



**THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN MEDIATING
THE RELATIONSHIP BETWEEN PROFITABILITY AND COMPANY SIZE
ON COMPANY VALUE: EMPIRICAL EVIDENCE FROM THE SHARIA
BANKING INDUSTRY SECTOR IN INDONESIA**

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Abstract

Firm value is an important indicator for investors to assess business prospects and long-term sustainability, especially in Islamic banking, which operates under ethical Islamic principles. Factors such as corporate governance, profitability, and firm size are hypothesized to influence firm value, while corporate social responsibility (CSR) emerges as a relevant mediator due to its role in sustainable business practices. Using CSR as a mediating variable, this study examines how firm size, profitability, and corporate governance influence firm value. Secondary data from the annual reports of four Islamic banks listed on the IDX (2018-2023) are used with a quantitative approach. Multiple linear regression analysis was conducted using EViews 12, along with mediation testing through the Sobel test. The findings indicate that profitability and firm size significantly influence firm value, both directly and indirectly through CSR. In contrast, corporate governance does not show a significant effect on CSR or firm value. This study underlines the importance of improving profitability and optimizing business scale to enhance firm value and CSR initiatives. For bank management, the results of this study can guide sustainability-oriented strategic policies, while regulators and investors gain insight into the key determinants of firm value in Islamic finance.

Keywords: Corporate Value, Corporate Governance, Profitability, Company Size, CSR, Islamic Banking



INTRODUCTION

The banking industry makes a significant contribution to Indonesia's economic expansion, as it acts as a financial intermediary that allows the flow of funds between businesses with a surplus and businesses with a deficit (Ander et al., 2021). High corporate value not only indicates solid financial performance, but also reflects the level of public trust in the operations and principles implemented by Islamic financial institutions. Thus, the value of a banking company becomes an important consideration for investors and other stakeholders. The value of a company in the banking sector can be influenced by several aspects, such as corporate governance, profitability, and corporate size (Ketut Krishna Savitri, 2017).

One of the main goals of a business is to increase shareholder wealth. Company value is one way to measure shareholder welfare, so increasing company value needs to be a strategic priority in the long term. Company value is manifested in stock prices, where stock price fluctuations in public companies represent investors' collective assessment of the company's performance. Both investors and management tend to focus more on company value. Given that companies have intangible assets such as management quality, reputation, and business prospects that are not reflected in financial statements, this indicates that financial statements are not always directly correlated with company value.

In discussions about sustainable business practices, corporate governance is now a major focus. This concept covers all aspects of corporate governance, from organizational structure, operational procedures, to supervisory policies. The rights of stakeholders and shareholders are protected by good governance, which also ensures accountability and transparency. Interestingly, the



implementation of good governance has been shown to be closely related to increasing company value. In addition, this practice can also strengthen investor confidence—a key factor that determines the success of a company's business.

In addition to corporate governance aspects, profitability factors also play a crucial role in determining the value of the company. This is because the company's ability to generate profits through the management of its capital and assets is directly reflected in its profitability. The optimal level of profitability illustrates the effectiveness of management in allocating company resources efficiently. In this context, corporate profitability serves as a fundamental parameter that measures the success of a company in gaining profits from its operational activities. Moreover, consistent profitability not only shows excellence in resource management, but also becomes an indicator of the company's competitiveness in market competition.

Corporate size is a crucial element in assessing a company's value, which is generally measured by total assets, revenue, or number of employees. Large companies tend to have competitive advantages, such as wider access to finance, efficient production capacity, and stability that attract investors. The characteristics of the Islamic banking sector, which include high capital requirements, the application of prudential rules, and reliance on economies of scale to ensure the sustainability of sharia-based operations, strengthen the positive correlation between company size and company value.

The implementation of CG and CSR principles is becoming increasingly crucial considering that Islamic finance is not only focused on more than just making money, but also responsible for ensuring that business practices are carried out in accordance with Islamic ethical values. The implementation of good



GCG in the Islamic banking industry can increase transparency and reduce potential risks associated with financial abuse, while the effective implementation of CSR can help strengthen the relationship between companies and the community and their customers. A study conducted by Pamungkas (2018) emphasizes the importance of CSR disclosure and profitability in increasing corporate value in the Islamic banking sector. In contrast to businesses that engage in fewer CSR initiatives, businesses with a greater level of social concern usually receive positive reactions from the market and have higher corporate values.

This study aims to analyze in depth how corporate governance, profitability and corporate size affect company value through the role of CSR as a mediator, especially in Islamic banking in Indonesia. By analyzing data for the period 2018-2023, the results of this study are expected to provide real benefits for bank management in preparing business plans, assist regulators in formulating policies, and become an important consideration for investors. The results of this study are expected to encourage business practices that are not only financially profitable, but also apply the principles of transparency and sustainability according to the characteristics of Islamic banking. socially.

Although many studies have examined the influence of Corporate Social Responsibility (CSR) on manufacturing companies, there is still limited literature that discusses the role of CSR specifically in the Islamic banking sector, especially in Indonesia. In fact, Islamic banking has unique characteristics based on Islamic principles and Islamic ethics, so the implementation of CSR in this sector may be different from conventional or manufacturing companies. This creates a research gap to explore more deeply how CSR functions as a mediator in the relationship



between internal company factors (such as governance, profitability, and size) with company value in the Islamic banking sector (Tampubolon & Siregar, 2019).

LITERATURE REVIEW

Corporate Governance

Corporate governance refers to the systems, procedures, and relationships that govern the operations of a company organization, and is an essential aspect of a company's operations. It is necessary to ensure that the company operates effectively, transparently, and in the best interests of its stakeholders. (Marsudi & Soetanto, 2020). It includes various rules and systems that govern how a company is run. Good governance practices will create transparency, fairness, and accountability in business operations. The corporate governance structure must be transparent. Investor confidence when making investment decisions is driven by this transparency. (Widawati et al., 2022). As a result, corporate performance will improve and investor confidence will increase. The main principles of Corporate Governance, including fairness, accountability, transparency, and responsibility, are implemented through mechanisms such as the board of directors, executive compensation, shareholder rights, and audit committees.

Corporate Profitability

One of the most important aspects of evaluating a business's financial health and performance is Corporate Profitability. The causes and effects of corporate profitability have been the subject of several studies, which have provided insightful information for practitioners and policymakers. Firm size is a significant determinant of profitability, with larger businesses often benefiting from economies of scale and scope that can enhance their profits. The firm's



industry is also very important because different industries have different levels of competition, barriers to entry, and market dynamics that affect corporate profitability. Another important determinant is the firm's capital structure, as the mix of debt and equity can impact the cost of capital and financial risk, thereby affecting profitability. In addition, macroeconomic factors, such as interest rates, inflation, and economic growth, can also affect a firm's profitability by influencing consumer demand, input costs, and access to finance.

Corporate Size

Corporate Size, also known as "company size", refers to the size or magnitude of a company. It is usually measured using a number of elements or factors such as revenue, number of employees, market share, and assets. Since the public will monitor the company's operations, the larger the company, the more information it must disclose (Waluyo, 2017). The importance of Corporate Size lies in how much it helps us understand the economics of a company. While large companies may have advantages in operational scale, resources, and market power, smaller companies tend to be better able to adapt to changes in the business environment. Different numbers of companies can indicate different aspects of organizational structure and industry characteristics.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) has emerged as an essential component of modern business operations, as companies recognize their role in solving social and environmental problems. A basic definition of corporate social responsibility (CSR) is a company's dedication to improving the lives of its employees, their families, the local community, and society at large, and to fostering economic success. The term has been widely debated and defined by



various groups, but there is general agreement that it encompasses the ethical and sustainable management of a company's activities and their impact on stakeholders (Carroll & Brown, 2018).

Corporate Value

Corporate value is an important scale used to determine how valuable a company is in the eyes of investors and shareholders. Because corporate value is a measure of how the market views the company as a whole, corporate value is an important idea for investors. Company owners want to see high corporate value because it indicates that shareholder wealth is equally important, and with high corporate value encourages investor confidence to invest their capital in the business (Markonah et al., 2020).

Corporate Governance on Corporate Social Responsibility

In many countries, there is a growing discussion on the relationship between corporate governance and CSR disclosure. CSR disclosure is strongly influenced by the role of the board of directors in the governance system. A study in Jordan shows that governance practices have a positive impact on CSR reporting (Nour & Palestine, 2020). In addition, several aspects of corporate governance, such as the existence of independent directors, the dual role of CEO and chairman, and the size of the board of directors, also affect the level of CSR disclosure (Tibiletti et al., 2020)

H1: Corporate Governance has an effect on Corporate Social Responsibility Disclosure.

Corporate Profitability on Corporate Social Responsibility

With a focus on companies listed on the Indonesia Stock Exchange (IDX), a number of studies have investigated the relationship between corporate



profitability and CSR disclosure (Tampubolon & Siregar, 2019). According to several studies, increased profitability allows companies to expand their social responsibility initiatives and disclose more CSR data in financial statements. This is because increased profitability indicates that there is room for businesses to generate greater profits, which allows companies to increase their social responsibility.

Other research by (Halim & Mustika, 2022) found that CSR has a negative impact on profitability. Using information from companies included in the Indonesian Sharia Stock Index (ISSI), they found that disclosure of social responsibility initiatives has a negative impact on Earnings per Share (EPS), a component of the profitability ratio.

H2: Corporate Profitability has an effect on Corporate Social Responsibility Disclosure.

Corporate Size on Corporate Social Responsibility

One of the variables that is considered to influence the level of CSR is Corporate size. The public and stakeholders, such as stakeholders and investors, tend to pay more attention to large companies in terms of the environmental and social impacts of their activities. Therefore, large companies are usually expected to disclose information about their CSR initiatives in a more accountable and transparent manner.

The relationship between corporate size and corporate social responsibility (CSR) shows that company size affects the quality and quantity of information conveyed in the CSR report. A study conducted by Pratama(2019)states that CSR social and environmental communication is of higher quality in larger organizations, with an average of 41.55% among 460 listed public companies in



Indonesia. This study uses the CSR Disclosure Quality Index to measure how well companies convey environmental and social information.

H3: Corporate Size has an effect on Corporate Social Responsibility Disclosure.

Corporate Social Responsibility on Corporate Value

Analyzing corporate social responsibility (CSR) methods, as well as the factors that influence them and how they affect corporate value, is the goal of corporate social responsibility (CSR) (Harun & Farooque, 2020). This study aims to measure the impact of CSR initiatives on corporate value. In addition, this study also wants to explore how understanding corporate value can be a driver for better CSR practices among business actors.

H4: Corporate Social Responsibility influences Corporate Value.

Corporate Governance, Corporate Value, and Corporate Social Responsibility

Corporate governance is a corporate governance framework that regulates the organizational structure, work processes, and overall business management policies. Good governance practices can increase investor and stakeholder confidence, which ultimately contributes to increasing the company's value. Several key elements, such as the composition of the board of directors, management share ownership, and the quality of financial audits, have been shown to influence market perception of a company's value. Thus, the implementation of effective corporate governance principles not only encourages transparency and accountability but also becomes a determining factor in creating added value for the company in the eyes of investors and the public.

H5: Corporate Governance has an influence on Corporate Value through Social Responsibility Disclosure.



Corporate Profitability, Corporate Value, and Corporate Social Responsibility

CSR Disclosure is the disclosure of information about a company's actions and performance in the field of social responsibility. CSR Disclosure can be a link between corporate profitability and corporate value. Companies with strong profitability usually have adequate resources to undertake CSR disclosure initiatives. Good CSR Disclosure can improve the company's image and reputation, thus encouraging investors and the market to provide higher value.

H6: Corporate Profitability has an influence on Corporate Value through Social Responsibility Disclosure.

Corporate Size, Corporate Value, and Corporate Social Responsibility

Company size is often considered to have a positive correlation with company value. More resources, easier access to capital markets, and the ability to take advantage of economies of scale are characteristics of large organizations or businesses, which increase corporate value (Yuliyanti & Fadhila, 2024). Large-scale companies generally present more complete and detailed CSR reports as a form of accountability to the public. Company value is positively influenced by good corporate social responsibility (CSR) activities, which also improve relationships with stakeholders and increase investor confidence.

H7: Corporate Size has an influence on Corporate Value through Social Responsibility Disclosure.

RESEARCH METHOD

This research uses quantitative methods. According to Haliza et al. (2025) statistically analyze numerical data to assess variables and their relationships, referring to secondary data. The study was tested from the annual reports of



Islamic banks listed on the IDX for the period 2018-2023. The research population includes all Islamic banks on the IDX, with the selected sample consisting of four banks, namely Bank Aladin Syariah, Bank Panin Dubai Syariah, Bank Syariah Indonesia, and Bank BTPN Syariah. The sample selection was based on the availability of complete public data and the annual financial reports of each Islamic bank accessed through the Indonesia Stock Exchange website (<https://www.idx.co.id/id>). Independent variables include Corporate Governance (CG) measured by the proportion of independent commissioners and audit committees, Corporate Profitability (CP) with Return on Assets (ROA), and Corporate Size (CS), based on total assets. The mediating variable is Corporate Social Responsibility (CSR) calculated using the GRI index, while the dependent variable Corporate Value (CV) is measured by Tobin's Q. Data analysis was performed using multiple linear regression using EViews 12 software, including classical assumption tests (normality, multicollinearity, heteroscedasticity, autocorrelation), partial hypothesis tests (t-test) and simultaneous (F-test), and Sobel mediation test to test the role of CSR.

RESULTS AND DISCUSSION

This study utilizes secondary data from the annual reports of four Islamic banks listed on the Indonesia Stock Exchange (IDX) in the period 2018 to 2023. The four Islamic banks that are the research samples include Bank Aladin Syariah, Bank Panin Dubai Syariah, Bank Syariah Indonesia (BSI), and Bank BTPN Syariah. This study examines five main variables with the following measurement approaches: Corporate Governance is measured through the proportion of independent commissioners and the existence of an audit



committee (Bagus et al., 2019; Dewi & Oktaviani, 2021). Corporate Profitability is assessed using Return on Assets (ROA) (Manu, 2019). Corporate Size is measured based on total assets (Halim & Mustika, 2022). Corporate Social Responsibility (CSR) Disclosure is calculated using the GRI (Global Reporting Initiative) index (Machmuddah et al., 2020). CSR covers three aspects: economic, environmental, and social. While Corporate Value (CV) is manifested through Tobin's Q (Hadiyanti, 2016; Bidhari et al., 2013).

Descriptive Analysis

This analysis aims to describe the characteristics of the data through the measurement of centralization (mean and median), dispersion (standard deviation, maximum and minimum values), and distribution forms (skewness and kurtosis). The results of the analysis show variations in values between companies in the research sample, consisting of 24 observations.

Table 1
Descriptive Analysis Results

	Corporate Governance	Corporate Profitability	Corporate Size	Corporate Social Responsibility	Corporate Value
Mean	0.602083	4.115196	31.06760	18.67416	1.136964
Median	0.670000	2.426374	30.98122	20.51280	0.756886
Maximum	0.750000	10.80234	33.49926	42.71790	4.284604
Minimum	0.400000	0.171637	27.21840	0.000000	0.055394
Std. Dev.	0.103503	3.418801	2.091249	13.25233	1.133752
Skewness	-0.199681	0.531914	-0.519534	-0.063885	1.627549
Kurtosis	1.697478	1.837126	2.073036	2.145730	4.835452
Jarque-Bera Probability	1.856054	2.484003	1.938926	0.746102	13.96455
	0.395333	0.288806	0.379287	0.688630	0.000928



Sum	14.45000	98.76470	745.6223	448.1799	27.28713
Sum Sq. Dev.	0.246396	268.8286	100.5864	4039.359	29.56406
Observations	24	24	24	24	24

Based on the results of descriptive analysis, Corporate Governance has an average value of 0.60 with a relatively small standard deviation, indicating a fairly homogeneous data distribution. Corporate Profitability has an average value of 4.12 with a fairly large distribution, as seen from the standard deviation of 3.42 and a maximum value of 10.80, and a minimum of 0.17. For Corporate Size, the average is 31.07 and has a low variation compared to other variables, with a standard deviation of 2.09. Corporate Social Responsibility shows an average of 18.67 with a high standard deviation (13.25), indicating a large variation in its implementation. Meanwhile, Corporate Value has an average of 1.14 with a maximum value of 4.28 and a minimum of 0.06, and a distribution that is very skewed to the right (skewness 1.63), reflecting the existence of companies that have values much higher than the average.

Classical assumptions

To improve the reliability of the estimation findings, classical assumption testing is carried out to ensure that the regression model used is valid and free from errors. This study carries out several classical assumption tests, including the normality test to evaluate the residual distribution, the multicollinearity test to test for high correlation between independent variables, the autocorrelation test to detect the relationship between residuals, and the heteroscedasticity test to check the stability of the residual variance. All of these tests are important to ensure the accuracy of the regression analysis results obtained.



Normality Test

Data normality testing uses the Jarque-Bera (JB) test with a significance level of 0.05, where the null hypothesis (H_0) states that the data is normally distributed and the alternative hypothesis (H_1) states otherwise. The decision-making criteria are based on the JB probability value, where if the JB probability value > 0.05 , then H_0 is accepted (normal data), while if ≤ 0.05 , then H_0 is rejected (abnormal data).

The results of the normality test can be seen in Figure 1.

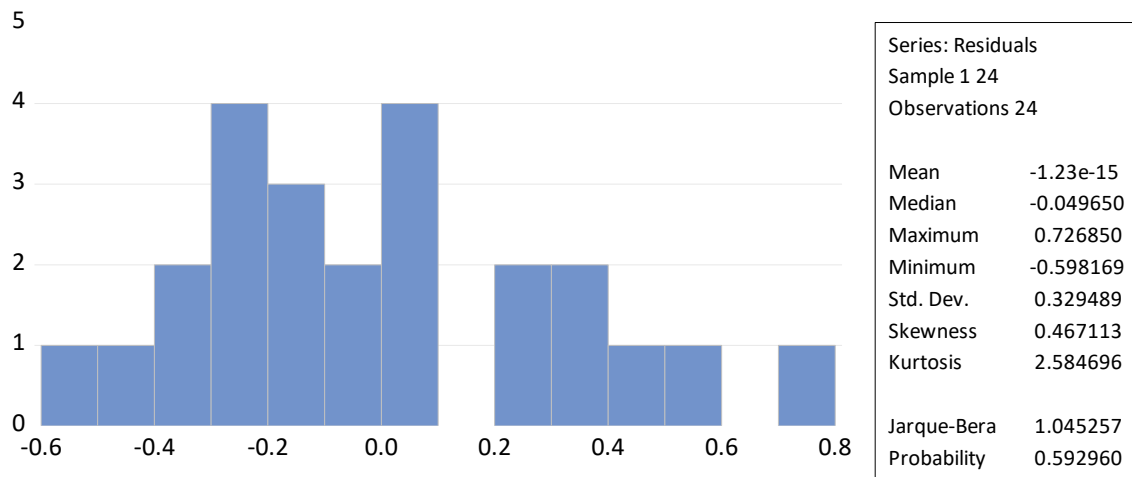


Figure 1
Jerque-Bera Test Results

Based on Figure 1, the resulting probability value is 0.592960, more than 0.05, so it is concluded that the data is normally distributed.

Multicollinearity Test

To test the existence of multicollinearity in the regression model, this study conducted a Variance Inflation Factor (VIF) analysis. Multicollinearity occurs when independent variables have a high correlation with each other, which can cause bias in the estimation of regression parameters. A VIF value above 10 indicates a significant multicollinearity problem. Based on the test results,



Corporate Governance has a VIF value of 1.59, Corporate Profitability of 5.84, Corporate Size of 6.88, and Corporate Social Responsibility of 8.75. All VIF values are below 10, indicating that there is no multicollinearity in the variables used in this study. Thus, the regression model applied can be considered free from multicollinearity problems.

Heteroscedasticity Test

This study tested heteroscedasticity using the Glejser Test via EViews 12 to ensure the consistency of residual variance between observations. The test results show a probability value of 0.1383 for Obs*R-squared and 0.1454 for F-statistic, both of which are greater than the significance level of 0.05. The classical linear regression assumption of homoscedasticity is met by these values, indicating that the regression model does not experience heteroscedasticity problems. Thus, the parameter estimates obtained can be considered valid and consistent.

Autocorrelation

This study applies the Breusch-Godfrey test to test for autocorrelation in the regression model. The test results show a probability value of F-statistic of 0.4925 and a Chi-Square probability of 0.3832, both significantly exceeding the significance level of 0.05. This finding indicates that there is no autocorrelation problem in the model, which means that the residuals between observations are independent and uncorrelated. Thus, the regression model used has met the classical assumption of residual independence, strengthening the validity of the estimation results obtained.



Hypothesis Testing

Regression Equation

The results of the regression coefficient estimation show how much and in what direction the independent variables influence the two analysis models. The first model measures the impact of various factors on Corporate Value, while the second model assesses the role of Corporate Social Responsibility as a mediator. These figures help understand the extent to which each variable influences the final outcome, either directly or through mediation mechanisms.

The following is a regression model that describes the role of Corporate Social Responsibility (CSR) as a mediating variable between Corporate Governance, Corporate Profitability, and Corporate Size on Corporate Value:

$$\text{Corporate Value} = 12.05177 - 1.790834CG + 0.313394CP - 0.387364CS + 0.048635CSR$$
$$CSR = -71.45354 - 19.08737CG + 1.539057CP + 3.067066CS$$

In the first model, Corporate Governance has a negative effect (-1.79) on Corporate Value, indicating that improving governance actually decreases the value of the company. On the other hand, Corporate Profitability has a positive effect (0.31), meaning that higher profits increase the value of the company, while Corporate Size has a negative effect (-0.39), indicating that larger companies tend to have lower values. CSR has a small positive effect (0.0486), meaning that the company's social activities slightly increase its value. In the second model, Corporate Governance has a negative effect (-19.09) on CSR, indicating that good governance does not always encourage CSR practices, while Profitability (1.54) and Size (3.07) have a positive effect, meaning that more profitable and larger companies tend to be more active in social responsibility.

**T-Test**

The results of this test determine whether a variable has a significant effect or not based on the significance level set at 5% ($\alpha = 0.05$). If the Sig t-count value ≤ 0.05 , it means that the independent variable has a significant effect on the dependent variable. Conversely, if the Sig t-count value > 0.05 , then the effect is considered insignificant. Thus, this provision helps identify which variables actually affect the results of the study. The results of the partial significance test, Corporate Governance is proven to have no significant effect on Corporate Value (p-value = $0.0669 > 0.05$), but Corporate Profitability shows a significant positive effect (p-value = 0.0000). Meanwhile, Corporate Size has a significant negative effect on Corporate Value (p-value = 0.0006), while Corporate Social Responsibility has a significant positive impact (p-value = 0.0095). On the other hand, Corporate Governance is also not significant in influencing CSR (p-value = 0.1109), in contrast to Corporate Profitability (p-value = 0.0218) and Corporate Size (p-value = 0.0086), which both show a significant positive influence on CSR.

F Test

In this study, a Simultaneous Significance Test was conducted to determine whether all independent variables influence the dependent variable simultaneously, with a significance level of 0.05 ($\alpha = 5\%$). The test provisions state that if the Sig F-count value < 0.05 , it means that all independent variables tested are appropriate predictors for the dependent variable. Conversely, if Sig F-count ≥ 0.05 , then these variables are not appropriate to be used as predictors. The results of the simultaneous test show that all independent variables (Corporate Governance, Profitability, Size, and CSR together have a significant effect on Corporate Value ($F = 51.49$; $p = 0.000$). Likewise, in the CSR model as a dependent



variable, the three independent variables (Governance, Profitability, and Size) also have a significant effect simultaneously ($F = 51.67$; $p = 0.000$).

Coefficient of Determination

The R Square (R^2) value measures how well the independent variables explain the variation of the dependent variable, with a value range between 0 and 1. The closer to 1, the stronger the ability of the independent variables to predict the dependent variable, which means the regression model is better. Conversely, a low R^2 value indicates that the independent variables are less able to explain changes in the dependent variable.

Results of R Square analysis show that the first model (Corporate Value) has an R-squared of 0.9155, meaning that 91.55% of the variation in company value can be explained by the independent variables used. While in the second model (CSR), the R-squared value of 0.8857 indicates that 88.57% of the variation in CSR practices is influenced by the factors studied. Both models have very good explanatory power, with the Corporate Value model slightly superior in predicting the variation in its dependent variables.

Sobel Test

This study uses the Sobel Test to test the significance of the mediation role of Corporate Social Responsibility (CSR) between independent variables (Corporate Governance, Profitability, and Size) with Corporate Value. This test measures whether the indirect effect of the independent variable on the dependent variable through the mediator is statistically significant.



Table 2
Sobel Test

Hypothesis	T Statistics	P Value	Information
Corporate Governance --> Corporate Social Responsibility --> Corporate Value	-1.6316	0.1028	Not significant
Corporate Profitability --> Corporate Social Responsibility --> Corporate Value	2.3711	0.0177	Significant
Corporate Size --> Corporate Social Responsibility --> Corporate Value	2.7312	0.0063	Significant

The results of the Sobel Test revealed different mediating roles of CSR on each variable. CSR did not function as a significant mediator in the relationship between Corporate Governance and Corporate Value (T=-1.6316; p=0.1028). However, CSR proved to be a significant mediator between Corporate Profitability and Corporate Value (T=2.3711; p=0.0177) and between Corporate Size and Corporate Value (T=2.7312; p=0.0063), indicating that profitability and company size affect company value through CSR mechanisms, unlike corporate governance.

Synthesis of the Main Discussion

Hypothesis 1 (H1): Corporate Governance (CG) has an effect on Corporate Social Responsibility (CSR). The results of the study indicate that Corporate Governance does not have a significant effect on CSR (p-value = 0.1109 > 0.05). This finding is contrary to the research of Nour & Palestine(2020), which states that good governance practices can improve transparency and CSR reporting. However, this result is in line with the study of Tibiletti et al.(2020)who found that factors such as board independence do not always have a significant impact on CSR disclosure, especially in sectors with specific regulations such as Islamic



banking. This may be due to the unique characteristics of Islamic banking in Indonesia, where compliance with Islamic principles already regulates aspects of governance and social responsibility, so that variations in CG practices have less impact on CSR.

Hypothesis 2 (H2): Corporate Profitability (CP) has an effect on CSR. Corporate Profitability is proven to have a positive and significant effect on CSR (p-value = 0.0218 < 0.05). This result supports the research of Tampubolon & Siregar(2019), which states that companies with high profitability have greater resources to allocate to CSR initiatives. Machmuddah et al.'s study.(2020)also confirmed that stable profits enable companies to increase their social commitment. In the context of Islamic banking, high profitability may reflect operational efficiency, making it easier for banks to integrate CSR as part of their sustainability strategy.

Hypothesis 3 (H3): Corporate Size (CS) has an effect on CSR. Corporate Size also shows a significant positive effect on CSR (p-value = 0.0086 < 0.05). This finding is consistent with Pratama's research (2019) who found that due to stakeholder demand and adequate resources, large companies usually disclose more CSR information.

Hypothesis 4 (H4): CSR has an effect on Corporate Value (CV). CSR has a positive and significant effect on Corporate Value (p-value = 0.0095 < 0.05), although the coefficient is relatively small (0.0486). This result is in line with Harun & Farooque's research (2020) on Islamic banks in the GCC, which states that CSR enhances reputation and investor confidence, thereby boosting firm value. Carroll & Brown study (2018) also emphasized that CSR can be a positive



signal to the market about a company's commitment to sustainability, which is appreciated by shareholders.

Hypothesis 5 (H5): CG influences CV through CSR. CSR is not proven to be a significant mediator between CG and CV ($p\text{-value} = 0.1028 > 0.05$). This finding does not support the research of Marsudi & Soetanto (2020), which states that good governance can increase firm value through CSR mechanisms. However, this may be due to the lack of variation in CG practices among sample Islamic banks or the dominance of other factors, such as profitability, in influencing firm value.

Hypothesis 6 (H6): CP influences CV through CSR. CSR acts as a significant mediator between CP and CV ($p\text{-value} = 0.0177 < 0.05$). This result supports Pamungkas' study (2018) which found that profitability affects firm value both directly and indirectly through increased CSR initiatives. In other words, profitable Islamic banks tend to allocate profits to social programs, which ultimately strengthens their image and market value.

Hypothesis 7 (H7): CS influences CV through CSR. CSR is also a significant mediator between CS and CV ($p\text{-value} = 0.0063 < 0.05$). This finding is consistent with Yuliyanti & Fadhila's research (2024), which shows that large companies are able to utilize their economies of scale to implement CSR effectively, thereby attracting investor interest and increasing the company's value. In the context of Islamic banking, large size allows banks to run CSR programs that have a wide impact, such as sustainable financing or Islamic financial education, which are appreciated by the market.



CONCLUSION

This study reveals that in the banking context, Corporate Profitability and Corporate Size significantly affect Corporate Value, both directly and through the mediation of Corporate Social Responsibility (CSR). However, Corporate Governance does not show a significant effect on firm value or CSR activities, indicating that good governance practices do not necessarily drive social performance or firm value in the banking sector. The high R-squared value (91.55% for Corporate Value and 88.57% for CSR) indicates that this research model is very effective in explaining variations in firm value and CSR practices, with profitability and firm size as the dominant factors.

The results of this study have important implications for bank management, regulators, and investors. Bank management can focus strategies on increasing profitability and optimizing company size, as well as integrating CSR into business plans to strengthen the company's reputation and value. For regulators, these findings can be used as considerations in formulating policies that encourage sustainable business practices. Meanwhile, investors can use this information to evaluate the performance and investment potential in the Islamic banking sector.

This study has limitations, such as the sample being limited to four Islamic banks and the relatively short time period (2018–2023). For further research, it is recommended to expand the sample by covering more banks or a longer period, as well as exploring additional variables such as credit risk or banking digitalization. In addition, in-depth case studies can be conducted to identify the most effective CSR practices and evaluate the role of Corporate Governance in a broader context.



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