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VALUE OF THE COMPANY : THE MEDIATING RETURN ON EQUITY

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ABSTRACT

The grand theory in this research was built by combining Signal Theory, Stakeholder Theory, and Agency Theory as a conceptual basis for hypothesis development. Signal Theory highlights how information companies convey, such as implementing Good Corporate Governance (GCG), can influence investor confidence and investment decisions. This study aims to analyze the impact of CSR and GCG on company value (Tobin's Q), mediated by financial performance, with a focus on Islamic Social Responsibility (ISR), Independent Board of Commissioners (IBC), and Institutional Ownership (IO). They are using a quantitative method. The data is derived from the annual financial reports of 39 banking companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021. The purposive sampling technique was chosen to ensure that the sample used was relevant and could provide valid data to test the relationship between the variables studied and answer the research hypothesis comprehensively. Secondary data was collected from www.idx.co.id, and path analysis was employed as the analytical method. The findings reveal that CSR, ISR, IBC, and IO positively and directly influence company value (Tobin's Q). These results underscore the critical role of CSR and GCG in shaping a company's financial performance and market value.

Keywords: Corporate Social Responsibility, Islamic Social Responsibility, Independent Board of Commissioners, Institutional Ownership, Company Value

INTRODUCTION

The capital market serves as a platform where people with excess funds and companies that need capital can meet. Most investments are directed to financial assets such as stocks, bonds, and mutual funds, which increases the need for public information. A critical piece of information that can be accessed anytime through newspapers or electronic media is stock prices, which help investors make decisions in the capital market. From 2017 to 2021, the banking industry experienced significant changes in regulations, technological developments, and community needs. In this context, implementing the Global Reporting Initiative (GRI) and Islamic Social Responsibility (ISR) has become essential in maintaining the sustainability and social obligations of banking, especially in countries with large Muslim populations. Islamic banking has begun to prioritize opening a sense of social obligation based on the principle of Islam, which aligns with the principles of justice, social welfare, and a more sustainable environment. The condition of the Indonesian capital market, as a whole, is reflected in the movement of stock prices, which play an essential role in allocating funds efficiently and ensuring that potential investment returns are in line with available investment options. The Indonesian capital market fulfills the economic and financial roles of allocating funds efficiently and ensuring that potential returns (changes in stock prices) align with investment options. Having understood the role of the capital market as a meeting place for investors and companies, we now need to focus on the challenges investors face in predicting stock price movements, which often affect their investment decisions.

The good or bad value of the company influences investment decisions. Company value arises when investors, who generally seek high profits and stable income, can only sometimes meet their expectations due to the difficulty of predicting stock price movements. Although rising stock prices are often considered a positive indicator that influences purchasing decisions, the reality is that market volatility can result in unexpected price fluctuations. In banking, company value is often determined by financial performance, regulatory compliance, and market expectations regarding the bank's ability to maintain profitability and stability. Amid the global and national economic dynamics, many banks face challenges due to economic uncertainty and changes in monetary and fiscal policies. According to Prasetyo et al. (2024), managing credit and liquidity risks is one of the essential components that influences company value in the banking sector.

Furthermore, a study by Fatoni & Sulhan (2020) shows that the things that positively impact the company are related to good corporate governance factors that play an essential role in maintaining investor trust. If the management factor is good, investor trust will also increase. However, the challenge of predicting stock prices is one of many factors that influence company value. CSR (Corporate Social Responsibility) is essential in shaping public perception to increase company value.

This study focuses on the main object, namely the banking sector, which plays a vital role in maintaining economic stability and company value. Banks often expand their reach by opening branches in various regions to strengthen services and strategic partnerships to increase the company's overall value. Based on data from the Financial Services Authority (OJK), there was a significant decline in daily stock transactions on the IDX during 2020, with the average transaction falling 28 percent from IDR 9.67

trillion in 2019 to IDR 6.96 trillion. Trading volume also fell drastically by 49 percent, mainly due to the impact of the COVID-19 pandemic on the banking sector and the challenges of the weakening rupiah exchange rate. Based on this, this study should focus more on the impact of the pandemic on the banking sector, especially on the decline in company value due to these external factors (Wijaya & Yasa, 2022). The COVID-19 pandemic illustrates the role of external factors that can affect the value of banking companies, primarily through changes in stock transactions. However, CSR activities remain one of the primary keys to maintaining stability and investor confidence during times of crisis.

Another study supports the study of the impact of various factors based on the evaluation of banking companies listed on the IDX for 2017-2021, emphasizing the mediating role of Return on Equity (ROE). GRI and ISR are important indicators in assessing a company's commitment to follow-up reports and social obligations, influencing investor perceptions and company value. On the other hand, the Independent Board of Commissioners (IBC) and Institutional Ownership (IO) are considered factors that can improve corporate governance and supervision, thus potentially influencing financial performance and company value. ROE is identified as the primary mediator in this relationship, linking the direct influence of GRI, ISR, IBC, and IO on company figures. This study is essential to evaluate how global reporting practices, social obligations, corporate governance, and ownership structure affect the depictive ROE measurement. It will also provide insight into how the combination of these variables affects market perceptions and investment decisions in the banking sector.

One of the things that impacts ROE is CSR. CSR activities have a significant impact on company value. Companies use social disclosure to improve their image and attract public attention. The annual CSR report reflects corporate accountability, emphasizes performance improvements, strengthens stakeholder engagement, highlights sustainability initiatives, and provides insight into operational performance. An increase in stock prices that reflects a positive response from investors indicates that the company successfully implements CSR programs. Information about CSR that can impact company prices shows that investors in Indonesia are starting to consider the importance of CSR reporting when making investment decisions (Puspitasari & Ermayanti, 2019). Research by Kuncorowati et al. (2021) and Putra & Afriyenti (2021) confirms that CSR positively impacts company valuation. On a broader scale, CSR reporting is not only a tool for corporate transparency but also functions as an indicator of social obligations that can strengthen the relationship between companies and related parties, including investors.

The Indonesian government recognizes the importance of CSR. It has enacted several regulations, including Law No. 23 of 1997 concerning Environmental Management, Law No. 40 of 2007 concerning Limited Liability Companies, Law No. 32 of 2009 concerning Environmental Protection and Management, Bapepam-LK No. Kep-431/BL/2012 concerning Disclosure of Annual Reports for Public Companies, and PP No. 47 of 2014 concerning Social and Environmental Responsibility of Limited Liability Companies. Based on Law No. 40 of 2007, Article 74, companies are required to carry out CSR activities. Specifically, Article 1 requires companies in natural resources, such as mining and quarrying, to carry out CSR activities related to environmental management. The importance of implementing GCG in Indonesia is increasingly apparent compared to other ASEAN countries, where Indonesia is still lagging.

Therefore, effective implementation of GCG is becoming increasingly important to improve the competitiveness of companies in the regional market.

CSR aims to attract public interest in purchasing products or services from companies that demonstrate commitment to social and environmental issues. Fionasari et al. (2017) suggest that agency problems can encourage managers to align CSR with self-beneficial behavior. Some CSR efforts may be used to cover up the negative impacts of poor management practices. Transparent financial reports following accounting standards are essential to avoid financial scandals and maintain investor and related party trust in the company's integrity in finance and social obligations (Fionasari et al., 2017). Previous research also shows that good GCG practices improve the company's financial performance and encourage the creation of a fair balance for all related parties, ultimately strengthening the company's overall value.

Studies developed by Faiqoh & Mauludy (2019) measure CSR disclosure using GRI-G4, which is now updated to GRI Standards 2020. GRI Standards 2020 includes parameters in three main categories: economic, environmental, and social. This study also assesses CSR through ISR. As CSR treatment in business increases, there is a growing interest in social reporting, which includes the ISR index that extends beyond traditional reporting to include spiritual aspects. ISR includes 36 parameters classified into six categories: Financing and Investment, Products and Services, Community, Workers, Environment, and Corporate Governance.

ISR provides an additional dimension in CSR measurement beyond traditional reporting standards, such as GRI. ISR covers economic, environmental, and social aspects and includes a spiritual dimension, which is relevant in the context of companies that use Sharia principles. ISR comprises 36 parameters divided into six main categories: Financing and Investment, Products and Services, Employees, Community, Environment, and Corporate Governance. ISR provides a more comprehensive approach to assessing a company's social obligations, especially in countries with large Muslim populations, such as Indonesia. Thus, ISR enriches CSR measurement by incorporating sharia principles that emphasize ethics, justice, and social obligations, which are increasingly important in today's business world.

In addition, GCG significantly influences financial performance by prioritizing the importance of ethical transparency and fairness in decision-making. If these principles are implemented, it is expected to achieve a balance for related parties and long-term business goals (Bimasakti & Warastuti, 2024). The effectiveness of corporate governance can protect shareholders and creditors and ensure that investments are fair and valuable. The purpose of corporate governance is to consistently create and increase value for all stakeholders in the long term, especially in improving operational management through better implementation (Febrianti & Dewi, 2019). Research by Nurulrahmatiah et al. (2020) and Putra & Afriyenti (2021) shows that effective GCG positively impacts company value, proving the link between strong GCG and superior organizational figures.

GCG is very important for companies in ensuring effective control and management practices and increasing the status and credibility of the company. According to Sidharta Utama, Chairman of the Indonesian Institute of Corporate Directors (IICD), GCG plays a crucial role in business. Data shows that out of 50 large companies in ASEAN, only two companies from Indonesia are included in the ASEAN GCG ranking, while Thailand is in the top position with 23 companies. It highlights Indonesia's lag behind neighboring countries in the region. International Finance Corporation (2018) emphasized the significant gap between GCG practices and their actual implementation, as seen from current trends. GCG is assessed through several indicators, such as comparing independent commissioners, institutional ownership, managerial ownership, and audit committees. These factors reflect the processes, practices, policies, regulations, and institutions that influence corporate governance, management, and supervision. (Nurastikha & Ratnawati, 2020).

This study compares independent commissioners and institutional ownership because both represent internal processes to regulate companies through organizational structures such as GMS, the Board of Directors composition, and the Board of Commissioners. Corporate governance functions as a tool to regulate and supervise companies, benefiting from improving and protecting shareholder welfare (Wardhani & Isnalita, 2019). Discussions on corporate governance have been widely discussed since several scandals that showed weaknesses in governance practices. Corporate governance issues in Indonesia have been a concern since the prolonged crisis 1998. Many argue that the slow progress in improving governance is due to inadequate implementation in companies. Therefore, the government and investors increasingly focus on corporate governance practices (Pangeran & Salaunaung, 2017).

A hallmark of poor corporate governance is when managers put their interests ahead of those of investors. Most company managers have a more comprehensive understanding of internal knowledge and future opportunities than shareholders. As a result, they are tasked with informing shareholders about the company's condition. However, this information may only sometimes reflect the actual situation, leading to information asymmetry. This mismatch can reduce the effectiveness of financial performance. Implementing GCG practices can increase corporate figures by improving financial performance, reducing the likelihood of managers acting in their interests, and generally increasing investor confidence. With these considerations, effective corporate governance contributes to a company's financial performance (Sitanggang & Ratmono, 2019). Financial performance, the results achieved from utilizing available financial resources, increases with higher profitability, increasing social information disclosure (Bowman & Haire in (Gangi & D'Angelo, 2016).

Companies with an excellent public image due to their CSR activities are more likely to attract investors. A positive reputation leads to higher consumer loyalty, which, over time, translates into higher sales and profitability, thereby increasing the company's value. Research by Nurulrahmatiah et al. (2020), Maryanti & Fithri (2017), and Khasanah & Sucipto (2020) illustrates that financial performance acts as an intermediary between CSR and company value.

The involvement between owners (principals) and management (agents) in a company, where owners entrust management to manage the company on their behalf, is explained using agency theory. However, there is often a conflict of interest because management tends to make decisions that benefit them personally, even if it is detrimental to the owners or shareholders. This conflict is the agency problem caused by information asymmetry, as agents have better information than principals. To reduce this problem, a monitoring and control mechanism such as GCG is needed. The implementation of GCG helps ensure that management decisions follow the owners' interests, increase transparency and accountability, and protect shareholder rights. In this context, agency theory is very relevant in explaining the importance of a robust governance mechanism to balance the interests of management and shareholders and minimize the risk of decision-making that deviates from the company's main objectives (Wyatt, 2006).

Kasmir (2019) states that profitability ratios serve as a measure to evaluate the company's involvement in making a profit and assess the efficiency of its management. These ratios determine overall management performance by comparing profit and income or investment. Increasing profitability indicates that the company is successful in making a profit, increasing the company's value and stock price, and supporting growth. Favorable market conditions further increase profitability. Profitability is a helpful measure for shareholders. If the demand for a company's shares increases, the stock price on the capital market will also increase. This condition is viewed by investors as a positive signal from the company, increasing investor confidence and making it easier for companies to attract investment through shares (Himawan, 2020). Agency theory suggests that effective corporate governance helps resolve conflicts between managers and owners, allowing shareholders and creditors to monitor managerial actions that can negatively impact financial performance (Sabrina, 2019).

The main aim of this study is to examine how CSR and GCG affect firm value. Financial performance serves as a mediating factor. This study focuses on financial performance as a mediator because firms with a positive public image from CSR initiatives are generally valued higher by investors. The increase in value results in greater consumer loyalty, increased sales, and better profitability, all of which contribute to the company's overall value. For owners, achieving better organizational value is essential because it can improve shareholder welfare and attract additional investment (Brigham & Houston, 2019). A company is considered to be valuable if it shows strong financial performance.

This study identifies gaps when compared to previous studies. For CSR variables, especially GRI and ISR, findings from Kuncorowati et al. (2021) and Putra & Afriyenti (2021) show that CSR (GRI and ISR) has a significant positive impact on firm value. In contrast, Nurulrahmatiah et al. (2020), Maryanti & Fithri (2017), and Khasanah & Sucipto (2020) reported that the effect of CSR (GRI and ISR) on firm value is positive but not significant. Regarding GCG variables, such as Independent Board of Commissioners and Institutional Ownership, studies by Nurulrahmatiah et al. (2020) and Putra & Afriyenti (2021) found a significant positive effect on firm value. However, Nurulrahmatiah et al. (2020), Maryanti & Fithri (2017), and Khasanah & Sucipto (2020) showed that the positive impact of GCG (Independent Board of Commissioners and Institutional Ownership) on firm value was not significant. In terms of financial performance, Nurulrahmatiah et al. (2020) and Maryanti & Fithri (2017) showed a significant positive effect on firm value, while Khasanah & Sucipto (2020) reported an insignificant positive effect.

This study is a dissemination of several previous studies that explored the influence of GCG, financial performance, and other factors on company value. For example, research by Sibuea et al. (2023), The Mediating Effect of GCG on Financial Performance with Earnings Management as a Mediation Variable in SOEs Listed on the Indonesia Stock Exchange, utilizes secondary data from state-owned companies listed on the IDX for the period 2011-2020. The research focuses on GCG and earnings management as mediating variables; at a glance, this study introduces ISR and Tobin's Q as tools to measure firm value and ROE to assess financial performance. This difference underlines the novelty of this study, which not only looks at GCG through financial performance but also utilizes Sharia-based social reporting and market metrics to assess firm value. Research by Suhadak et al. (2019), Stock Return and Financial Performance as Moderation Variables in the Influence of GCG on Corporate Value, which utilizes data from ICMD and annual reports of LQ45 companies for the period 2010-2016, is also different from this study. The difference lies in using ISR and Tobin's Q to measure company value, with ROE as a measure of financial performance in this study. The reason for ISR is that Sharia began to prioritize opening a sense of social obligation based on principles. Islam aligns with the principles of justice, social welfare, and a more sustainable environment.

Furthermore, research by Widayawati & Hardati (2023), The Effect of GCG on Company Value with Financial Performance as a Mediating Variable, uses data from manufacturing companies on the IDX in the period 2017-2021 and analyzes the relationship between GCG, financial performance, and company value. This study is different because it combines ISR as an additional factor in measuring company value, which provides a new perspective on previous literature. Research by Rahmawati et al. (2022), The Influence of Dividend Policy, Independent Board of Commissioners, Corporate Social Responsibility, and Profitability on Company Value, analyzes companies' finances on the IDX from 2017-2021. Although there are similarities in financial performance analysis, this study utilizes ISR and Tobin's Q to measure company value, with ROE for financial performance.

Finally, a study by Narayana & Wirakusuma (2021), CSR Disclosure on Company Value with Profitability and Company Size as Moderating Variables, examines companies indexed by SRI-KEHATI from 2017-2019. This study uses a pure moderator regression analysis. However, this study is different because it uses ISR and Tobin's Q to evaluate company value and ROE to measure financial performance. This more systematic writing of previous studies clarifies its role and contribution in justifying this study. This study strengthens its novelty in financial management and social accountability by emphasizing the differences. This study addresses these gaps and offers a new perspective by measuring CSR using ISR and integrating financial performance as a mediating variable. Previous studies have focused on measuring CSR through the GRI and have not considered mediating variables. This study uses the latest GRI index, namely GRI 2021, for CSR measurement. Based on the research gap and the context of stock prices, CSR, GCG, and financial performance, this study utilizes banking sector companies listed on the IDX.

Grand theory in this research is built through the combination of signal, stakeholder, and agency theories as a conceptual basis for developing hypotheses. Signal Theory highlights how information conveyed by companies, such as the implementation of GCG, can influence investor confidence and their decision to participate. Good information about GCG gives a positive signal to the market, which can ultimately increase the company's value through increased stock prices. In the context of financial performance, it is considered a mediator that connects GCG with company value, where companies that record consistent profits and good performance provide a positive signal that strengthens investor confidence and stabilizes stock prices (Sembiring & Trisnawati, 2019).

Stakeholder Theory emphasizes that companies have obligations not only to shareholders but to all related parties, such as employees, consumers, government, and society. In this case, CSR and ISR practices are essential in creating a corporate image with social and environmental obligations, which can affect the company's value. By considering the interests of various parties, companies can build practical cooperation, improve their reputation, and ultimately increase the company's value (Yasah et al., 2024). Stakeholder Theory also emphasizes the importance of integrating sustainability into corporate strategy as a tool to achieve long-term goals that are economically, socially, and environmentally sustainable.

Agency Theory provides another perspective on the relationship between GCG, financial performance, and firm value. In this theory, the potential for conflict between management (agent) and owners (principals) is overcome by implementing good GCG, which aims to establish that management works in the interests of the company's owners. Effective implementation of GCG can reduce the risk of management taking detrimental actions to shareholders and increase transparency and accountability in financial reporting, thereby positively affecting firm value (Lestari & Zulaikha, 2021). These three theories form a conceptual framework for research focusing on how GCG and CSR through ISR affect firm value, with financial performance as a mediator.

In a competitive business world, one of the main problems companies face is increasing company value amidst market fluctuations and changes in investor preferences. Company value is often influenced by various factors, namely financial performance, GCG, and CSR. However, the relationship between these variables is not always clear. In some cases, implementing GCG and CSR does not always provide the expected results in increasing company value. Moreover, global economic challenges and the impact of the COVID-19 pandemic have exacerbated this situation, creating uncertainty for companies in maintaining the trust of investors and related parties.

Therefore, this study aims to answer the question: How do CSR, GCG, and financial performance affect firm value? By analyzing the relationship between CSR, GCG, and financial performance, this study explores whether financial performance functions as a significant mediating variable in increasing firm value. This issue is crucial because it can provide deeper insights for companies to formulate more effective strategies for increasing their value through increased transparency, good management, or more substantial social obligations.

RESEARCH METHODS

Quantitative research evaluates theories and measures variables using numerical data analyzed through statistical techniques. This study aims to identify whether the research problem is causal or comparative by managing annual financial data from companies engaged in the banking sector that joined the IDX from 2017 to 2021 at www.idx.co.id. The criteria for selecting test data are financial reports that have gone through an audit process for 2017 to 2021; companies engaged in the banking sector in Indonesia that have joined the Indonesia Stock Exchange between 2017 and 2021; availability of data on dependent and independent variables, such as Stock Price, Stock Book Value, CSR, GCG, and ROE as mediating variables for the period 2017 to 2021; and the GRI Index used to assess data from 2017 to 2021 is the version released in 2020. A transparent research object must be emphasized to avoid confusion. This study utilizes secondary data from financial reports of banking companies listed on the IDX from 2017 to 2021. Thus, the main focus of this study is the banking sector, and the data analyzed comes exclusively from companies in this sector during the specified period. This assertion is important to ensure consistency and clarity in the study's methodology and results so that it can be accounted for according to the selected sector.

The data collection method involves downloading financial reports from the site. This study uses dependent and independent variables. The dependent variable is Firm Value, while the independent variables are CSR (GRI and ISR), GCG, and ROE as mediating variables. The analysis methods include descriptive statistics, classical assumption tests, multiple linear regression, hypothesis testing, and path analysis.

In this research, the research model is developed based on the relationship between independent variables (CSR, GCG), mediating variables (ROE), and dependent variables (Firm Value). Explicitly, the research hypothesis is formulated to test the effect of CSR, GCG, and ROE on Firm Value, directly and indirectly, through ROE as a mediator. The first hypothesis (H_1): GRI positively affects ROE and firm value. The second hypothesis (H_2): ISR positively affects ROE and firm value. The third hypothesis (H_3): IBC positively affects ROE and firm value. The fourth hypothesis (H_4): IO positively affects ROE and firm value. The fifth hypothesis (H_5): ROE mediates the effect of GRI on firm value. The sixth hypothesis (H_6): ROE mediates the effect of ISR on firm value. The seventh hypothesis (H_7): ROE mediates the effect of IBC on firm value. The eighth hypothesis (H_8): ROE mediates the effect of IO on firm value.

Based on this, this study model assumes a robust causal link between CSR practices, GCG, financial performance, and Firm Value, which is tested using path analysis to evaluate whether financial performance significantly mediates the effect of CSR and GCG on Firm Value. These hypotheses help clarify the underlying mechanisms of the influence of these factors in increasing firm value in the banking sector, providing new insights into financial management and corporate social responsibility.

This research utilizes a population of 43 banking companies listed on the IDX from 2017 to 2021. The study utilizes a purposive sampling technique from this population to determine a sample that is the same as specific provisions. The criteria used include companies that consistently publish audited annual financial reports during the research period, have complete data on the variables studied, such as CSR (GRI and ISR), GCG, ROE, and Company Value, and are actively listed on the IDX during the period 2017 to 2021. Based on these criteria, 39 companies were obtained as representative samples. The purposive sampling technique was chosen to determine if the sample used is relevant and can provide valid data to study the relationship between the variables used and answer the research hypothesis comprehensively.

This study measures relevant variables to test the hypothesis. The dependent variable in this study is firm value, measured using Tobin's Q. This ratio distinguishes the market value of a company's assets from the book value of those assets. The independent variables include CSR, measured using GRI and ISR, and GCG, measured based on comparing the Independent Board of Commissioners and Institutional Ownership. The mediating variable, ROE, is the ratio between net income and equity, reflecting the company's financial performance. These variables will be analyzed quantitatively using numerical data from the financial statements of banking companies listed on the IDX from 2017 to 2021, aiming to test the causal relationship between variables that increase firm value.

RESULTS AND DISCUSSION

Based on the results of descriptive data analysis, the following explanation can be given: TQ: The average company value is 15.2996, with a minimum value range of 10.77 to a maximum of 20.84. The standard deviation for the company value is 2.00711, indicating that the variation in data for the company value is relatively low. The closeness between the average value and the standard deviation indicates a relatively high consistency in the company value among the samples studied. GRI: The average GRI score is 45.86, with a minimum value range of 21 and a maximum of 86. The standard deviation for GRI is 13.766, indicating low data variation. The closeness between the average and the standard deviation indicates that the GRI data has relatively good consistency in terms of sustainability reporting. ISR: The average ISR score is 55.2992, with a minimum value range of 16.67 to a maximum of 86.11. The standard deviation for ISR is 14.00749, indicating low variation in the data. It reflects that the companies studied tend to have relatively consistent ISR scores. IBC: The average score of IBC is 3.02, with a range of values from 1 to 6. The standard deviation for IBC is 1.063, indicating minimal variation in the data. The closeness between the mean and standard deviation indicates that the data related to IBC shows good consistency in independent leadership. KI: The average institutional ownership is 23.8434, with a range of values from 0.00 to 91.83. The standard deviation for IO is 28.05008, also indicating low variation in the data. Although the range is quite broad, the mean and standard deviation closeness indicates a relatively high consistency in institutional ownership. ROE: The mean ROE is 14.8688, the minimum value is -163.00, and the maximum is 1800.00. The standard deviation for ROE is 138.35730, indicating low variation in the data. The closeness between the mean and standard deviation indicates that although there is significant variation in the ROE data, the high mean value indicates good consistency in financial performance.

Table 1. Hypothesis t-Test

Var.	T-stat.	Sig.
CSR-TQ	9,623	0,000
ISR-TQ	2,738	0.007
IBC-TQ	3,034	0.003
IO-TQ	2,849	0.005

Source: Data Processed, 2024

The results of the data analysis show that various factors have a significant favorable influence on TQ. The significance value for GRI is 0.000, which is smaller than the Significance level of 0.05. Therefore, the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted, indicating that GRI positively and significantly influences Firm Value. In addition, the analysis results show that the significance value for ISR is 0.007, which is also below the Level of Significance of 0.05. Thus, H0 is rejected, and Ha is accepted, indicating that ISR positively and significantly affects Firm Value.

Furthermore, IBC shows a significance value of 0.003, which is less than the Level of Significance of 0.05, which means H0 is rejected. Ha is accepted, indicating that IBC positively and significantly impacts Firm Value. Finally, IO also shows a significance value of 0.005, which is lower than the Level of Significance of 0.05. Therefore, H_0 is rejected, and Ha is accepted, indicating that IO positively and significantly affects Firm

Value. Following the proposed hypothesis, all tested variables positively and significantly influenced firm value.

Table 2. Path Analysis Results

Variables	*Direct Influence Coefficient: X_1, X_2, X_3, X_4 on Y	Coefficients of X_1, X_2, X_3, X_4 against Z	Coefficient of Z against Y	*Coefficient of Influence No Direct	Conclusion
Global Reporting Initiative	0.605	0.144	0.007	0.0010	Direct (Ha accepted)
Islamic Social Reporting	0.192	0.307	0.007	0.0021	Direct (Ha accepted)
Independent Board of Commissioners	0.122	0.085	0.007	0.0006	Direct (Ha accepted)
Institutional Ownership	0.083	0.283	0.007	0.0020	Direct (Ha accepted)

Source: Data Processed, 2024

The results of the data analysis show that the coefficient for the direct effect of GRI, ISR, IBC, and IO on TQ is higher than the coefficient for the indirect effect (XYZ). So GRI, ISR, IBC, and IO affect TQ directly. Regression analysis using the OLS (Ordinary et al.) method produces an Adj. The R^2 value of 0.972 means that 97.2% of the variation in TQ can be explained by GRI, ISR, IBC, IO, and ROE. Other factors outside the model explain the remaining 2.8%.

The Influence of Corporate Social Responsibility on Company Value

The Influence of GRI on Corporate Value (TQ)

Multiple linear regression analysis revealed that GRI significantly and positively affects TQ. It shows that increased GRI activities significantly increase TQ, thus supporting Hypothesis 1. This result is consistent with research by Kuncorowati et al. (2021) and Putra & Afriyenti (2021), which indicate that CSR positively impacts ROE. Companies utilize social disclosure to enhance their reputation and attract public attention. CSR activities disclosed in the annual report emphasize accountability, performance improvement, stakeholder engagement, and effective sustainability practices. CSR disclosure, also known as social reporting or corporate social reporting, involves communicating all impacts to stakeholders. This approach broadens the company's engagement beyond submitting financial reports to shareholders. It broadens the company's obligations beyond reporting financials to shareholders, encompassing broader accountability to related parties (Indika, 2015). Focusing only on shareholder welfare can ignore other stakeholders, harming company performance and stock prices because a bad image can damage investor confidence. Shifting focus to involve other stakeholders is following stakeholder theory, which emphasizes the company's obligations to various parties. Positive reactions from investors, reflected in rising stock prices, reflect the company's good social and environmental performance. Active involvement in CSR can improve the company's reputation among the public and stakeholders (Prabantama & Parasetya, 2022).

Relationship between ISR and TQ

The t-test results prove that ISR positively impacts TQ. An increase in ISR is correlated with a significant increase in TQ, which supports Hypothesis 2. These results are consistent with research by Kuncorowati et al. (2021) and Putra & Afriyenti (2021), which revealed that ISR has a positive impact on ROE. Shareholder welfare is the primary goal of a company, but focusing only on shareholders can sometimes ignore other related parties, which harms company performance and stock prices. A damaged image can reduce investor confidence, causing a shift in focus towards other related parties. Stakeholder theory supports this by emphasizing that companies are obligated to related parties. A positive response from investors, as indicated by an increase in stock prices, indicates good social and environmental performance. ISR disclosure is helpful for companies because it can attract investors by showing the company's commitment to social obligations (Maulina & Iqramuddin, 2019).

The Influence of Good Corporate Governance on Company Value

IBC's Relationship to TQ

Path model analysis proves that IBC has a significant positive effect on TQ. It shows that increasing IBC will substantially increase TQ, which supports Hypothesis 3. These results follow research from Nurulrahmatiah et al. (2020) and Putra & Afriyenti (2021) that shows that IO positively affects ROE. The principle of GCG is to ensure effective corporate management that follows the interests of shareholders and related parties. These principles aim to improve the performance and value of the company by promoting fairness and transparency (Khoirudin et al., 2023). A robust governance system protects shareholders and creditors by ensuring they get fair returns and safeguarding employees' interests. Effective GCG is essential to building public trust and gaining investor confidence. The implementation of GCG helps protect the interests of shareholders and ensures the expected results. GCG can increase the company's stock price. In addition, GCG increases the company's value (stock price) for shareholders (Sembiring & Trisnawati, 2019). According to stakeholder theory, corporate governance aims to provide added value to stakeholders, and the benefits of GCG are reflected in the share price that investors are willing to pay.

Relationship between IO and TQ

Path model analysis proves that IO also has a significant positive effect on TQ. It shows that an increase in IO will cause a significant increase in TQ, which supports Hypothesis 4. This finding follows research by Nurulrahmatiah et al. (2020) and Putra & Afriyenti (2021) that shows that IO positively impacts ROE. GCG also functions as a corporate control system, increasing shareholder value (stock price). In addition, GCG aims to create additional value for investors, and the benefits of GCG can be seen from the value of investors' stock price acquisition. It confirms the importance of implementing GCG in the company. Stakeholder theory suggests that GCG is a corporate control system that increases shareholder value (stock price) and aims to generate additional value for related parties.

The Effect of CSR on TQ Mediated by ROE

Path model analysis proves that the direct impact of GRI and ISR on TQ is more prominent than its indirect impact. So, GRI and ISR directly affect TQ, which supports the acceptance of Hypothesis 5. Research by Nurulrahmatiah et al. (2020), Maryanti &

Fithri (2017), and Khasanah & Sucipto (2020) shows that social obligations have a direct impact on financial performance. Financial performance reflects the company's income through various activities and utilization of financial resources. Financial performance can be evaluated using various indicators, such as financial ratio analysis. It is necessary to calculate the ratio to describe certain financial aspects. Heinze showed that profitability is an essential factor that improves management's ability to report social obligations to shareholders (Gangi & D’Angelo, 2016). Bowman & Haire also revealed that higher profitability will increase social information disclosure (Gangi & D’Angelo, 2016). Stakeholder theory supports that a company's positive image in the public eye is achieved because of its efforts to fulfill social obligations, which makes it more attractive to investors. As the company's reputation increases, greater consumer loyalty increases sales and profitability, thus affecting the company's value. Company value is a valuable goal for owners because higher value increases shareholder welfare and attracts more investment.

The Effect of GCG on TQ Mediated by ROE

Path model analysis proves that the direct impact of IBC and IO on TQ exceeds its indirect impact. It means that IBC and IO directly affect TQ, which leads to the acceptance of Hypothesis 6. Studies by Maryanti & Fithri (2017) and Khasanah & Sucipto (2020) highlight that corporate governance directly affects financial performance. GCG is a system designed to supervise and regulate companies. Public trust and internal consistency can be achieved through effective GCG implementation. The importance of GCG became more apparent after the global accounting scandals such as Enron and Worldcom, which revealed significant accounting failures. This incident emphasized the need for strong GCG practices to improve financial performance. In addition, agent and principal conflicts are expected to be reduced with GCG following agency theory. According to agency theory, the information management reports are sometimes only those that benefit it, not shareholders. GCG also ensures that shareholder investments are managed efficiently and transparently (Khoirudin et al., 2023). The value of information lies in its ability to influence investor confidence. According to signaling theory, investors need information about the company to make investment decisions. Signaling theory emphasizes the importance of the company's commitment to providing relevant GCG information to related parties. The value of this information is reflected in its ability to convey events that have occurred, are now, and have not occurred, as well as stock performance. The positive reaction of shareholders to rising stock prices indicates good performance from the company (Sembiring & Trisnawati, 2019).

The results and discussion are an essential part of this study that emphasizes the analysis of the processed data. Based on the results of the hypothesis test, it was found that all research hypotheses were accepted. The statistical test results showed that CSR, GCG, and the mediating variable ROE significantly influenced company value. The positive influence of CSR on company value supports the first hypothesis, which states that increasing corporate social obligation activities is directly proportional to increasing company value. At the same time, the implementation of GCG, through independent variables such as the IBC and Institutional Ownership (KI), significantly affects the increase in company value. The role of ROE as a mediating variable has also proven significant, supporting the hypothesis that financial performance can strengthen the relationship between CSR and GCG on company value. This conclusion provides a basis that exemplary implementation of CSR and GCG, accompanied by solid financial performance, plays a significant role in increasing company value.

CONCLUSION

The conclusion of this study states that CSR, ISR, IBC, and IO positively impact TQ, which directly influences the company's value. This study specifically focuses on the banking sector, and the results show that the company's socially obligated activities through CSR provide a positive signal to investors, which has the potential to increase the company's value. However, the relationship between GCG, represented by IBC and IO, and financial performance, such as ROE, is a mediator in this influence. Effectively implemented GCG creates trust from related parties, strengthens financial performance, and boosts the company's value. The importance of GCG and CSR in supporting company value is demonstrated by direct influence and financial performance as a mediating variable. It shows that a company strategy that includes social aspects and good governance can sustainably increase its value. The conclusion of this study confirms significant novelty in the analysis of the impact of CSR, GCG, and financial performance as mediating variables on company value in the banking sector. Compared to previous studies focusing on the direct link between CSR and firm value, this study introduces ISR as a new element in measuring CSR, which has yet to be widely applied in the banking context in Indonesia. In addition, using TQ as a measure of firm value provides a more comprehensive perspective. TQ better reflects market perceptions of a company's growth potential than traditional measures. This study also makes an essential contribution by emphasizing the role of ROE as an effective mediator in the relationship between CSR and GCG with firm value. The study results indicate that increasing firm value is not only influenced by implementing GCG and CSR directly but also highly dependent on the company's ability to translate these policies into better financial performance. Thus, this study successfully integrates CSR, GCG, ISR, and financial performance into one analytical framework, which provides new insights into how banking companies can increase their value through more holistic and measurable strategies.

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