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The Mediation of Islamic Social Reporting to Influence the Islamic Corporate Governance on Firm Value (Study on Islamic Banking in Southeast Asia 2012-2016)

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ABSTRACT

This study investigates Islamic social reporting as an intervening variable between Islamic corporate governance to firm value. The method used purposive sampling with the samples of 11 sharia banks listed on Bursa Malaysia and Indonesia in 2012-2016. The analysis used path analysis with warp partial least square to examine the mediation effect of Islamic social reporting. Indicators for measuring Islamic corporate governance used accountability, transparency, responsibility, and fairness. Indicators measured firm value using price to book value ratio and price to earnings ratio. Indicators for measuring Islamic social reporting used investment and finance, products and services, labor, community, environment, and corporate governance. The results described Islamic corporate governance had a significant positive effect on firm value. Islamic corporate governance showed a significant positive impact on Islamic social reporting. Islamic social reporting had a significant negative effect on firm value, so it is concluded that Islamic social reporting is unable to mediate between the influence of Islamic corporate governance on firm value. This confirms that sharia banking with good Islamic corporate governance would improve Islamic social reporting and firm value, while Islamic social reporting runs well could not respond to investors as information needed in decision making to increase firm value.

1. Introduction

The Southeast Asian region is considered the center of the Islamic banking and finance industry in the world. Malaysia and Indonesia are parts of Southeast Asian countries that are driving the development of Islamic banking. The banking financial system in the world has encouraged countries in the Southeast Asian region to participate in the Islamic finance industry. Islamic banking and financial governance in ASEAN countries take many different forms. Malaysia is the fastest country in developing the Islamic banking industry with a total market participation of around 26% of the total national banking assets. The Islamic banking system then developed rapidly by inviting foreign parties to open Islamic banks and offering banking products based on the BAFIA Act (Banking and Financial Institutions Act) of 1989. IFSA (Islamic Financial Act Services Act) (2013) is a law the latest law governing Islamic financial institutions in Malaysia. Apart from Malaysia, Indonesia is also one of the countries in ASEAN which is currently intensively developing Islamic banking and financial systems. Sharia banking in Indonesia currently only has a market participation of around 4.8% of total banking. Sharia banking in Indonesia has had significant mobility since the enactment of Law no. 21 of 2008 concerning Islamic Banking (Rama, 2015).

The next country that has developed in Islamic banking is Brunei Darussalam. This country is a Muslim country which is quite intense in developing the Islamic finance industry. Singapore, Philippines, and Thailand as Muslim minority countries also developed the Islamic finance industry. Even Singapore has proclaimed itself to be the center of Islamic finance in the Asian region and even in the world because of Singapore's reputation as a financial center in the world.

The rapid development of Islamic banks is now encouraging the creation of accounting regulations for sharia banks. Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in 1991 was an international sovereign institution in determining accounting standards, auditing, good corporate governance, and financial principles for Islamic financial institutions in the world. AAOIFI regulations have been widely used as guidelines for sharia in various countries, including the Southeast Asian region. Malaysia and Indonesia themselves use AAOIFI as a reference for determining national sharia in making sharia compliance standards. As for several other countries in the Southeast Asian region such as Brunei and Singapore, they voluntarily adhere to sharia standards based on AAOIFI as the basis for internal guidelines in Islamic financial institutions. AAOIFI regulates compliance with sharia corporate governance and auditing activities.

The increasingly rapid growth of Islamic banks motivates management to express social responsibility based on sharia principles. the Islamic social reporting index which is considered capable as a reference to measure Islamic social reporting better and following sharia principles which include six dimensions consisting of products and services, finance and investment, labor, environment, society, and governance manage the company (Haniffa, 2002). Islamic social reporting based on sharia is inseparable from the practice of Islamic corporate governance. Islamic corporate governance implemented to sharia banks is based on sharia principles (Shariah Compliance). Sharia institution principles are accountability, responsibility, transparency and fairness (Larbsh, 2015).

Therefore, Islamic corporate governance is expected to be able to reduce fraudulent actions by irresponsible groups. Islamic corporate governance and Islamic social reporting that meet the standards will be an added value for stakeholders in decision making. The importance of this reporting makes it necessary to monitor the implementation. If this application is good, it can provide confidence to stakeholders. Corporate Governance Strength (CGS) influences Islamic social reporting, so it can be concluded that the effectiveness of Islamic corporate governance is reflected in Islamic social reporting (Cahya, Nuruddin, and Ikhsan, 2017). Nevertheless, Islamic banks do not fully carry out social roles based on Islamic law. Islamic banks are more concerned with economic aspects with an indication of investment opportunities compared to social criteria (Maali, Casson, and

Napier, 2006). Therefore, Islamic corporate governance is needed to see sharia compliance and reporting compliance with reality.

Islamic corporate governance is also the initial foundation in carrying out the company's internal management. The company's internal management that runs well will impact company performance where the performance results move in the direction of the level of income which will ultimately affect the firm value and increase the company's stock price (Malik, 2012). The stock price is considered important for the company because it is the main evidence for investors to buy shares to form an investment in the company.

The share price of a company is almost facing changes either up or down. Mobility in stock prices can provide profits to investors. Investors want information related to the components that affect the stock price directly or indirectly. The information obtained comes from internal or external companies. The internal company is linked to the annual report and other supporting reports. While external companies are linked to interest rates, fiscal policy, and the economy (Malik, 2012).

Islamic corporate governance and Islamic social reporting are reports that are assessed by investors to determine the company's valuation. This information is considered to affect firm value. (Ratri and Dewi, 2017) states that Islamic social reporting influences company value. This is because good company management will improve performance so that the stock price will increase.

Corporate governance has a significant influence on Islamic social reporting. This is evidenced by the magnitude of the influence of corporate governance on Islamic social reporting 12.6%. Corporate governance also has a significant influence on company value with the value of the company 86.5%. Meanwhile, the influence of Islamic social reporting on company value is not significant so it can be concluded that Islamic social reporting is not an intervening variable (Mutaqin and Tandika, 2018). The same thing shows that Corporate Social Responsibility (CSR) has an insignificant and negative effect on company value and profitability. Good Corporate Governance (GCG) has an insignificant and positive effect on company value. Indirectly Good Corporate Governance (GCG) significantly influences company value with profitability (Khasanah and Sucipto, 2020).

It was added that ICSR had no significant negative effect on Company Value, GCG had a significant positive effect on Company Value. Financial performance is not able to mediate the relationship between the influence of ICSR on Company Value. However, Financial Performance mediates the relationship of GCG influence on Company Value (Utami and Yusniar, 2020).

Based on previous research shows that there are still many limitations, especially regarding reporting in Islamic banking, both Islamic corporate governance, Islamic social reporting, and firm value. Lots of different conclusions in analyzing Islamic corporate governance, Islamic social reporting, and firm value. This difference has given the view that investors have confidence in valuing a company. This study shows that Islamic corporate governance and Islamic social reporting are only limited to compliance with regulations, but have not seen whether the expectations required by investors as information in supporting decision making in investment when viewed from non-financial aspects. Reporting has not yet been assessed whether it is Islamic principles and the provisions of Islamic regulations, so it is necessary to see compliance with Islamic regulations in banks. The ever-increasing growth in sharia banking in the Southeast Asian region is also a reason for choosing a research sample so that a real picture of the state of sharia banking can be seen.

This research is a development from previous research by examining the influence of Islamic corporate governance and Islamic social reporting on firm value in Islamic banking. The selected sample coverage is also wider, namely the Southeast Asian region so that it can be seen in the state of Islamic banking in each country in the Southeast Asian region. This study examines and analyzes the effect of Islamic corporate governance on firm value with Islamic social reporting as an intervening variable.

The purpose of this research to analyze and find empirical evidence of Islamic corporate governance on firm value, Islamic corporate governance on Islamic social reporting, Islamic social reporting on firm value, and Islamic social reporting in mediating the influence of Islamic corporate governance on firm value.

2. Literature Review

This theory uses signal theory and stakeholder theory. Signal theory explains why companies have an incentive to disclose information to the market even without mandatory orders or regulatory regulations. This management information reporting is done so that investors remain impressed with the company. The company conveys finance information to minimize information asymmetry between the company and related parties (external) companies (Wolk and Tearney, 2001).

Signal theory in this study implies that companies should publish complete financial information to investors. The information provided to investors is in the form of a company's annual report which includes Islamic corporate governance and Islamic social reporting. Annual reports released by companies can provide positive or negative signals that can affect investment decisions for investors. This investment decision affects the firm value seen in market performance. the information in the annual report is used as an analysis tool for investors to measure the level of return (profits) that will be obtained by investors.

Stakeholder theory as a company that grows not only for the sake of one-sided / agent, but also able to contribute to its stakeholders, namely shareholders, the public, analysts, creditors, and the government and other related parties. The scope of this stakeholder is considered important for management in announcing information contained in the annual report for consideration. Stakeholder theory is useful for management to improve firm value in return for activities that have been carried out and reduce losses for stakeholders (Ghozali and Chariri, 2007).

Stakeholder theory implies that Islamic corporate governance and Islamic social reporting carried out by companies have the hope that they will have a positive value for the environment and stakeholders to make the company continue to survive and be able to develop during society to provide future benefits. Islamic corporate governance and Islamic social reporting are considered important for companies. It can also be used as a guide for Muslim investors who will invest in one of the agencies. Muslim investors also glance at the company's concern for the welfare of stakeholders. The higher the level of Islamic social reporting in a company's financial information, the higher the interest of Muslim investors to invest their funds in the company. This makes the firm value of banking even better.

This the research framework is clarified with charts and arrows to clarify the influence of exogenous, endogenous, and intervening variables that have been studied.

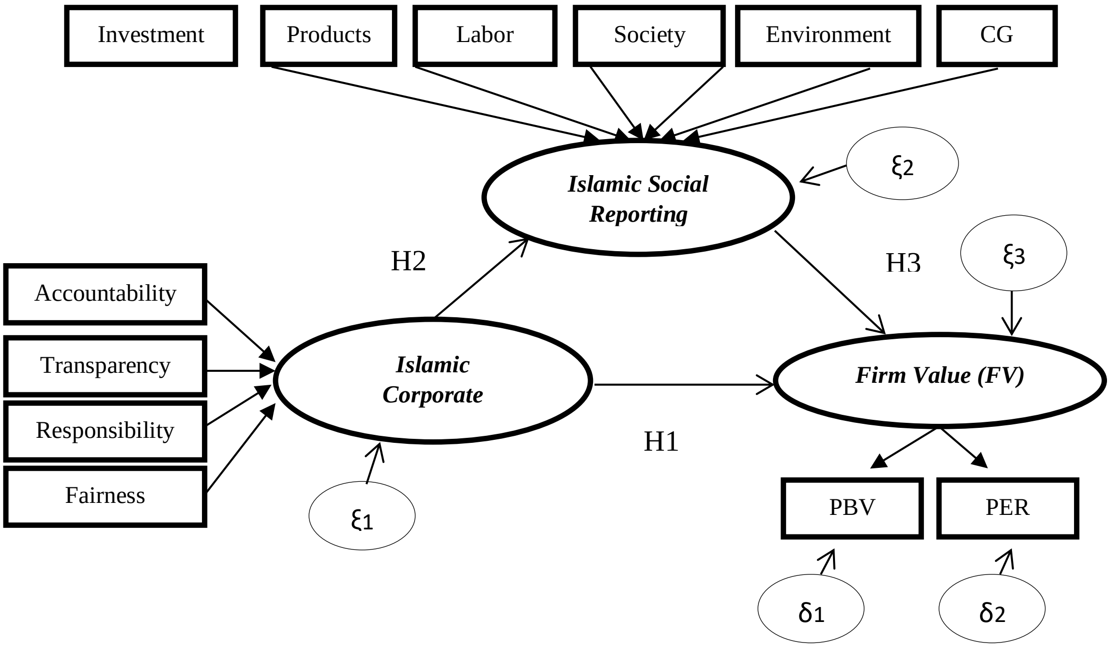

Figure 1. Path Analysis
Source: Primary data processed (2020)

Islamic Corporate Governance to Firm Value

Based on the signal theory that information of Islamic corporate governance is a good signal to stakeholders so that with a positive response regarding Islamic corporate governance consisting of accountability, transparency, responsibility, and fairness, investors will consider that the Islamic banks have good company performance. Islamic corporate governance that can describe information about future progress to the users of the company's annual report.

Stakeholder theory in Islamic corporate governance to stakeholders also explains that the information conveyed by management in this report can be additional information for stakeholders and other interested parties to get to know and monitor the company well. Islamic corporate governance issued by management as a means for stakeholders to provide assessment and evaluation of Islamic banks. Islamic corporate governance is additional information besides financial information for stakeholders which ultimately helps in decision making.

Islamic corporate governance affects the stock price. Islamic social reporting has a significant effect on the value of the company as described by market performance. It was concluded that broader Islamic corporate governance would increase the confidence of Muslim stakeholders (Malik, 2012).

Islamic corporate governance will cause an increase in demand for company shares. Increasing demand for a stock automatically causes an increase in the value of shares and the value of the company will increase. The conclusion is that the high level of Islamic corporate governance makes the value of shares and the value of the company better for investors.

The principles of Islamic corporate governance are accountability, transparency, responsibility, and fairness. This principle is expected to be able to describe the condition of Islamic corporate governance principles in Islamic banking (Larbsh, 2015). Islamic corporate governance has an interest in safeguarding the rights of minority shareholders from the exploitation of managers and insider trading. Islamic corporate governance also serves added value for all stakeholders (Forum for Corporate Governance in Indonesia (FCGI) (2018), so the presence of Islamic corporate governance attracts investors as a means of accurate information to make investments whose ultimate goal will have an impact on increasing firm value. Based on the explanation above, the hypothesis can be made:

H1: Islamic corporate governance has a positive influence on firm value

Islamic Corporate Governance to Islamic Social Reporting

The influence of Islamic corporate governance on Islamic social reporting is explained in stakeholder theory that each stakeholder whether directly or indirectly interested needs accurate, relevant and reliable information about the company's current and future conditions (forecasting). Information about Islamic corporate governance and Islamic social reporting describe information about the company's future progress to the users of the company's annual report. The better the two reports will make stakeholders support the company with all its activities to increase performance and maximize company profits.

Measurement of Islamic corporate governance has been carried out by (Cahya, Nuruddin, and Ikhsan, 2017) that Islamic corporate governance influences Islamic social reporting, so the better Islamic corporate governance the Islamic social reporting will be better too. Islamic corporate governance uses the principles of accountability, transparency, responsibility, and fairness. Good reporting on Islamic corporate governance shows that the banking mechanism has been running well, which automatically makes other information also considered good. (Sembiring, 2019) also magnified that corporate governance functions as a supervisor in the implementation of Islamic social reporting. The supervisors referred to by the board of commissioners, the audit board, and the sharia supervisory board. If the monitoring of Islamic social reporting is tighter and better by management, the disclosure will be even better.

Companies that report complete information and are contained in the Islamic social reporting index element, will certainly increase the trust and interest of Muslim investors in investing in the company. Islamic corporate governance also includes things that need to be considered in management disclosure, this is due to the banking accountability in Islamic corporate governance. The better and more transparent Islamic corporate governance and Islamic social reporting balance investors in investing. Based on the results of research that has been done, made the hypothesis:
H2: Islamic corporate governance has a positive influence on Islamic social reporting.

Islamic Social Reporting to Firm Value

Stakeholder theory explained that information about Islamic social reporting provides more benefits for stakeholders in analyzing so that it can be used in decision making. More and more investors are investing, which will cause an increase in demand for company shares. An increase in demand for a stock automatically causes an increase in the value of the stock.

Signal theory on the influence of Islamic social reporting on firm value that the information published by management can be an investor reference for investment and anticipation. Islamic social reporting information submitted will immediately be responded to by the market as a signal so that it will have an impact on firm value, which in turn will affect the value of the company's shares. Islamic social reporting reported by the company illustrates the response and concern of Islamic banks on social conditions. Islamic banks consider that Islamic social reporting is important because companies grow not only oriented to profits and shareholders. This concern creates added value for Muslim investors because they consider Islamic banks that grow by thinking about social aspects be of particular interest for investors.

Islamic social reporting has a significant effect on firm value. The extent of Islamic social reporting will increase the confidence of Muslim stakeholders (Ratri and Dewi, 2017). This makes the Islamic social reporting information can be considered as information that should be taken into account because it will attract investors in seeing the company's performance. The hypothesis is formulated:
H3: Islamic social reporting has a positive influence on firm value.

Islamic Corporate Governance to Firm Value and Islamic Social Reporting is Intervening Variable

Signal theory on the influence of Islamic corporate governance on firm value with Islamic social reporting as an intervening that it is expected that information about Islamic corporate governance and Islamic social reporting can affect investors. Stakeholders also see the company's performance through Islamic corporate governance and Islamic social reporting, which then uses the information to assess Islamic banking. Islamic corporate governance and Islamic social reporting become information needed by investors in investing. Stakeholder theory states that companies must carry out Islamic corporate governance and Islamic social reporting as one of their responsibilities to stakeholders. Through this information, the market will give a positive appreciation as indicated by an increase in the company's stock price (Cahya, Nuruddin, and Ikhsan, 2017).

Corporate governance strength affects firm value with Islamic social reporting as mediation. Therefore, companies need to develop several policies to oversee the implementation of Islamic social reporting and good Islamic corporate governance and other related aspects in determining that an entity's activities can be carried out based on sharia principles and in line with stakeholders. It is expected that the information delivered can be able to minimize the information asymmetry for shareholders (Cahya, Nuruddin, and Ikhsan, 2017). It is also able to describe the company's future progress to the users of the annual report. the research hypothesis is made:

H4: Islamic social reporting mediates influence of Islamic corporate governance to firm value

3. Research Method

This study uses explanatory research to identify the causal relationships between the variables. The research applies quantitative analysis using content analysis cause the data used is in the qualitative form which is quantified by allowing a score of 1 or 0 on each indicator element. The data used is an annual report to investigate the effect of Islamic corporate governance and Islamic social reporting on firm value in Islamic banking. Then, an analysis of the application of sharia principles is carried out in accordance with the indicators of the influence of Islamic corporate governance and Islamic social reporting. The year of analysis used is 2012-2016, which is five years.

Data analysis uses Path Analysis with WarpPLS 05 to test the structural model or inner model with PLS. Determination of the relationship between constructs, significance values, and R-square of the research model is done by testing the inner model, then the structural model is evaluated using R-square (Ghozali and Latan, 2017).

The exogenous variable of this research is firm value. Firm value is proxied by measuring Price to Book Value (PBV) and Price to Earnings Ratio (PER) reflected in the financial statements. Price to Book Value (PBV) and Price to Earnings Ratio (PER) are considered capable of describing market values more effectively. Islamic corporate governance was measured using Islamic values based on the basic principles of Islamic corporate governance:

Table 1. Islamic Corporate Governance (ICG) Indicators

Principles of ICG	Indicators	Content Analysis
Accountability	1. Minimum of members of SSB (Sharia Supervisory Board) is 3 people 2. Minimum of Audit Committee members is 3 people 3. *Reward and punishment system*	$0 \leq$ Accountability ≤ 3
Transparency	1. Time of issuance of financial statements 2. Sharia-based company vision 3. The mission of sharia-based companies 4. Sharia-based company strategy 5. Management structure 6. Risk management	$0 \leq$ Transparency ≤ 11

	7. Internal supervision and control system 8. Islamic corporate governance implementation system 9. Disclosure of important events 10. Board of Commissioners' share ownership 11. Family relations and financial relationships of the board of commissioners with other parties	
Responsibility	1. Implement the Precautionary Principle 2. Carry out corporate social responsibility	$0 \leq$ Respnsibility ≤ 2
Fairness	1. The existence of an independent board of commissioners 2. Provide a description containing the submission of opinions for stakeholders in the form of input and criticism and has a homepage for access to information.	$0 \leq$ *Fairness* ≤ 2

Source: PBI 11/33 / PBI / 2009 and KNKG Adaptation

The measurement of Islamic social reporting refers to measurements made by (Othman and Md Thani 2010). Measurement of Islamic social reporting using content analysis, with indicators of Islamic social reporting are:

Table 2. Islamic Social Reporting (ISR) Indicators

No.	Islamic social reporting	Indicators	Content Analysis
1	Investment and finance	1. Usury 2. *Gharar* 3. Zakat 4. Procedure for uncollectible accounts 5. Value-added statement	$0 \leq$ Investment ≤ 5
2	Products and services	1. Environmentally friendly products 2. Halal 3. Product quality and safety 4. Information about customer service	$0 \leq$ Products ≤ 4
3	Labor	1. Working hours and holidays 2. Employee education and training 3. The same opportunity 4. Employee involvement in a job 5. Employee safety and health 6. Work environment 7. Employees with special groups 8. Providing adequate time and place for worship for employees.	$0 \leq$ Labor ≤ 8
4	Society	1. Sadaqah (donation) 2. Waqf 3. Qardhul Hasan 4. Volunteer employees, related to social activities 5. Scholarship 6. The development of young people and underprivileged communities 7. Child protection or care 8. Social activities, for example, natural disaster assistance, distribution of funds 9. Providing sponsors of community activities	$0 \leq$ Society ≤ 9
5	Environment	1. Protection / maintenance of nature / environment 2. Award/certification about the environment 3. Do not create environmental pollution 4. Education about the environment 5. The relationship of the product to the environment.	$0 \leq$ Environment ≤ 5

6	Corporate governance	1. Sharia compliance status, a statement from SSB (Sharia Supervisory Board) 2. Ownership/shareholder structure 3. Structure of directors 4. Statements of activities are prohibited, such as monopolistic practices, stockpiling 5. Anti-corruption policy.	$0 \leq CG \leq 5$

Source: Adaptation from Haniffa (2002)

The measurement of Islamic corporate governance and Islamic social reporting using dummy analysis with a score of 0 and 1 as an assessment. After that, a sum is added for each of the disclosed indicators. Each statement is worth 1 if the Islamic bank reports all indicators. But it is 0 if the sharia bank does not report. Then each statement, the indicators are added.

Determination of Samples

The research data use annual reports on banks in the ASEAN region (Association of Southeast Asian Nations) from 2012 to 2016 with the following criteria: (1) Islamic banks / financial institutions; (2) Listing on the stock exchanges in each country; (3) Data / annual report available for the last five years. Some of the countries mentioned above were chosen based on the selection of purposive sampling with certain criteria so that as many as 11 Islamic banks in the Southeast Asian region were included. Data analysis was carried out in 2012-2016 for five years full of data about the analyzed variables. This study are firm value, Islamic corporate governance, and Islamic social reporting. The following are sample criteria used by researchers:

Table 3. Samples for 2012-2016

Sample Criteria	IDN	MYS	SGP	BRN	THA	PHL	Total
Islamic banks / financial institutions	11	18	2	2	1	1	35
Listing on the stock exchanges in each country	1	10	-	-	-	-	11
Annual reports are available for the past five years (2012-2016)	1	10	-	-	-	-	11

Source: Primary data processed (2020)

The sample used was 11 Islamic banks in Southeast Asia, from the total population of Islamic banks there were 35 Islamic banks. Due to the selection of samples by purposive sampling, only 11 Islamic banks were determined. The criteria for selecting samples are made to make it easier in research. The first criterion on Islamic banks implies bank listing on the stock exchange. The second provision is that Islamic banks issue annual reports for the past 5 years (2012-2016). Southeast Asia has a lot of Islamic banking, but only 11 banks reach the first criteria, namely listing on the stock exchange. All 11 of these banks met the second criterion, namely publishing an annual report.

Table 4 illustrates that sharia banking is mostly termed by the State of Malaysia as the most sharia bank. Islamic banks in Malaysia are seen on the Malaysian exchanges listed on the website www.bursamalaysia.com. Islamic banks in Malaysia number 10 banks while Indonesia only has 1 Islamic banking listed on www.idx.co.id. While Brunei Darussalam does not have a stock exchange so it is not included in the analysis and other countries such as Thailand and the Philippines until the year of this analysis, Islamic banking in these countries has not been listed on the exchanges of each country. There are 11 Islamic banking from both countries, Malaysia and Indonesia, as described in the table:

Table 4. Samples of Sharia Banking

No.	Name	Country
1	Alliance Islamic Bank Berhad	Malaysia
2	Affin Islamic Bank Berhad	Malaysia
3	AM Bank Islamic Berhad	Malaysia
4	Bank Islam Malaysia Berhad (BIMB)	Malaysia
5	Cimb Islamic Bank berhad	Malaysia
6	Hong Leong Islamic Bank Berhad (HLIBB)	Malaysia
7	Kenanga Investment Bank Berhad	Malaysia
8	Maybank Islamic Berhad	Malaysia
9	RHB Islamic Bank Berhad	Malaysia
10	Public Bank Berhad	Malaysia
11	PT. Bank Panin Dubai Syariah, Tbk (PNBS)	Indonesia

Source: Primary data processed (2020)

The analysis was carried out in panel data for five consecutive years in annual reports annually and an analysis using 11 Islamic banking data in Malaysia and Indonesia. The calculation carried out analysis begins in the 2012-2016 accounting period. All Islamic banking in Malaysia has five years of analysis time but at PT. Banks Panin Dubai Syariah Tbk. (PNBS) Indonesia was only analyzed for three years, this is because PNBS only began listing on the Indonesian stock exchange (www.idx.com) in 2014. Firm value variables at PT. Banks Panin Dubai Syariah Tbk. (PNBS) only uses data for 2014-2016. As for the variables of Islamic corporate governance and Islamic social reporting reported in full for five years.

4. Results and Discussion

Based on the general model elements in WarpPLS 5.0 output explains that the total latent variables in this study amounted to 3 variables, where the observed variables (manifest variable) were 12 indicators, with details of 4 indicators for Islamic corporate governance, 6 indicators for Islamic social reporting, 2 indicators for firm value. The evaluation between latent variables, testing the hypothesis by looking at the path coefficient between the variables then comparing the p-value with the alpha value (0.05) seen in WarpPLS 5.0 output.

The analysis is carried out by entering intervening/mediating variables to show differences, as explained in the following figure:

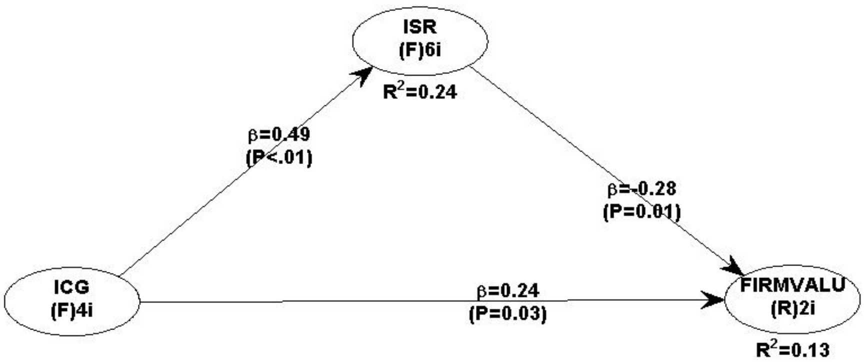

Figure 2. The output of the Indirect Effect Research Model
Source: Primary data processed (2020)

Remarks:

ICG	: Islamic corporate governance
ISR	: Islamic social reporting
FIRM VALU (FV)	: Firm Value

H1: Islamic Corporate Governance has a Positive Effect on Firm Value

The analysis shows that the p-value is 0.03 <0.05, so the first hypothesis is accepted. Islamic corporate governance variables have a significant influence on firm value variables in Islamic banks. Islamic corporate governance variables were found to have a positive effect on firm value variables that can be observed through the value of the path coefficient or a positive path coefficient of 0.24.

Islamic corporate governance can provide added value for Islamic banking to achieve overall goals. This is because Islamic corporate governance is included in the process and structure of banking business management. Then, based on stakeholder theory that management is considered a trusted party to present information to the public in the interests of stakeholders. The growth of the value of investor confidence in Islamic banking is considered to be able to attract new investors in increasing or buying Islamic banking shares so that increasing Islamic banking shares and firm value will be better.

Based on stakeholder theory that management has presented the information expected by stakeholders and according to the guidelines. Information about Islamic corporate governance is considered capable of informing the company's financial performance. This will cause an increase in demand for company shares. An increase in demand for a stock automatically causes an increase in the value of the stock and firm value will increase. Based on the signal theory, Islamic corporate governance is considered capable of assisting stakeholders in giving positive signals in investing and evaluating companies.

Previous studies have explained Islamic corporate governance, such as (Malik 2012) who said that Islamic corporate governance affects stock prices. This study can be concluded that Islamic corporate governance has a significant effect on firm value as described by market performance. Corporate governance has a significant positive effect on company value (Utami and Yusniar 2020); (Mutaqin and Tandika, 2018). Other research was also conducted by (Khasanah and Sucipto 2020) that Good Corporate Governance has a positive but not significant effect on firm value Based on previous research, it was concluded that a broader Islamic corporate governance would be able to increase the confidence of Muslim stakeholders or investors.

H2: Islamic Corporate Governance has a Positive Effect on Islamic Social Reporting

The results explained that the p-value is <0.001 <0.05 which states that the second hypothesis can be accepted. Exogenous variables of Islamic corporate governance have a significant influence on Islamic social reporting in Islamic banking. The positive and significant influence on Islamic corporate governance variables on Islamic social reporting variables can be observed through the value of the path coefficient which is positive at 0.493.

The results of this study support the stakeholder theory which states the entity is responsible for all internal and external stakeholders. The existence of stakeholders outside the company that affects this company has made the application of Islamic social reporting not only applied to humanitarian and environmental activities but as one of the supporting indicators in achieving company goals in terms of maximizing profits and corporate sustainability can be realized.

The results are the same as the results of previous studies. Research conducted by (Cahya, Nuruddin, and Ikhsan 2017) concluded that Islamic corporate governance influences Islamic social reporting. This shows that the better the Islamic corporate governance, also make it better. (Mutaqin and Tandika, 2018) also explained that corporate governance has a significant influence on Islamic social reporting. This is evidenced by the magnitude of the influence of corporate governance on Islamic social reporting 12.6%.

Islamic social reporting is a value-added for companies in providing the information needed by stakeholders. Islamic corporate governance also includes things that need to be considered in management disclosure, this is due to the accountability and transparency of the existing banking in the Islamic corporate governance and Islamic social reporting will be used by management as additional information about the picture of the banking situation. And the effectiveness of the implementation of Islamic corporate governance has been reflected and achieved in Islamic social reporting.

H3: Islamic Social Reporting has a Positive Effect on Firm Value

Based on the p-value value obtained 0.01 <0.05. and the path coefficient has a negative direction with a value of 0.28. These results indicate that the third hypothesis cannot be accepted or rejected because it has a negative direction. This illustrates that bank reporting Islamic social reporting reduce firm value.

Many countries in the world have paid attention to the social conditions of the community by providing social responsibility to improve the welfare of the community for companies in that country. The existence of banks cannot be separated from society and the environment, because society and banks cannot be separated from each other. Islamic social reporting does not help increase firm value and stakeholder confidence. This does not support the Signal theory which says that the more forms of information related to Islamic social reporting by banks to their environment, the banking image will increase and consumer loyalty will be higher as well as firm value.

The results of research that have been done prove that the breadth of Islamic social reporting makes firm value worse or negative. The results of research that have been done prove that the extent of Islamic social reporting makes firm values in Islamic banking to be worse. This is proven based on previous research which explains that Islamic social reporting has no significant and negative effect on insignificant company value (Mutaqin and Tandika, 2018); (Khasanah and Sucipto 2020); (Utami and Yusniar 2020).

The results of this study also do not support the stakeholder theory that banking cannot escape from social and surrounding influences. Banks gain stakeholder trust and place it in company policy and decision making, so those company goals are mutually agreed upon. The results of this study are not consistent with research by (Ratri and Dewi 2017) which states that Islamic Social Reporting has a significant effect on firm value. Broader Islamic social reporting will increase stakeholder confidence so that firm value will increase.

Banks do not communicate in terms of social responsibility so that interested parties do not respond properly. Islamic social reporting actually makes the firm value of the company decrease, cause investors consider that Islamic social reporting is only a regulation. Islamic social reporting based on sharia elements such as usury, *gharar*, halal products offered, zakat, *infaq*, *qard hasan* shows that almost all sharia banks have implemented it well. Otherwise, the aspects of employees and the environment are still in a low percentage. The aspect of manpower, there are still many banks that have not reported the state of the work environment in Islamic banking. On the environmental aspect, many banks do not participate, such as environmental education, and maintenance. However, there are still infrequently of banks that have implemented greenhouse gas emission and waste management activities in reducing pollution and helping to improve environmental conditions, so Islamic social reporting is only optional for most Islamic banks.

The following is a summary of the results of hypotheses one to three (H1-H3) described earlier, as follows:

Table 5. Indirect Effect

Variable	Direct Effect		Indirect Effect		Finding
	Beta coefficient	P-Value	Beta coefficient	P-value	
ICG → FV	0,28	<0,001	0,24	0,03	received
ICG → ISR	-	-	0,49	<0,001	received
ISR → FV	-	-	-0,28	0,01	received

Source: Primary data processed (2020)

H4: Islamic Social Reporting Mediate the Influence of Islamic Corporate Governance on Firm Value

Based on the three hypotheses that have been described, the next analysis is to look at the indirect relationship or mediating effect of the research model that was conducted. This intervening effect explains hypothesis four (H4). This study connects the direct and indirect effects of Islamic corporate governance variables on firm value, and Islamic social reporting as intervening variables.

Table 5 the direct effect between Islamic corporate governance and firm value has a coefficient of 0.28 with a p-value below 0.05. The direct effect also shows a decrease in the coefficient to 0.24 with a p-value below 0.05. The indirect value also shows a significance <0.001 below 0.05 with a coefficient of 0.49. However, the influence of Islamic social reporting on firm value has a negative relationship with a path coefficient of 0.28 and a significance below 0.05. This study proves that Islamic social reporting does not have a mediating effect in influencing the relationship between Islamic corporate governance and firm value. This can be seen from the influence of Islamic social reporting on negative firm values. Although all the results of the research conducted have all significant relationships. However, this study did not meet the requirements of the mediation criteria.

Mutaqin and Tandika (2018) argue differently that Islamic social reporting is not an intervening variable because the influence of Islamic social reporting on firm value is not significant. The results of this study are different from those conducted by and (Ratri and Dewi 2017) who show that Islamic social reporting is a mediating variable between financial performance and environmental performance against firm value. Likewise with research conducted by (Cahya, Nuruddin, and Ikhsan 2017) explains that Islamic social reporting can mediate the relationship between corporate governance strength and firm value.

Cahya, Nuruddin, and Ikhsan (2017) explained that companies need to implement policies in overseeing the implementation of Islamic social reporting and good Islamic corporate governance and other related aspects to ensure that the activities of the company carried out are sharia principles and line with stakeholders), so that the information delivered can minimize information asymmetry for shareholders. It is also able to describe the company's progress in the future to annual report users.

Companies that are proven to have implemented Islamic corporate governance well should carry out Islamic social reporting activities as a form of corporate concern for the social environment. Islamic corporate governance and Islamic social reporting should jointly be able to optimize firm value. However, in the context, Islamic social reporting is not able to show a positive effect on firm value.

There are several opinions that refer to investors' considerations in viewing Islamic social reporting, because sometimes investors do not agree with the Islamic social reporting carried out by banks. This is due to several factors. (Belkaoui 1984) explained in his book entitled Socio-Economy Accounting (SEA) that there are still pros and cons in looking at Corporate Social Responsibility (CSR). The contra supporting reasons regarding Corporate Social Responsibility (CSR) are because a form of diversion towards company goals and waste, form a corporate political game that is not in its field, a monotic and non-pluralistic business environment is formed, it requires large funds that sometimes cannot be met by limited company funds, which can lead to bankruptcy, or reduce the company's growth rate, and management of Corporate Social Responsibility (CSR) requires personnel and experts that are sometimes not owned by the company.

5. Conclusion

Islamic corporate governance has a positive effect on firm value and Islamic social reporting in Islamic banking. But Islamic social reporting damage firm value in Islamic banks. The results of this study reject the third hypothesis that Islamic social reporting has a positive effect on firm value.

Discrepancies in research results occur because investors do not partially understand Islamic social reporting information. Lack of understanding for investors causes the Islamic social reporting information needed by investors is still minimal, causing a lack of investor interest. Based on indirect effects, Islamic social reporting as a mediating variable, indicate that Islamic social reporting cannot be an intervening variable in influencing the relationship of Islamic corporate governance to firm value.

Investors determine whether Islamic social reporting is able to add information related to decision making about social banking activities and add firm value for Islamic banks, or Islamic social reporting has a negative impact on the Islamic banking business.

Islamic social reporting cannot be assessed only as information that increases firm value. Because Islamic social reporting has two different sides for investors. So it is the investor who has the right to determine whether Islamic social reporting is able to add information related to decision making about social banking activities. For Islamic banking, they also cannot see Islamic social reporting being able to add firm value, it could be that Islamic social reporting will actually have a negative impact on their business.

The limitations of the study considering that the research sample is 11 Islamic banks which are considered inadequate to describe the state of Islamic banks as a whole. The research sample consisted of 10 Islamic banks in Malaysia and 1 Islamic banking in Indonesia. The object of this research is all Islamic banking in Southeast Asia. But the fact is the sample only uses Malaysia and Indonesia.

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