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Islamic Corporate Social Responsibility, Corporate Governance in the Relationship between Profitability and Company Value

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Abstract

Through the mediation of Islamic corporate social responsibility and corporate governance, this study examines the direct and indirect effects of business profitability on firm value. Using a strategy of purposive sampling, the population of this study consists of enterprises listed on the Jakarta Islamic Index-70 of the Indonesia Stock Exchange for the period 2018-2020. The AMOS 22 and Structural Equation Modeling (SEM) examined the data. The findings revealed that profitability has a beneficial impact on the value of the company. Profitability has no positive influence on corporate governance. Corporate governance has a detrimental impact on the value of a company. Profitability has no considerable beneficial effect on the value of a company. Islamic corporate social responsibility (ICSR) has a substantial positive impact on the value of a company. Profitability influences significant value as mediated by ICSR. Corporate governance needs to reconcile the profitability and company value relationship. Companies should increase their ICSR activities because it has been demonstrated that ICSR activities can become a mechanism for companies to maintain good relations and trust with all stakeholders and can be used as a new marketing tool for companies if conducted continuously, enhancing the firm's image and value. The Next Researchers can investigate the impact of additional elements affecting firm value, such as intellectual capital, media exposure, and several others.

Keywords: Corporate Governance, Firm Value, Islamic Corporate Social Responsibility, Profitability.

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Introduction

Market availability is the main factor that can trigger investment opportunities. A conducive investment climate can then boost the macro. Until now, the government has given serious attention to the capital market. One of them is the Islamic capital market. The Islamic capital market is one of the sub-sectors of the Islamic finance industry, which is developing very rapidly (Nasir, 2020). Since introducing Islamic mutual fund products in 1997, Indonesia's capital market has grown significantly. Indonesia is the third-largest country that issues sharia shares after Malaysia and Saudi Arabia (Indonesian Ministry of National Planning, 2019). Three sharia indices, namely the Jakarta Islamic Index 70 (JII-70), the Indonesian Sharia Stock Index (ISSI), and the Jakarta Islamic Index (JII), follow this development. The development of market capitalization performance on the Sharia Stock Index in Indonesia shows good prospects because the average of the three sharia stock indexes has increased yearly.

According to the Indonesia Stock Exchange, the development of Islamic stock performance in Indonesia is very good. Table 1 lists market capitalization statistics on the Sharia Stock Index in Indonesia for the last ten years. This picture shows a good prospect because, on average, the three sharia stock indexes have an increasing trend from year to year, except for a decline in 2020 due to the influence of covid-19.

Table 1. Growth market capitalization Islamic stock index in Indonesia 2010-2021 (IDR Billion)

Year	Jakarta Islamic Index (JII)	Indonesian Sharia Stock Index (ISSI)	Jakarta Islamic Index-70 (JII-70)
2012	1.671.004,23	2.451.334,37	-
2013	1.672.099,91	2.557.846,77	-
2014	1.944.531,70	2.946.892,79	-
2015	1.737.290,98	2.600.850,72	-
2016	2.035.189,92	3.170.056,08	-
2017	2.288.015,67	3.704.543,09	-
2018	2.239.507,78	3.666.688,31	2.715.851,74
2019	2.318.565,69	3.744.816,32	2.800.001,49
2020	2.058.772,65	3.344.926,49	2.527.421,72
2021	2.015.192,24	3.983.652,80	2.539.123,39

Globally, the Islamic capital market includes issuing Islamic shares, Islamic bonds or Sukuk, and Islamic mutual funds. This trend of increasing investment opportunities can encourage expanded opportunities for company growth which can then shape the company's value. Firm value is an essential element that must be maintained to maintain the company's continuity. So that every corporate entity will always strive to improve performance and obtain the maximum profit because the better the company in terms of profits, management, wealth, and share prices, is directly proportional to the increase in company value. The value of the company is seen as one of the essential measures of the level of success of a company that stakeholders want to achieve (Chung, Jung, and Young, 2018). The importance of the company's value in the success of a company is the primary basis for investors in considering investment decisions in determining where the investor will invest in the company's value. Thus, studying firm value and the factors contributing to it is essential to study primarily in increasing stakeholder satisfaction.

There are 2 (two) factors have implications for company value, namely financial and non-financial performance. One of the financial performance factors is company profitability. Research on the relationship between profitability and firm value has been carried out (Sucuahi & Cambarihan, 2016), which says there is a significant positive relationship between profitability and firm value. Still, the study's results differ from those (Putranto & Kurniawan, 2018; Irawan et al., 2021), stating that profitability did not affect firm value. Meanwhile, non-financial factors can be influenced by Islamic Corporate Social Responsibility (ICSR) and corporate governance. Research that has examined the relationship between ICSR and firm value is research that has been conducted by; (Arsad et al., 2021; Javaid & Al-Malkawi, 2018; Peng & Isa, 2020) According to the authors, ICSR has a beneficial effect on firm value. At the same time, the findings of (Rehman et al., 2020) declare no effect.

This topic needs to be investigated further because of the differences in the findings of previous studies. This research is different from previous research because it examines the relationship between profitability and firm value through the mediating role of corporate social responsibility from an Islamic perspective and corporate governance in companies listed on JII-70, which previous researchers have never studied.

Companies can grow and develop, one of which is because there are investors. However, not all investors will keep their money in the company. A firm's value is one of the investors' considerations before deciding to provide funds to the company. Firm value describes the price offered by investors for a company (Al-Slehat, 2019). This price can be obtained from the stock market price. Firm value is an assessment of the company's performance given by investors about its share price. Stock price growth can increase stock market confidence and firm value. The Tobin's-q ratio is the most frequently used formula for calculating a firm's value (Aboud & Diab, 2018).

According to Shariah Enterprise Theory, in carrying out operations, companies must have concern for broad stakeholders, namely God, humans, and nature. God as God gives two responsibilities to humans on earth, namely worshiping Allah and maintaining the natural environment. The ICSR concept is a well-balanced strategy to address economic, social, and environmental challenges in a way that benefits individuals and society. From an Islamic perspective, ICSR is a realization of the concept of Islamic teachings, which is carrying out good deeds that can benefit others to get Allah's pleasure (Koleva, 2021). The ICSR Index was used to measure ICSR in this research. Environment, community, employees, products and services, and Investment and finance were the five ICSR indicators considered in this study, Haniffa (Jihadi et al., 2021).

Profitability is essential for companies to maintain their business continuity. Investors often use profitability in making investment decisions (Sucuahi & Cambarihan, 2016). This profitability is an attraction for shareholders because it describes the dividend yield obtained through the management of the funds invested. So, the amount of profitability affects a firm's value (Zuhroh, 2019). Stakeholder theory states that corporate entities are not trying to meet their own needs but also to meet the needs of all stakeholders. The external environment is one of the stakeholders that require the company's attention. Therefore, stakeholders need to obtain reports on corporate social activities. High profitability encourages companies to increase their social activities. The percentage of ROA ratio used to determine the profitability value in this research (Dakić & Mijić, 2020). This ratio calculates the profit margin on assets utilized to generate earnings for a corporation.

The implementation of principles applied by the firm to maximize the firm's value, improve the firm performance and contribution, and maintain the firm's long-term sustainability is the main task of corporate governance. Corporate governance cannot achieve the company's goal of increasing value if there are differences in the interests of company management and capital owners. Agency theory assumes that in the company, there will be information asymmetries between two interested parties, namely the agent as the company's management and the principal as the shareholder. Information asymmetry occurs when the agent controls the company's internal information more than the principal (Huynh, Wu & Duong, 2020). As a result, good corporate governance rules must be implemented in the stock market. Increased public share ownership is one of the steps that may be taken to improve corporate governance. (Panisi, Buckley & Arner, 2019). The company predicts high public ownership to improve social activities due to shareholder pressure. This study uses the public ownership ratio to assess corporate governance (Matuszak, Różańska & Macuda, 2019).

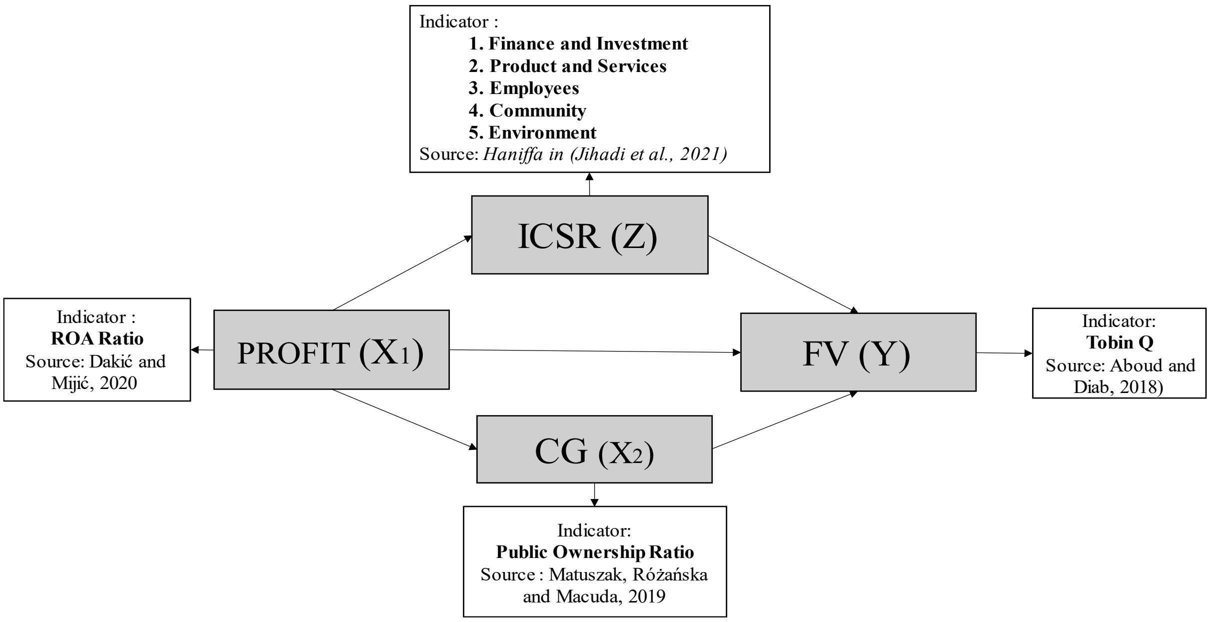

Figure 1. Conceptual frameworks

Profitability is the main factor determining implementation of Islamic Corporate Social Responsibility activities. Companies with high profitability have many funds that can be used to budget and finance Islamic social activities. Stakeholder theory says companies operate to achieve their and even for stakeholders' interests (Barney & Harrison, 2020). Furthermore, Sharia Enterprise Theory says that companies must be concerned with broad stakeholders in operations, namely God, humans, and nature. In the teachings of Islam, Allah as God requires humans to spend some of their wealth according to the amount of wealth obtained in the form of alms as evidence of care for humans and nature. So, the more assets and profits the company gets, especially those listed on the sharia stock index, they should carry out more ICSR activities. Researchers who have examined the relationship between profitability and ICSR (Roopali Batra & Aman Bahri, 2018) states a positive correlation between company profitability and ICSR.

H1: Profitability has a positive effect on ICSR.

Profitability is one factor that becomes the basis for investors in making stock investment decisions. Investors consider profitability growth from each period a positive signal regarding the company's better performance and more promising business prospects in the future. The signaling theory states that the increase in profitability is listed in the financial statements to give a positive signal to investors related to the company's performance and the growth of business prospects in the future (Yimenu & Surur, 2019). The company can disclose the profitability information through the media by disclosing the excellent value of the company if the company wants to gain the trust and legitimacy of the stakeholders (Bae, Masud & Kim, 2018). With this signal, companies with high profitability are more trusted and attractive to investors than companies with low profitability, so companies with high profitability tend to have a more significant percentage of public share ownership. A larger percentage of public share ownership can encourage the implementation of clean, corporate governance principles to encourage the formation of a clean, transparent, and professional management work pattern.

H2: Profitability has a positive effect on corporate governance

The company's goal in implementing good corporate governance is to build corporate value and fulfill responsibilities to shareholders, society, and employee welfare. One of the efforts that can be made to improve corporate governance is to increase public share ownership. According to agency theory, the more significant the percentage of public share ownership, the more stringent monitoring activities will be, and vice versa. The control of individual investors is seen as needing to be able to optimally overcome the agents' opportunistic behavior so that public investors' ownership must be increased. In addition, monitoring by public investors can encourage management to behave by the wishes of the principal. Principals want company assets to be managed effectively and efficiently to increase their prosperity. The prosperity of public investors can be reflected through the increase in the firm's value. Researchers who have examined the positive influence of corporate governance on a firm's value include (Latif, Bhatti & Raheman, 2017; Nazir & Afza, 2018). Similarly, research conducted by (Agwili & Gerged, 2020) the result of his research suggests that if the corporate governance mechanism is carried out correctly using public shareholders monitoring management, it can increase a firm's value. This means that, on average, firms with better governance tend to achieve better market value.

H3: Corporate governance has a positive effect on firm value

The relationship between profitability and firm value is based on signaling theory (Harun et al., 2020). The income statement in the financial statements describes the company's performance information. In signal theory, high profitability indicates that the company's prospects will improve. Profitability described from financial statements is a signal for potential investors. Potential investors and shareholders highly consider profitability because it relates to sharing prices and receiving dividends. If the company earns a profit, the shareholders will receive dividends. This signal can increase the company's share demand, increasing the firm value. Researchers who have researched this (Sucuahi & Cambarihan, 2016) said there was a significant positive correlation between profitability and firm value.

H4: Profitability has a positive effect on firm value

Stakeholder theory says that companies do not only seek to fulfill their interests but must provide benefits that are acceptable to all stakeholders (Barney & Harrison, 2020). If the firm pays attention to its stakeholders, the stakeholders may retain the company's resources, which will benefit its long-term viability. Stakeholders will be satisfied, and the firm value will improve if it optimizes its income. So that the more ICSR activities are carried out, the more stakeholder support is obtained. Although the implementation of corporate social activities requires several costs, on the other hand, corporate social activities can increase company image so that consumer loyalty is higher (Platonova et al., 2018). Researchers who have evaluated the influence of ICSR and a firm’s value include: (Aziz & Haron, 2021; Peng & Isa, 2020), who said that ICSR positively affected a firm's value, as represented by Tobin-q. If executed properly, ICSR can become a new marketing tool for businesses.

H5: ICSR has a positive effect on firm value

Companies that gain enormous profitability describe efficient and effective companies carrying out their operations to increase a firm's value. Signaling theory emphasizes that companies can send signals to external parties through reporting information related to company performance to minimize uncertainty about the company's prospects in the future to increase a firm’s value. (Alsos and Ljunggren, 2017). However, the value of this company can be further increased by the existence of Islamic social responsibility activities. They must carry out this social responsibility with the aim that stakeholders support company activities in increasing a firm's value. ICSR activities are good news for potential muslim investors because they believe the company's management is focused on fulfilling the interests of all stakeholders. This affects the growth of Islamic stock demand and will increase a firm's value. So profitability affects firm value, with is better if more ICSR activities follow it. Research on the correlation between profitability and firm value mediated by ICSR has been carried out by (Ratri & Dewi, 2017), Who explained that ICSR could mediate the correlation between profitability and firm value.

H6: Profitability has a positive effect on firm value through ICSR

Profitability shows the company's ability to generate profits for investors, which will determine how good the company is in the eyes of investors from a financial perspective. Investors consider profitability growth from each period a positive signal regarding the company's better performance and more promising business prospects in the future to increase the firm value (Renaldi, Pinem & Permadhy, 2020). These efforts can build positive sentiment from investors and impact increasing stock prices in the capital market. An increase in stock prices can increase the company's value in investors' eyes. This increase in the company's value can be further increased if it is driven by implementing clean corporate governance by involving tighter company supervision by public shareholders. Stakeholder theory asserts that the parties involved in the stakeholders are, among others, shareholders, creditors, customers, employees, partners, government, and society (Lu et al., 2021). Corporate Governance describes each type of stakeholder based on their role and function. The purpose of separating management from company ownership is, so that company owners get the maximum possible profit at the most efficient cost possible by managing the company with professional staff.

H7: Profitability has a positive effect on firm value through corporate governance

Research Design and Method

This study takes a quantitative approach to explanatory research. This research will analyze the influence of profitability on the firm value through ICSR and corporate governance as an intervening variable on the Indonesia Stock Exchange. The population is companies registered on the Islamic index JII70 for three years, 2018-2020, with purposive sampling. This study uses 70 companies listed on JII-70, with a measurement period of 3 years. Data were obtained from secondary sources published by the Indonesia Stock Exchange and then collected using documentation techniques. The independent variable is profitability, intervening are ICSR and corporate governance, and firm value is a dependent variable. Profitability variables are proxied by ROA. Corporate governance indicators are proxied by the percentage of the public ownership ratio. The variable of ICSR is proxied by the ICSR Index. The firm value will be measured with Tobin's-Q. The data analysis uses Structural Equation Modeling (SEM) with AMOS 22 software. The indirect effects of intervening variables were tested using the Sobel test procedure (Abu-Bader & Jones, 2021). Tools Sobel Test examined the indirect influence of profitability on firm value through ICSR and the influence of profitability on firm value through corporate governance.

Results and Discussion

Statistical Result

Sample size has an essential role in interpreting SEM results. To meet the standards of Maximum Likelihood criteria in research. According to Hoyle in (Sroufe and Gopalakrishna-Remani, 2019) said that the ideal research should get between 100-200 samples. The sample of companies in this study was 70 companies with 131 data. Thus, this sample is declared feasible. Table 2 evaluates the normality test by standard the C. R value not exceeding ± 2.58 (Sahni, 2020). In general, it can be said that the distribution of data processed in this model is well distributed.

Table 2: Assessment of Normality

Variable	Min	Max	Skew	C.R	Kurtosis	C.R.
Profit	0.000	0.150	0.614	2.871	-0.314	-0.733
ICSR	0.550	0.760	0.889	4.152	0.621	1.452
CG	0.060	0.590	0.287	-1.340	-0.784	-1.832
FV	0.350	2.570	1.157	5.408	1.446	3.379
Multivariate					0.090	0.074

Several conformance indices are employed in model testing to assess the research model's applicability. The test results of the model suitability test criteria showed that all the criteria for Goodness of Fit, namely Chi-square, probability, RMSEA, GFI, CMIN/DF, TLI, and CFI, were well accepted.

Table 3: Goodness of fit Index Full Model Results

Goodness of fit	Cut off	Result	Model Evaluation
Chi-square	Expected to be small	0.000	Good Fit
Probability level	≥ 0,05	1.000	Good Fit
CMIN/DF	≤ 2,00	0.000	Good Fit
CFI	≥ 0,95	1.000	Good Fit
RMSEA	≤ 0,08	0.000	Good Fit
TLI	≥ 0,90	1.014	Good Fit
GFI	≥ 0,90	1.000	Good Fit
AGFI	≥ 0,90	1.000	Good Fit

Based on the results of the analysis of data processing for all constructs used in forming the research model (Full Model) in the complete SEM model analysis process meets the criteria of goodness of fit set. The goodness of fit size indicates good condition. Thus, the overall goodness of fit measure of this research model is declared appropriate so that this research model has met the predetermined goodness of fit standard.

Table 4. Direct Effect Testing Results

	Estimate	SE	CR	P	Decision
ICSR← PROFIT	0.492	0.099	4.971	0.000	Accept
CG ← PROFIT	0.366	0.285	1.285	0.199	Reject
FV ← CG	-0.065	0.065	-1.010	0.313	Reject
FV← PROFIT	0.319	0.231	1.382	0.167	Reject
FV← ICSR	8.777	0.187	47.030	0.000	Accept

PROFIT = Profitability. FV = Firm Value. ICSR = Islamic Corporate social responsibility. CG = Corporate Governance.

The results of this research data processing can be analyzed to explain the statement of this research hypothesis. To test this hypothesis, the researcher used standard t-statistics and p-values. The hypothesis is accepted if p-values < 0.05. The direct effect test from table 4 shows that the profitability path coefficient value on ICSR is 0.492, while the p-value with a value of 0.000 is smaller than 0.05. So, the relationship between the profitability variable and ICSR has a positive and significant effect, so hypothesis 1 is accepted. The path coefficient value of profitability to corporate governance is 0.366 with a positive value, while p-value = 0.199, more significant than 0.05. So, there is no influence of profitability relationship on corporate governance, so hypothesis 2 is rejected. The value of the path coefficient on corporate governance on a firm's value is -0.065, and the p-value is 0.313, which is greater than 0.05. Thus, the relationship between corporate governance variables and a firm's value does not have a significant effect, so hypothesis 3 is rejected. The path coefficient of profitability on firm value is 0.319, while the p-value of 0.167 is more significant than 0.05. So, there is no influence of profitability relationship on a firm value, so hypothesis 4 is rejected. The value of the path coefficient on ICSR on firm value is 8.777, and the p-value of 0,000 is smaller than 0.05. So that there is a positive and significant effect on the relationship between ICSR variables on firm value, hypothesis 5 is accepted.

The AMOS program cannot directly issue the output estimate regression weights to test the indirect effect hypothesis. However, it must be carried out using the Sobel test with the procedure developed by Sobel (Abu-Bader & Jones, 2021). The results of testing the indirect influence hypothesis using the Sobel test can be seen in the following table 5.

Tabel 5. Indirect Effect Testing Results

	T Statistic	p value	Decision
PROFIT→ ICSR→ FV	3.18254	0.001	Accept
PROFIT→ CG→ FV	-0.23454	0.814	Reject

Indirect test results in table 5 illustrate that profitability can affect firm value mediated by ICSR because the p-value is 0.001 lower than 0.05. Thus, hypothesis 6 is accepted. Corporate governance cannot mediate the correlation of profitability to firm value because the p-value of 0,814 is higher than 0.05, meaning that the influence of this variable is not significant. Thus, hypothesis 7 is rejected.

Discussion

This finding proves that profitability represented by ROA can affect ICSR. ICSR activities require substantial costs. Thus, companies that earn enormous profits will engage more actively in ICSR activities, while companies with small profits will engage in fewer ICSR activities. Companies that earn large profits have sufficient funds to be budgeted to pay for Islamic social costs (Roopali Batra & Aman Bahri, 2018). This finding supports the stakeholder theory that companies must be concerned for all stakeholders. This theory is by Islamic principles. Islam requires all its adherents to help each other protect the environment. The support of the Indonesian Ulema Council through Law no. 23 of 2011 requires companies to issue zakat or alms through ICSR according to the number of company profits. Thus, the greater the level of company profitability, the more ICSR activities are carried out. This shows that profitability affects ICSR (Yusoff, Azhari & Darus, 2018; Abu Al-Haija, Kolsi & Kolsi, 2021).

The results showed that profitability, represented by ROA, had no significant effect on corporate governance, represented by public share ownership. The results of this study contradict the signaling theory, which states that the increase in profitability listed in the financial statements gives a positive signal to investors related to the company's performance and the growth of business prospects in the future so that outside investors can be interested in owning the company's shares. This happens because most investors deciding to buy sharia shares no longer pay attention to the company's profitability but instead use other information such as rumor issues and several other issues that form the basis of their investment decisions (Das, 2019). This is due to a change in investment objectives by some Islamic investors from long-term investment goals in the hope of getting dividend income, switching to short-term investment goals in the hope of getting income from capital gains. Another reason that causes the insignificant effect of profitability on corporate governance, which is represented by indicators of public ownership, which cannot increase in line with the increase in profitability, is because of the regulation from The Financial Services Authority (OJK) number 11 /POJK.04/2017 regarding good reporting obligations directly or indirectly to the Financial Services Authority for the share ownership of the Public Company at least 5% (five percent) so that investors limit their share ownership to a maximum of 5% (The

Financial Services Authority, 2017). So, the increase in the company's profitability cannot affect the increase in public ownership because of the limitation on public ownership; the maximum is only 5%.

The results show that corporate governance, as represented by public ownership, negatively affects firm value. The reason is that public ownership of investors who invest in companies cannot influence investors' behavior to increase stock prices but can only monitor the company's operations to improve company performance. However, because the number is still a minority, public shareholders cannot optimally supervise the company's operations, so they cannot increase a firm's value. The regulation from The Financial Services Authority (OJK) number 11 /POJK.04/2017 regarding good reporting obligations directly or indirectly to the Financial Services Authority for the share ownership of the Public Company at least 5% (five percent) is one of the causes of the minority of shares owned by the public (The Financial Services Authority, 2017). On the other hand, prospective Muslim investors who invest their funds in Islamic stock exchanges no longer pay attention to the number of companies' public shareholdings but prefer to use other information, such as rumors, to gain short-term profits. So the size of public ownership does not affect a firm's value. This research supports research (Yoon, Lee & Byun, 2018) that states that corporate governance negatively affects firm value.

The effect relationship between proxied profitability and ROA on a firm's value is insignificant. This happens because investors who invest their funds in Islamic exchanges no longer pay attention to the company's financial performance but instead use other information. The shift in investor behavior that is more oriented towards short-term investments with capital gains rather than dividends is one of the causes. So, investors act irrationally and unsophisticatedly in making stock purchase decisions. Investors analyze information other than company profitability data. Investors use rumors and speculative behavior in making stock-buying decisions. This research strengthens the findings of the research results (Putranto & Kurniawan, 2018), (Irawan et al., 2021) stated that profitability does not significantly affect a firm's value.

This finding indicates that ICSR can positively affect a firm's value. This indicates that ICSR activities are essential in increasing the firm's value. This study supports the Sharia Enterprise Theory, which states that companies that carry out more ICSR activities will be considered reasonable by the community because the company is considered to have acted according to their wishes and cares about the surrounding environment according to Islamic lawmaking so that the shares are more attractive to Muslim investors (Javaid & Al-Malkawi, 2018). On the other hand, investors can consider companies that do not care about Islamic social activities immoral, which will impact decreasing a firm's value. This research supports research (Yoon, Lee, and Byun, 2018) stating that CSR positively affects firm value.

The direct effect of profitability as proxied by ROA on firm value is insignificant. However, with the mediation of ICSR activities, profitability significantly affects firm value. So, the growth of the company's profitability does not follow the development of the firm value. However, with ICSR activities, investors believe that the company has run by Islamic law so that it will be well received by the community and have good prospects. Companies that operate according to Islamic law must produce halal products and care for the environment. So, potential Muslim investors tend to invest in Islamic companies. This research supports the research results. (Puteri et al., 2018) Who concludes that ICSR can mediate the relationship between profitability and ICSR.

Corporate governance represented by public ownership indicators cannot mediate the profitability relationship of ROA to firm value in this study. This happens because the company's profitability cannot directly affect the value of the company due to a shift in the pattern of investor policy in making decisions from long-term investment goals to short-term investments in the hope of getting capital gains (Oehmichen et al., 2021). So that the company's profitability information becomes optional for prospective sharia investors; likewise, corporate governance variables cannot directly affect firm value. Regulation of the Financial Services Authority (OJK) number 11 / POJK.04/2017 regarding the obligation to report directly or indirectly to the Financial Services Authority for share ownership in Public Companies of at least 5% (five percent) causing investors to limit their share purchases to a maximum of 5% (The Financial Services Authority, 2017). Public investors are individuals or institutions with share ownership below 5% who are outside management and have no special relationship with the company. So that it cannot optimally supervise the company's management to achieve performance targets and company values as expected; in addition, the company's value cannot be influenced by corporate governance because public investors cannot influence and intervene in stock prices but can only monitor the company's internals to achieve the expected performance. So corporate governance represented by public ownership cannot perfectly mediate the effect of the profitability relationship on firm value.

Conclusions

Based on statistical calculations that have been carried out in this study, the conclusions of this research are 1). Profitability has a positive and significant effect on ICSR. Companies with enormous profitability tend to apply ICSR more because they have sufficient funds to finance ICSR activities. 2). Profitability has no significant effect on corporate governance. The reason is because of the regulation from The Financial Services Authority (OJK) number 11/POJK.04/2017 regarding the obligation to report either directly or indirectly to the Financial Services Authority for the ownership of Public Company shares of at least 5% (five percent) so that investors limit their share ownership is at most 5%. So, the increase in company profitability cannot affect public ownership. 3). Corporate governance, as proxied by public ownership, negatively affects a firm's value. This happens because investors act irrationally in deciding to buy shares to get capital gains so that the amount of public ownership cannot affect a firm's value. 4). Profitability has no significant effect on a firm's value. The reason is the shift in the behavior of some investors who are oriented towards short-term investments with capital gains rather than dividends. Hence, investors act irrationally in making stock purchase decisions. 5). ICSR can positively affect firm value in companies registered in JII-70. The community will accept companies that carry out more ICSR activities because they are believed to have fulfilled the wishes of all stakeholders and care about the surrounding environment according to Islamic law so that their shares are more attractive to investors. 6). Profitability can affect a firm's value mediated by ICSR. Through ICSR activities, investors believe that the public will well receive the company and that the company has good prospects to increase its company's value. 7). Profitability, as proxied by ROA, cannot affect a firm's value through corporate governance mediation. With the regulation from The Financial Services Authority (OJK) number 11 /POJK.04/2017 regarding the obligation to report to the Financial Services Authority for share ownership in Public Companies of at least 5% so that investors limit their share ownership. Causing any increase in company profitability cannot affect the company's value through corporate governance mediation.

For companies, it is better to increase ICSR activities because it is proven that ICSR activities can become a mechanism for companies to maintain good relations and trust with all stakeholders and can be used as a new marketing tool for companies if they are carried out continuously so they can increase the image and value of the firm. 2.) Further researchers can examine the influence of other factors affecting firm value, including intellectual capital variables, media exposure variables, and several other factors.

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