

The Influence Of Financial Ratio On Firm Value With ISR as an Intervening Variable

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Abstract

One of the more attractive investments for investors is sharia investment because this investment can provide profitable results for both parties and considering that Indonesia has very large sharia market due to almost 80% population Indonesia's are Muslim. This research purpose is to know the effect of financial ratios on company value with the intervening variable ISR. Sample on this research are companies listed on JII index with period 2017 - 2021 with a final sample of 24 companies out of 26 companies. Panel data regression is using on this research. Result of the analysis are showing that the firm size has a significant but negative relationship with ISR disclosure, leverage has a significant negative relationship with firm value and the profitability has a significant positive relationship. Besides that, leverage and profitability variable didn't have significant relationship with the ISR score and the firm size variable and the ISR disclosure variable didn't significant to firm value. And for intervening variable, ISR disclosure is not able to mediate profitability, firm size, and leverage on firm value.

Keywords: firm value, sharia investment, profitability, leverage, ISR

Abstrak

Investasi syariah adalah salah satu investasi yang menarik perhatian banyak investor karena dapat memberikan keuntungan bagi kedua pihak dan mengingat Indonesia memiliki pasar syariah yang sangat besar karena hampir 80% penduduk Indonesia beragama Islam. Penelitian ini dilakukan untuk mengetahui pengaruh rasio keuangan terhadap nilai perusahaan dan menggunakan variabel intervening ISR. Penelitian ini mengambil sampel perusahaan yang terdaftar pada indeks JII periode 2017 – 2021 dengan sampel akhir sebanyak 24 perusahaan dari 26 perusahaan. Regresi data panel digunakan dalam penelitian ini. Hasil analisis menunjukkan bahwa ukuran perusahaan mempunyai hubungan negatif signifikan terhadap pengungkapan ISR, leverage mempunyai hubungan negatif signifikan terhadap nilai perusahaan, dan profitabilitas mempunyai hubungan positif signifikan. Selain itu variabel leverage dan profitabilitas tidak mempunyai hubungan signifikan terhadap skor ISR dan variabel ukuran perusahaan serta variabel pengungkapan ISR tidak signifikan terhadap nilai perusahaan. Dan untuk variabel intervening, pengungkapan ISR tidak mampu memediasi profitabilitas, ukuran perusahaan, dan leverage terhadap nilai perusahaan.

Kata Kunci: nilai perusahaan, investasi sharia, keuntungan, leverage, ISR.

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1. INTRODUCTION

Investment is one of the most important factors in the long-term financial development of a company or economy. Investment can be a means of improving company or economic finances, increasing market share, bringing innovative products to the market and creating and implementing competitive advantages as part of the company's strategy (Dzwigol & Dzwigol-Barosz, 2020). The Indonesian government is trying hard to attract more investors to grow the Indonesian economy. Sharia investment is one investment that attracts the attention of many investors because it can provide benefits for both parties and considering that Indonesia has a very large sharia market because almost 80% of Indonesia's population is Muslim (Jihadi *et al.*, 2021). Islamic investment funds, also known as sharia-compliant investments, offer investors the ability to invest in accordance with Islamic principles and these investments began to appear in the 1980s (Hariri, 2022).

The performance of a company is not the same as other companies, so this affects the firm value or value of a company. A company that has good corporate value has many influencing factors, including being influenced by the company's financial ratios, corporate governance, financial difficulties and so on. Apart from that, in the relationship between these factors and company value, sometimes there are other factors that indirectly influence this relationship, one of which is disclosure of social activities according to sharia. This is a concern because company value or firm value is a reflection of company performance which can influence investors in assessing the company (Sari, 2020). The value of the company is a concern and is considered by investors to invest because the size of a success company is usually expressed or seen in terms of the share price. Higher share price of a company is increasing the firm value (R. Agustina, 2021). Tobin's Q are used as approaches the firm value, where is obtained from the ratio of the company's market value to the company's costs and debt. Profitability, firm size, leverage are financial ratios which influence firm value. According to Komala *et al.* (2021), a high profitability value indicates a good company future, so that the investment perspective becomes better and the company value increases. Meanwhile, firm size is a measure of how big a company is, where if the company has a large company size, it has the opportunity to get funds from various sources such as investors and other creditors (W. Astuti *et al.*, 2020).

According to Fauziah *et al.* (2022), profitability influences the amount of increase in company value, because profitability can make profits from selling company goods or services. This ability makes the company very valuable, and investors dare to invest in the company to invest. In this research, profitability is measured by ROA. According to Faramita Dwitama *et al.* (2022), ROA can show the company capability for making profits using the total assets of a company.

Leverage is the amount of company's debt which is used to finance the management of company assets (Saputra & Djalil, 2020). Leverage is important in maximizing firm value, because if a company uses debt to carry out company activities it will pose a threat if the activity fails, so it is necessary to evaluate the company's debt position (Ramadhani, 2016). Leverage ratios are used to measure amount of company debt which is used to finance its business activities (Pratama & Wiksuana, 2016).

In measuring the level of promotion of social activities in accordance with sharia principles that are disclosed or reported by companies in their annual reports each year, they usually use the Islamic Social Reporting (ISR) Disclosure stock index (W. E. Putra *et al.*, 2020). ISR disclosure is measured by corporate governance, environment, community involvement, employee products and services as well as finances and investments. To calculate this measurement, you can use a dummy variable,

where this variable can quantify qualitative variables by calculating a value of 0 in the category that is not met and a value of 1 in the category that is met.

This research took data from companies that implement sharia and are registered on Jakarta Islamic Index (JII). As is known, permitted investments in sharia are Mudarabah and Musyarakah but the prohibited investments are Mysir, Garal, Uzury, Bacil, Baiimadium, Itical, Tagri, Gabon, Tarakki Arkban, Gishshu, Tanajush/Najish, Daral, Rishwa, immorality and injustice (Adiningtyas & Hakim, 2022). Investments in sharia companies are also supervised by DSN-MUI (National Sharia Council of the Indonesian Ulema Council) which guarantees security and is also halal.

From the background of above analysis, author would like to do research with purpose to knowing does have any influence financial ratio on the growth of the value of a company. Then considering that nowadays there are many companies that apply sharia to company activities and the existence of JII index, it attracts attention to whether the company carries out corporate social disclosures that are in accordance with sharia. Therefore, if there is corporate social disclosure in accordance with sharia, does will indirectly explain or influence financial ratio to firm value. For this purpose, researchers conducted research with the title "**The Influence of Financial Ratio on Firm Value with ISR as an Intervening Variable**".

2. LITERATURE REVIEW

Firm Value

Firm value is a key point of a company for stakeholders, especially investors (Kurniawati *et al.*, 2022). Al-Slehat, (2020), states that the company's main goal is to maximize firm value because it can influence investors' views of the company and optimize investor prosperity. For investors, high firm value can reflect the level of investors' wealth. Firm value is a company that depends on the company's operational and financial characteristics and not its ability to generate cash flow (Nur, 2021). Indicators for determining company value are carried out using Tobin's Q. Which also known as company value index and fixed price index. Research by Salvi *et al.* (2021), states that the Tobin's Q ratio can indicate whether investors expect high or low volatility. Tobin's Q can also change the expected timing and current earnings performance.

2.1. HYPOTHESES DEVELOPMENT

2.1.1. Profitability and ISR Disclosure

Profitability is the company capability for making profits within period. The relationship between investors and profitability is based on signal theory. (Arianugrahini & Firmansyah, 2020). A high profit percentage shows that the company can provide a high rate of return for shareholders and can attracts investors to invest their capital in the company. According to the law of supply and demand, an increase in the share price of a company is usually due to the interest of investors who invest in the company. (Arianugrahini & Firmansyah, 2020). Based on P. Putra & Aisyah, (2022), profitability has a positive significant effect on the intervening variable ISR disclosure because company with high profitability can attract the attention of investors and this will also make the company disclose more information about ISR disclosure.

H₁: Profitability has a significant influence on ISR disclosure.

2.1.2. Firm Size and ISR Disclosure

Firm size is an important indicator that is often used to explain differences in disclosure in

company annual reports (Arianugrahini & Firmansyah, 2020). Larger companies, as measured by total assets, provide higher levels of disclosure by indicating that they are good citizens who decentralize their social responsibilities, and firm size leads to greater disclosure in annual reports (Arianugrahini & Firmansyah, 2020). According to research by P. Putra & Aisyah, (2022), that firm size has a positive and significant effect on the intervening variable ISR disclosure because company will reveal the ISR value for the company's survival. This is based on research results that ISR can improve a company's reputation at the investor level.

H₂: Firm size has a significant influence on ISR disclosure.

2.1.3. Leverage and ISR Disclosure

Solvency of a company was measured by leverage ratio. Leverage is a measure for know how far a company uses debt to increase company profits and meet financial obligations in the long and short term, depending on the circumstances (Arianugrahini & Firmansyah, 2020). The research results of P. Putra & Aisyah, (2022), show that leverage didn't have any effect to ISR disclosure. This is due to the company's good performance and good relationships between the company and its shareholders, making them pay less attention to the level of financial ratios than the companies they invest in, which causes there to be no relationship between leverage and ISR disclosure. By not having a significant relationship between leverage and ISR, it explains that leverage didn't have any impact on the size of corporate social performance disclosure.

H₃: Leverage has an insignificant effect on ISR disclosure.

2.1.4. Profitability and Firm Value

Profitability is the capability of a company for making profits within period (Grace & Nugroho, 2022). The relationship between profitability and investors is based on signal theory. High profitability reflects the company's ability to provide high returns to shareholders (Munzir *et al.*, 2023). According to the law of supply and demand, the increase in share prices is caused by the investors have interested to invest their capital in the company (Grace & Nugroho, 2022). Based on research by A. Agustina, (2020); S. K. Putri & Maksum, (2020), revealed that profitability has significantly positive influenced on the dependent variable firm value. A company's high profits also showing company's earnings per share are also high, which can be a good sign for investors because it reduces the amount of dividends paid, which attracts the attention of more investors and ultimately this can increase company value. Then significant positive results were also found by Iqramuddin *et al.* (2020), who claimed that increasing profitability prevented good results in the company's early years, which increased investment reluctance and increased the value and share price of the company.

H₄: Profitability has a significant influence on firm value.

2.1.5. Firm Size and Firm Value

Larger companies have the advantage of being better known to the public. Larger companies have information that is easier for investors to understand. Therefore, companies need to maintain company performance because this can affect the firm value hence will attract more investor. Large companies can easily raise funds through the capital markets, thereby increasing their firm value (Grace & Nugroho, 2022). Firm sizes are considered to offer high returns to investors. Research by Martinus Robert Hutauruk, (2022), resulted firm size has positive significant on the dependent

variable firm value. This is because even though the firm size of a company is small, it has a good ratio that can produce effectively and efficiently so that sales and profits will be stable.

H₅: Firm size has a significant influence on firm value.

2.1.6. Leverage and Firm Value

Leverage is used by a company to measure its ability to fulfill its obligations, in long-term and short term if the company dissolved. (Munzir *et al.*, 2023). Between leverage and shareholder value there is a relationship if it is connected based on signal theory. (Grace & Nugroho, 2022). Management may use debt to exercise excessive control over cash flow. The goal is to avoid wasted investment and increase company value. Yulianti & Syarif, (2021), revealed that leverage had an insignificant effect to dependent variable firm value of the IDX retail trade subsector in 2015-2020. This is because even though the leverage value on a company is large, but they still can pay off the debts. The company is considered to have a low leverage value because the existing equity is considered capable of covering the company's operational costs and the company is considered to have good value.

H₆: Leverage has an insignificant effect on firm value.

2.1.7. Islamic Social Reporting (ISR) Disclosure and Firm Value

Islamic Social Reporting (ISR) is a company's social performance reporting in running its business based on the principles of Islamic law, which the company presents through its financial reports (Susanti & Pertiwi, 2019). According to research by Wahyuni *et al.* (2020), ISR disclosure didn't have significant effect to firm value variable because sharia banking is a business that is not directly related to the environment and nature. Meanwhile, the environment is one of the important points of ISR disclosure. In research Utami *et al.* (2022), stated that ISR disclosure is negative and insignificant effect on the dependent variable firm value due to high ISR disclosure report will cause lower firm value. This happens because banks disclose excessive ISR, causing investors to worry about banks which could reduce their valuations.

H₇: ISR disclosure has a significant effect on firm value.

2.1.8. Profitability and Firm Value with ISR Disclosure as Variabel Intervening

Companies can increase their company value by increasing the ROA value, but investors must consider the company's level of profitability and the community that companies do not operate by considering profits alone (Susanti & Pertiwi, 2019). You can gain their trust. Companies pay attention not only to their activities, but also to their impact on the environment. This is consistent with stakeholder theory. Stakeholder theory can be realized if the company's social responsibility towards stakeholders will further strengthen cooperative relations between them and can increase company production. According to Iqramuddin *et al.* (2020), profitability can influence firm value through ISR disclosure indirectly or indirectly. However, companies can also gain public trust by paying attention to environmental impacts and not just focusing on profits. Jihadi *et al.* (2021) revealed that ISR disclosure does not affect the relationship profitability and firm value, because investors only pay attention to increasing firm value and profitability, so they didn't pay attention to ISR disclosure.

H₈: Profitability influences firm value with ISR disclosure as an intervening variable.

2.1.9. Firm Size and Firm Value with ISR Disclosure as Variabel Intervening

Ramadhani, (2016), stated that a larger firm size also requires more capital to be invested from investors so that all large funds and resources available to the company will be required to widely disclose information regarding the reporting of activities carried out by the company. With extensive disclosure by a company, this is considered to increase firm value, which same research by Saputra & Djalil, (2020), where states ISR disclosure has an influence on firm value. Meanwhile, sharia-based companies registered with JII can provide information about Islamic corporate social affairs by disclosing responsibilities to increase stakeholder trust in the company's sharia system so that it can increase firm value in the eyes of stakeholders (Sukardi et al. 2022).

H9: Firm size influences firm value with ISR disclosure as an intervening variable.

2.1.10. Leverage and Firm Value with ISR Disclosure as Variabel Intervening

Pratama & Wiksuana (2016), revealed that influence of leverage on firm value still shows uncertain conditions. ISR disclosure in this research is presented as an intervention or as mediation rather than the influence leverage on firm value (Susanti & Pertiwi, 2019). Disclosures made by companies related to ISR disclosure are very important for the company itself, because this states that social responsibility can be a point that investors look at to invest in the company (Ramadhani, 2016). Leverage can influence firm value directly and indirectly through ISR disclosure reporting. So, research conducted shows that the greater the leverage, the higher the firm value (Pratama & Wiksuana, 2016). In addition, the higher leverage ratio, ISR disclosure and Islamic social reporting disclosure, will have impact on increasing firm value (Saputra & Djalil, 2020). A company that has a high level of leverage ratio must report disclosure of ISR activities in the annual report and financial reports to provide confidence to investors that the company uses debt efficiently and effectively. Apart from that, wider openness will enable the Islamic banking community to encourage investors to invest in sharia commercial banks (Sukardi *et al.*, 2022).

H10: Leverage influences firm value with ISR disclosure as an intervening variable.

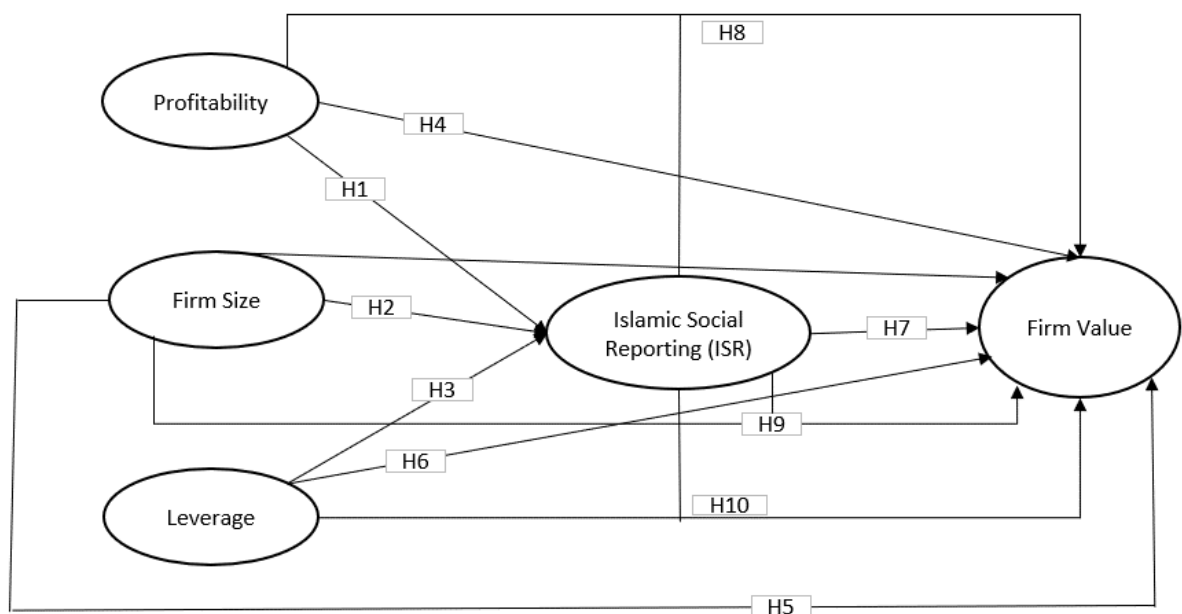


Figure 1. Research Framework

Source: Author, 2023.

3. RESEARCH METHODS

3.1. Type of Research and Data Collection Technique

This research is for knowing the influence of financial ratio on firm value with ISR as an intervening variable. The sample on this research are taken part of the company population, while purposive sampling are the sampling technique that used in this research, where a sample determination method by selecting several samples that are considered appropriate to the problem and research objectives in a population Klar & Leeper, (2019).

3.2. Location and Time of Research

This research was doing on Batam, Indonesia with time of research from September 2022 to December 2023. The topic was selected by author in November 2022. Then from December 2022 – December 2023, author collecting the annual report and starting do the research until finish.

3.3. Population and Sample

The sample for this research is companies listed on the JII (Jakarta Islamic Index) index for period 2017-2021 with a data population of 120 data obtained from a final sample of 24 companies out of 26 companies that have annual reports covering various information required for the 2017-2021 period. 2021. The criteria for annual reports that can be used in this research are those that have information such as share prices, number of shares outstanding, total debt, total assets, company net profit, and existing companies that carry out social disclosures in accordance with sharia principles. The annual reports from this research sample can be accessed on the selected company websites and on the IDX website or usually known as BEI.

3.4. Data Analysis

In this research, researchers applied 3 kind variables, namely independent variables, dependent variables, and intervening variables. The dependent variable is firm value, which measured by Tobin's Q and independent variables are profitability with measured by share price x number of shares outstanding + total debt / total assets, firm size is measured as a percentage of net profit / total assets, and leverage measured through a percentage of the logarithm of total assets. The intervening variable is Islamic Social Reporting (ISR) Disclosure and measured through a total of 43 checklists which are then divided into 43 points. This research is using panel data regression path analysis method and conducting a Sobel test as data analysis method. Then the collected data will be processed for testing with the SPSS and EViews version 9 applications.

4. RESULTS AND DISCUSSION

4.1. Results

4.1.1. Descriptive statistics

Table 1. Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
YEAR	120	2017	2021	2019.00	1.420
Tobin's Q	120	.68738	1949030.81755	63775.65374	314864.72968
ROA	120	-.00697	860227.83432	28148.35038	138969.23461
SIZE	120	19.14398	37.56646	30.95670	2.94132
Leverage	120	.00053	3.30548	.48384	.33346
ISR	120	.18604	.79069	.50349	.15398

Source: Author, 2023.

The results of descriptive statistics in Table 1 show the results of the highest and lowest profitability value is 860227.83 and -0.00696. The average value of this variable is 28148.35 and the standard deviation value is 138969.23.

From the test results, the data above shows firm size variable value ranges between 19.14398 for the lowest value and 37.56646 for the highest value. The average value of firm size is 30.95670 and standard deviation is 2.94132.

The above result showing the highest leverage value is 0.446745708 with the lowest value being 0.00052. The average value of the leverage variable is 0.075916262 and standard deviation value is 0.33346.

The test results above show the value of the ISR disclosure variable which ranges between 0.186046512 for the lowest value and the highest value, namely 0.790697674. The average value of ISR disclosure is 0.50348837209 and standard deviation value is 0.153985904588.

4.1.2. Model Selection Method

Chow Test

From below results of Chow test in Table 2 displays probability value of less than 0.05, the model chosen to continue the research is the fixed effect model and the Hausman test will be carried out to determine the next model to be chosen.

Table 2. Chow Test Results

Effect Test	Statistics	d.f	P-value
Cross-Section F	14.303422	(23.92)	0.0000
Cross-section Chi-square	182.495238	23	0.0000

Source: Author, 2023.

Hausman Test

Table 3 below shows result of Hausman test, it shows probability value obtained is 0.1643 and more than 0.05, so the model chosen is the random effect model.

Table 3. Hausman Test Results

Test Summary	Chi-Square Statistic	Chi-Square d.f.	P-Value
Cross-section random	6.507727	4	0.1643

Source: Author, 2023.

Lagrange Multiplier Test

Refer to Lagrange Multiplier test result in Table 4, the probability value is 0.0000 and less than 0.05, hence the best model chosen is the random effect model.

Table 4. Lagrange Multiplier Test Results

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	106.0710 (0.0000)	1.264255 (0.2608)	107.3353 (0.0000)
Honda	10.29908 (0.0000)	-1.124391 (0.8696)	6.487483 (0.0000)
King-Wu	10.29908 (0.0000)	-1.124391 (0.8696)	2.926351 (0.0017)
Standardized Honda	11.42775 (0.0000)	-0.916245 (0.8202)	3.560510 (0.0002)
Standardized King-Wu	11.42775 (0.0000)	-0.916245 (0.8202)	0.455721 (0.3243)
Gourieroux, et al.	--	--	106.0710 (0.0000)

Source: Author, 2023.

4.1.3. Direct effect testing results.

F test

Refer to F test in Table 5, probability value of the F test is around 0.000000, so we can conclude that the independent variables simultaneously or have a significant influence to dependent variables.

Table 5. F-Test Results

Dependents	F-Test	Prob.	Decision
<i>Tobin's Q</i>	29.86388	0,000000	Significant

Source: Author, 2023.

T-test

The research results of t-test in Table 6, shows that profitability and leverage have significant influence on firm value. Meanwhile, firm size and ISR disclosure didn't have significant influence on firm value.

Table 6. T-test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.41205	11.87921	1.297396	0.1971
ROA	2.265710	6.76E-06	335274.7	0.0000
SIZE	-0.487654	0.377014	-1.293465	0.1984
LV	-4.330013	0.922866	-4.691918	0.0000
ISR	2.868826	6.002190	0.477963	0.6336

Source: Author, 2023.

Path Analysis Test

In this research, A path analysis test is carried out to find out whether the independent variables through mediating variable had a significant influence on the dependent variable through below following two models:

$$Z = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 \quad (1)$$

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4Z \quad (2)$$

Table 7. Path Analysis Model 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.805489	0.140999	5.712720	0.0000
ROA	7.94E-10	5.43E-08	0.014627	0.9884
SIZE	-0.009755	0.004438	-2.197865	0.0299
LV	-0.000104	0.006420	-0.016222	0.9871

Source: Author, 2023.

The calculation testing results in Table 7 shows that the ROA variable shows that it has an insignificant influence so that H₁ is rejected. The firm size variable has a significant negative impact on ISR disclosure hence H₂ is accepted. Meanwhile, leverage variable shows an insignificant relationship with the intervening variable so that H₃ in this study is accepted.

The adjusted R square value in this path analysis regression test is 0.013852, which shows that the independent variables ROA, size and leverage only have an influence of 1.3852% on the intervening variable ISR Disclosure.

Table 8. Model 2 Path Analysis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.41204	11.87921	1.297396	0.1971
ROA	2.265710	6.76E-06	335274.7	0.0000
SIZE	-0.487654	0.377014	-1.293465	0.1984
LV	-4.330013	0.922866	-4.691918	0.0000
ISR	2.868822	6.002190	0.477963	0.6336

Source: Author, 2023.

The model 2 testing results in Table 8, shows that the ISR Disclosure variable coefficient value is 2.8688, t-statistic value is 0.477963 and probability is 0.6336 which shows didn't have any significant influence so that H_7 is rejected. The adjusted R square value in the path analysis regression test has a value of 1.0000, which indicates independent variable ROA, size, leverage, and the intervening variable ISR Disclosure have an influence of 100% on firm value.

4.1.4. Indirect effect testing results.

Sobel Test

Figure 2. Sobel Test Results for the ROA variable on Firm Value

Input:		Test statistic:	Std. Error:	p-value:
a	7.94	Sobel test: 0.45430847	50.13872289	0.64960682
b	2.868822	Aroian test: 0.38090606	59.80069346	0.70327296
s _a	5.43	Goodman test: 0.59784917	38.10065785	0.54994058
s _b	6.002190	Reset all	Calculate	

Source: Author, 2023.

The Sobel test in Figure 2 above shows that the p-value is 0.6496 with the statistical Sobel Test value being 0.4543 which conclude that ROA variable didn't have significant effect to firm value through the ISR disclosure variable as an intervening variable or indirectly the ISR disclosure variable are didn't mediate the impact of the variable ROA to firm value. Therefore, H_8 in this study is rejected.

Figure 3. Sobel Test Results for the Firm Size variable on Firm Value

Input:		Test statistic:	Std. Error:	p-value:
a	-0.009755	Sobel test: -0.46704828	0.05991963	0.64046534
b	2.868822	Aroian test: -0.4267762	0.06557385	0.66954234
s _a	0.004438	Goodman test: -0.52140453	0.05367303	0.602085
s _b	6.002190	Reset all	Calculate	

Source: Author, 2023.

The Sobel test in Figure 3 shows test result showing p-value are 0.6404 with the Sobel Test Statistical Test value being -0.4670 which we can conclude that the firm size variable didn't impact significant influence on firm value variable through the ISR disclosure as an intervening variable or indirectly variable. ISR disclosure is unable to mediate the impact firm size variable on firm value. Therefore, H_9 is rejected.

Figure 4. Sobel Test Results for the Leverage variable on Firm Value

Input:		Test statistic:		Std. Error:	p-value:
a	-0.000104	Sobel test:	-0.01619008	0.01842841	0.98708275
b	2.868822	Aroian test:	-0.00698502	0.04271393	0.99442681
s _a	0.006420	Goodman test:	NaN	NaN	NaN
s _b	6.002190	Reset all	Calculate		

Source: Author, 2023.

The Sobel test in Figure 4 test result showing p-value is 0.9870 with Statistical Test value being -0.0161 which we can conclude that the leverage variable didn't have any significant impact on firm value through the ISR disclosure as an intervening variable or indirectly the ISR disclosure variable cannot mediate the influence of the leverage variable to firm value. Therefore, H_{10} in this study is rejected.

4.2. Discussion

This research result showing that profitability variable didn't have significant influence on ISR disclosure, this is because the percentage of profits generated by the company increases each year, which does not guarantee that the company will do the social promotion levels according to sharia principles. Then also because a company also has a focus on company development, where the company will invest in a more profitable focus. However, this result is not aligned with research by P. Putra & Aisyah, (2022), where his research states profitability has a positive and significantly impact on ISR disclosure. A company with high profitability will attract more potential and existing investors so a company will usually disclose more information to the public where also will increase ISR disclosures.

This research conducted shows that have a significant relationship between firm size variable and ISR disclosure, where if a company becomes larger in size, this is directly proportional to the percentage of carrying out social promotions according to sharia principles because the company assets are large. This research is supported by P. Putra & Aisyah, (2022) who also revealed that companies will reveal value of ISR for the company's survival. This results are based on previous research that ISR can improve a company's reputation at the investor level.

The research conducted also revealed that didn't have significant influence or relationship from leverage variable to ISR disclosure, which is in line with research by P. Putra & Aisyah, (2022) which revealed that good relationships with bondholders and accompanied by good company performance can result they didn't focus on level of the company's leverage ratio, thus making the relationship between leverage and corporate social disclosure insignificant. An insignificant relationship between leverage and ISR explains that the size of leverage didn't have any impact on the size of corporate social performance disclosure.

The research conducted revealed has positive and significant between profitability with dependent variable firm value because a company's high profits are a representation company's performance and get positive market response, thus attracting more investors. Research by Iqramuddin et al. (2020) claim that increasing profitability prevents good results in a company's early years, which increases investment reluctance and increases share prices and values. Research

conducted by A. Agustina, (2020) and S. K. Putri & Maksum, (2020), showing that profitability has a positive and significant relationship to company value. This research is supported by Sudiyatno et al. (2020); M. O. D. Putri & Wiksuana, (2021) and Jihadi et al. (2021), where reveals that profitability has a positive and significant relationship in relation to company value.

This research also reveals that firm size variable has an insignificant relationship with firm value due to even company size are large, having poor financial ratios will also not produce stable profits. This research is in contrast to research by Martinus Robert Hutauruk, (2022) who said that there is a significant relationship with firm value because even though the company size are small, it has a good ratio and can produce effectively and efficiently so that sales and profits will be stable.

The research conducted showing leverage has a significant effect with firm value because the high value of debt makes companies carry out more investment activities and focus on improving company performance so that they can pay off their debts properly and correctly, thereby attracting potential investors to invest in the company. However, this is in contrast to research by Yulianti & Syarif, (2021) where they considers that leverage has no relationship to the value of a company because a company that has a large leverage value but still can pay off its debt, the company will be considered to have a low leverage value because the existing equity is considered capable of covering the company's operational costs and the company will be considered to have good value.

This research reveals that there is no relationship between the ISR disclosure firm values. This is because higher level of social responsibility carried out, a company value will decrease, so investors will worry that this could reduce the valuation of the companies they invest in. This research is supported by Wahyuni et al. (2020); Utami et al. (2022); Musleh Al-Sartawi, (2020) and A. Agustina, (2020) whose research revealed that there was no significant influence.

The Sobel test reveals that the p-value is 0.6496 with the statistical Sobel Test value being 0.4543. We can conclude ROA variable didn't have significant impact on firm value through ISR disclosure variable as an intervening variable or indirectly the ISR disclosure variable cannot mediate the effect of profitability variable on firm value. Research by Iqramuddin et al. (2020), states the profitability can influence the value of a company through ISR disclosure indirectly or directly. However, companies can also gain the trust of the public, who are not focused on profits, but also care about environmental impacts. However, it is not the same as research by Jihadi et al. (2021), which states that that ISR disclosure didn't influence on relationship between profitability and company value, because investors only pay attention to increasing company value and profitability, hence they didn't pay attention to ISR disclosure that company carried out.

The mediation analysis above reveals that the p-value is 0.6404 with the Sobel Test Statistical Test value being -0.4670. We can conclude that the firm size variable didn't have significant relationship with the firm value variable through the ISR disclosure variable as an intervening variable or indirectly the ISR disclosure variable was unable to mediate the effect of the firm size variable on company value with sharia principle. However, this does not align with research by Saputra & Djalil, (2020) which revealed ISR disclosure has an impact on firm value. Then sharia issuers can provide information about Islamic corporate social affairs by disclosing responsibilities in annual reports to attract stakeholder trust in the sharia system implemented and can increase firm value in the eyes of stakeholders (Sukardi *et al.*, 2022).

Above mediation analysis reveals that the p-value is 0.9870 with the statistical Sobel Test value being -0.0161 which we can conclude that leverage variable didn't have significant impact on the firm value variable through the ISR disclosure as an intervening variable or indirectly the ISR

disclosure variable cannot mediate the impact of the leverage variable on a company value with sharia principle. This result is different from Pratama & Wiksuana, (2016) and Saputra & Djalil, (2020), who say leverage can influence firm value directly and indirectly through ISR disclosure reporting. So, from the research conducted we can know that higher of leverage ratio value, firm value also increases. Then the influence of leverage on firm value also still shows fluctuating conditions (Pratama & Wiksuana, 2016).

5. CONCLUSIONS AND SUGGESTIONS

5.1. Conclusion

The results of this research show that profitability variables and leverage variables have significant effect to firm value. Meanwhile, firm size didn't have significant impact to firm value. This research also added the intervening variable ISR disclosure to this research which resulted in the results that profitability and leverage didn't have significant relationship with the ISR disclosure variable, and firm size variable had a significant negative relationship with the intervening variable ISR disclosure. These results reveal that the independent variable has a partial influence on the intervening variable. Then the influence of the ISR disclosure variable on the profitability variable didn't have significant effect.

5.2. Limitation and Suggestions

Limitation on this research carried out are that it only examines variables related to financial ratios and company size to determine their impact on the dependent variable with the addition of intervening variables and does not have independent variables related to corporate governance in general. This research shows that a company's financial ratios can influence the value of a company, both with positive and negative relationships. However, ISR disclosure is unable to mediate the relationship between company financial ratios and company value.

Therefore, in future, the author suggests researchers who wish to conduct research on the same topic are expected to also be adding more other variables, especially those related to corporate governance because the size or size of the social activities carried out by the company will always be related to the management.

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