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Article

The Impact of ESG Disclosure, Competitive Advantage, and Cash Holding on Financial Performance and Firm Valuation

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Abstract: This study examines the influence of Environmental, Social, and Governance (ESG) Disclosure, Competitive Advantage, and Cash Holding on Financial Performance and Firm Value. Quantitative methods were used with secondary data from 50 companies listed on the Indonesia Stock Exchange for the 2020-2024 period. The analysis was conducted using multiple linear regression. The results show that Cash Holding have a significant positive effect on Financial Performance and Firm Value. ESG Disclosure has no significant effect on Financial Performance or Firm Value, indicating that ESG practices are not yet a primary consideration for investors. Competitive advantage has a significant positive effect on financial performance, but not on firm value, indicating that competitive advantage has a greater impact on a company's internal operational efficiency than on market perceptions of firm value. This finding confirms that sustainability initiatives have not yet had a direct financial impact, while a strong competitive position has a significant impact on firm performance. This study provides important insights for managers and investors in decision making.

Keywords: ESG Disclosure; Competitive Advantage; Cash Holding; Financial Performance; Firm Value.

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1. Introduction

Financial performance serves as the primary cornerstone of corporate valuation to assess the success level of a company from a financial perspective within a specific period. Information regarding financial performance is highly necessary to evaluate the potential of future resources, project the quality of future production output based on available resources, and analyze potential changes in the economic resources of the company. Financial performance reflects the extent to which a company can generate profits and manage its resources effectively and efficiently [1].

In an increasingly complex and dynamic global business landscape, companies have faced mounting pressure in recent years not only to achieve optimal financial performance but also to demonstrate a commitment to sustainable and responsible business practices. In addition to fulfilling fiduciary duties to shareholders, companies have an ethical obligation to be responsible for the environmental impacts resulting from their business activities on the surrounding ecosystem [2].

Acting as a regulator, the government, through the Financial Services Authority, issued Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 in 2017. This regulation establishes provisions regarding the implementation of sustainable finance, which is mandatory for financial service institutions, issuers, and public companies. The provisions in Article 10 of the regulation require Financial Service Institutions (LJK), Issuers, and Public Companies to prepare a Sustainability Report, either as part of the annual report or as a standalone report, annually to the OJK and to make the report publicly accessible [3].

This transformation marks a paradigm shift that redirects the focus from a sole shareholder orientation toward a broader stakeholder orientation, where companies are required to consider the social and environmental impacts of their business operations [4]. One response to these demands is the increasing corporate attention toward Environmental, Social, and Governance (ESG) disclosure. ESG disclosure has become an essential instrument for companies to communicate their commitment to sustainability and responsible business practices to stakeholders [5].

The capital market's positive response to this regulation is evident from the rapid growth of ESG practices in Indonesia in recent years. The Indonesia Stock Exchange recorded a dramatic increase in ESG products from just 1 product in 2016 to 15 products with a value reaching Rp3.45 trillion in 2021, demonstrating market enthusiasm for sustainable investment [6]. This positive momentum is further reinforced by the development of a more comprehensive regulatory framework in Indonesia. The Indonesian Sustainability Standards Board has finalized sustainability disclosure standards based on IFRS S1 and IFRS S2, with full implementation scheduled to begin on January 1, 2027, accompanied by a three-year transition period [7].

Industrial sectors such as nickel mining have also taken the initiative to draft ESG standards tailored to Indonesian conditions through the ESG Forum 2025 organized by the Indonesian Nickel Miners Association (APNI) and the Association of Indonesian Mining Professionals (Perahapi). This standardization is expected to provide clear guidance for companies in consistently implementing and reporting ESG practices [8]. The corporate commitment to ESG is increasingly evident through the achievements of Pertamina Geothermal Energy (PGEO), which maintained its position as the issuer with the best ESG score in Indonesia with a value of 7.11 from Sustainalytics as of the first quarter of 2025, placing it 46th out of 14,361 global corporations. This phenomenon indicates that ESG is no longer merely a discourse but has become an integrated business strategy in corporate operations in Indonesia [9]. Given the strategic role of ESG, it is important to examine how ESG disclosure affects fundamental corporate aspects, particularly financial performance.

Several factors can influence financial performance, the first being Environmental, Social, and Governance (ESG) Disclosure. Many investors view ESG disclosure as a benchmark to assess the quality of corporate management. ESG disclosure also reduces information asymmetry between the company and its stakeholders, particularly investors and creditors [10]. Therefore, this indicates that comprehensive ESG disclosure has become a vital instrument in enhancing corporate transparency and shaping positive investor perceptions [11]. In this context, one of the primary objectives of a company is to maximize profits and shareholder value through efficient management [12]. Profit functions as a primary indicator of long-term financial performance, making it a crucial reference in economic decision-making by investors and management [13]. Consequently, companies with good governance and active management of social and environmental risks tend to exhibit stability and superior performance when facing crises [14].

Empirical evidence from prior research also demonstrates a positive relationship between ESG disclosure and corporate financial performance. Past studies have found that ESG disclosure is proven to have a positive effect on corporate financial performance, measured by both ROA and Tobin's Q [1][15]. Similar findings were also disclosed by [16], proving that companies with higher ESG disclosures tend to perform better financially. Currently, ESG has become a primary focal point for both shareholders and stakeholders; ultimately, investors consider ESG as an important criterion in their investment decision-making to allocate their funds to companies with better and higher ESG scores, which helps them build a green portfolio [16]. However, other prior research results indicate that ESG does not significantly affect financial performance, which is attributed to the long payback period of ESG investments, the absence of specific regulations governing ESG implementation, and the widespread phenomenon of greenwashing or fictitious ESG implementation [17].

The second factor affecting financial performance is Competitive Advantage. Competitive advantage is the added value a company provides to its customers that exceeds the costs incurred to create it [18]. Competitive advantage is an essential element that a company must possess to achieve success and long-term business continuity, as well as to differentiate itself from competitors. The competitive advantage possessed by a company offers various benefits, such as cost efficiency and a much higher added value compared to competitors' products. Thus, this factor enables the company to provide more value to its customers, which ultimately yields greater profits. These profits contribute to the enhancement of financial performance and overall firm value, thereby strengthening the company's position in the market. This competitive advantage then becomes a driver that reinforces the impact on the company's long-term financial performance [19].

Based on prior research, competitive advantage is stated to have a significant positive impact on financial performance because a company possessing a competitive advantage sends a positive signal of creating higher economic value than its competitors, which ultimately drives a significant increase in sales, resulting in better financial performance [20][21]. Conversely, other previous studies show that competitive advantage has a negative effect on financial performance because companies must invest substantial capital to create it, requiring significant time and costs. Therefore, companies need to manage resources carefully to realize this advantage. The costs incurred can also reduce net profit, potentially lowering the company's financial performance [22].

The third factor influencing financial performance is Cash Holding. Cash holding is also a critical factor affecting financial performance. Cash determination in corporate financial management must be properly considered because cash is an essential part of working capital used for day-to-day operations and profitable investment funding, thereby directly impacting corporate financial performance [23]. One topic that has become a focus of researchers lately is the cash holdings policy. Cash holding refers to the cash needed by a company to meet daily operational needs, and it can be used for various purposes such as distributing dividends to shareholders, repurchasing shares when necessary, and meeting other unexpected needs. This policy is vital in regulating liquidity and optimal cash usage to support corporate operational continuity and strategy [24].

Cash holding is a strategic financial decision that reflects a company's capability to manage liquidity and financial flexibility to face future business uncertainties [25]. A company's decision regarding the amount of cash to hold is a crucial aspect of financial management as it directly influences financial performance. Maintaining an adequate amount of cash or cash equivalents allows a company to reduce dependence on external financing and provides flexibility in capitalizing on profitable investment opportunities, which can significantly enhance financial performance [26].

Although holding a large amount of cash can provide flexibility, excessive cash holding can trigger various problems for the company. Idle cash without efficient management not only reduces operational efficiency because it is not used for productive profit-generating activities but also triggers negative perceptions from shareholders and prospective investors. This condition indicates that management is less capable of optimizing corporate management, which can lead to agency problems related to the unproductive and excessive use of funds. Conversely, a company with a cash level that is too low will experience a shortage of funds that can be used for corporate operations and profitable investments [23]. Therefore, an optimal and non-excessive cash level is crucial, as this condition encourages managers to work more effectively and meticulously in financing expenses that the company truly requires. Increased managerial effectiveness and efficiency in managing cash will positively impact overall corporate performance, particularly financial performance [27]. Based on the research findings conducted, it was found that cash holding has a significant influence on financial performance measured by the ROA proxy [26][28]. Meanwhile, some previous researchers state that cash holding does not affect financial performance [27].

In addition to affecting financial performance, ESG disclosure also influences firm value. From the stakeholder theory perspective, companies that disclose ESG tend to perform better because such disclosures strengthen relationships with key stakeholders such as investors, customers, and the community, which ultimately enhances market trust and firm value [4]. This indicates that comprehensive ESG disclosure has become an important instrument in increasing corporate transparency and shaping positive investor perceptions, as well as contributing to the enhancement of firm value, because the views of investors and shareholders toward firm value have also undergone a shift. Investors or shareholders are now starting to incorporate ESG considerations into investment activities, while simultaneously utilizing these aspects as a basis for corporate valuation [11].

ESG disclosure functions as a positive signal to investors and the capital market that the company is managed based on sustainable principles, possesses a long-term vision, and is resilient against social and environmental risks. This signal reduces information asymmetry, builds trust, and ultimately attracts more investment interest that can drive stock price increases [29]. According to prior research, the disclosure of ESG implementation is proven to provide a significant impact on increasing firm value because ESG information serves as a positive signal for stakeholders. Through this disclosure, the company demonstrates that its operations are not solely oriented toward financial gain but are also responsible for the impacts generated on social and environmental aspects. This ultimately builds trust and legitimacy from stakeholders, including shareholders who prioritize sustainability and long-term benefits. Thus, ESG disclosure will enhance the market's positive perception of firm value [11][30]. Meanwhile, different results were obtained by previous studies stating that ESG disclosure has a negative relationship with firm value because, in Indonesia, there are still many companies that have not been able to implement sustainability concepts or convey this information to the public. ESG implementation in Indonesia is still in the developing stage and has not been fully applied across all companies. Therefore, ESG-related disclosures are not yet considered important by the public wishing to invest [31][32].

The next factor affecting firm value is Competitive Advantage. Competitive advantage is also proven to have a significant effect on firm value. A strong competitive advantage enables a company to differentiate its products from competitors, create unique added value, and enhance investor confidence in the company's ability to maintain market sustainability and profitability. In the Stakeholder Theory perspective, competitive advantage plays a direct role in increasing firm value by strengthening good relationships with suppliers through innovation that enhances supply chain efficiency, as well as improving the company's reputation before the community, government, and other stakeholders. This good reputation not only attracts more customers and investors but also helps mitigate regulatory risks and social issues, thereby overall enhancing firm value sustainably. Thus, competitive advantage plays a central role in creating and maintaining superior firm value and long-term sustainability [33].

Competitive advantage creates high profitability and a strong dividend policy, which functions as a positive signal to the market regarding management quality and corporate growth prospects. This signal increases investor confidence, which is then reflected in rising demand and stock prices. The increase in stock prices directly drives the rise in firm value [21]. Prior research results indicate that competitive advantage has an impact on firm value [21][33]. Conversely, some previous researchers state that competitive advantage is proven to have no effect on firm value [34].

Another factor influencing firm value besides ESG disclosure and competitive advantage is Cash Holding. Beyond its effect on financial performance, the level of cash holding also holds important implications for firm value. Based on several studies, an optimal cash holding is highly required by a company as an effort to avoid shortages or excesses of funds in executing operational and investment activities. Cash optimization by issuers aims to maintain cash balance so that the company does not experience fund shortages but also does not hold unproductive excess cash. If the company's cash position is above the optimal target, every additional cash held will contribute to an increase in firm value. Therefore, an increase or larger corporate cash size is generally accompanied by a rise in firm value. This information can be used by management as feedback to recognize opportunities to maximize firm value, thereby supporting overall corporate growth and sustainability [35].

Optimally managed cash holding can also provide a positive signal for investors regarding the company's capability to maintain financial stability, finance growth, and face economic uncertainties, so that market perception toward the company improves and impacts the rising firm value [36]. In line with prior research, results indicate that cash holding has a positive effect on firm value because each company has a different cash holding level according to its growth rate, size, and profitability. Thus, cash holding management tailored to the company's conditions and needs will be able to maximize firm value effectively [35][37]. Meanwhile, some previous studies state that cash holding has no impact on firm value [38].

This study utilizes stakeholder theory as the grand theory, supported by signaling theory. Stakeholder theory was introduced by Freeman (1984), asserting that companies need to identify, evaluate, and respond to stakeholders who influence or are influenced by corporate business activities to meet their expectations. This theory shifts the classical view from a shareholder orientation toward a broader stakeholder orientation, where companies are expected to consider the social and environmental impacts of executed business activities, rather than focusing solely on increasing shareholder profits [4]. Based on Stakeholder Theory, the disclosure of ESG-related information is a business principle that plays a vital role in influencing external stakeholders. ESG disclosure becomes a strategic form of transparency in providing information about corporate social and environmental responsibilities, which can ultimately increase trust and support from these stakeholders, thereby positively impacting financial performance and firm value [15].

This study is also supported by signaling theory, introduced by Spence (1973). This theory explains why companies feel the need to convey relevant information to external parties [34]. In this case, ESG disclosure and efficient cash management can provide a positive signal to investors and the capital market. Transparent ESG disclosure demonstrates that the company implements sustainable and responsible business practices, thereby enhancing investors' positive perceptions of corporate risks and future prospects [11]. Ultimately, competitive advantage is obtained through these ESG practices, reflecting the company's current condition and future growth potential, thus providing a positive signal that increases investor confidence and stock market value, and positively impacts firm value [39]. Additionally, an appropriate level of cash holding is considered a signal of a company cautiously managing liquidity, reinforcing investor conviction in the company's stability and capability to meet its financial obligations, which ultimately increases firm value [40].

This study refers to the research conducted by [41]. In this study, the researcher utilizes 2 dependent variables, namely financial performance and firm value, and adds 1 independent variable in the form of Competitive Advantage. The choice of this variable is because companies are expected to provide innovation and competitive advantage from time to time in increasingly fierce business competition [42]. The ESG Disclosure and Cash Holding variables are part of corporate efforts to achieve sustainability. When these two variables are combined, they can create a competitive advantage that helps the company stand out in the market. This advantage is derived from the company's attention to relevant environmental and social issues in its operations.

This study utilizes the 2020-2024 period. The population in this study covers all companies listed on the Indonesia Stock Exchange (IDX) because these companies are required to perform a public expose. This obligation requires them to disclose information to the public regarding various important events that can affect stock prices. The information that must be disclosed includes financial statements, annual reports, and corporate sustainability reports [2]. This study aims to obtain empirical evidence regarding the influence of ESG disclosure, competitive advantage, and cash holding on financial performance and firm value, given the results of prior research showing uncertainty and inconsistency regarding the impacts of these variables. Therefore, this study is expected to provide theoretical contributions by identifying variables that influence financial performance and firm value. In addition, the results of this study are expected to provide benefits for investors and creditors as consideration in the decision-making process, as well as a reference for future researchers interested in examining similar topics.

Hypothesis Development

The Influence of ESG Disclosure on Financial Performance

Comprehensive ESG disclosure allows companies to identify and manage environmental and social risks more effectively, which in turn can reduce operational costs and increase efficiency [42]. From the stakeholder theory perspective, ESG disclosure reflects corporate efforts to fulfill the responsibilities and interests of stakeholders by demonstrating commitment to sustainable business practices and responsible ESG risk management [43]. Companies wishing to maximize profits need to pay attention to environmental aspects. This is driven by regulatory demands and social responsibilities that must be met. Such compliance will enhance corporate financial performance because ESG scores can attract interest and trust from the public and other stakeholders [44]. Empirical studies show that companies with good ESG practices tend to have easier access to funding sources at lower costs, a stronger reputation, and higher customer loyalty, all of which contribute to long-term financial performance enhancement [45]. Findings from previous research indicate a positive relationship between ESG disclosure and financial performance [1][16].

- **H1:** *ESG Disclosure has a positive effect on Financial Performance.*

The Influence of Competitive Advantage on Financial Performance

Competitive advantage is a company's capability to maintain a superior position compared to its competitors through differentiation strategies, innovation, and operational efficiency [46]. Companies capable of building a sustainable competitive advantage will obtain higher profits and stable growth in the long term [21]. Competitive advantage not only influences short-term performance but also becomes the foundation for sustainable growth that overall enhances corporate financial performance [42]. Based on Stakeholder theory, it is explained that competitive advantage built by considering the interests of various stakeholders will strengthen the company's position and contribute to financial performance enhancement [4]. A strong competitive position has a positive influence on sustainability performance and corporate financial performance [42]. Findings from prior research indicate that competitive advantage significantly affects financial performance [20][21].

- **H2:** *Competitive Advantage has a positive effect on Financial Performance.*

The Influence of Cash Holding on Financial Performance

Cash holding refers to the amount of cash maintained by a company to support the continuity of operational activities. An optimally managed cash holding level allows a business entity to maintain a healthy liquidity condition, suppress the potential occurrence of financial distress, and provide flexibility to seize valuable investment opportunities [25]. Therefore, determining the amount of cash held by a company is a crucial element in financial management, considering that this decision has direct implications for corporate financial performance. Maintaining an adequate amount of cash or cash equivalents allows a company to reduce dependence on external financing and provides flexibility in utilizing profitable investment opportunities, which can significantly enhance financial performance [26].

Consequently, a non-excessive and optimally managed cash level is vital, as this condition drives managers to work more effectively and meticulously in financing expenditures truly needed by the company. Increased managerial capability in managing cash effectively and efficiently contributes positively to the achievement of overall corporate performance, particularly in financial performance aspects [27]. The findings of [26] show a positive and significant relationship between the level of ESG disclosure and the size of cash holding, indicating that companies with good ESG practice implementation tend to have more optimal cash management and are able to allocate resources efficiently to support sustainability initiatives, thereby impacting long-term financial performance enhancement. According to prior research results, cash holding has a positive effect on financial performance proxied by ROA [26][28].

- **H3:** *Cash Holding has a positive effect on Financial Performance.*

The Influence of ESG Disclosure on Firm Value

ESG disclosure has become an important factor in investment decisions and corporate valuation in today's capital market. Stakeholder theory explains that companies that transparently disclose ESG information tend to obtain support from stakeholders, thereby enhancing firm value [11]. Transparent ESG disclosure provides a positive signal to the market that the company is well-managed, possesses lower long-term risks, and is committed to business sustainability [47]. ESG disclosure can provide relevant information for investors and the market, thereby influencing perceptions and valuations toward the company [48]. Based on prior research, testing results show that ESG disclosure has a positive effect on firm value [11][30]. Therefore, the hypothesis developed is that there is a positive influence of ESG disclosure on firm value, given that the quality improvement of ESG disclosure reflects sustainability performance and corporate legitimacy that can attract investors.

- **H4:** *ESG Disclosure has a positive effect on Firm Value.*

The Influence of Competitive Advantage on Firm Value

Competitive advantage is a company's capability to create superior value compared to its competitors sustainably. This competitive advantage enables the company to increase and maintain customer loyalty and generate higher profitability compared to competitors [49]. Research by [21] indicates that competitive advantage significantly affects profitability and firm value. Competitive advantage holds great potential in determining the achievement of firm value because companies with a strong competitive advantage are able to maintain a superior market position, generate stable cash flows, and create sustainable growth, all of which are reflected in higher market valuations [50].

According to signaling theory, companies provide favorable signals for investors and other stakeholders so that the company can respond well and positively to rising stock prices. Viewed from the signal theory perspective, a company's high competitive advantage provides an overview of current conditions and potential future growth [39].

Based on the results of conducted research, it can be concluded that competitive advantage exerts a significant influence on firm value [21][33].

- **H5:** *Competitive Advantage has a positive effect on Firm Value.*

The Influence of Cash Holding on Firm Value

Cash holding is the cash funds stored by a company to meet its operational needs. Setting the right cash holding level is highly crucial for companies because if the cash holding amount is too high, the company risks losing investment opportunities and potential profits, whereas if cash is too low, the company's operations and obligation fulfillment could be disrupted [51]. Cash holding is a strategic financial decision that reflects a company's capability to manage liquidity and financial flexibility to face future business uncertainties [25]. An optimal cash holding provides the company with the capability to respond to investment opportunities quickly without relying on expensive external financing and to avoid financial difficulties when economic conditions are uncertain [25].

From the signaling theory perspective, the right cash holding level sends a positive signal to the market that the company possesses prudent financial management and the capability to exploit strategic growth opportunities [52]. In the context of ESG disclosure, adequate cash holding provides the company with financial flexibility to invest in long-term sustainability initiatives that can create added value and enhance corporate competitiveness [53]. The availability of sufficient cash provides the company with financial flexibility in supporting operational activity financing, capitalizing on investment opportunities, and maintaining financial stability that potentially increases firm value and investor trust, as well as reflecting healthy financial performance. However, excessive cash holding can be considered an indication of management inefficiency in managing assets, which can ultimately negatively impact corporate performance and value [54]. Thus, cash holding management adjusted to corporate conditions and needs will be able to maximize firm value effectively [35][37].

- **H6:** *Cash Holding has a positive effect on Firm Value.*

Conceptual Framework

The conceptual framework in this study illustrates how Environmental, Social, and Governance (ESG) Disclosure, Competitive Advantage, and Cash Holding influence Financial Performance and Firm Value.

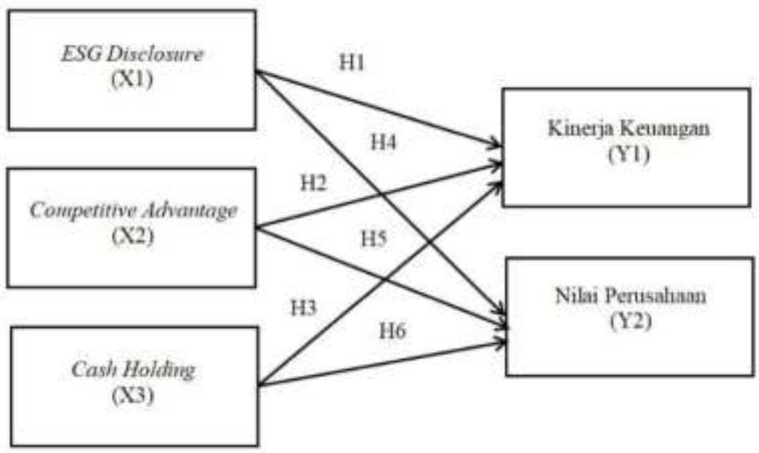

Figure 1. Conceptual Framework.

2. Research Methodology

Type and Object of Research

This study employs a quantitative research method. Quantitative research is a research method that focuses on collecting and analyzing numerical data to understand phenomena or individual behavior in specific situations. The object of this research consists of companies in the Energy and Basic Material subsectors that disclose ESG and are listed on the Indonesia Stock Exchange from 2020 to 2024. Sample data can be found on the official website of the Indonesia Stock Exchange (www.idx.co.id) and Bloomberg.

Type and Source of Data

The type of data used in this study is quantitative data covering financial report data from all companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. Data were obtained through the official website of the Indonesia Stock Exchange (www.idx.co.id) and Bloomberg.

Population and Sample

The population in this study comprises 133 companies that disclose ESG and were listed on the Indonesia Stock Exchange (IDX) in the 2020–2024 period. The sampling techniques used are purposive sampling and unbalanced panel data. The purposive sampling technique involves selecting a sample based on specific criteria. Meanwhile, an unbalanced panel refers to a panel data condition where the number of time-series observations varies across cross-sectional units in the sample [55]. The criteria used are presented as follows:

Table 1. Sample Selection Criteria.

No	Sample Criteria	2020	2021	2022	2023	2024
	Energy and Basic Material Subsector companies listed on the IDX (2020-2024)	151	164	171	185	199
1.	Energy and Basic Material Subsector companies publishing ESG Scores on Bloomberg in the 2020-2024 period	(127)	(119)	(125)	(135)	(171)
2.	Energy and Basic Material Subsector companies publishing complete Annual Reports in the 2020-2024 period	(0)	(0)	(0)	(0)	(1)
	Outlier Data	(9)	(10)	(16)	(16)	(8)
	Number of Research Data per Year	**15**	**35**	**30**	**34**	**19**
	Total Number of Research Data (Observations)			**133**		

Source: Data processed by the researcher

Definition, Identification, and Indicators of Variables

In this study, the dependent variables include financial performance and firm value, while the independent variables consist of ESG Disclosure, Competitive Advantage, and Cash Holding. The measurement indicators are summarized below:

Table 2. Variable Measurement Indicators.

No	Variable	Indicator	Scale
1.	Financial Performance (Y_1)	$\text{Return on Assets} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$ *Source: [3][56]*	Ratio
2.	Firm Value (Y_2)	$\text{PBV} = \frac{\text{Current Stock Price}}{\text{Book Value Per Share}}$ *Source: [48][57]*	Ratio
3.	ESG Disclosure (X_1)	ESG Disclosure Score = Bloomberg ESG Score *Source: [3][11]*	Nominal
4.	Competitive Advantage (X_2)	Asset Utilization Capability: $\text{AUC} = \frac{\text{Sales}}{\text{Total Assets}}$ *Source: [22][58]*	Ratio
5.	Cash Holding (X_3)	$\text{CH} = \frac{\text{Cash and Cash Equivalents}}{\text{Total Assets}}$ *Source: [35][59]*	Ratio

Source: Researcher's Summary, 2026

Data Analysis Technique

Companies that did not meet any of the requirements, specifically those not disclosing the ESG score published by Bloomberg, were excluded from the sample selection. This study applies multivariate multiple regression analysis using SPSS software to perform the hypothesis testing. The following models are employed:

$$\text{FP} = \alpha + \beta_1\text{ESGD} + \beta_2\text{CA} + \beta_3\text{CH} + e$$
$$\text{FV} = \alpha + \beta_1\text{ESGD} + \beta_2\text{CA} + \beta_3\text{CH} + e$$

Where:

- FP = Financial Performance
- FV = Firm Value
- ESGD = ESG Disclosure
- CA = Competitive Advantage
- CH = Cash Holding
- e = Error term

Hypothesis Testing

Hypothesis testing is the decision-making stage conducted by the researcher by evaluating research results against predetermined assumptions. The significance level is determined through hypothesis testing by comparing the t-statistic and the t-table value. The t-test is used to assess whether the proposed hypothesis can be accepted or rejected. This determination refers to an alpha (α) significance level of 5%. The hypothesis is accepted if the significance value is less than 0.05, whereas it is rejected if the significance value exceeds 0.05. In addition, decision-making can also be performed by comparing the t-value and the t-table value, where the hypothesis is accepted if the calculated t-value is greater than the t-table value. If the t-table value exceeds the t-statistic, the hypothesis is declared unacceptable [60].

3. Results and Discussion

Descriptive Statistical Analysis

Descriptive statistics provide a general overview or description of the data, including the mean, standard deviation, variance, maximum value, and minimum value. In this study, descriptive statistics are presented in the following table:

Table 3. Descriptive Statistics Results.

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ESG Disclosure (X_1)	133	17.67	77.18	52.5823	13.24325
Competitive Advantage (X_2)	133	0.01	1.39	0.6529	0.32974
Cash Holding (X_3)	133	0.00	0.54	0.1288	0.10641
Financial Performance (Y_1)	133	0.00	0.45	0.0695	0.07005
Firm Value (Y_2)	133	0.13	3.21	1.0257	0.61477
Valid N (listwise)	133				

Source: Data processed via SPSS 26

Based on Table 3, the total number of samples is 133. The **ESG Disclosure (X_1)** variable has a mean value of 52.5823, a minimum of 17.67, a maximum of 77.18, and a standard deviation of 13.24325. This indicates that the variation in ESG disclosure data among the sampled companies is quite diverse, implying that the reporting level of environmental, social, and governance aspects is not yet uniform among the studied companies.

The **Competitive Advantage (X_2)** variable has a mean value of 0.6529, a minimum of 0.01, a maximum of 1.39, and a standard deviation of 0.32974, showing that the dispersion of competitive advantage data among companies is relatively low; hence, the competitive advantage level tends to be similar.

The **Cash Holding (X_3)** variable shows a mean value of 0.1288, a minimum of 0.00, a maximum of 0.54, and a standard deviation of 0.10641, indicating that the variation level of cash holdings among the sampled companies is relatively low.

The **Financial Performance (Y_1)** variable has a mean value of 0.0695, a minimum of 0.00, a maximum of 0.45, and a standard deviation of 0.07005, indicating that corporate financial performance varies quite a bit, though it remains relatively low overall.

The **Firm Value (Y_2)** variable shows a mean value of 1.0257, a minimum of 0.13, a maximum of 3.21, and a standard deviation of 0.61477, indicating a fairly high diversity in firm value among samples, reflecting differences in market perceptions toward each company's valuation.

Classical Assumption Testing

Normality Test

The normality test aims to examine whether the residuals in the regression model are normally distributed. This study uses the Kolmogorov-Smirnov statistical test, where residuals are considered normal if the Asymp. Sig value is greater than 0.05.

Table 4. Normality Test Results (Dependent Variable: Financial Performance Y_1).

One-Sample Kolmogorov-Smirnov	Unstandardized Residual
N	133
Normal Parameters (Mean)	0.0000000
Normal Parameters (Std. Deviation)	0.09929430
Most Extreme Differences (Absolute)	0.043
Most Extreme Differences (Positive)	0.043
Most Extreme Differences (Negative)	-0.037
Test Statistic	0.043
Asymp. Sig. (2-tailed)	**0.200**

Source: Data processed via SPSS 26

Table 5. Normality Test Results (Dependent Variable: Firm Value Y_2).

One-Sample Kolmogorov-Smirnov	**Unstandardized Residual**
N	133
Normal Parameters (Mean)	0.0000000
Normal Parameters (Std. Deviation)	0.26604321
Most Extreme Differences (Absolute)	0.060
Most Extreme Differences (Positive)	0.060
Most Extreme Differences (Negative)	-0.039
Test Statistic	0.060
Asymp. Sig. (2-tailed)	**0.200**

Source: Data processed via SPSS 26

Based on Table 4, the Financial Performance (Y_1) variable obtained a Kolmogorov-Smirnov statistic of 0.043 with an Asymp. Sig. (2-tailed) value of 0.200, which exceeds 0.05. As for Table 5, the Firm Value (Y_2) variable obtained a statistic of 0.060 with an Asymp. Sig. (2-tailed) value of 0.200, which also exceeds 0.05. Thus, it can be concluded that the regression equations in this study meet the assumption of a normal distribution [60].

Multicollinearity Test

The multicollinearity test aims to identify whether there is a high correlation between independent variables.

Table 6. Multicollinearity Test Results (Dependent: Financial Performance Y_1).

Model	**Tolerance**	**VIF**
(Constant)		
ESG Disclosure (X_1)	0.838	1.194
Competitive Advantage (X_2)	0.876	1.142
Cash Holding (X_3)	0.755	1.324

Source: Data processed via SPSS 26

Table 7. Multicollinearity Test Results (Dependent: Firm Value Y_2)

Model	Tolerance	VIF
(Constant)		
ESG Disclosure (X_1)	0.838	1.194
Competitive Advantage (X_2)	0.876	1.142
Cash Holding (X_3)	0.755	1.324

Source: Data processed via SPSS 26

Based on the results in Tables 6 and 7, the Variance Inflation Factor (VIF) values for all independent variables are well below 10, and the tolerance values are greater than 0.10. Thus, it can be concluded that there is no multicollinearity problem among the independent variables X_1, X_2, and X_3 [60].

Heteroscedasticity Test

The heteroscedasticity test aims to check if there is an unequal variance of residuals across observations. The scatterplots (omitted in text form but referencing Figures 2 and 3) show that the points spread randomly above and below the 0 line without forming any specific patterns. Therefore, the regression model does not suffer from heteroscedasticity [60].

Autocorrelation Test

The autocorrelation test checks for correlations between residuals across periods.

Table 8. Autocorrelation Results (Dependent: Financial Performance Y_1).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.576	0.332	0.316	0.10044	**1.188**

Source: Data processed via SPSS 26

Table 9. *Autocorrelation Results (Dependent: Firm Value Y_2).*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.392	0.154	0.134	0.26912	**1.441**

Source: Data processed via SPSS 26

Based on Tables 8 and 9, the Durbin-Watson (DW) values of 1.188 and 1.441 fall within the acceptable range around 2, indicating that there is no significant positive or negative autocorrelation. Hence, the models are eligible for analysis [60].

Coefficient of Determination Test (R^2)

Table 10. Coefficient of Determination (Dependent: Financial Performance Y_1).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.576	0.332	**0.316**	0.10044

Source: Data processed via SPSS 26

In Table 10, the Adjusted R-square value of 0.316 indicates that the variables ESG Disclosure, Competitive Advantage, and Cash Holding explain 31.6% of the variance in Financial Performance, while the remaining 68.4% is influenced by other factors outside the model.

Table 11. Coefficient of Determination (Dependent: Firm Value Y_2).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.392	0.154	**0.134**	0.26912

Source: Data processed via SPSS 26

In Table 11, the Adjusted R-square value of 0.134 shows that the independent variables explain 13.4% of the variance in Firm Value, while the remaining 86.6% is explained by variables outside this study.

Partial Statistical Test (t-test)

Table 12. t-Test Results (Dependent Variable: Financial Performance Y_1).

Model	Unstandardized B	Std. Error	Beta	t	Sig.
(Constant)	-0.038	0.072		-0.523	0.602
ESG Disclosure (X_1)	0.010	0.010	0.078	0.996	**0.321**
Competitive Advantage (X_2)	0.110	0.044	0.191	2.488	**0.014**
Cash Holding (X_3)	0.352	0.066	0.443	5.357	**0.000**

Source: Data processed via SPSS 26

Based on Table 12, the significance value of ESG Disclosure is 0.321 (> 0.05), meaning it has no effect on financial performance. Meanwhile, Competitive Advantage (0.014) and Cash Holding (0.000) have significance values < 0.05, indicating they partially influence Financial Performance.

Table 13. t-Test Results (Dependent Variable: Firm Value Y_2).

Model	Unstandardized B	Std. Error	Beta	t	Sig.
(Constant)	0.625	0.193		3.232	0.002
ESG Disclosure (X_1)	0.027	0.027	0.089	1.005	**0.317**
Competitive Advantage (X_2)	-0.095	0.118	-0.070	-0.806	**0.422**
Cash Holding (X_3)	0.693	0.176	0.367	3.936	**0.000**

Source: Data processed via SPSS 26

Based on Table 13, ESG Disclosure (0.317) and Competitive Advantage (0.422) have significance values > 0.05, meaning they do not influence Firm Value. In contrast, Cash Holding (0.000) has a value < 0.05, demonstrating a partial effect on Firm Value.

Multiple Linear Regression Analysis

From the data processed in Tables 12 and 13, the formulas are:

$$\text{FP} = -0.038 + 0.010\,\text{ESGD} + 0.110\,\text{CA} + 0.352\,\text{CH}$$

A constant of -0.038 indicates that if all independent variables are 0, Financial Performance drops to -0.038. Positive coefficients for ESGD (0.010), CA (0.110), and CH (0.352) indicate that every 1-unit increase in these variables drives up Financial Performance accordingly.

$$\text{FV} = 0.625 + 0.027\,\text{ESGD} - 0.095\,\text{CA} + 0.693\,\text{CH}$$

A constant of 0.625 indicates the base value of Firm Value when independent variables are 0. ESG Disclosure (0.027) and Cash Holding (0.693) have a positive relationship with Firm Value, while Competitive Advantage (-0.095) exhibits a negative relationship.

4. Discussion

ESG Disclosure and Financial Performance

Based on Table 12, ESG Disclosure has a significance value of 0.321 (> 0.05), showing it does not affect financial performance. Hence, **Hypothesis 1 is rejected**. This suggests that ESG practices are still developing in Indonesia, and their benefits require a much longer time to materialize [17][44]. While stakeholder theory notes that ESG disclosures should build trust, it appears that green investments are not yet a primary priority for investors in the Indonesian market [4]. This aligns with [17][44] but contradicts [1].

Competitive Advantage and Financial Performance

Competitive Advantage has a significance value of 0.014 (< 0.05), meaning **Hypothesis 2 is accepted**. This proves that managing strategic resources effectively creates superior economic value, expanding sales and maximizing profits [20]. This supports the stakeholder perspective where matching various stakeholder expectations via strategic positioning results in higher financial performance [4][42]. The result aligns with [20][21] but contradicts [22], which argued that high investments in building competitive benefit lower net profit.

Cash Holding and Financial Performance

Cash Holding shows a significance value of 0.000 (< 0.05), so **Hypothesis 3 is accepted**. Optimal cash levels prevent managers from wasting funds and encourage cost-efficient management, improving financial efficiency [27]. In signaling theory terms, maintaining solid liquidity acts as a positive signal to the market that a firm handles risks prudently. This finding corresponds with [26][28] but contradicts [27].

ESG Disclosure and Firm Value

ESG Disclosure shows a significance value of 0.317 (> 0.05); therefore, **Hypothesis 4 is rejected**. This signals that ESG parameters are not yet the primary driver for stock price valuation or investment decision-making among Indonesian capital market participants [31]. The lack of deep implementation across all sectors means the public does not yet view sustainability as an investment criteria [32]. This is consistent with [29][31] but differs from [30].

Competitive Advantage and Firm Value

Competitive Advantage has a significance value of 0.422 (> 0.05), meaning **Hypothesis 5 is rejected**. This indicates that macro-economic conditions or short-term gains are preferred by market participants over long-term strategic capabilities. Market actors fail to pick up corporate competitive positioning as a clear indicator of upcoming growth potential [21][39]. This aligns with [22][34] but contradicts [21].

Cash Holding and Firm Value

Cash Holding shows a significance value of 0.000 (< 0.05), indicating **Hypothesis 6 is accepted**. Sufficient cash provides operational flexibility and guarantees that a firm can quickly fund value-adding projects without depending on expensive external financing [54]. Investors react positively to firms that handle liquidity well during market uncertainties [35][52]. This confirms the findings of [35][37][54] but contradicts [38].

5. Conclusion

Summary

Environmental, Social, and Governance (ESG) Disclosure does not significantly influence financial performance or firm value, as sustainability reporting remains an emerging practice in Indonesia and is not yet a primary filter for market investors. Competitive Advantage positively affects financial performance but fails to drive firm value, showing it optimizes internal operational metrics but has not changed external market perceptions. Cash Holding significantly impacts both financial performance and firm value, confirming that maintaining optimal liquidity provides operational security and serves as a positive signal of financial health to the market.

Limitations

This research is constrained to the Energy and Basic Materials subsectors and thus does not reflect the entire Indonesian capital market structure. Additionally, the 2020-2024 timeframe may not fully capture the long-term benefits of ESG practices. The low adjusted R^2 scores also indicate that numerous variables affecting financial performance and valuation are omitted.

Recommendations

Future studies should incorporate additional control variables, such as capital structure, corporate size, and good corporate governance (GCG) for the ROA model, alongside dividend policy, leverage, and institutional ownership for the PBV model. Extending the research timeframe and broadening the industry focus would also yield more robust and generalized insights.

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