
The Influence of Profitability and the Independent Board of Commissioners on Firm Value with ISR Disclosure as an Intervening Variable

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ABSTRACT

The market capitalization of Sharia stocks experienced an increase in 2022. The Sharia stock with the highest market capitalization was ISSI. Market capitalization indicates the market value of a company's outstanding shares. Companies with large market capitalizations are often considered good investments by investors. The purpose of this study is to examine the effect of profitability and independent board of commissioners on firm value, with ISR disclosure as an intervening variable. This is a quantitative study using path analysis with IBM SPSS 23 software and the Sobel Test Calculator for the significance of mediation. The population of this study consists of companies listed on ISSI in 2022. The sampling technique used is purposive sampling, resulting in a sample size of 495 companies. The results of this study indicate that profitability has a positive effect on ISR disclosure. However, the independent board of commissioners does not affect ISR disclosure, nor does it affect firm value through ISR disclosure. Additionally, profitability does not affect firm value through ISR disclosure.

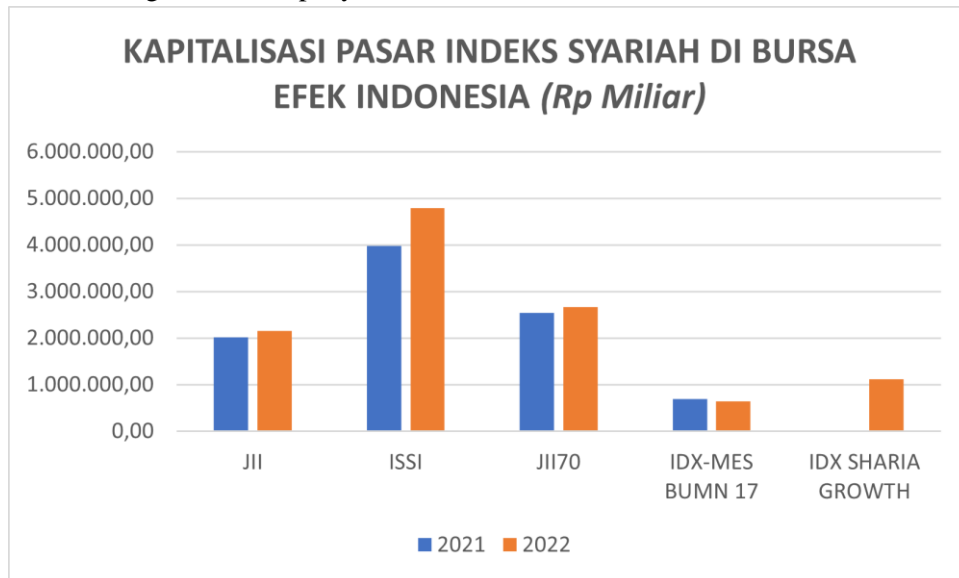
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1. INTRODUCTION

Currently, the Indonesian stock market is stable, with increasing market capitalization and continuous growth year after year. One contributor to this growth is the Sharia index in Indonesia. According to the Market Update of the Indonesian Sharia Capital Market published by OJK (<https://www.ojk.go.id/>), the Sharia index has generally experienced an increase. The highest increase in the Sharia stock index was 6.02, with a market capitalization growth of 6.92%, attributed to ISSI. This increase was followed by JII with a 2.23% increase and a market capitalization growth of 2.26%, JII70 with a 0.74% increase and a market capitalization growth of 1.67%, and IDX MES BUMN, which experienced a decline of 0.31% with a market capitalization decrease of 3.59%.

Based on the Sharia Capital Market Statistics for the second semester of 2022 (<https://www.idx.co.id/>), companies listed on ISSI have good prospects in terms of market capitalization value. Market capitalization represents the market value of a company's outstanding shares. Companies with large market capitalizations are often viewed as good investments by investors. The market capitalization value allows investors to understand the total cost required to purchase all of a company's shares. Observing market capitalization is a straightforward way for investors to assess a company's value. The higher the market capitalization value of a company listed on the IDX, the higher the company's value.



(Source: IDX, data diolah 2024)

From the above data, the Sharia index with the highest market capitalization and significant growth is the Indonesian Sharia Stock Index (ISSI). In 2021, the market capitalization of JII was Rp 2,015,192.24 billion, which increased to Rp 2,115,449.41 billion in 2022. ISSI had a market capitalization of Rp 3,983,652.80 billion in 2021, which rose to Rp 4,786,015.74 billion in 2022. JII70's market capitalization was Rp 2,539,123.39 billion in 2021, increasing to Rp 2,668,041.87 billion in 2022. IDX-MES BUMN 17 had a market capitalization of Rp 692,735.15 billion in 2021, which decreased to Rp 647,031.25 billion in 2022. Another Sharia index, IDX Sharia Growth, is a new index and therefore had no market capitalization value in 2021; its market capitalization in 2022 was Rp 1,121,661.17 billion.

In the business world, companies need financial support from investors to develop their businesses. Attracting investors is not easy, but one way to make investors confident in investing in a company is by demonstrating the company's value. If a company has a good value, it can attract investors' attention. Normatively, one of the goals of financial management is to maximize the company's value (Dewi & Nugrahandi, 2017). Company value reflects shareholders' perceptions of the company's success in managing its resources, which is related to the company's stock price (Rahmawati, 2021). The company's value is presented in the information disclosed by the company, such as financial statements. Stakeholders, including investors, carefully examine a company's financial performance before investing. Good financial performance can be assessed through financial ratio analysis (Hanifah, 2019). One of the financial ratios is profitability.

Profitability is a company's ability to achieve significant profits. High profits attract investors to invest in the company. A company with substantial profits is likely well-managed, which fosters

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investor confidence. Profitability is crucial for investors because increased stock prices, driven by investor trust, can enhance shareholder welfare (Sulistiyo & Yuliana, 2019). According to Dewi et al. (2015), profitability has a positive effect on company value. However, there are opposing views. Asari et al. (2021) found that profitability has a significantly negative impact on company value. Besides profitability, investors are also interested in companies that disclose their social responsibility (Asari et al., 2021). One such social responsibility report is Islamic Social Reporting (ISR). ISR is a form of social accountability based on Islamic principles. Hanifah (2019) introduced ISR, noting that conventional social responsibility reporting focuses only on material and moral aspects. She emphasized that social responsibility reports should also include spiritual aspects. Thus, ISR not only aids decision-making for Muslim stakeholders but also helps companies fulfill their obligations to Allah SWT (Sulistiyo & Yuliana, 2019). ISR reporting is seen as a positive signal to investors, potentially increasing the company's value (Jihadi et al., 2021).

Yunistiawati et al. (2022) tested the impact of ISR on company value and found that ISR positively influences company value. This suggests that ISR reporting serves as a means of accountability to Allah SWT and a form of business activity transparency. However, research by Asari et al. (2021) indicates that ISR negatively affects company value.

In addition to profitability levels, the company's value is also influenced by the presence of an Independent Board of Commissioners. The board's role is to oversee the company's operations based on GCG principles (Sondokan et al., 2019). According to FCGI, the Board of Commissioners is a core part of corporate governance tasked with ensuring the implementation of company strategies, supervising management in running the company, and ensuring accountability. Independent commissioners act as a balancing force in decision-making, consisting of board members from outside the company (Rahmawati, 2021). A large independent board of commissioners can benefit the company by managing its resources more effectively. Companies with independent commissioners generally have lower agency costs, as the independent board is seen to provide better oversight by independently monitoring the board of directors (Suri et al., 2020).

Amaliyah & Herwiyanti (2019) conducted a study on the impact of the independent board of commissioners on company value, finding that the independent board of commissioners does not have a significant effect on company value. In contrast, a similar study by Suri et al. (2020) found that the independent board of commissioners does influence company value.

In addition to profitability and the presence of independent boards of commissioners, company value is closely associated with Islamic Social Reporting (ISR) (Jihadi et al., 2021). Companies with higher profitability tend to adopt ISR as part of their Islamic social reporting. Similarly, regarding independent boards of commissioners, a larger proportion of independent commissioners enhances oversight of corporate management, thereby improving reporting practices (Mais & Alawiyah, 2020). The presence of Islamic social responsibility reporting is likely to increase the company's value (Asari et al., 2021).

Amalia & Yudiana (2021) tested ISR as a mediator between profitability and company value, finding that ISR does not mediate the influence of profitability on company value. On the other hand, research by Susbiyani et al. (2023) explored the impact of independent boards of commissioners on company value, mediated by ISR disclosure, and found that ISR effectively mediates the influence of independent boards of commissioners on company value indirectly.

Based on this background, it can be formulated that several previous studies have not been able to reach consistent conclusions, and the findings of one study differ from another. Some studies focus on the impact of profitability on company value and ISR disclosure, as well as the influence of independent board of commissioners on company value. However, research on the influence of

independent board of commissioners on ISR disclosure, and studies regarding ISR disclosure as a mediator between independent board of commissioners and company value, are still limited.

Therefore, this study aims to further investigate the impact of ISR disclosure on company value and its ability to mediate between profitability and independent board of commissioners on company value. This study replicates previous research conducted by Susbiyani et al. (2023), which found that it had not been able to prove direct influence of profitability on ISR disclosure. Thus, this research aims to re-examine the influence of profitability and independent board of commissioners on company value, mediated by ISR disclosure.

Literature Review

Theory of Planned Behavior

Legitimacy theory explains the relationship between a company and society. This theory emphasizes that a company must make efforts to ensure that its activities are accepted by external parties within the norms of the society or environment in which it operates (Utami & Yusniar, 2020). According to legitimacy theory, a company should take steps to ensure that its activities or performance are acceptable in the environment where it operates (Hadinata, 2019). This is done to promote increased public awareness and concern. In the context of legitimacy theory, ISR (Islamic Social Reporting) disclosure plays an important role as a tool for companies to gain social legitimacy from the community by enhancing the company's image as one that adheres to Sharia values. Besides ISR disclosure, profitability can also influence a company's legitimacy, where more profitable companies are expected to be better able to allocate resources toward activities that support legitimacy.

Theory of Agency

Agency theory arises from the contractual relationship between shareholders and management (Utami & Yusniar, 2020). This theory explains the relationship between the principal and the agent by separating ownership and control of the company. Agency relationships can lead to two issues: information asymmetry and conflicts of interest due to differing goals. Conflicts of interest between owners and agents often occur because agents may not act in the best interests of the principal, which can lead to high agency costs (Amaliyah & Herwiyanti, 2019). Agency theory highlights the role of independent commissioners in reducing conflicts of interest between management and shareholders. In addition to independent commissioners, high profitability can also reduce agency problems because companies with higher profits tend to have more resources to ease tensions between owners and managers, including through transparent ISR (Islamic Social Reporting) disclosures.

Theory of Signal

Signaling theory explains how companies communicate information to external parties about their activities and internal conditions (Utami & Yusniar, 2020). Companies can enhance their value by reducing information asymmetry. One way to do this is by sending signals to external parties, particularly through reliable positive financial data, which can reduce uncertainty about the company's future prospects (Kusumasari et al., 2023). ISR (Islamic Social Reporting) disclosure can be seen as a positive signal to the market, indicating the company's commitment to Sharia principles, which can enhance the company's value. Similarly, high profitability can act as a positive signal to investors that a well-managed company will increase investor confidence and boost the company's value.

Hypotheses Development

The influence of profitability on ISR disclosure

A higher profitability ratio indicates that the company's business profitability is healthier or better. When a company achieves high profits, management is motivated to disclose detailed information (Rostiani & Sukanta, 2018). Research findings by Nurjanah & Bawono (2021) show that profitability significantly influences the disclosure of Islamic Social Reporting (ISR), highlighting profitability's strong impact on ISR reporting. Another study by Hidayah & Wulandari (2017) also indicates that profitability positively affects ISR disclosure. These research findings align with signaling theory, which suggests that a company with satisfactory performance is more likely to be transparent in its disclosures compared to when its performance is poor, as companies may otherwise conceal information to avoid adverse consequences.

H1. Profitability has a positive influence on Islamic Social Reporting (ISR) disclosure.

The influence of Independent Board of Commissioners on ISR Disclosure

The number of independent commissioners must ensure that oversight mechanisms operate effectively and comply with legal regulations. Therefore, independent boards of commissioners also influence management as monitors in disclosing corporate social responsibilities. The presence of these boards is crucial for companies to monitor impactful activities and conflicts of interest between principals and agents. Research by Astuti & Binawati (2020) indicates that independent boards of commissioners influence ISR disclosure. Similarly, studies by Susbiyani et al. (2023) affirm that independent boards of commissioners have a positive impact on ISR disclosure.

H2. Independent Board of Commissioners positively influences Islamic Social Reporting (ISR) disclosure.

The influence of Islamic Social Reporting (ISR) disclosure on firm value

ISR (Islamic Social Reporting) disclosure is a form of social disclosure that not only reflects society's holistic expectations of the company's role but also incorporates a spiritual perspective (Agustina, 2020). The aim of ISR disclosure is to demonstrate whether an organization has operated in accordance with Islamic principles. Companies that provide sufficient information about their Sharia-compliant management practices will experience positive effects, such as gaining trust from market participants by showing their ability to share comprehensive information (Susbiyani et al., 2023). This aligns with legitimacy theory, which suggests that companies should reassure the public that their performance has been well-executed by disclosing social and environmental responsibilities in their annual reports (Yudhantika, 2008). According to Susbiyani et al. (2023), organizations make efforts to align social values with the norms accepted in the social system. Legitimacy theory explains that the purpose of ISR disclosure is to enhance the company's value. Research by Amalia & Yudiana (2021) supports that ISR disclosure positively impacts company value. Therefore, ISR disclosure is predicted to increase a company's value (Nguyen, 2023).

H3. Islamic Social Reporting (ISR) disclosure has a positive impact on Firm Value.

Profitability Influence on Firm Value

Profitability describes a company's performance, where higher profitability serves as a positive signal for investors. This makes profitability a crucial indicator for a company's financial health (Susbiyani et al., 2023). According to Agustina (2020), the value of a company is determined by its

ability to generate profit, especially the earning power of its assets. The higher the earning power, the more efficient the asset turnover or profit margin, which impacts the company's value. Fitria & Irkhami (2021) mention George Akerlof's theory of signaling from 1970, which laid the foundation for understanding corporate value. The signaling theory explains that higher profitability correlates with higher company value. This statement supports previous research by Agustina (2020) and Fitria & Irkhami (2021) indicating that profitability influences company value. Therefore, profitability is predicted to affect company value significantly.

H4: Profitabilitas has a positive effect on company value.

The influence of Independent Board of Commissioners on Corporate Value

The board of commissioners serves as an independent and neutral entity within a company, expected to bridge information asymmetry between owners and managers by encouraging diligent oversight among its members (Susbiyani et al., 2023). Therefore, the presence of this board is crucial for companies to monitor impactful activities and conflicts of interest between principals and agents. Enhancing corporate value can be achieved when companies establish effective collaboration between corporate management and stakeholders. Agency theory asserts that a higher number of independent board members can facilitate better monitoring and control of senior management, thereby increasing corporate value (Rahmawati, 2021). According to research by Dewi and Nugrahanti (2017), independent board of commissioners significantly influences corporate value. It can be predicted that independent boards of commissioners have an impact on corporate value.

H5: Independent Board of Commissioners has a positive impact on corporate value.

The Influence of Profitability on Corporate Value through ISR Disclosure

Companies with strong financial performance tend to gain more trust from investors, who see it as a positive signal. Moreover, companies with good performance are often more transparent in disclosing information (Susbiyani et al., 2023). This supports signaling theory, which explains that high-quality organizations can distinguish themselves from lower-quality ones by sending positive signals about the organization's quality. Research by Maulina (2019) shows that ISR (Islamic Social Reporting) disclosure mediates the relationship between profitability and company value. This suggests that profitability impacts company value through ISR disclosure.

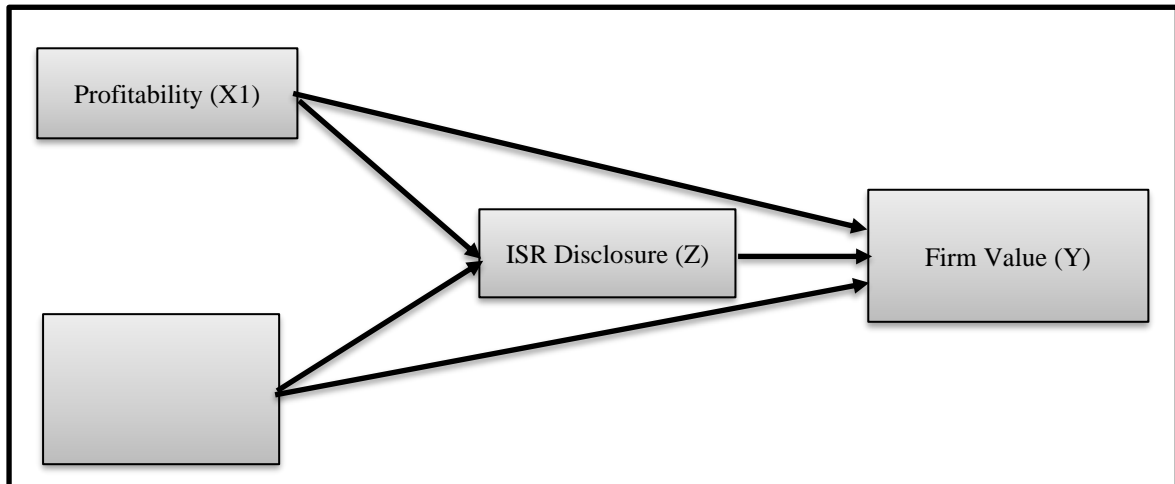
H6: Profitability has a positive impact on Corporate Value through ISR Disclosure

The Influence of Independent Board of Commissioners on Corporate Value through ISR Disclosure

The board of commissioners serves as an independent and neutral entity within the company, expected to bridge information asymmetry between owners and managers by encouraging diligent oversight (Susbiyani et al., 2023). Therefore, the presence of an independent board is crucial for companies to monitor impactful activities and conflicts of interest between principals and agents. Susbiyani et al. (2023) found that independent boards of commissioners indirectly affect corporate value through ISR disclosure, analyzed through legitimacy theory.

H7: Independent Board of Commissioners has a positive impact on Corporate Value through ISR Disclosure

Conceptual Framerwork



1. METHOD

Sample Selection and Data Source

The population in this study consists of companies listed in ISSI in 2022, totaling 510 companies. This study used a purposive sampling method to select samples from this population. The criteria used in the sampling process are as follows:

1. Companies that published annual reports for the 2022 period.
2. Annual reports that provide the necessary information for the research.

| Description | Number of Samples |
|---|-------------------|
| Population of ISSI-indexed companies in 2022 | 510 |
| Sample selection criteria: | |
| 1. Companies that did not publish an annual report in 2022 | 7 |
| 2. Annual reports that did not provide the necessary information for the research | 8 |
| Total companies not meeting the sample criteria | 15 |
| Total sample | 495 |

The sample obtained consists of 495 companies.

Data Collection Research Design

This research falls into the category of quantitative research. Quantitative research involves collecting and analyzing data using numerical methods to test and describe hypotheses formulated by researchers. Quantitative studies emphasize numerical data from collection through processing to results (Sugiyono, 2017).

Sample Selection and Data Sources

The population for this study consists of companies listed on the ISSI in 2022. Sampling in this research utilizes purposive sampling with the following criteria: companies listed on the ISSI in 2022, companies that issued annual reports in 2022, and companies that contain data relevant to the research variables.

There were 510 companies listed on the ISSI in 2022. Out of these 510 companies, 15 did not publish their annual reports for 2022. Therefore, based on this information, a sample of 495 companies that meet the criteria was obtained.

Data Collection

Data collection for this study involves gathering secondary data, specifically annual reports that were published in 2022. Data analysis utilizes descriptive statistics. Descriptive statistics is a method used to analyze data by describing the collected data without making general conclusions (Sugiyono, 2017). There are two methods for analyzing regression with mediating variables: the causal step method and the product of coefficient method (Suliyanto, 2011). The analytical tools used in this research include SPSS software and the Sobel Test Calculator for the Significance of Mediation, available online.

Variable Measurement

Firm Value

In this study, company value is measured using the Tobin-Q formula (Susbiyani et al., 2023). The Tobin-Q formula is intended to assess a company's ability to manage assets to create profitable market value (Wulandari & Kusumawati, 2022). A higher Tobin-Q value indicates that a company has good growth prospects. This occurs because a higher market value of the company's assets compared to their book value increases investor willingness to make greater sacrifices to own the company (Ayudiasuti, 2021; Wulandari & Kusumawati, 2022). Tobin-Q is calculated by dividing the market value of the company's equity and debt by its total assets. The formula is as follows: (Wulandari & Kusumawati, 2022).

$$\text{Tobin} - Q = \frac{EMV + Debt}{TA}$$

Explanation:

EMV (Equity Market Value): The market value of outstanding shares obtained by multiplying the number of outstanding shares by the closing price.

Debt: Total liabilities of the company.

TA (Total Assets): Total assets of the company.

Islamic Social Reporting (ISR) Disclosure

In this study, ISR (Islamic Social Reporting) disclosure is measured using 43 disclosure items presented in the appendix (Haniffa, 2002; Othman et al., 2009). Each item disclosed in the annual report is assigned a value of 1, while items not disclosed are assigned a value of 0 (Luqyana & Zunaidi, 2021).

$$ISR = \frac{\text{total score item yang digunakan}}{\text{jumlah total item yang digunakan}} \times 100\%$$

Profitability

Profitability in this study is measured using return on equity (ROE). ROE is a ratio used to evaluate the profit generated in relation to the equity invested by shareholders (Kumalasari et al., 2023). This profitability ratio also depicts the efficiency of the company's performance, as it emphasizes the profitability value of a company measured against equity, which largely originates from third parties (Santika, 2019). ROE compares net income to shareholders' equity (Lase et al., 2022).

$$\text{Return on Equity} = \frac{\text{laba setelah pajak}}{\text{modal sendiri}} \times 100\%$$

Independent Board of Commissioners

In this study, the measurement of the independent board of commissioners is proxied by the proportion of the number of independent board members to the total number of board members. The formula is specified by (Dewi & Nugrahanti, 2017).

$$COMINDEP = \frac{\text{total komisaris independen}}{\text{jumlah komisaris}} \times 100\%$$

2. RESULTS AND DISCUSSION

Results

Descriptive Statistics

Descriptive statistics including the minimum, maximum, mean, and standard deviation for the variables of profitability, independent board of commissioners, ISR disclosure, and company value are presented in Table 1.

Table 1. *Descriptive Statistics*

| Descriptive Statistics | | | | | |
|-------------------------------|-----|---------|----------|----------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| Profitabilitas | 495 | -4.9623 | 7.8064 | .067233 | .5340083 |
| Dewan Komisaris Independen | 495 | .0000 | 1.0000 | .427051 | .1131587 |
| Nilai Perusahaan | 495 | .1332 | 182.7555 | 2.181977 | 8.9870133 |
| Pengungkapan ISR | 495 | .1628 | .8372 | .560630 | .0529128 |
| Valid N (listwise) | 495 | | | | |

(Source: Data Processed, 2024)

Substructural Test I

$$Z = PZX1 + PZX2 + e1$$

In Table 2, the Kolmogorov–Smirnov test results show a significance value of 0.384. The data is considered normally distributed because the significance value is greater than 0.05.

| One-Sample Kolmogorov-Smirnov Test | | | Unstandardized Residual |
|------------------------------------|----------------|--|-------------------------|
| N | | | 495 |
| Normal Parameters ^{a,b} | Mean | | .0000000 |
| | Std. Deviation | | .05180421 |
| Most Extreme Differences | Absolute | | .097 |
| | Positive | | .097 |
| | Negative | | -.084 |
| Test Statistic | | | .097 |
| Asymp. Sig. (2-tailed) | | | .384 ^c |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

In Table 3, the results of the multicollinearity test indicate that two independent variables have tolerance values greater than 0.10, and none of the VIF values exceed 10.

| Coefficients ^a | | | | | | | | |
|---------------------------|----------------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | .549 | .009 | | 60.206 | .000 | | |
| | Profitabilitas | .019 | .004 | .194 | 4.394 | .000 | .996 | 1.004 |
| | Dewan Komisaris Independen | .024 | .021 | .051 | 1.157 | .248 | .996 | 1.004 |

a. Dependent Variable: Pengungkapan ISR

Table 4 shows that the results of the heteroskedasticity test indicate that two independent variables have significance values greater than 0.05.

| Coefficients ^a | | | | |
|---------------------------|-----------------------------|------------|---------------------------|---|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t |
| | B | Std. Error | Beta | |

| | | | | | | |
|---|-----------------|-------|------|-------|-------|------|
| 1 | (Constant) | .031 | .006 | | 4.896 | .000 |
| | Profitabilitas | -.002 | .003 | -.035 | -.776 | .438 |
| | Dewan Komisaris | .013 | .014 | .042 | .922 | .357 |
| | Independen | | | | | |

a. Dependent Variable: ABS_RES1

Substructural Test II

$$Y = PYX1 + PYX2 + PYZ + e2$$

In Table 5, the Kolmogorov–Smirnov test results show a significance value of $0.582 > 0,05$

One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|----------------------------|
| N | | 495 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 8.96728316 |
| Most Extreme Differences | Absolute | .384 |
| | Positive | .384 |
| | Negative | -.104 |
| Test Statistic | | .384 |
| Asymp. Sig. (2-tailed) | | .582 ^c |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

In Table 5, the Kolmogorov–Smirnov test results show a significance value of $0.582 > 0,05$.

One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|----------------------------------|----------------|----------------------------|
| N | | 495 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | 8.96728316 |
| Most Extreme Differences | Absolute | .384 |
| | Positive | .384 |
| | Negative | -.104 |
| Test Statistic | | .384 |
| Asymp. Sig. (2-tailed) | | .582 ^c |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Table 6 shows the results of the multicollinearity test involving 2 independent variables and 1 intervening variable, with tolerance values greater than 0.10 and no VIF (Variance Inflation Factor) values exceeding 10.

| Coefficients ^a | | | | | | | | |
|---------------------------|----------------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 8.069 | 4.572 | | 1.765 | .078 | | |
| | Profitabilitas | .725 | .774 | .043 | .937 | .349 | .958 | 1.043 |
| | Dewan Komisaris Independen | -1.446 | 3.588 | -.018 | -.403 | .687 | .993 | 1.007 |
| | Pengungkapan ISR | -9.486 | 7.813 | -.056 | -1.214 | .225 | .958 | 1.043 |

a. Dependent Variable: Nilai Perusahaan

In Table 7, it can be seen that the significance values of all three variables exceed 0.05.

| Coefficients ^a | | | | | | |
|---------------------------|----------------------------|-----------------------------|------------|---------------------------|--------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 10.204 | 4.447 | | 2.295 | .022 |
| | Profitabilitas | .799 | .753 | .049 | 1.062 | .289 |
| | Dewan Komisaris Independen | -1.603 | 3.490 | -.021 | -.459 | .646 |
| | Pengungkapan ISR | -13.637 | 7.598 | -.082 | -1.795 | .073 |

a. Dependent Variable: ABS_RES2

PATH ANALYSIS

Regression Equation I

| Coefficients ^a | | | | | |
|---------------------------|----------------------------|-----------------------------|------------|---------------------------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | Sig. |
| | | B | Std. Error | Beta | |
| 1 | (Constant) | .549 | .009 | | .000 |
| | Profitabilitas | .019 | .004 | .194 | .000 |
| | Dewan Komisaris Independen | .024 | .021 | .051 | .248 |

a. Dependent Variable: Pengungkapan ISR

The SPSS output shows an unstandardized beta value of 0.019 for Profitability with a significance value of 0.000, indicating that H1 is accepted. The unstandardized beta value for Independent Board of Commissioners is 0.024 with a significance value of 0.248, thus H2 is rejected.

The value of $e1$ can be obtained from the formula $e1 = \sqrt{(1 - 0.042)} = 0.978$. This $e1$ value represents the error in regression equation 1 for the influence of $X1$ and $X2$ on Z .

Persamaan Regresi II

| Coefficients ^a | | | | | |
|----------------------------|-----------------------------|------------|---------------------------|--------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 (Constant) | 8.069 | 4.572 | | 1.765 | .078 |
| Profitabilitas | .725 | .774 | .043 | .937 | .349 |
| Dewan Komisaris Independen | -1.446 | 3.588 | -.018 | -.403 | .687 |
| Pengungkapan ISR | -9.486 | 7.813 | -.056 | -1.214 | .225 |

a. Dependent Variable: Nilai Perusahaan

From the SPSS output, the significance value for Profitability is 0.349 (> 0.05), hence $H3$ is rejected. The significance value for Independent Board of Commissioners is 0.687 (> 0.05), so $H4$ is rejected. The significance value for ISR Disclosure is 0.225 (> 0.05), therefore $H5$ is rejected.

The R square value is 0.004, indicating that the combined contribution of Profitability, Independent Board of Commissioners, and ISR Disclosure variables is 0.04%. The value of $e2$ is obtained from the formula $e2 = \sqrt{(1 - 0.004)} = 0.997$. This $e2$ value represents the error in equation 2 for the influence of $X1$, $X2$, and Z on Y .

Sobel Test

The Sobel test assumes a large sample size and that the coefficient of mediation is normally distributed. However, these assumptions have been widely criticized (Imam Ghazali, 2013). The Sobel test calculates whether a mediator variable significantly carries the influence of an independent variable to a dependent variable. This test can be conducted using a Sobel Test Calculator for the Significance of Mediation available on various websites or software tools designed for this purpose (Adnan & Kiswanto, 2017).

Sobel test statistic:-0.00716754
One-tailed probability:0.49714059
Two-tailed probability:0.99428118

From the results above, the probability test value is 0.497, which is greater than the critical t-value of 0.05. Therefore, it can be concluded that the ISR Disclosure variable does not significantly mediate the effect of Profitability on firm value.

Sobel test statistic:-0.00716751
One-tailed probability:0.49714060
Two-tailed probability:0.99428120

From the results above, the probability test value is 0.0497, which is greater than the critical t-value of 0.05. Therefore, it can be concluded that the ISR Disclosure variable does not significantly mediate the effect of Independent Board of Commissioners on firm value.

Based on the path analysis and Sobel test results, it is concluded that indirectly, Profitability and Independent Board of Commissioners do not influence firm value through ISR Disclosure. Therefore, H6 and H7 are rejected.

Discussion

The path analysis shows that Profitability, as measured by ROE, influences ISR Disclosure. This research indicates that the ability of companies listed in ISSI in 2022 to generate profits enhances ISR Disclosure. Profitability reflects the company's capacity to earn profits through all available resources (Susbiyani et al., 2023). Managers aim to persuade investors about the profitability achieved, potentially leading to increased managerial compensation. Consequently, management of companies included in Sharia indices seeks to expand ISR Disclosure further. These findings are consistent with Nurjanah & Bawono's (2021) study, which found a significant positive influence of Profitability on Islamic Social Reporting (ISR).

The path analysis results indicate that Independent Board of Commissioners does not have a significant influence on ISR Disclosure. This finding suggests that the presence of Independent Board of Commissioners does not affect the company's ability to disclose ISR. Furthermore, the path analysis shows that ISR Disclosure does not influence firm value. This finding suggests that companies whose shares are included in Sharia indices may not enhance firm value through ISR Disclosure. Additionally, the path analysis indicates that Profitability and Independent Board of Commissioners also do not influence firm value. From these research findings, it can be concluded that companies with high profitability and an Independent Board of Commissioners may not increase firm value.

The path analysis results indicate that Profitability, measured by ROE, does not influence firm value through ISR Disclosure. This finding suggests that despite high profits and managerial efforts to disclose ISR, it does not enhance firm value. On the other hand, the path analysis shows that the proportion of Independent Board of Commissioners influences firm value through ISR Disclosure. This finding indicates that the presence of Independent Board of Commissioners in companies listed in ISSI in 2022 is perceived to provide effective oversight aligned with investor interests. Effective oversight leads to greater transparency in information disclosure by management. These findings align with Susbiyani et al.'s (2023) research, which suggests that Independent Board of Commissioners indirectly affects firm value through ISR Disclosure, analyzed through legitimacy theory.

CONCLUSION

The researcher found that Profitability has a direct influence on ISR Disclosure but does not affect firm value through ISR Disclosure as an intervening variable. This finding indicates that companies listed in ISSI in 2022 have the capability to increase ISR Disclosure through profitability. However, this capability does not lead to an increase in firm value through ISR Disclosure. Companies with strong financial conditions tend to be more transparent in disclosing information.

The implications for companies listed in ISSI include enhancing profitability and increasing ISR Disclosure. Because society has the right to receive information that meets its needs regarding the role of companies from a spiritual perspective. The theoretical implication of this research is that it empirically proves that profitability positively influences ISR Disclosure, analyzed through signal theory. The practical implication of this research is to raise awareness among companies about the importance of transparency in corporate

management. By enhancing transparency in ISR Disclosure, companies can increase positive responses from investors.

Other findings include that Independent Board of Commissioners does not influence ISR Disclosure, Independent Board of Commissioners also does not affect firm value, and ISR Disclosure does not mediate Profitability and Independent Board of Commissioners' influence on firm value. Future research is advised to consider other determinants that also affect ISR.

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