reporting* influence on financial performance is acceptable. Testing the direct effect of *Islamic social reporting* to firm value, the inner weight coefficient value is 0.193 with a T-statistic value of 4.179 and a P-value of 0.000. Because the T-statistic value < 1.668 and the P-value < 0.000, there is a direct effect between *Islamic social reporting* effect on financial performance. Considering that the inner weight coefficient is positive indicating that the relationship between the two is positive, meaning that the higher the *Islamic social reporting* will result in higher financial performance.

The hypothesis that states financial performance effect on acceptable firm value . Testing the direct effect of financial performance on firm value obtained an inner weight coefficient value of 0.265 with a T-statistic value of 2.478 and a P-value of 0.031. Because the value of the T-statistic is <1.668 and the P-value is <0.031, there is a direct effect between financial performance and firm value . Given that the inner weight coefficient is positive, it indicates that the relationship between the two is positive, meaning that the higher the financial performance, the higher the firm value.

The hypothesis which states that financial performance is able to mediate the relationship between *Islamic corporate governance* and company value is rejected. Testing the indirect effect of *Islamic corporate governance* on firm value through financial performance obtained an inner weight coefficient value of 1.427 with a T- statistic and P-value of 0.154. Because the T-statistic value is <1.668 and the P-

value is > 0.000 , there is no indirect effect between *Islamic corporate governance* on firm value through financial performance .

The hypothesis that states *Islamic social reporting* effect on firm value through acceptable financial performance. Testing the direct effect of *Islamic social reporting* to firm value, the inner weight coefficient value is 0.258 with a T-statistic value of 2.412 and a P-value of 0.030. Because the T-statistic value < 1.668 and P-value < 0.001 , there is an indirect effect between *Islamic social reporting* effect on firm value through financial performance.

5. Discussion

Relationship of *Islamic Corporate Governance* to company value

The results of the study found that *Islamic Corporate Governance* has a significant effect on company value. This means that the better corporate governance will increase the value of the company. *Islamic corporate governance* is a rule that has the aim of ensuring that there is a relationship between stakeholders. ICG has a bigger goal which is to provide guidance for the acquisition of goals that revolve around Islamic rules. Evaluation of the implementation of ICG, especially Islamic banks, is based on the parameters of Islamic banking set by the KNKG. With the implementation of these parameters, it is hoped that Islamic banks will be able to improve governance that adds value to the company. Good ICG implementation will add to the value of the company because good management will create a sense of security for shareholders.

The results of this study support the results of (Anom & Bambang, 2019) and (Wahyunia & Pujihartob, 2020) finding that *Islamic Corporate Governance* has a positive effect on firm value in Islamic banks. Disclosure of *Islamic Corporate Governance* can have a positive impact on the company, the implementation of good corporate governance within the company has an impact on the welfare of stakeholders (*stakeholders*).

The relationship of *Islamic Social Reporting* to company value

The results of the study stated that the disclosure of *Islamic Social Reporting* positive effect on firm value. This means that disclosure of good *Islamic Social Reporting will increase the value of the company for Islamic commercial banks*. Disclosure of ISR can be used as a form of company attention to its social aspects, because as a company/entity that operates based on sharia principles, sharia commercial banks are expected to not only be profit-oriented but also need to pay attention to social aspects. These two aspects must be aligned and become a priority in the operational activities of Islamic commercial banks in accordance with the theory of legitimacy, namely the management of a company that is oriented towards the community will increase public trust in the company.

So that with good ISR disclosure, the company's value will also increase. In addition, when linked to signal theory, ISR disclosure by Islamic commercial banks whose shares go public in the capital market can be considered as a signal in the form of information on the condition of the company's non-financial performance. . This signal will be responded by investors in the form of an increase or decrease in stock prices. The results support the research results of Setiawan et al., (2019) and (Ibrahim & Muthohar, 2019) shows that *Islamic Social Reporting has a positive effect on firm value*. The company's value will be guaranteed to grow sustainably (sustainable) if the company pays attention to the economic, social and environmental dimensions, because sustainability is a balance between economic, environmental and community interests.

The Relationship of *Islamic Corporate Governance* to Financial Performance

The results of the study found that *Islamic Corporate Governance* has no significant effect on financial performance. ICG has no effect on performance, presumably by the limited information disclosed by Islamic commercial banks for the UUS they operate. Information regarding mixed governance policies between conventional commercial banks and UUS has caused people to doubt the Islamic principles applied to UUS. The low disclosure of ICG implies that corporate governance in UUS is not something that must be communicated to stakeholders because UUS operations are not the main activity but only one part of conventional commercial bank business development for profit.

Improving corporate governance in Islamic banks is a very important measure that must be taken so that the industry can continue to grow efficiently and remain competitive (Samra, 2016) because weak governance makes companies vulnerable to economic downturns and the possibility of falling into financial difficulties will increase. big. The results of this study support the results of research (Mardiani et al., 2019) finding that ICG is not effect on financial performance. However, in contrast to the results of research conducted by (Lestari, 2020) and (Yastutik & Yudianta, 2021) states that the variable *I Islamic Corporate Governance* (ICG) has a positive and significant relationship to financial performance.

Relation of *Islamic Social Reporting* to Financial Performance

The results of the study found that *Islamic Social Reporting* had a significant positive effect on financial performance. So that *Islamic Social Reporting* can be used to predict ROA with a positive coefficient direction, meaning that if *Islamic Social Reporting increases* , ROA will increase, which means that financial performance will increase. Disclosure of ISR has a positive impact on the growth of profitability of Islamic banks. If Islamic banks disclose their social responsibility to stakeholders and the public, this will increase public confidence in Islamic banking products and services so that it will have an impact on increasing profitability. This proves that investors are long-term oriented and consider disclosure of social responsibility in banking companies.

The results of this study support the results of the study (Indriastuti & Najihah, 2020) states that *Islamic corporate social responsibility* has a positive and significant effect on financial performance, but it is different from the research results (Nurhayati & Rustiningrum, 2021) states that *Islamic corporate social responsibility* has no effect on financial performance. Disclosure of social responsibility (ISR) is a variable that shows how much corporate social responsibility is to the public. Where each activity agenda in the ISR is able to assist the company in maintaining its image to the public. So that in the future it will attract the attention of investors to invest in the company.

Relation of Financial Performance to Firm Value

The results of the study found that financial performance has a significant positive effect on firm value. That is, the better the company's financial performance will increase the return that will be obtained by investors. This shows that the better the company's financial performance, the higher the company's value. The higher returns given by the company will make shareholders interested in buying company shares because of the benefits that will be obtained from returns, so that the company's value will increase in the eyes of investors (Hidayat et al., 2021) . This is consistent with the relationship between signal theory and financial

performance, namely that wider disclosure will provide a positive signal to parties with an interest in the company (*stakeholders*) and the company's shareholders (*shareholders*).

The results of this study support the results of research (Firdaus et al., 2018) , (Ibrahim & Muthohar, 2019) and (Utami & Yusniar, 2020) found that financial performance has a positive and significant effect on firm value. However, in contrast to the results of the study (Tampubolon & Banjarnahor, 2020) found that there is no significant effect between *Return On Assets* on firm value.

The Relationship of *Islamic Corporate Governance* to Corporate Values Through Financial Performance

The results of the study found that financial performance is able to mediate the relationship between *Islamic Corporate Governance* and company value. From the results of the study it was found that *Islamic Corporate governance* empirically has a significant positive effect on firm value through financial performance. This means that the increasing profitability of the company will also increase investor confidence in the ability of the company's operations, so that this will affect the increase in firm value. Therefore, this profitability is considered capable of mediating the relationship between *Islamic corporate governance* on firm value

The ability of financial performance to mediate the influence relationship between *Islamic corporate governance* on firm value is due to increased profitability of a company, one of which can be achieved through the implementation of good corporate governance and this profitability will also affect the increase in the value of a company. High profitability will indicate that the company is in good condition and efficient so that it will attract investors, which then increases the value of the company. With the implementation of *Islamic corporate governance*, in this case the management of clean corporate governance by involving the control function of public shareholders can protect practices that harm stakeholders and try to encourage the fulfillment of the interests of stakeholders.

The results of this study are in line with research that has been conducted by (Patmawati, 2017) found that financial performance as a proxy for ROA is able to mediate the relationship between *Islamic good corporate governance* on firm value. However, in contrast to the results of the study (Febriyanti et al., 2022) found that financial performance (ROA) cannot be a mediator of the relationship that occurs in ICG with firm value.

The Relationship of *Islamic Social Reporting* to Firm Value Through Financial Performance

The results of the study state that financial performance is not able to mediate the disclosure of *Islamic Social Reporting* to company value. This means that increasing company profitability does not guarantee an increase in company value. Therefore, this profitability is considered unable to mediate the relationship between *Islamic Social Reporting* and company value. The bigger the company does not mean the implementation of CSR must be high. Implementation of CSR becomes effective when it is balanced with communication that is adjusted to the size of a company. Small companies should emphasize communication regarding CSR to the company's core business, while large companies should emphasize improving and expanding CSR reporting communications.

For sharia commercial banks, good disclosure of *Islamic Social Reporting* with good financial performance does not necessarily increase the value of the company. This can happen because ISR disclosure and financial performance are measures of two different indicators.

Because the disclosure of *Islamic Social Reporting* can only be enjoyed in the long term results or benefits. Meanwhile, financial performance is a reflection of the company's current performance. This result is in line with the existing theory, when linked to signal theory. For Islamic commercial banks whose shares go public in the capital market, disclosure of *Islamic Social Reporting* (Fitria & Irkhani, 2021) and financial performance is a signal in the form of very important information for investors which will later influence price increases (Cholifah & Kaharti, 2021) or decreases. company stock. However, the nature of the two has different assessment indicators, where the benefits of disclosing the ISR can only be felt in the long term. While the financial performance in the short term.

The results of this study support the results of research (Febriyanti et al., 2022) finding that financial performance cannot be used as an intermediary for the relationship between *Islamic Social Reporting* and company value. However, the results of this study contradict the results of research (Patmawati, 2017) and (Saputri & Isbanah, 2021) showing that financial performance can mediate the effect of CSR on firm value.

6. Conclusion

The research that has been done concludes that *Islamic Corporate Governance* has a significant effect on company value. This means that the better corporate governance will increase the value of the company; *Islamic Social Reporting* has a significant effect on firm value. That is, the better the disclosure of *Islamic Social Reporting* Islamic it will increase the value of the company; *Islamic Corporate Governance* has no significant effect on financial performance. ICG has no effect on performance, presumably by the limited information disclosed by Islamic commercial banks for the UUS they operate; Financial performance has a significant positive effect on firm value. That is, the better the company's financial performance, the higher the company's value. *Islamic Social Reporting*; Financial performance is able to mediate the relationship between *Islamic Corporate Governance* and company value. This means that the increasing company profitability will also increase investor confidence in the company's operating capabilities, so that this will affect the increase in company value; Financial performance is not able to mediate the disclosure of *Islamic Social Reporting* to company value. This means that increasing company profitability does not guarantee an increase in company value.

References

- Amin, A., Pagalung, G., & Kara, MH (2022). Cheating: Between Sharia Compliance And Governance. *MEA Scientific Journal (Management, Economics, & Accounting)* , 6 (1), 390–403.
- Ananda, CZ, & Erinos, NR (2020). The influence of Islamic corporate governance and Islamic corporate social responsibility on the performance of Islamic banking. *Journal of Exploratory Accounting (JEA)* , 2 (1), 2065–2082.
- Anom, PIB, & Bambang, SH (20 19). The role of profitability in mediating influences good Corporate Governance, business risk, Corporate Social Responsibility and firm value of banking companies listed on the Indonesia Stock Exchange. *Russian Journal of Agricultural and Socio-Economic Sciences* , 93 (9), 241–251.
- Febriyanti, H., Kamayanti, A., & Riwijanti, NI (2022). Islamic Social Reporting and Islamic Corporate Governance as Determinants of Corporate Values. *Imanensi: Journal of Islamic Economics, Management, and Accounting* , 7 (1), 1–12.

- Fernández, P. (2007). Company valuation methods. The most common errors in valuations. *IESE Business School* , 449 , 1–27.
- Firdaus, A., Bz, FS, & Diantimala, Y. (2018). The Influence of Good Corporate Governance and Corporate Social Responsibility towards the Financial Performance that has Implications for Firm Value of Banking Companies Listed in Indonesia Stock Exchange. *International Journal of Academic Research in Business and Social Sciences* , 8 (4), 168–179.
- Hadinata, S. (2019). Islamic Social Reporting Index and Financial Performance in Islamic Banking in Indonesia. *EkBis: Journal of Economics and Business* , 2 (1), 72–95.
- Harun, MS, Hussainey, K., Kharuddin, KAM, & Al Farooque, O. (2020). CSR disclosure, corporate governance and firm values: a study on GCC Islamic banks. *International Journal of Accounting & Information Management* , 28 (4), 607–638.
- Hidayat, T., Triwibowo, E., & Marpaung, NV (2021). The Effect of Good Corporate Governance and Financial Performance on Company Value. *Pelita Bangsa Journal of Business Accounting* , 6 (01), 1–18.
- Ibrahim, RH, & Muthohar, AM (2019). The Effect of Independent Commissioners and the Islamic Social Reporting Index on Firm Value with Profitability as Intervening Variables. *Scientific Journal of Islamic Economics* , 5 (01), 9–20.
- Indriastuti, M., & Najihah, N. (2020). Improving Financial Performance Through Islamic Corporate Social Responsibility and Islamic Corporate Governance. *Airlangga Journal of Accounting and Business Research* , 5 (1), 818–833.
- Komarudin, M., & Affandi, N. (2020). The Effects of Technical and Fundamental Factors on the Investment Decision and the Company Value in the Agricultural Sector. *Quantitative Economics and Management Studies* , 1 (6), 411–425.
- Kurniawan, H. (2022). Analysis of the factors that influence the financial performance of Islamic Commercial Banks. *Journal of Accounting and Digital Finance* , 2 (1), 16–30.
- Lestari, S. (2020). The Influence of Sharia Compliance and Islamic Corporate Governance on the Financial Performance of Islamic Commercial Banks. *Al-Sharf: Journal of Islamic Economics* , 1 (2), 123–141.
- Mais, RG, & Lufiani, N. (2018). The Effect of Sharia Governance Structure on CSR Disclosure Based on the Islamic Social Reporting Index. *Journal of Accounting and Management* , 15 (01), 83–100.
- Mardiani, L., Yadiati, W., & Jaenudin, E. (2019). Islamic Corporate Governance and Financial Performance of Sharia Business Units (UUS). *Journal of Accounting: The Scientific Review of Accounting* , 6 (2), 128–142.
- Mardliyyah, Z., Pramono, SE, & Yasid, M. (2020). The influence of Islamic Social Reporting (ISR) on bank performance in Islamic banking in Indonesia. *MEA Scientific Journal (Management, Economics, & Accounting)* , 4 (1), 43–51.
- Nurhayati, P., & Rustiningrum, DS (2021). Implications of Zakat and Islamic Social Reporting on Financial Performance in Islamic Banking in Indonesia. *Scientific Journal of Islamic Economics* , 7 (3), 1416–1424.
- Patmawati, P. (2017). The Influence of Corporate Social Responsibility Disclosure and Good Corporate Governance on Corporate Values with Financial Performance as Intervening Variables. *Scientific Journal of Today's Global Economy* , 8 (1), 46–58.
- Perwitasari, DA (2019). Disclosure of Islamic Social Reporting, ROA, ROE and BOPO: In Islamic Banks in Indonesia in 2015-2017. *Assets: Scientific Journal of Accounting, Finance and Tax* , 3 (1), 24–28.

- Pratomo, J. (2021). The Effect of Disclosure of Islamic Social Reporting (ISR) on Company Value Through the Financial Performance of Islamic Commercial Banks Before and During the COVID-19 Pandemic. *Journal of Social Technology* , 1 (12), 1–648.
- Purba, JT, & Africa, LA (2019). The effect of capital structure, institutional ownership, managerial ownership, and profitability on company value in manufacturing companies. *The Indonesian Accounting Review* , 9 (1), 27–38.
- Rachmania, D., & Alviana, N. (2020). the influence of financial performance and good corporate governance mechanisms on Islamic Social Reporting (ISR) (in Islamic Commercial Banks in Indonesia for the 2014-2018 period). *Competitive Journal of Accounting and Finance* , 4 (1), 49–55.
- Saputri, M., & Isbanah, Y. (2021). The Effect of Good Corporate Governance and Corporate Social Responsibility on Company Value and Financial Performance as a Mediation Variable in Miscellaneous Industry Companies on the IDX for the 2016-2019 period. *Journal of Management Science* , 9 (2), 651–669.
- Setiawan, I., Swandari, F., & Dewi, DM (2019). The Effect of Disclosure of Islamic Social Reporting (Isr) on Firm Value with Financial Performance as a Moderating Variable. *JWM (Journal of Management Insights)* , 6 (2), 168–186.
- Siswanti, I., Salim, U., Sukoharsono, E., & Aisjah, S. (2017). Sustainable business of Islamic banks through on the Islamic corporate governance and Islamic financial performance. *Journal of Finance and Banking Review* , 2 (2), 15–20.
- Sunarto, C. (2016). Shariah Governance in the Disclosure of the Islamic Social Reporting Index and the Global Reporting Index on Sharia Banking for the 2010-2013 Period. *Journal of Islamic Economics and Business | Journal of Islamic Economics and Business* , 2 (1), 30–57.
- Sutama, D., & Lisa, E. (2018). Effect of leverage and profitability on firm value. *JSMA (Journal of Management and Accounting Science)* , 10 (1), 21–39.
- Tampubolon, G., & Banjarnahor, H. (2020). The Influence of Financial Performance on Corporate Value at GO PUBLIC Banks Listed on the Indonesia Stock Exchange. *Champion Familiar Journal* , 5 (3), 84–100.
- Utami, R., & Yusniar, MW (2020). Disclosure of Islamic Corporate Social Responsibility (ICSR) and Good Corporate Governance (GCG) on Corporate Values and Financial Performance as Intervening Variables. *EL MUHASABA: Journal of Accounting (e-Journal)* , 11 (2), 162–176.
- Wahyunia, S., & Pujihartob, DRR (2020). Islamic Corporate Governance Index and Islamic Social Reporting Disclosure Index for Enhancing Firm Value: An Empirical Study of Islamic Banking in Indonesia. *International Journal of Innovation, Creativity and Change* , 12 (1). www.ijicc.net
- Yastutik, I., & Yudiana, FE (2021). The effect of the level of liquidity, Islamic corporate governance and operational efficiency on financial performance with financing risk as a moderating variable. *Journal of Accounting and Digital Finance* , 1 (3), 181–194.