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The Influence Of Profitability, Investment Opportunity Set And Disclosure Of Islamic Social Reporting On Firm Value (Empirical Study On Companies Registered In The Jakarta Islamic Index 2019-2022)

Ahmad Mufid Hanafi [1]; Nursiam [2]
[1] Muhammadiyah University of Surakarta
Email: [1] ahmadmufidhanafi19@gmail.com ;[2] nur183@ums.ac.id

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ABSTRACT

This study aims to determine and analyze the effect of profitability, investment opportunity set and Islamic social reporting on firm value. company values. The population of this study are publicly listed companies whose shares are listed on the Jakarta Islamic Index during the 2019-2022 period. whose shares are listed on the Jakarta Islamic Index during the 2019-2022 period. The technique sampling technique in this study using purposive sampling method, with the results of 23 companies that meet the predetermined criteria with a total. sample of 92 samples. determined with a total sample size of 92 samples. This research uses multiple regression data analysis methods with the help of the SPSS version 26 program. The data used in this study are secondary data obtained from the company's published financial statements from the company's website. obtained from financial reports published by the company from the website www.idx.co.id. The results of this study indicate that the investment opportunity set variables and Islamic social reporting have an effect on firm value. company values. While profitability has no effect on firm value.

INTRODUCTION

In general, the sustainability of a company is based on long-term and short-term goals. The long-term goal of the company is based on maximizing the value of the company, while the short-term goal of the company is to make as much profit as possible. Firm value in this study is the market value of equity, so that investors' perceptions of the success rate of company performance are reflected through high company value. Firm value can reflect the state of a company. Therefore, the company expects to have firm value because having high corporate value can also indicate high shareholder prosperity. With that in mind,

Factors that can affect the value of the company, one of which is the factor of company profitability (Ulupi, 2007). The company's ability to generate profits is often referred to as profitability. Profitability is important because profitability is used as an indicator in measuring company value (Sastrawan, 2016). Profitability in relation to investment consists of the rate of return on assets (return on total assets) and the rate of return on equity (return on equity). The resulting return value can describe how well the company's value is in the eyes of investors. Previous research by (Hidayat and Khotimah, 2022) and (Wulanningsih and Agustin, 2020) suggests that profitability has a positive effect on firm value,

Firm value formed through indicators of stock market value is also strongly influenced by investment opportunities, one of the indicators is the Investment Opportunity Set (IOS), IOS is considered capable of influencing the increase in a company's assets, so that in this case IOS has a vital role for a company. , because IOS is an investment step that is formed from a combination of owned assets (assets in place) and future investment options. Maximum company value makes the market believe not only in the company's current capabilities, but also in the company's opportunities in the future. Previous research by (Wulanningsih and Agustin, 2020) stated that Investment Opportunity Sets have a positive effect on company value.

Social responsibility is known as Corporate Social Responsibility (CSR). ISR is a form of CSR but in accordance with an Islamic perspective. In this case ISR not only helps companies to make decisions in accordance with sharia, but can also help companies fulfill their responsibilities to Allah and society. ISR also supports stakeholder theory according to Ghazali and Chariri (2007) a company is not an entity that operates for its own sake but must also be able to provide benefits to company stakeholders because all company sustainability is influenced by stakeholders. Previous research by (Sutapa and Heri, 2018) stated that ISR has no effect on firm value because investors tend to buy shares to get capital gains. Different results were found by Arsad and Said (2014) that the positive relationship between i-CSR disclosure and company performance and information disclosure has consistently met the expectations of various stakeholders. Likewise, according to Umbara and Suryanawa (2014) stated that CSR disclosure has a positive effect on firm value.

There are differences in research results or research gaps that occur between the influence of factors related to Firm Value and based on the background that has been described, the Researcher conducted a study entitled "Effect of Profitability, Investment Opportunity Set and Disclosure of Islamic

Social Reporting on Firm Value (Empirical Study on Corporate Values) registered in the Jakarta Islamic Index for 2019-2022).

LITERATURE REVIEW

Signal Theory

Signal theory according to Fauziah (2017) is a theory about management's encouragement to provide information to investors as a way to reduce information asymmetry between investors and management. Having complete, relevant and accurate information about the company is an incentive for management to provide information signals so that it can increase the value of the company and can contribute to making decisions. Signal theory shows how companies with good quality can deliberately provide signals to investors, so that investors are able to distinguish good and bad quality companies.

The value of the company

Investors trust in investing their capital in companies that have high corporate value. According to Salvatore (2005) firm value is the view of investors on the level of success of the company in managing the company's resources. According to Sudiyatno (2010) increasing the value of the company is an achievement, which is in accordance with the wishes of the owners, because by increasing the value of the company, the welfare of the owners will also increase, and this is the duty of managers as agents who have been entrusted by company owners to run the company.

Profitability

According to Riyanto (2010) the notion of profitability is the company's ability to generate profits or profits within a certain period, where companies that have the ability to generate good profits can show good company performance. According to Gunawan (2018), companies with a high level of profitability are considered to be able to reflect financial performance because they can describe the company's ability to generate profits which will later affect the social and environmental activities that the company will carry out. In this study related to investment (Besley an Brigham, 2008) the proxy Return On Assets (RoA) is used to measure company profitability. The ROA ratio is an important ratio for investors to assess a company's effectiveness in obtaining profits by utilizing its assets. According to Murhadi (2013), Return on Assets (RoA) shows the amount of return generated by the company for each fund invested in assets.

- H1: Profitability affects firm value

Investment Opportunity Set (IOS)

According to Gaver and Gaver (1993), IOS is a firm's value, the amount of which depends on the expenses set by management in the future, which are currently investment choices that are expected to generate greater returns. IOS proxies based on investment show that increased investment activity has a positive relationship with IOS value in a company. The Market Value To Book Of Assets (MVBA) ratio illustrates a company's maximum investment prospects, with an increase in this ratio indicating that the company's assets are also increasing. Investment Opportunities Set Management expects decision making, so that investors will know management in making decisions according to their wishes.

- H2: IOS has an effect on Firm Value

Islamic Social Reporting (ISR)

The implementation of Corporate Social Responsibility (CSR) by companies is also increasing the creation of Islamic social reporting. Maulida (2014) ISR is a form of social responsibility that is suitable for Islamic entities. ISR functions to increase the transparency of business activities and is a responsibility to society, the environment, but also to God. The ISR index is disclosure items that can be used as indicators in reporting the social performance of sharia business institutions. Haniffa (2002) put forward five themes for disclosing ISR, and then one more theme item was developed by Othman et al (2009), namely:

1) Funding and Investment (Finance & Investment)
   The information to be disclosed is a source of financing and investment that is free from usury and speculation (gharar).
2) Products and Services (Products and Services)
   The company's obligation to disclose all products or services, in Islam strictly prohibits that which is an unlawful category.
3) Employees
   Management and implementation of good policies regarding benefits, worship and education in order to improve employee welfare.
4) Community (Community Involvement)
   Companies must play a role in promoting economic development and solving social problems of the communities in which they operate. Such as implementing saddaqa (charity), waqf (trust) and qard hassan (loans without profit/profit).
5) Environment
   Information related to the use of resources and programs carried out for environmental protection must be disclosed.
6) Corporate Governance The theme of corporate governance is an addition from Othman et al (2009), due to ensure oversight of the company's sharia

aspects which play a role in disclosing all activities that are prohibited especially by Islam.

- H3: Islamic Social Reporting has an effect on firm value

METHODS

In this study, researchers used a descriptive research type using a quantitative approach. The quantitative approach in this study emphasizes testing theory through measurement. The unit of analysis chosen in this study is a company listed on the Jakarta Islamic Index 2019-2022.

In this study using secondary data in the form of quantitative data which includes data on the financial statements of public companies. The data in this study is in the form of a complete annual report from each company registered on JII, especially in 2019-2022. The data used was obtained from the websites of each company published for the 2019-2022 period and the Indonesia Stock Exchange and related sites. which provides public financial reports, namely www.idx.co.id, besides that it is also strengthened by literature books and economic journals related to research variables.

The population in this study were 46 companies and 90 samples were obtained according to the purposive sampling criteria conducted by the researcher. The following are the results of determining the sample:

Table 1. Research Sample Data

No	Information	Amount
Research population: go public companies whose shares are listed on the Jakarta Islamic Index		46
Sampling based on criteria (purposive sampling)		
1	Companies that are not included in the JII category for at least 4 consecutive periods from 2019 to 2022.	(23)
2	Companies that are not de-listed from JII during the 2019-2022 period	23
3	Companies that publish complete annual reports and are presented in rupiah monetary units for the end of each period	23
The number of samples per year that meet the criteria		23
Number of samples (nx study periods) (23 x 4 years)		92
Total Research Sample		92

Source: Secondary data processed, 2023

The value of the company

The value of the company can be seen from the value of the company's shares concerned (Harjito and Martono, 2011). Investors' perceptions on the success rate of company performance are reflected through company value. In this study, company value is proxied by using Price Book Value (PBV). According to Kusmajaya (2011) PBV is the ratio between the price per share and the book value per share in a company. The following is how to calculate company value with book value per share and Price Book Value:

Book Value Per Share = Net Equity of the Company / Number of Outstanding Shares

PBV = Last Price / Book Value Per Share (BVPS)

Profitability

High profitability shows the effectiveness of company management (Putra and Lestari, 2016). In this study, profitability is measured using ROA. ROA reflects how much return is generated for every rupiah invested in assets. The measurement scale used is a ratio scale with the following formula:

Return on Assets = Net Income / Total Assets

Investment Opportunity Set (IOS)

This study uses a single price-based proxy, namely the Market to Book Value Assets Ratio which reflects the amount of assets used in running its business which is expected in the future to increase the likelihood that its stock price will increase and will be followed by increased stock returns. This proxy reflects the condition of the company which will be taken into consideration by investors.

MBVA (Market-to-Book Value of Assets) = (Total Assets - Total Equity + (Number of Outstanding Shares x Closing Price)) / Total Assets

Islamic Social Reporting

To measure the ISR by using the ISR index of each company every year. The ISR index according to (Haniffa, 2002) is a disclosure item that is used as an indicator in reporting social performance in sharia-based business institutions. According to Haniffa (2002) the ISR index is divided into 5 major themes, namely investment and finance; products and services; employees, social community, environment, and developed by Othman (2009) namely organizational governance. The total items used in this study are taken from research that is relevant to the disclosure of annual reports from companies that are registered and in accordance with the Jakarta Islamic Index. Then the stage of evaluating each disclosure item is given a value of 1 if the item in the ISR index is contained in the company data and is given a value of 0 otherwise. Disclosure level is the level of disclosure of information provided as an attachment to the financial statements in the form of footnotes or additions. The following is the formula for calculating the disclosure level after assigning a value to the ISR index.

Disclosure Level = Number of Disclosures Met / Maximum Possible Score

Research Model

This research model uses the Multiple Regression Analysis Method. Used to measure the effect of more than one independent variable on the dependent variable. In this study examining Profitability, IOS and ISR on firm value. The mathematical form of multiple regression analysis is as follows:

$Y= \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \varepsilon$

Information :

One-Sample Kolmogorov-Smirnov Test

Variable	n	asymp. Sig. (2-tailed)	Information
Unstandardized Residuals	**92**	**,112**	**Normal Distribution**

Y = Firm Value
X1 =Profitability
X2 = iOS
X3 = ISR
α =Constant
β1.2.3 =Regression coefficient
ε = errors (other variables not explained in the model)

DISCUSSION

Effect of Profitability on Firm Value

Based on table 9 related to the T test results, it can be explained that the calculated t value is smaller than t table or -1.552 < 1.98729 and the significance level is greater than alpha, namely 0.124 > 0.05. From these results it can be concluded that the profitability variable has no influence on firm value variable, then H1 is rejected. So it can be said that the high level of profitability in the company does not determine the value of the company and conversely the low level of profitability in the company does not determine the value of the company.

This research is in line with research conducted by Firmansyah (2017) where the profitability variable has no relationship to firm value with debt policy as a moderating variable. However, this research is not in line with research conducted by Hidayat and Khotimah (2022) and Fitri (2016) which states that profitability affects firm value.

The Effect of Investment Opportunity Set on Firm Value

The Investment Opportunity Set variable has a calculated t value that is greater than t table or 39.15 > 1.987 and a significance level that is smaller than alpha, namely 0.000 <0.05. Partially, ios has a significant effect on company value for companies listed on the Jakarta Islamic Index listed on the Indonesia Stock Exchange in 2019-2022, so H2 is accepted. It can be interpreted that the greater the Investment Opportunity Set, the greater the firm value.

This research is in line with research conducted by Wulanningsih and Agustin (2020) where the Investment Opportunity Set variable provides a relationship to company value. However, this research is not in line with research conducted by Nopiyania and Sanjaya (2018) which states that investment opportunity sets have no effect on firm value.

The Influence of Islamic Social Reporting on Company Value

The test results can be explained that the Islamic social reporting variable has a t count value that is smaller than t table or -3.396 > 1.98729, however, and the significance level is greater than alpha, namely 0.001 <0.05, then H3 is accepted, meaning that partially Islamic Social Reporting (ISR)) has a significant effect on company value in companies listed on the Jakarta Islamic Index (JII) listed on the Indonesia Stock Exchange in 2019-2022. This can be interpreted that if Islamic Social Reporting increases, then the value of the company will decrease.

This research is in line with research conducted by Franciska and Putra (2021) where the Islamic Social Reporting variable supports the signaling theory which explains that a large company value can provide a signal for investors who pay attention to companies that are starting to implement ISR in their business operations. However, this research is not in line with research conducted by Sutapa and Heri (2018) which states that ISR has no effect on firm value because investors tend to buy shares to get capital gains.

CONCLUSION

Based on the results of research on the effect of profitability, Investment Opportunity Set and disclosure of Islamic Social Reporting on firm value (an empirical study of companies listed on the Jakarta Islamic Index for 2019-2022), the writer can draw the following conclusions:

The regression model used in this study has passed the four classic assumption tests which include the residual normality test, autocorrelation test, multicollinearity test and heteroscedasticity test. Based on the results of the study, the profitability variable has a t count value that is smaller than t table or -1.552 < 1.98729 and a significance level that is greater than alpha, namely 0.124 > 0.05. Thus, partially profitability has no effect on firm value H1 is rejected. Based on the results of the study that the Investment Opportunity Set variable has a calculated t value that is greater than t table or 39.149 > 1.98729 and a significance level that is smaller than alpha, namely 0.000 <0.05 . Thus, the Investment Opportunity Set has a partial effect on firm value or H2 is accepted. Based on the results of the study, the Islamic Social Reporting variable has a t count value that is smaller than t table or -3.396 < 1.98729, but at a significance level that is smaller than alpha, namely 0.001 < 0.05. Thus, it can be concluded that Islamic Social Reporting partially affects company value or H3 is accepted.

LIMITATION

For Companies
Companies are expected to take more into account factors such as Profitability, Investment Opportunity Set And Disclosure Of Islamic Social Reporting On Firm

Value For Further Researchers
It is hoped that future research will use more company, so that it can be used as a basis for generalization.

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