

# The Influence of ESG Performance on Firm Value with Cash Holding as a Moderating Variable

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## ABSTRACT

The impact of Environmental, Social, and Governance (ESG) performance on firm value as measured by market value is investigated in this study using cash holdings as a moderating variable. The study focuses on non-financial companies that were listed on the Indonesia Stock Exchange between 2020 and 2023. 30 businesses were selected as the final sample following 120 observations over a four-year period. The data came from secondary sources, including financial reports and Bloomberg, and were then analyzed using panel data regression. The findings show that cash holdings do not directly affect business value, and overall ESG performance does not significantly affect firm value. Environmental performance has no discernible impact on company value, while social and governance performance are the only ESG components that have a positive link. Moreover, neither the association between environmental performance and company value nor the overall ESG-firm value relationship is moderated by cash holdings. Cash holdings do, however, increase the impact of governance and social performance on corporate value. These results suggest that when assessing investment decisions, stakeholders and investors may find it advantageous to take into account various facets of ESG performance, especially social and governance dimensions, as well as corporate liquidity in the form of cash reserves. In turn, this may motivate businesses to strategically implement ESG practices in order to boost company value.

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**Keywords:** Cash Holding, Environmental Performance, ESG Performance, Firm Value, Governance Performance, Social Performance.

## ABSTRAK

Tujuan dari penelitian ini adalah untuk mempelajari bagaimana kinerja Lingkungan, Sosial, dan Tata Kelola (ESG) memengaruhi nilai suatu perusahaan, yang diukur melalui nilai pasar, dengan kepemilikan kas sebagai variabel moderasi. Studi ini menyelidiki perusahaan non-keuangan yang terdaftar di Bursa Efek Indonesia dari tahun 2020 hingga 2023. Sebanyak 30 perusahaan dipilih sebagai sampel akhir, menghasilkan 120 observasi selama empat tahun. Data bersumber dari informasi sekunder, termasuk laporan keuangan dan Bloomberg, dan dianalisis menggunakan teknik regresi data panel. Hasilnya mengungkapkan bahwa kinerja ESG agregat tidak secara signifikan memengaruhi nilai perusahaan, dan demikian pula, kepemilikan kas tidak memiliki dampak langsung pada nilai perusahaan. Di antara komponen ESG, hanya kinerja sosial dan tata kelola yang menunjukkan hubungan positif dengan nilai perusahaan, sementara kinerja lingkungan tidak memiliki pengaruh yang signifikan. Lebih jauh, kepemilikan kas tidak memoderasi hubungan ESG-nilai perusahaan secara keseluruhan atau hubungan antara kinerja lingkungan dan nilai perusahaan. Namun, kepemilikan kas memperkuat pengaruh kinerja sosial dan tata kelola terhadap nilai perusahaan. Temuan ini menyiratkan bahwa investor dan pemangku kepentingan dapat memperoleh manfaat dari mempertimbangkan aspek-aspek tertentu dari kinerja ESG, terutama dimensi sosial dan tata kelola, dan likuiditas perusahaan dalam bentuk cadangan kas saat mengevaluasi keputusan investasi. Hal ini, pada gilirannya, dapat mendorong perusahaan untuk mengadopsi praktik ESG secara lebih strategis guna meningkatkan nilai perusahaan.

**Kata kunci:** Kepemilikan Kas, Kinerja Lingkungan, Kinerja Esg, Nilai Perusahaan, Kinerja Tata Kelola, Kinerja Sosial.

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## INTRODUCTION

The company's goal is to maximize shareholder wealth through increasing share prices; therefore, the company will implement policies that can increase investor confidence in investing in the company (Titman et al., 2018). Currently, financial performance conveyed through financial reports is no longer the only factor that can increase company value. Many other factors such as non-financial performance are considered by investors to make investment decisions.

Company value is a reflection of market perception of an entity's future performance prospects. In Indonesia, fluctuations in company value are in the spotlight, especially for issuers that are members of the LQ45 and IDX ESG Leaders indexes. Some companies show significant increases in market value, while others experience sharp declines despite having strong financial fundamentals. This indicates that non-financial factors, such as sustainability, are starting to become a concern for investors in assessing companies.

In recent years, sustainability issues reflected in Environmental, Social, and Governance (ESG) practices have received increasing attention, both from regulators, investors and the public. Financial Services Authority (OJK) through POJK No. 51/POJK.03/2017 has required financial services companies to prepare sustainability reports as a form of transparency regarding their ESG performance. However, the level of ESG disclosure and implementation in Indonesia is still relatively low and varies between sectors and companies.

Table 1. IDX ESG Score

No	Code	Name of PT	ESG	Information
1	LANGUA GE	PT Wijaya Karya (Persero) Tbk	29.76	Medium risk
2	JSMR	PT Jasa Marga (Persero) Tbk	15.15	Low risk
3	TLKM	PT Telkom Indonesia (Persero) Tbk.	27.09	Medium risk
4	ANTM	PT Aneka Tambang Tbk	40	High risk
5	SMGR	PT Semen Indonesia (Persero) Tbk.	32.42	High risk
6	BBTN	PT Bank Tabungan Negara (Persero) Tbk	28.44	Medium risk
7	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk	18.84	Low risk
8	BBNI	PT Bank Negara Indonesia (Persero) Tbk	25.7	Medium risk
9	BMRI	PT Bank Mandiri (Persero) Tbk	28.18	Medium risk
10	ELSA	PT Elnusa Tbk	30.83	High risk
11	PGAS	PT Perusahaan Gas Negara (Persero) Tbk	28.44	Medium risk
12	PTBA	PT Tambang Batubara Bukit Asam (Persero) Tbk	33.63	High risk

Current research has indicated that the Environmental, Social, and Governance (ESG) performance of a company is believed to influence the company's market value (El Ghouli et al., 2011). Even ESG has become a factor in determining value *cost of capital* which can affect the company's financial performance. International financing institutions currently require that loans taken by companies must be used for environmentally friendly projects. This means that ESG is also able to determine the size of a company's risk. Based on information on the IDX, Morningstar Sustainalytics measures ESG scores by considering risks consisting of two dimensions of ESG issues, namely exposure and management. Exposure is a material ESG risk faced by the company and influences the ESG risk assessment. Management is the company's real commitment and action in dealing with ESG issues through various company policies and work programs. Based on some of the data in the ESG list on IDX in Table 1, companies in the non-financial industry are at moderate to high risk. This indicates that the company has a high/medium business risk and a high/medium impact on the environment and society. This impact can be seen from structural/systemic problems, repeated incidents and companies having inadequate management systems.

Various previous studies show mixed results regarding the influence of ESG on company value. Research by Ahmed and Abu Khalaf (2025) shows that there is a positive relationship between ESG and company value. These findings support previous research from Zhang and Azman (2023), Srivastava (2023), Mokhtar et al. (2024), Sabatini and

Utama (2024), and Triwacananingrum and Probohudono (2024). In Indonesia, found that ESG has a positive effect on company value (Meini & Setijaningsih, 2024). However, other research shows different things where ESG has no effect on company value (Verheyden et al., 2016; Atan et al., 2018; Dinarjito, 2024). This shows that the relationship is not always consistent and may be influenced by other variables.

Cash holdings as a form of company liquidity are also an important factor in assessing company value. According to Dittmar et al. (2003), Bates et al. (2009), and Titman et al., (2018) it shows that cash is a source of company value and high cash holdings can increase company value due to greater financial flexibility. Regarding cash holdings, investors are very interested in the plans and expectations for using that cash (Dittmar & Mahrt-Smith, 2007). This is because cash is an asset that is easily misappropriated for personal gain and therefore investors will be careful in determining their investment decisions (Myers & Rajan, 1998). Several previous studies found that cash ownership has a positive effect on company value, such as Anton (2019), Ha (2016), Jaradat et al. (2021), Ahmed and Abu Khalaf (2025). However, research from Khoiroh and Subardjo (2020), Wafiyah and Santoso (2021), Rizky (2022), Widianingrum and Dillak (2023) and Fitri and Oktavianna (2024) states that cash ownership has no effect on company value. Then, research from Afifa et al. (2021) showed that cash holding had a negative effect on insurance companies in Jordan.

The role of cash holdings as a moderating variable has also been investigated in the ESG context. Research by Ahmed and Abu Khalaf (2025) found that cash holdings can influence how effective ESG implementation is in increasing company value. However, research that specifically tests cash holdings as a moderator in the relationship between ESG and company value, especially in Indonesia, is still very limited.

Based on the explanation above, there is quite a lot of research discussing the role of ESG on company value but provides inconsistent results. In addition, research that includes cash ownership as a moderator of the relationship between ESG and company value is still limited, especially in Indonesia. The aim of this study is to assess the effects of cash holdings, ESG performance, and the three ESG dimensions environmental, social, and governance on business value in light of these conflicting findings. Cash holdings are also looked at as a moderating factor. This research advances our understanding of ESG dynamics in emerging economies and assists firms in connecting liquidity management with sustainability goals, which can have both academic and practical applications.

## **LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT**

### **Theoretical Study**

Stakeholder theory emphasizes that companies need to pay attention to and fulfill the interests of various parties who influence their business operations (Freeman, 2010). In this view, companies not only aim to generate profits for shareholders, but are also responsible for providing benefits to other groups such as employees, customers, suppliers, society, government and the environment. Each of these groups is considered a stakeholder who has an important role in the company's success and has certain expectations that need to be met so that the company can continue to receive social and economic support (Parmar et al., 2010).

Stakeholder theory emphasizes the important role of stakeholders in ensuring the continuity of company operations by paying special attention to the resources they control. Companies must maintain relationships with stakeholders by accommodating their desires and needs, especially stakeholders who have power over the availability of resources used for the company's operational activities, such as workforce, customers and owners. For this reason, companies can publish sustainability reports which provides transparent information regarding company performance in the economic, environmental and social fields. Efforts to publish sustainability reports by companies aim to maintain relationships with stakeholders and safeguard the interests of each party (Hörisch et al., 2020).

Companies that pay attention to ESG not only seek to improve their reputation but also build public trust which is the basis of social legitimacy (Meng et al., 2023). In the context of legitimacy theory, many companies are now focusing on improving performance in three main dimensions: Environment, Social, and Governance, which is better known as ESG. Environmental performance includes the company's efforts to reduce negative impacts on nature, while the social aspect highlights the company's contribution to the welfare of society and employees. Corporate governance is related to the practice of transparency, ethics and corporate responsibility in dealing with shareholders and other stakeholders.

Signal theory (signal theory) explains that the information conveyed by a company can influence the perceptions of external parties, especially investors. A company's ESG performance serves as a positive signal reflecting a company's commitment to responsible and sustainable business practices. When companies invest in ESG initiatives, they demonstrate seriousness about managing environmental impact, social responsibility and good governance. ESG can increase investor confidence as reflected in the increase in share prices where investors see the company as an entity that is more stable, ethical, and able to manage long-term risks. Good ESG performance is usually accompanied by an increase in company value because investors consider the company to have a good reputation and lower reputation risk (Mutiha, 2022).

### **Hypothesis Development**

When surveying a company's esteem, natural, social, and administration (ESG) metrics which degree corporate maintainability performance are getting to be progressively noteworthy. comprehensive integration of social obligation, natural obligations, and corporate administration (Zhang & Azman, 2023). According to earlier studies by Mokhtar et al. (2024) and Srivastava (2023), businesses with strong ESG performance typically win over investors, customers, and the public, all of which raise corporate value.

In the context of sustainability, stakeholder theory emphasizes the importance of companies to meet the expectations of stakeholders, consisting of employees, society, customers, government and the environment. Stakeholder satisfaction with the company's commitment to protecting the environment, improving social welfare, and implementing good governance is expected to improve the company's reputation and ultimately increase company value (Freeman, 2010). According to legitimacy theory, companies that demonstrate commitment to all three aspects of ESG are considered to operate in accordance with society's values and expectations, which ultimately strengthens social legitimacy. Companies that have good environmental performance (Environmental) demonstrate responsibility towards the environment by reducing carbon emissions, efficient waste management and sustainable use of natural resources. Research shows that good environmental performance can improve a company's reputation and strengthen support from the community, which has a positive impact on company value (Melinda & Wardhani, 2020; Sari & Sutopo, 2023; Srivastava, 2023; Yu & Xiao, 2022; Zhang & Azman, 2023; Arifah, 2024; Malau, 2024).

In the social dimension, companies that invest in employee welfare, community empowerment, and other social responsibilities are considered to have good social performance. Positive social performance in the eyes of stakeholders can reduce the risk of conflict, increase employee and customer loyalty, and create harmonious relationships with the surrounding community. This is in line with research findings by Melinda and Wardhani (2020), Aydoğmuş et al. (2022), Yu and Xiao (2022), Srivastava (2023), and Zhang and Azman (2023) which show that good social performance can increase company value.

Governance dimensions also play an important role in increasing company value, where the implementation of good governance includes transparency, accountability and ethical business practices. Companies with good governance performance are seen as more trustworthy and have a lower level of risk in the eyes of investors. According to

signal theory, good governance practices provide positive signals to the market and investors regarding the stability and long-term prospects of a company, which can increase investor confidence and interest in company shares (Gillan et al., 2021). Ultimately, good governance can increase company value (Melinda & Wardhani, 2020; Aydoğmuş et al., 2022; Srivastava, 2023; Zhang & Azman, 2023; Malau, 2024; Arifah, 2024).

In addition, aggregate ESG performance shows the integration of these three dimensions. Companies that have high aggregate ESG performance demonstrate a holistic commitment to sustainability, which provides added value in the eyes of stakeholders and strengthens the company's image as a responsible entity. Research shows that good aggregate ESG performance is significantly related to increasing company value because it reflects comprehensive sustainability practices and provides long-term competitive advantage and ultimately increases company value (Zhang & Azman, 2023; Srivastava, 2023; Mokhtar et al., 2024; Sabatini & Utama, 2024; Triwacananingrum & Probohudono, 2024). Based on the explanation above, the alternative hypothesis of this research is as follows:

H1: Aggregate ESG performance has a positive effect on company value.

H1<sub>a</sub>: Dimensional performance (Environmental) has a positive effect on firm value.

H1<sub>b</sub>: Dimensional performance (Social) has a positive effect on company value.

H1<sub>c</sub>: Dimensional performance (Governance) has a positive effect on firm value.

Apart from ESG performance, company value is also influenced by cash holdings. Cash holdings are the amount of available cash that a company uses to meet its short-term goals and financial requirements (Ahmed & Abu Khalaf, 2025). According to Titman et al. (2018), cash is a source of company value. Companies with sufficient cash holdings will be able to invest anywhere without feeling short of funds to generate additional company value. Alnori (2020) find a relationship between cash holdings and financial performance that this relationship is nonlinear because as cash reserves increase, there will be a positive impact on financial performance, but not too much and only to a certain level. Then, Anton (2019) in his research found that cash holdings had a positive effect on company value. This is also supported by the findings by Jaradat et al. (2021) which states that cash holding has a positive effect on company value. Study from Ha (2016) also results that cash holdings influence company value in a u-shaped form. Based on the description above, we propose the following postulate.

H2: Cash holding influences firm value.

Cash availability allows companies to meet these obligations without having to rely on external financing that can pose additional risks (Freeman, 2010; Meng et al., 2023). Cash holdings provide companies with financial flexibility to respond quickly and effectively to stakeholder expectations, while strengthening social legitimacy (Parmar et al., 2010; Hörisch et al., 2020, Al-Tarawneh et al., 2024). Sufficient liquidity allows companies to not only respond efficiently to external pressures but also ensures that ESG programs are not delayed due to resource constraints. According to previous research, Yu and Xiao (2022) said that Cash holdings play an important role in financing greenhouse gas emission reductions, energy efficiency, waste management, and the development of low-carbon technologies. These efforts often require large initial investments, and without sufficient cash support, companies tend to delay or limit the scale of implementation of environmental initiatives.

This is also in accordance with signal theory that by implementing its responsibilities towards ESG, companies hope for positive signals in the increase in the company's share market value. Ningtyas' (2024) findings support this, demonstrating that businesses with high ESG scores typically keep more cash on hand to cover implementation-related costs. Therefore, cash holdings serve as both a financial buffer and a means of reinforcing the

correlation between ESG and corporate value, particularly when external financing is unpredictable or limited. Based on this explanation, the third hypothesis proposed is:

H3: Cash holding strengthens the influence of ESG on firm value.

H3<sub>a</sub>: Cash holding strengthens the influence of dimensional performance (Environmental) on firm value.

H3<sub>b</sub>: Cash holding strengthens the influence of dimensional performance (Social) on firm value.

H3<sub>c</sub>: Cash holding strengthens the influence of dimensional performance (Governance) on firm value.

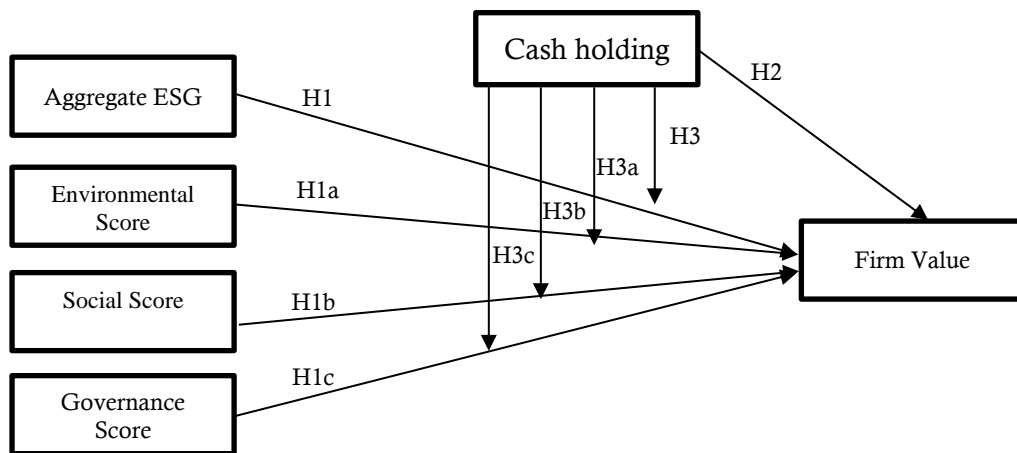


Figure 1. Research Framework

In order to explain the relationship between corporate sustainability performance (ESG) and firm value, Figure 1 looks at the direct and moderating effects of cash holdings. Business value is believed to be highly impacted by four main independent variables: aggregate ESG, environmental score, social score, and governance score (H1). Additionally, cash holdings are analysed as both an independent variable (H2) and a moderating variable that strengthens the effect of each ESG component on firm value (H3). Therefore, this paradigm integrates the practices of sustainability and liquidity management to explain how businesses generate value.

**RESEARCH METHOD**

This study analyzes the impact of ESG performance and its components (environmental, social, and governance) on firm value, with cash holdings as a moderating variable. The sample includes 30 non-financial companies listed in Indonesia from 2020 to 2023, excluding banks and firms with incomplete data, resulting in 120 observations. Recent literature highlights the growing relevance of ESG in influencing firm value, with financial factors like cash reserves playing a potential moderating role. This study employs panel data regression to assess both the direct effects of ESG and its dimensions on firm value, as well as the moderating role of cash holdings. The role of ownership is also tested as an additional moderating variable.

The following model is developed from the preceding section to aid in achieving the aim of this research, specifically to examine the effects of ESG and its components, including the mitigating influence of cash holdings on firm value. Model 1 evaluates hypothesis H1, model 2 assesses hypothesis 1a, model 3 examines hypothesis 1b, and model 4 investigates hypothesis 1c. Model 5 is employed to assess hypothesis 2, model 6 for hypothesis H3, model 7 for hypothesis 3b, and model 8 for hypothesis 3c. Furthermore, all models were utilized to assess hypothesis 2.

**Table 2.** Summary of Variables and Measurement

Variable		Abbreviation	Measurement	Reference
Dependent Variable	Firm Value	FV	Market value of shares	(Dinarjito, 2024; Jaffe et al., 1989)
Independent Variables	ESG Score	ESG	ESG Score obtained from Bloomberg	(Dinarjito, 2024; Melinda & Wardhani, 2020)
	Environmental Score	IS	Environmental Score obtained from Bloomberg	(Aydoğmuş et al., 2022; Dincă et al., 2022)
	Social Score	SS	Social Score obtained from Bloomberg	(Carnini Pulino et al., 2022; Rasyad et al., 2024)
	Governance Score	GS	Governance Score obtained from Bloomberg	(Domanović, 2022; Giannopoulos et al., 2022)
Moderator Variable	Cash Holdings	CH	Cash in Hand & at Banks divided by the Firm's Net Assets	(Ha, 2017; Yilmaz & Samour, 2024)
Control Variables	Profitability	ROA	Income before tax divided by total assets	(Melinda & Wardhani, 2020; Rizky, 2022)
	Leverage	LEV	Total liabilities divided by total asset	(Al-Tarawneh et al., 2024; Melinda & Wardhani, 2020)

$$\begin{aligned}
 MV_{it} &= \beta_0 + \beta_1 ESG_{it} + \beta_2 CH_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + eit \dots\dots\dots (1) \\
 MV_{it} &= \beta_0 + \beta_1 ES_{it} + \beta_2 CH_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + eit \dots\dots\dots (2) \\
 MV_{it} &= \beta_0 + \beta_1 SS_{it} + \beta_2 CH_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + eit \dots\dots\dots (3) \\
 MV_{it} &= \beta_0 + \beta_1 GS_{it} + \beta_2 CH_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + eit \dots\dots\dots (4) \\
 MV_{it} &= \beta_0 + \beta_1 ESG_{it} + \beta_2 CH_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 ESG_{it} * CH_{it} + eit \dots\dots\dots (5) \\
 MV_{it} &= \beta_0 + \beta_1 ES_{it} + \beta_2 CH_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 ES_{it} * CH_{it} + eit \dots\dots\dots (6) \\
 MV_{it} &= \beta_0 + \beta_1 SS_{it} + \beta_2 CH_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 SS_{it} * CH_{it} + eit \dots\dots\dots (7) \\
 MV_{it} &= \beta_0 + \beta_1 GS_{it} + \beta_2 CH_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 GS_{it} * CH_{it} + eit \dots\dots\dots (8)
 \end{aligned}$$

**RESULTS**

This study investigates the impact of Environmental, Social, and Governance (ESG) performance and cash holdings on firm value among non-financial companies listed on the Indonesia Stock Exchange, focusing on firms included in the LQ45 and IDX ESG Leaders indexes from 2020 to 2023. Overall, the results show that business value is not significantly impacted by ESG performance.

**Table 3.** Descriptive Statistics

Variables	Obs.	Mean	Std. Dev	Min	Max
FV	120	7.845	1.229	4.682	10.621
IS	120	2.882	1.663	0.540	8.560
SS	120	3.323	1.631	0.380	6.800
GS	120	4.506	0.820	2.870	5.960
ESG	120	3.349	1.051	1.320	5.690
CH	120	0.270	0.151	0.021	0.733
ROA	120	0.105	0.101	0.001	0.560
LEV	120	0.460	0.204	0.101	0.858

In Table 3, the independent variables, such as ESG, ES, SS, GS, have medium average values and high standard deviation values. This shows that non-financial companies listed on the Indonesia Stock Exchange tend to still be below average or medium on ESG measures (<5) in implementing ESG principles and guidelines, even though there is high

variability and dispersion. This implies that on average companies in Indonesia are still not too focused on decision making by emphasizing ESG factors, but not at the same level for all companies. This is because there are companies with good ESG scores (>5) and some with low ones (<2.5). By looking at the average ES, SS and GS scores, it can be seen that in Indonesia companies still tend to focus on corporate governance (GS) with the average G-score being the highest at 4.5 compared to the E and S scores.

Moreover, the cash holdings results indicate an average of 0.27 or 27% of total assets, exceeding the median of 0.251 or 25.1%, suggesting that, on average, companies in Indonesia maintain cash amounting to approximately 27% of their total asset value. The significant standard deviation of market values is the last factor to consider. These results show that the market value of Indonesian companies varies significantly. This highlights the study's importance in determining the variables that may impact value and providing specific recommendations to various boards of directors for how to increase their market worth.

Table 4. Panel Data Regression Results

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
ESG	0.177				0.154			
IS		0.362				0.361		
SS			0.025*				0.025*	
GS				0.047*				0.015*
CH	0.360	0.426	0.349	0.363	0.233	0.298	0.085	0.108
ESC*CH					0.250			
ES*CH						0.341		
SS*CH							0.035*	
GS*CH								0.003*
ROA	0.011*	0.003*	0.014*	0.013*	0.015*	0.011*	0.018*	0.004*
LEV	0.093	0.260	0.087	0.074	0.312	0.078	0.297	0.275
Constant	6.391	7.107	6.252	6.915	7.674	5.982	7.744	7.243
F-Sign	0.008	0.000	0.008	0.006	0.000	0.011	0.001	0.000
R-square	0.240	0.188	0.237	0.253	0.196	0.235	0.214	0.220

\*Significant at 5%

The results shown in Table 4 reveal regression estimates from eight models that evaluate the influence of Environmental, Social, and Governance (ESG) performance and its components on firm value, taking into account the moderating effect of Cash Holdings (CH). The models suggest a positive correlation between ESG and firm value. In Model 1, the ESG coefficient is 0.177; however, it lacks statistical significance. In Model 5, when CH serves as a moderating variable, the interaction term ESG\*CH yields a positive coefficient of 0.250, indicating that liquidity may enhance the effect of ESG on firm value, though this relationship remains statistically non-significant. Regarding the ESG factors, both the Social Score (SS) and Governance Score (GS) significantly affect company value. In Models 3 and 4, SS and GS show coefficients of 0.025\* and 0.047\*, respectively, suggesting that social responsibility and governance practices positively and significantly influence firm value. The inclusion of cash reserves as a moderator amplifies these effects further. Model 7 (SSCH = 0.035) and Model 8 (GSCH = 0.003) indicate that companies with higher liquidity benefit more from strong social and governance practices in enhancing market value.

Furthermore, with coefficient values ranging from 0.003\* to 0.018\*, the control variable Return on Assets (ROA) consistently shows a positive and significant impact across all models, reaffirming the importance of profitability in determining company value. However, leverage (LEV) has no discernible influence in any of the models,

indicating that, in the context of this study, capital structure has no direct bearing on company value. The models' comparatively high explanatory power is indicated by the R-square values, which fall between 0.188 and 0.253. The results' reliability is further supported by the fact that all models are statistically significant at the model level ( $F\text{-Sign} < 0.05$ ).

The outcomes of the several regression models that were previously mentioned. The chart indicates that the social score (SS) in Models 3 and 7, the governance score (GS) in Models 4 and 8, the SSCH interaction in Model 7, and the GSCH interaction in Model 8 all have a substantial impact on firm value. The direct effects of cash holdings, ESG dimensions, and overall ESG performance on firm value are evaluated by Models 1 through 4. In the meanwhile, Models 5 through 8 assess how cash holdings moderate the relationship between business value and ESG performance (and its constituent parts).

## **DISCUSSION**

This study finds that ESG performance does not significantly affect firm value. This outcome aligns with the conclusions of Verheyden et al. (2016), Atan et al. (2018), Wulandari et al. (2023) and Dinarjito (2024), who assert that ESG practices have not significantly enhanced market value, especially for non-financial firms listed on the Indonesia Stock Exchange. This finding is contrary to the findings from Wong et al. (2021), Zhang et al. (2022), and Ahmed and Abu Khalaf (2025). However, the findings of this study support the findings by Verheyden et al. (2016), Atan et al. (2018), Wulandari et al. (2023) and Dinarjito, 2024). The company applies ESG principles with the aim of achieving sustainable performance through exploiting business opportunities, improving management quality through transparency, achieving long-term business sustainability through environmental and social goals, and supporting financial performance. In accordance with stakeholder theory, clearly emphasizes that meeting the desires and goals of various stakeholders can improve public image, reduce risks, and ultimately increase corporate value. However, this research produced different findings where in non-financial companies listed on the Indonesia Stock Exchange, the achievement of environmental, social and corporate governance performance was apparently not able to increase the company value as reflected in the stock market value. This indicates that investors in Indonesia may not place emphasis on achieving ESG values in making their investment decisions.

Cash holdings also do not have a significant influence on company value so that H2 rejected. This finding does not match the research by Ahmed and Abu Khalaf (2025), but these findings support the results of the study by Khoiroh and Subardjo (2020), Wafiyah and Santoso (2021), Widianingrum and Dillak (2023), and Fitri and Oktavianna (2024) where cash holding has no influence on value company. The company's cash holdings can come from the company's operating results or from investment or financing results. In accordance with Wong et al. (2021), following ESG initiatives will reduce the cost of capital, which in turn increases market value, meaning that the company's hope of improving its ESG performance is to be able to get a lower cost of capital which will reduce company risk and can improve company performance and the impact is an increase in company value. However, this research produces different results where cash holdings are not able to have a significant influence on company value, in this case the stock market price.

The insignificant effect of cash holding on company value indicates that investors in Indonesia do not look at the company's cash holdings in determining their investment. This could be because cash holdings are not an indicator for measuring investor and creditor confidence which does not have an impact on company value (Khoiroh & Subardjo, 2020). In fact, in theory, cash ownership is the company's foundation (Hamad et al., 2021) or a source of value for the company (Titman et al., 2018). The company's abundance of cash also provides an indication that the company is able to pay off its obligations (Obeidat et al., 2021). In the case of Indonesia, it is possible that the company's cash holdings come from debt, which can be seen from the average company leverage of

46%. Apart from that, there are indications that high cash holdings make investors worried about management wasting company resources on projects that could reduce company value (Wijaya, 2014). The average cash holding in the company data used is 27% of total assets and this is very different from the average cash holding in the European Union which is 8.5% (Ahmed & Abu Khalaf, 2025). In accordance with theory, cash holdings should indicate that the company has the ability to finance operational, investment and financing activities. Companies that have large amounts of cash are expected to be able to operate sustainably, have the ability to invest productively and be able to pay off their long-term obligations. However, cash holdings do not have a significant effect on company value, indicating that the company failed to have a long-term plan for productive investment that could increase company value.

Partially, research also shows that the ES variable or environmental performance has no influence on company value so that  $H_{1a}$  rejected. This is in line with the findings of research by Shapiro et al. (2018), Rinsman and Prasetyo (2020) and Soedjatmiko et al. (2021) who said that good environmental performance still cannot convince the market that companies manage their natural resources well. This finding suggests that non-financial companies in Indonesia are not yet optimal in managing their natural resources well because as is known, one of the existing problems is that the government is not serious about dealing with environmental damage caused by company operations.

This is different from the SS and GS scores where both variables have a positive effect on the company's market value so that  $H_{1b}$  and  $H_{1c}$  accepted. This is in accordance with research by Mitra and Gaur (2020) which examined Malaysian, Thai, Singaporean and Hong Kong companies and found that many companies are starting to shift their attention to social performance compared to environmental performance. This is because social performance has a more significant impact on good corporate governance, so that the company's value in the eyes of stakeholders becomes higher. This is different from environmental performance where policies related to social performance will be directly felt by the recipient community so that it will improve the company's image. By increasing a company's good name, it will be able to attract investors, while the impact on environmental performance is usually not immediately felt by the community because the impact on environmental performance is usually long-term. The results of this study also support research by Yu and Xiao (2022) and Aydoğmuş et al. (2022) that social performance has a positive effect on company value.

Good corporate governance aims to optimize company value for shareholders and other stakeholders in the long term. Governance is one way to reduce information asymmetry (Kanagaretnam et al., 2007). By reducing information asymmetry, investors and other stakeholders will have the same information as the company. Due to this, when corporate governance gets better, investors will react, and this will affect the value of the company. Study from Puspita et al. (2023) states that GCG has a significant and positive effect on the value of the company which is assessed using the composition of the board of directors and independent commissioners. This can indicate that with the capability and independence of the company's organs, the value of the company can be increased. Linked to stakeholder theory, this theory will support the results of this research. Investors will show their appreciation for the superior performance of corporate governance by investing in the company. An increase in investment value will not only increase the value of the company but will also have an impact on the value of the company. The results of this study support research by Melinda and Wardhani (2020) and Ochego et al. (2019).

The research results show that cash holdings (CH) can moderate SS and GS in influencing firm value so that  $H_{3b}$  and  $H_{3c}$  accepted. However, CH was unable to moderate the influence of ESG and ES on company value so that  $H_{3b}$  and  $H_3$  is rejected. The results of this study do not match the research (Ahmed & Abu Khalaf, 2025) where cash holdings (CH) should be able to moderate ESG on company value. This finding shows that cash holdings are unable to improve ESG performance which will have an impact on company value. The company should be able to use cash holdings for productive and environmentally friendly investment activities, implementing

environmental conservation, increasing contributions to society and increasing the effectiveness of corporate governance. However, only social and governance performance can be moderated by cash holding. This shows that environmental performance in Indonesian companies is still not optimal in influencing total ESG performance. Cash holdings have helped companies improve social performance and corporate governance. This indicates that the company is able to use cash to make a beneficial contribution to society and increase the efficiency of corporate governance, thereby providing a good corporate image that can influence the decisions of investors and other stakeholders. In relation to legitimacy theory, companies that are able to contribute to society and the environment will be recognized by society because they have upheld the social values of the surrounding community.

The results of this research also show that financial performance as represented by ROA has a significant influence on company value. These results support the research from Fama and French (2012), Ochejo et al. (2019), Margono and Gantino (2021), Afifah et al. (2023), Hartoyo et al. (2023), Oktaviani et al. (2024), and Ahmed and Abu Khalaf (2025). These results also indicate that investors in Indonesia still view financial performance in the form of profitability as an important factor for making decisions. This is in accordance with signal theory that companies that generate profits will provide positive signals to investors to make decisions that will increase the market value of the company's shares.

Based on the research results above, it shows that all research models used have an *f*-sig below 0.05, which means that all models show that all variables used together are valid and reliably influence company value which is reflected in the company's market value. The model fit shown in *r*-square shows that on average the variables used are only able to explain 20% of the effect on fair value. Therefore, it is hoped that future research will be able to use additional variables to be able to look at the factors that influence company value in relation to ESG.

## **CONCLUSION**

This study investigates how Environmental, Social, and Governance (ESG) performance affects firm value, considering cash holdings as a moderating factor, particularly among non-financial firms listed on the Indonesia Stock Exchange. The main findings indicate that overall ESG performance does not have a considerable effect on company value. Nonetheless, when analyzed separately, social (S) and governance (G) aspects are shown to positively influence firm value, whereas environmental (E) performance is deemed inconsequential. Additionally, cash reserves do not directly influence corporate value nor alter the overall connection between ESG performance and corporate value. Notably, cash holdings help enhance the positive impact of social and governance factors on company value. These results suggest that Indonesian companies are comparatively more efficient in providing social contributions and improving governance practices than in implementing strong environmental efforts.

From a practical perspective, the study suggests that firms should focus on improving corporate governance and engaging in socially responsible activities to attract investor interest. On the theoretical side, the findings offer additional insight into stakeholder and legitimacy theory, indicating that the market tends to recognize and reward social and governance efforts more readily than environmental actions.

There are several limitations in our research, such as theoretical limitations due to the lack of previous research studies on the topic that use moderating variables to measure market value. We also acknowledge limitations in the study sample as it only focuses on non-financial firms during a certain period. Therefore, the results cannot be generalized. In addition, factors such as differences in the industry of each company may have influenced the results. Therefore, it may be beneficial for future research to look at companies from different types of industries and different time periods.

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