

# **The Effect of Islamic Social Reporting, and Good Corporate Governance on Firm Value Using the Maqashid Syariah Index as a Moderating Variable**

## **(Empirical Study on Islamic Commercial Banks in Indonesia in 2017-2019)**

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### **ABSTRACT**

The authors aimed to analyze the influence of the impact of Islamic Social Reporting and Good Corporate Governance on Company Value with the Maqashid Syariah Index as a Moderating Variable in Islamic Commercial Banks in Indonesia for the 2017-2019 period) The sample used in this study was 14 Islamic Commercial Banks during the 2017-2019 period. The data analysis method used in this study is multiple linear regression by means of SPSS 20. The results of the analysis of this study indicate that institutional ownership had an effect on firm value, while independent commissioners, boards of directors, audit committees, and Islamic social responsibility had no effect on firm value. In addition, the Maqashid Syariah Index could not moderate the relationship between independent commissioners, boards of directors, audit committees, institutional ownership, and Islamic social responsibility on firm value.

**Keywords:** *firm value, independent commissioner, board of directors, audit committee, Islamic social responsibility and maqashid sharia index.*

### **1. INTRODUCTION**

Every developing company continues to strive to optimize the firm value. It aims to maintain its superiority as well as to prosper the shareholders and investors. Another outcome that is expected from the company apart from the welfare of investors is to gain profits by maximizing the firm value and this will provide opportunity to the investors.

The interest of investors in investing in the company can be seen from the prosperity of the shareholders. Besides that, the firm value can be an indicator of the interest of investors in investing in a company because they can invest in order to obtain more funds in the future. Investors will decide which company to invest according to the investment targets. Investor would be attracted to companies with high value and stock market prices as they can minimize the risk of loss in investment.

The majority of companies make improvements to their performance to maximize their profits. This is the reason that underlies why many companies are listed on the Stock Exchange. Not only conventional companies, but companies that adhere to Sharia principles also provide stock reports on the stock exchange as a parameter of their stock market performance ([www.idx.co.id](http://www.idx.co.id)).

Indonesia is a country with the most Muslim population so Islamic finance has huge development potential. According to data obtained by OJK in December 2019, a total of 202 sharia banks, including 14 Islamic Commercial Banks (BUS), 20 Islamic Business Units (UUS), and 168 Islamic People's Financing Banks (BPRS) has nominal assets of IDR.524.564 Billion. More details and complete information can be seen from the statistical data in

*Table 1 Sharia Banking Statistical Data*

Bank Type	Total Bank	Total Office	Total Asset (Billion)
BUS	14	1919	350.364
UUS	20	381	174.200
BPRS	168	468	-
TOTAL	202	2768	524.564

### ***1.1. Sharia Enterprise Theory***

The increase in the number of Islamic banks is also a parameter that Islamic finance in Indonesia is growing significantly. According to the Bank Indonesia Regulation Number 113/PBI/2009 regarding Sharia Commercial Banks, Islamic banking is considered to be part of the national banking element which is expected to be able to provide substantial support as an intermediary institution to encourage the country's economic development.

Various factors underlie the company's competence to manage the company assets, one element that can be implemented is that the company can increase the company value by being socially responsible, in which the social activities of Islamic Commercial Banks are measured using Islamic Social Reporting. Islamic Social Reporting is a derivative of Corporate Social Responsibility, containing Islamic values pioneered by Haniffa (2002) which was further developed by (Othman & Thani, 2010).

In addition, to support the implementation of Islamic Social Reporting, companies must implement Good Corporate Governance because Good Corporate Governance is considered to be able to affect firm value. Good Corporate Governance is a system that provides regulation and control of the company to add more value to stakeholders because Good Corporate Governance is deemed capable of solving agency theory. On firm value, this is in line with research conducted by Fauzi et al. (2016).

The goals of Islamic economics should guide the goals of Islamic Banking and Finance. This highlights four purposes of Islamic economics in practicing the values and the holistic purpose of this system. These four aspects are to achieve economic well-being in a moral framework Islamic norms, uphold universal brotherhood and justice, achieve equitable distribution of income, and achieve individual freedom in context social welfare (Mohammad and Syahidawati, 2013).

Sharia Enterprise Theory (SET) is Enterprise Theory (ET) which has been embedded in Islamic values. The concept of enterprise theory justifies the existence of

accountability not only to the owner of the company but also to a wider group of stakeholders. Unlike the entity theory, which focuses only on the owner group, almost all company activities are directed only to fulfill the owner's welfare.

The Sharia Enterprise Theory (SET) is not only sympathetic to one's interests (in this case the shareholders) but also other parties. For this reason, Sharia Enterprise Theory has a high sense of caring for large stakeholders, consisting of God, humans, and nature. Allah is a very big aspect and is the main goal of human life. Sharia Enterprise Theory is a theoretical concept that also provides transparent notification of the distribution of value added. Value added will be given to parties related to company value.

### ***1.2. Firm Value***

Firm value is defined as market value because the market value of a company can provide shareholder prosperity to the maximum if the company's stock price increases. This can be achieved if the shareholders hand over the management of the company to people who are expertise. Fahmi (2014: 190) expresses that the firm value is obtained from the results of the quality of a company's performance, especially financial performance, and it obviously is inseparable from the support of non-financial as well (Eni Kusumawati, 2019).

Firm value is a reflection of how well or poorly management handles wealth. This matter can be observed from the measurement of financial performance obtained. A company can maximize the firm value. The increase in firm value is generally indicated by the increase in stock prices in the market.

The firm value is the value that investors need to pay, firm value can be an indicator of the company's competence in managing its assets. In this study, the firm

value was assessed using EVA. Positive EVA shows that management is successful in making the firm value increase and vice versa. The following is the formula for calculating the company's EVA value:

### ***1.3. Islamic Social Reporting***

With the rapid development of the Islamic capital markets, companies with Shariah corporations are expected to represent the religious dimension for the disclosure of financial statements in favor of Muslim community interest. The conceptual framework of Islamic accounting must be established on Shariah, as it is considered by the following goals of Shariah law. "Parties involved in economic activity, namely individuals through accountants, auditors, managers, owners, governments, etc. as a form of worship (Othman, Azlan 2010).

Islamic Social Reporting is disclosing corporate social responsibility voluntarily by the company because it is a responsibility to Allah and the general public and applying the principle of transparency of business activities by sharing information according to the spiritual needs in making a decision. In measuring, the Islamic Social Reporting index method is used by giving a score (a value of 1 if the item in the Islamic Social Reporting index is in the annual report, and a value of 0 if there is no item in the annual report), then the score is calculated by Islamic Social Reporting level (Indrawaty, Siti 2016).

$$ISR = \frac{\text{Number OF Score Disclosure Fulfilled}}{\text{Total Maximum Score}}$$

### ***1.4. Good Corporate Governance***

Corporate governance is system that must be controlled and managed by the company. Good corporate governance refers to a system that encompasses the various relationships between shareholders and stakeholders. Meanwhile, good corporate governance is one of the business strategies that can affect the firm value which can improve performance and value-added of the company (Iramaidar, Rina Trisnawati 2021).

Bank Indonesia stipulates the latest regulations when implementing GCG for Islamic commercial banks (BUS). Bank Indonesia has issued regulation no. 11/33/PBI/2009 dated December 7, 2009 and Circular Letter of Bank Indonesia Number 12/13/DPBs dated April 30, 2010, dealing with the implementation of iGCG for Sharia Commercial Banks and Sharia Business Units.

In the Sharia Business regulation, there are 2 references in the implementation of Sharia Business; the general reference which is similar to the implementation of GCG and an exact reference to the example that has been exemplified by the Prophet Muhammad along with the general principles of GCG in the business world,

comprising transparency, accountability, responsibility, independence, and fairness and equality. This research employed the Good Corporate Governance variable, where GCG are:

### ***Independent Commissioner (IC)***

The Independent Commissioner is not originally a shareholder but a member of the Commissioner who has no other business relationships that could affect the ability to work independently and does not take steps to bring.

significant profits to the company (Fauzi, et al, 2016). In this study, independent directors were evaluated based on the number of board members from outside the company and board members of companies of all sizes.

$$IC = \frac{\text{Number of Independent Commissioners}}{\text{Number Of Commissioners Overall}}$$

### ***Audit Committee***

The audit committee is a combination of individuals who have been selected from the members of the board of commissioners who are responsible for supervising the annual report and disclosure. In the guidelines for implementing GGBS, it is explained that the number of members of the audit committee needs to be in accordance with the complexity of a company, and at least it is necessary to have 3 audit members. Measurement of the audit committee is done by looking at the number of individuals on the audit committee.

$$AC = \sum \text{Number of Audit Committees}$$

### ***Board of Directors***

According to the rules of Bank Indonesia No. 11/33 / PBI / 2009, the board of directors is an organization of the company with the authority and overall responsibility to manage the company for the benefit of the company according to the vision. It is the mission of the company and they also represent the company in internal and external activities. It was stipulated by Foreign courts with articles of incorporation under Law No. 40 of 2007 relating to limited liability companies

The stipulations regarding the number of members and the characteristics that need to be fulfilled by the board of directors refer to the rules that have been determined by the central bank. In appointing and replacing directors at the General Meeting of Shareholders, it is necessary to pay attention to the directions or suggestions from the remuneration and nomination committee. Based on Bank Indonesia Regulation number 8/4/PBI/2006, a company needs at least 3 directors. The measurement of the board of directors is carried out by utilizing the members of the

board of directors in the company, this measure is also used in the research reviewed by (Rahmawati et al., 2017)

$$BD = \sum \text{Number of Directors in One Year}$$

### *Institutional Ownership*

Institutional ownership is an institution that owns shares in a company. Its size can be assessed by how many shares an institution owns (Tambalean et al, 2018). The measurement is carried out using a percentage with the measurement formula as below:

$$KI = (\text{Number of Institutional Shares}) / (\text{Number Of Outstanding Share})$$

### *Maqashid Syariah Index*

A complete understanding of the Maqashid Index stems from the noble values of Islam (Maqashid Shariah). This is understood as Shariah's ultimate goal of introducing the values of happiness and usefulness (Jalb al Masalih) and eliminating misery (Dar` alMafasid) (AlJauziyah, 1973, Yubi, 1998, Assyria, 2000, AlFasy, 1993). Further, according to Al Ghazali, Shariah consists of five attributes, namely religion, soul, spirit, family, property.

Therefore, that guarantees the preservation of the five essentials is called Maslaha, and the one that is separated from it is called Mafsada (Antonio, Et Al2019).

The Maqashid Syariah Index is a method of measuring Islamic bank performance and was developed in the study "Measuring Islamic Bank Performance Based on the Maqasid Framework" (Mohammed, i2008). In his research, the goal was to implement the Macashid Shariah Index, which was borrowed from Abu Zafra's Macashidisharia theory. The three goals are tahdzib alfarad (individual education), qamah aladl (execution of justice), and maslahah (welfare).

The first goal is the education of a person, namely a banking performance is judged by how Islamic banking can organize events. Education and training are valuable for employees with moral values so there is an increase in the abilities and skills of employees. The second objective is fairness. The second performance appraisal is based on the objectives of sharia banking in order to ensure honesty and fairness in all transactions and business activities contained in the product, and ascertain that any sharia banking activity is free of interest. The third goal is the achievement of prosperity, in which Islamic banking is obliged to grow investment projects and social services in order to increase the prosperity of the people. The point of maqashid sharia is not about gaining profit in business but maintaining good interactions with employees, customers, or investors, as well as parties related to the company, either directly or

indirectly, and striving to seek the pleasure of Allah SWT.

## **2. HYPOTHESIS**

### **1. The Relationship Between Islamic Social Reporting and Firm Value**

Companies dealing with Islamic social reporting transparently attract stakeholders to see the stock of companies with transparent reporting. In order to carry out effective, complete, and accurate Islamic social reporting based on Islamic principles, it must be supported by good financial resources. Islamic social reporting is a non-financial activity and expensive to operate. Companies are more likely to handle social information by the company because it is compared to profitability with high financial performance. Profitability is part of financial performance and often facilitates shareholders perform fundamental analysis in determining the firm value. If the company provides an appropriate social activity report and it needs to be supported by good financial performance, the Islamic Social Reporting Fund will be taken from the company's net income and the Islamic Social Report disclosure is the company's financial performance company that may reduce the firm value when it increases. This is in accordance with a study conducted by Setiawan et.al., (2018) that Islamic Social Reporting carried out by the company could affect the company's value and research conducted by Sutapa & Laksito (2018) also proved that Islamic Social Reporting conducted by Sharia Commercial Banks for the 2014–2016 period could affect the firm value.

From this description, the authors propose the following hypothesis:

H1: Islamic Social Reporting has an effect on Firm Value.

### **2. The Influence of Independent Commissioners on Firm Value**

An unbiased agent lifestyle aims to strengthen the characteristics of agents and create appropriate corporate governance for their employers. The benefits of corporate governance can be seen at the maximum rate that buyers will pay for their employer's stock (market price). If the buyers are willing to pay high price, the market cost of the employer who manages good corporate governance will be higher than the market cost of the employer who does not establish or sell good corporate governance practices. Because the proportion of fair salespeople in an employer is too high, it is appropriate for the member of the board to carry out oversight activities, successfully nominate the board, and upload costs to the employer.

This is according to the research conducted Hisamudin & Tirta (2010) that the independent board of commissioners had a positive and significant effect on

firm value. From this description, the authors propose the following hypothesis:

H2: Independent commissioners have an effect on firm value.

### 3. The Relationship Between the Size of the Board of Directors and the Firm Value

According to Regulation of Bank Indonesia No. 11/33 / PBI / 2009, the board of directors is an organization of the company and has the authority and overall responsibility to manage the company according to the needs of the company and the company policy, as well as set the purpose and represent the company in accordance with the laws inside and outside the court within the meaning of Law No. 40 of 2007 on Limited Liability companies. In Chapter 2 of the Bank Indonesia Board of Directors Number, Composition, Standards and Independence Ordinance, Article 4 declares that the Board at least contains three members and is headed by the President of the Board or the president and director. Darmadi (2011) states that large Indonesian companies have more directors as a whole. The maximum number of directors is 12 and the minimum number is 4. The total number of members of the board is adjusted to the complexity of the company, thereby consistently considering the effectiveness of the decision.

This is supported by Hisamudin & Tirta (2010), Mardiyati (2016), namely that GCG, as measured by the size of board of directors, states that the board of directors affects firm value. From the description above, the authors propose the following hypothesis:

H3: The size of the board of directors has an effect on firm value.

### 4. Relationship between Audit Committee Size and Firm Value

The Audit Committee is appointed by the company's Board of Corporate Auditors and is made up of a large number of people who are responsible for assisting the auditor while maintaining independence from management annexed to the Board Resolution. Jakarta Stock Exchange No. Kep315 / BEJ / 062000 Point 2f rules the establishment of the Audit Committee as stated as follows. "The Audit Committee is a committee formed by the Board of Directors of listed companies, which is a member of the Board of Corporate Auditors of listed companies. Audits in the management of the Board of Corporate Auditors of listed companies in the implementation to support the inspections or research necessary so as to perform the functions of the board of directors. Listed companies are considered important.

The Audit Committee entails issues regarding the independence of its members. The independence of audit functions must be maverick. Achieving the characteristics of an audit committee that can trust

management's accountability transparency will increase the trust of capital market participants. In addition, the Audit Committee's responsibility to protect the interests of minority shareholders can convince investors to trust the company in their investments. This question is consistent with a study by Onasis & Robin (2016) and Manik (2011) describing that the committee had a great positive effect on the firm value. From the explanation, the authors proposes the following hypothesis.

H4: The size of the audit committee has an effect on firm value.

### 5. The Relationship of the Effect of Institutional Ownership on Firm Value

Institutional ownership is the total percentage of voting rights owned by the institution. Jensen and Meckling (1976) found that ownership of an organization had a very important function in minimizing behavioral conflicts with managers and stakeholders. The presence of institutional investors is seen as an effective means of monitoring all decisions made by managers.

Institutional investors usually act as the parties that oversee the company. Companies with a high level of institutional responsibility (5% or more) can oversee management to increase organizational ownership in order to enable more efficient use of corporate assets. In this way, the share of ownership of an organization is considered to be a waste forecast performed by management. This question is answered by a study by (Suranta and Midiastuty, 2004) that show that institutional oversight can replace the funds of other agencies, reduce them and increase their firm value. This is consistent with a study by Sukirni (2012) and Tambalean (2018) which found that institutional ownership had a significant positive impact on firm value. From this explanation, the author would like to make the following hypothesis.

H5: The size of institutional ownership has an effect on firm value.

### 6. The Effect of Islamic Social Reporting on Firm Value with the Maqashid Syariah Index as a moderating variable

Based on Sharia Enterprise Theory, a company must have high attention to large stakeholders, namely Allah, human, and nature, where a company must prioritize the values of justice, truth, trust, and responsibility. The maqashid sharia index implemented by sharia commercial banks has 3 precise objectives in sharia enterprise theory. The matter is carried out in order to maintain the existence and grow the quality or quantity of sharia commercial banks, which are not only small in terms of material but also spirituality. The concept of the objective of the maqashid sharia index, which incorporates 10 company performance ratios, can be easily taken when it comes to corporate social

responsibility contained in the Islamic Social Reporting practice and carried out by the company that recognizes the company is a sharia company, such as a sharia bank. From this analysis, the following hypothesis can be formulated:

H6: Maqashid sharia index is able to moderate the relationship between Islamic Social Reporting and firm value.

#### 7. The Influence of Independent Commissioners on Firm Value with Maqashid Syariah Index as Moderating Variable.

According to sharia enterprise theory, sharia-based companies can provide transparent information when distributing added value. Added value is given to those who are directly related to the company's business, namely employees, where a company is obliged to focus on the values of justice, truth, trust, and responsibility. The existence of independent commissioners in the company aims to realize objectivity, independence, fairness, and give a sense of balance with safeguarding the interests of the company. For that, we need an independent board of commissioners who have great integrity focusing on the values of justice, truth, honesty, trust, and responsibility so that proper Good Corporate Governance is formed.

According to Hasanah (2015), the implementation of good corporate governance based on sharia principles can create a healthy bank group because it anticipates fraud and deviations from sharia. The existence of Bank Indonesia Regulation (PBI) No. 11/33/2009 regarding the implementation of Good Corporate Governance in Islamic Commercial Banks is the evidence of sympathy and support for the Central Bank in managing superior, competitive, and adherent sharia bank governance to Sharia values. Sharia banking which intends to achieve the usefulness of the people in the economy must be in line with the principles of maqashid sharia, namely to maintain religion, soul, mind, lineage, and property, which prioritize the values of justice, truth, trust, and accountability. From the explanation above, the authors proposes the following hypothesis:

H7: Maqashid sharia index moderates board size relationship

#### 8. The Relationship of the Influence of the Board of Directors on Firm Value with the Maqashid Syariah Index as a moderating variable

According to Shariah's corporate theory, all employees of Islamic banks need useful information and knowledge resources to be competitive, and this issue adds value to Islamic companies and enhances their value. The Board of Directors has the authority and overall responsibility to manage the company for the benefit of the company according to the purpose and

purpose of the company. According to Triyuwono (2015), the ultimate goal of Sharia business is Fara.

According to Hasanah (2015), by implementing good corporate governance based on Shariah's principles, banks strive to minimize fraud and Shariah deviations, allowing them to become a healthy banking group. The practice of the Maqassid Shariah Index, which the company is implementing, pursues three goals that are in line with the sense of Shariah company theory, somewhat material but also mentally correct, so the skills and abilities of employees improve. It also impacts the growth of reliable resources. From this analysis, the authors propose the following hypothesis:

H8: Maqashid sharia index moderates the relationship between the size of the board of directors and firm value.

#### 9. The Relationship of the Effect of Audit Committee Size on Firm Value with Maqashid Syariah Index as Moderating Variable

According to sharia enterprise theory, sharia-based companies can provide transparent information when distributing added value. Added value is given to parties who are not directly related to the company's business, such as employees. The audit committee is a company employee elected from the board of commissioners who is responsible for maintaining the financial reporting and disclosure stages so that the information provided is transparent. The existence of an audit committee is desirable to form additional value for the company. Given an audit committee, it is expected that it can increase the level of investor confidence; when reporting the company's financial statements, it can increase the firm value.

Maqashid sharia index is an effort by sharia companies to increase added value in the company, which in its determination comprises 3 objectives, namely; teach individuals, justice, and well-being. Someone's education express that if banking performance is assumed by how Islamic banking can arrange the right programs, education and training for its employees in moral values, then there is an increase in the abilities and expertise of employees, which can affect the increase in highly credible resources. The concept of justice states that every activity in the Company seeks to establish justice for all people, one of which is in reporting. As a result, the information obtained is the real condition of the company, then the maqashid sharia index can moderate the interaction of the audit committee on firm value. From that analysis, the following hypothesis can be formulated:

H9: Maqashid sharia index is able to moderate the relationship between audit committee size and firm value.

#### 10. The Relationship of the Effect of Institutional Ownership Size on Firm Value with the Maqashid Syariah Index as a Moderating Variable

Institutional ownership is the total number of institutional parties that own shares in the company (investors), who are the party responsible for the company. An investor who understands the concept of a sharia company can measure all elements of the company, especially the company's performance. This matter is carried out in order to minimize risk. Measurements carried out by calculating the CAMELS ratio are less effective when used for measuring performance on BUS because they are not appropriate for objectives that are based on Islamic values. Mohammed i (2008) comments that the measurement of Islamic banking performance is more effective using the Maqashid sharia index because there are 3 objective concepts, where they describe the performance ratio of Islamic companies and are used for investor assessment.

Therefore, according to sharia enterprise theory, with the existence of a Maqashid sharia index owned by sharia commercial banks, it can be more effective in carrying out company performance measurements, where the measurement with the Maqashid sharia index is acceptable on Islamic values, then the Maqashid sharia index can moderate the relationship between institutional ownership and firm value. From that analysis, the following hypothesis can be formulated:

H10: Maqashid sharia index moderates the relationship between the size of institutional ownership and firm value.

### 3. METHODOLOGY

The nature of this study is a quantitative study using secondary data types. The data source is from Bank Indonesia and companies registered under the Financial Services Authority (OJK). The survey began through a review of the Islamic Commercial Bank's annual accounts from January 2021 to August 2021 and from 2017 to 2019. The operational definition of this study used independent and dependent variables, and moderate variables. The variable affects the relationship between the independent variable and the dependent variable. The stated effects can make the effect of the independent variable stronger or weaker on the dependent variable. The population of this survey was all Indonesian Islamic Commercial Banks listed on Bank Indonesia and the Financial Services Authority (OJK) from 2017 to 2019. The purpose of this study was to determine the impact of Islamic social reporting and good corporate governance

on firm value, which was mitigated by the Maqashid Syariah Index. The sampling used is targeted sampling. Targeted sampling is a method of determining by considering the sample (Sugiyono, 2015). Simple characteristics are checked in two ways: Islamic Commercial Banks, which operate outsourced from 2017 to 2019, and Islamic Commercial Banks, which issued annual and GCG reports from 2017 to 2019. The data of

Nama Bank Syariah
PT. Bank Aceh Syariah
PT. BPD Nusa Tenggara Barat Syariah
PT. Bank Muamalat Indonesia
PT. Bank Victoria Syariah
PT. Bank BRI Syariah
PT. Bank Jabar Banten Syariah
PT. Bank BNI Syariah
PT. Bank Syariah Mandiri
PT. Bank Mega Syariah
PT. Bank Panin Dubai Syariah
PT. Bank Syariah Bukopin
PT. Bank BCA Syariah
PT. Bank Tabungan Pensiunan Nasional Syariah
PT. Maybank Syariah Indonesia

banking service institutions registered in Financial are as follows:

### 4. RESULTS AND DISCUSSION

The data used are secondary data obtained from [www.ojk.go.id](http://www.ojk.go.id) and financial reports that have undergone audit process. The population in this study consisted of Islamic commercial banks registered under Bank Indonesia. According to a report released by [www.sahamok.co.id](http://www.sahamok.co.id), the number of Islamic commercial banks listed on Bank Indonesia is 14 companies. Thus, the sample of this study took the entire population, namely 14 companies from the period 2017 to 2019. The sampling method in this study utilized the purposive sampling method, which is to draw samples according to the characteristics that have been determined, so that the sample obtained is appropriate, namely 14 Islamic commercial banks in every year. So, the total is 42 companies from the period 2017 to 2019. In accordance with the characteristics that had been determined, the explanation regarding the sample can be observed in the table below:

*Table 2 Research Sample*

No	Criteria	Total
1.	Number of Sharia Commercial Banks registered under Bank Indonesia 2017-2019	14
2.	Sharia Commercial Banks that do not issue financial reports in a row in 2017-2019	(0)
3.	Sharia Commercial Banks that do not have complete data from 2017-2019	(1)
Eligible samples		13
Total research sample during 2017-2019 = 13x3		39
Outlier		(4)
The total sample used in the study		35

**4.1. Descriptive Statistics**

Descriptive statistical analysis aims to divide the description of the observed study by the minimum, maximum, mean, and standard deviation. This analysis helps to outline the factors that influence the form value

in the number of Islamic commercial banks registered in Bank Indonesia 2017-2019 using independent variables, in short, good corporate governance by the Islamic Social Report and the Maqashid Syariah Index as a moderate variable.

*Table 3 Descriptive statistics*

	N	Minimum	Maximum	Mean	Std.Deviation
EVA	35	4,430	13,050	9,600	2,321
KI	35	0,330	1,000	0,616	0,157
DD	35	2,000	11,000	4,914	2,343
KA	35	2,000	6,000	3,857	1,166
KINS	35	0,000	1,000	0,224	0,330
ISR	35	0,330	4,320	0,590	0,584
MSI	35	-1,150	8,230	6,093	2,106
Valid N (Listwise)	35				

**4.2. Multiple Linear Regression**

Hypothesis testing is used to prove the effect of independent variables (Independent Commissioner,

Board of Directors, Audit Committee, Institutional Ownership, and Islamic Social Responsibility) on the dependent variable (Company Value) with the moderating variable (Maqashid Syariah Index).

*Table 4 Hypothesis Test Results*

Variable	Equation 1			Equation 2			Description
	Coefficient	T	Sig	Coefficient	T	Sig	
(Constant)	8,789	2,415	0,022	-21,823	-0,969	0,343	
KI	0,769	0,288	0,775	12,612	1,509	0,145	H <sub>1</sub> Rejected
DD	0,173	0,688	0,497	0,968	0,751	0,460	H <sub>2</sub> Rejected
KA	-0,668	-1,863	0,073	1,465	0,562	0,579	H <sub>3</sub> Received
KINS	-5,083	-3,898	,001	-10,155	-0,969	0,343	H <sub>4</sub> Received
ISR	6,976	1,059	0,298	34,133	1,128	0,271	H <sub>5</sub> Rejected
MSI				4,462	1,448	0,161	
KI_MSI				-1,927	-1,496	0,148	H <sub>6</sub> Rejected



DD_MSI				-0,134	-0,686	0,500	H <sub>7</sub> Rejected
KA_MSI				-0,287	-0,753	0,459	H <sub>8</sub> Rejected
KINS_MSI				0,815	0,543	0,592	H <sub>9</sub> Rejected
ISR_MSI				-3,789	-0,861	0,398	H <sub>10</sub> Rejected
R2	0,424			0,518			
Adjusted <sup>2</sup>	0,325			0,288			
Sig	0,005			0,049			

The results of hypothesis testing in Table 5 can be obtained using the equation

Equation I

$$EVA = 8,789 + 0,769KI + 0,173DD - 0,668KA - 5,083KINS + 6,976ISR + \varepsilon \quad (I)$$

Equation II

$$EVA = -21,823 + 12,621KI + 0,968DD + 1,465KA - 10,155KINS + 34,133ISR + 4,462 MSI - 1,927KI\_MSI - 0,134DD\_KSI - 0,287KA\_MSI + 0,815KINS\_MSI - 3,789 + \varepsilon \quad (II)$$

### 4.3. Discussion

#### *Influence of Islamic Social Responsibility on Firm Value*

The results of hypothesis testing indicate that the significant value of the Islamic social responsibility variable was  $0.298 > 0.05$ . So, it can be concluded that Islamic social responsibility had no effect on firm value, thus H1 is rejected. Generally, investors in Indonesia are more likely to buy shares to get capital gains, so they will choose to trade shares every day without paying attention to the long-term sustainability of the company. Investors decide to buy shares based on the economic market position and the news circulating. However, social responsibility in accordance with Islamic social responsibility is a long-term strategy of a company in an effort to maintain its existence. The findings in this study are consistent with Augustine (2014) and Fajriana (2016).

#### *Influence of Independent Commissioners on Firm Value*

The effects of speculation suggest that the vast price of the impartial commissioner variable was  $0.775 > 0.1$ . Therefore, the impartial commissioner had no impact on organization price, so H2 is rejected. An impartial commissioner in a organization does not always assure that the price of the organization will increase. The lifestyles of impartial commissioner tracking does now

no longer prevent the conduct of managers to maximize their non-public pastimes in order to achieve the organization's goal. Maximizing organization price is tough to see if there are such variations in pastimes. This is considered tough for traders with the intention to make price the organization's stocks better than the organization's book value. This effect is constant with (Kusumaningtyas & Andayani, 2015) and (Amrizal, 2016).

#### *Influence of the Board of Directors on Firm Value*

The results of the hypothesis test show that the significant value of the board variable was  $0.497 > 0.1$ . Thus, H3 is rejected since the board does not affect goodwill. These results suggest that the Indonesian board of directors tends to be permanent during the same period. So, in principle the existence of a board of directors who is fully responsible for corporate governance does not make a dominant contribution to firm value. The number of directors does not affect the firm value, as large companies tend to be more stable in implementing more measurable governance according to applicable standards (Kamela, 2021). The results of this study are consistent with Tombokan et al. (2019) and Kamela (2021).

#### *Influence of the Audit Committee on Firm Value*

The results of the hypothesis test show that the significant value of the Audit Committee variable was  $0.073 < 0.1$ . From this, it can be determined that the Audit Committee did not affect goodwill and H4 is accepted. The audit committee also makes an important contribution to building good corporate governance for the company. When the audit committee performs its duties well, it improves oversight and company's performance. This undermines investors' interest in investing in the stock of a company that raises its stock price, thereby increasing the firm value. The results of this test are consistent with the findings of Amalia & Eriada (2019).

### *Influence of Institutional Ownership on Firm Value*

The results of the hypothesis test show that the significant value of the institution-owned variable was  $0.001 < 0.01$ . From this, it can be determined that the ownership of the institution affected the corporate value, so H5 is accepted. Based on the test results, we can conclude that the amount of shares held by institutional investors allows the company to control and that the company owners are able to control the behavior of the management in a way that is consistent with the objectives of its realization, namely increasing firm value. In addition, by expanding the ownership of the organization, it is expected that the firm value will be increased by avoiding waste and profit manipulation by the management. The results of this test are consistent with the findings of Sukirni (2012).

### *Influence of Maqashid Syariah Index on the relationship between Islamic Social Responsibility and Firm Value*

The results of the hypothesis test show that the significance value of the Islamic social responsibility variable with the moderation of the maqashid sharia index was  $0.398 > 0.1$ , while the significant value of the maqashid sharia index was  $0.161 > 0.1$ . This is included in the type of potential moderating variable (Homologiser Moderator) because the maqashid sharia index variable had no effect on firm value, and did not affect the relationship between Islamic social responsibility and firm value, so H6 is rejected.

The existence of the Maqashid Syariah Index did not have a significant effect because the company continued to carry out responsibilities to stakeholders whose implementation was intended to achieve the goals of Islamic companies, namely *falah*. Companies without Maqashid Syariah index, will have their ISR activities continue to improve the company's image and reputation, so that it can increase company value. The results of this study are in line with research conducted by Refani & Veni (2020).

### *Influence of Maqashid Syariah Index on the relationship between Independent Commissioners and Firm Value*

The results of the hypothesis test show that the significant value of the variable of the independent committee with the moderated Maqashid Shariah index was  $0.145 > 0.1$ , while the significance value of the Maqashid Shariah index was  $0.161 > 0.1$ . This is included in the type of potentially moderated variable (homologous moderator) because the Maqashid Sharia index variable did not affect goodwill and did not affect

the goodwill relationship with the independent commissioner. Therefore, H7 is rejected.

Based on the test results, the Maqashid Syariah Index did not affect the relationship between the independent committee and goodwill. The existence of the Maqashid Syariah Index did not significantly affect the effectiveness of corporate value. An independent commissioner is fundamentally responsible for integrity independence, impartiality, oversight, and management in the sense of maintaining good corporate value. The results of this study are consistent with the studies performed (Swandari et al., 2018).

### *Influence of Maqashid Syariah Index on the Relationship between the Board of Directors and Firm Value*

The results of the hypothesis test show that the significance of the Maqashi Shariah index was  $0.500 > 0.1$ , while the significance of the Maqashi Shariah index was  $0.161 > 0.1$ . Since the Maqashid Sharia index variable did not affect goodwill and did not affect the goodwill relationship with the board, it is included in the type of variable that is potentially moderated (homologous moderator), therefore H8 is rejected.

The application of the Maqashid Shariah Index is a concrete proof of Shariah's principles implemented by Shariah's commercial banks to achieve good corporate governance. However, the application of the Maqashid Shariah Index has not been weighed against a sufficient number of directors so the application of the Maqashid Shariah Index is not sufficient to mitigate the impact of the Board on the Maqashid Shariah Index. The results of this survey are consistent with the survey conducted (Oktavendi, 2019).

### *Influence of Maqashid Syariah Index on the Relationship between the Audit Committee and Firm Value*

The results of the hypothesis test show that the significance value of the inspection committee variable with the relaxed Maqashid Shariah index was  $0.459 > 0.1$ , while the significance value of the Maqashid Shariah index was  $0.161 > 0.1$ . This is included in the type of potentially moderated variable (homologous moderator) because the Maqashid Shariah index variable did not affect goodwill and did not affect the goodwill relationship with the audit committee. Therefore, H9 is rejected.

This is because the Audit Committee is not operating as intended. The existence of an audit committee is limited to regulatory compliance, but does not follow the effective implementation and implementation of the Maqashid Shariah Index. As a result, the Audit Committee is responsible for overseeing financial

reporting, overseeing external audits, and understanding ineffective internal control systems. The results of this survey are consistent with the survey conducted.

### *Influence of Maqashid Syariah Index on the Relationship between Institutional Ownership and Firm Value*

The results of the hypothesis test show that the significance value of the board of commissioners meeting variable with the moderation maqashid sharia index was  $0.592 > 0.1$ , while the significant value of the maqashid sharia index was  $0.161 > 0.1$ . This is included in the type of potential moderating variable (Homologiser Moderator) because the maqashid sharia index variable had no effect on firm value, and did not affect the relationship between institutional ownership and firm value, so H10 is rejected.

The low level of institutional ownership shows that the company had not been optimal in managing funds from investors, thus affecting the distribution of results obtained by investors. As a result, investors are more interested in investing their capital in conventional banks. Deden (2019) gives the opinion that the assets of Islamic commercial banks have decreased due to the difficulty of Islamic commercial banks in allocating funds and raising funds. This difficulty was stated in accordance with the data for the period I/2019. Therefore, the funds that should be allocated for financing can earn income from Islamic commercial banks although it is not carried out according to plan and make the income collected to be minimal and have an impact on decreasing profit sharing distributed to customers or investors. The results of this study are in line with research conducted by Deden (2019).

## **5. CONCLUSION**

Based on the results of testing and discussion in the previous chapter, the following conclusions can be drawn:

1. The Islamic social responsibility variable had a significance value of  $0.298 > 0.1$ , which means that Islamic social responsibility had no effect on firm value.
2. The independent commissioner variable had a significance value of  $0.775 > 0.1$ , meaning that the independent commissioner had no effect on firm value.
3. The board of directors variable had a significance value of  $0.497 > 0.1$  meaning the board of directors had no effect on firm value.
4. The audit committee variable had a significance value of  $0.073 > 0.1$ , which means that the audit committee had no effect on firm value.
5. Institutional ownership variable had a significance value of  $0.001 < 0.1$ , meaning that institutional ownership had an effect on firm value.
6. The Islamic social responsibility variable moderated by the Maqashid Syariah Index (ISR\_MSI) had a significant value of  $0.398 > 0.1$ , which means that Islamic Social Responsibility moderated by the Maqashid Syariah Index did not affect firm value
7. The independent commissioner variable moderated by the maqashid sharia index (KI\_MSI) had a significant value of  $0.148 > 0.1$ , which means that the independent commissioner moderated by the maqashid sharia index did not affect firm value.
8. The variable of the board of directors moderated by the maqashid sharia index (DD\_MSI) had a significant value of  $0.500 > 0.1$ , which means the board of directors moderated by the maqashid sharia index did not affect firm value.
9. The audit committee variable moderated by the maqashid sharia index (KA\_MSI) had a significant value of  $0.459 > 0.1$ , which means that the audit committee moderated by the maqashid sharia index did not affect firm value.
10. The institutional ownership variable moderated by the maqashid sharia index (KINS\_MSI) had a significant value of  $0.592 > 0.1$ , which means that institutional ownership moderated by the maqashid sharia index did not affect firm value.

## **6. SUGGESTIONS**

Based on the conclusions and limitations of this study, the researchers provide the following recommendations:

- 1) Further researchers can use other GCG indicators such as the Board of Commissioners, Sharia Supervisory Board, Managerial Ownership, and add measuring tools such as the number of meetings, the amount of remuneration, and the influence of gender.
- 2) Further research is recommended to add or expand the research sample, for example by adding data from UUS, BPRS, Sharia Pawning, Sharia Cooperatives, or expanding cross-border research, as well as adding years to the research.

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