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The Effect of Green Intellectual Disclosure, Cash Holding, and Foreign Ownership on Financial Performance

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Abstract

Purpose – *This study aims to examine the effect of green intellectual disclosure, cash holding, and foreign ownership on financial performance in Indonesia's financial sector.*

Design/methodology/approach – *This research employs quantitative data from a sample of 70 companies in the financial sector listed on the Indonesia Stock Exchange for the period 2022–2024. The hypothesis testing utilized multiple regression analysis with Eviews9 software.*

Findings – *The findings indicate that green intellectual disclosure has a negative and statistically insignificant effect on financial performance, cash holding has a negative and statistically insignificant effect on financial performance, while foreign ownership has a positive and statistically significant effect on financial performance.*

Research limitations/implications *– Results highlight RBV in regulated sectors and highlights foreign investor dominance per Stakeholder Theory. Practically, managers should focus on foreign ownership and green innovation, while regulators could revise POJK 51/2017 toward performance-based incentives. Limitations include BEI focus, short 2022–2024 period, and omitted firm size; future research could examine firm size as a moderator, ASEAN comparisons, and Islamic banks.*

Originality *– First integrated model testing green intellectual disclosure, cash holding, foreign ownership nexus in emerging market financial firms.*

JEL: *M41, G21, G32*

INTRODUCTION

The growth of the financial sector in Indonesia shows a positive trend despite fluctuations across certain periods and regions. Based on data from Statistics Indonesia (BPS), the Gross Domestic Product (GDP) at constant prices of the financial services and insurance sector grew by 1.56% in 2021, reaching IDR 464.64 trillion. This achievement was the lowest in the last eleven years, with the highest growth recorded in 2012 at 9.54%. However, in 2024, the total GDP at

constant prices of the financial intermediary services sector for all of Indonesia reached IDR 334.35 trillion, an increase of 6.8% compared to the previous year. Regionally, DKI Jakarta dominated the GDP at current prices of other financial services with a value of IDR 28.09 trillion in 2024. Several provinces also recorded significant growth. For example, the GDP at current prices of Other Financial Services in Riau grew by 8.3% in 2024 compared to the previous year, and in East Nusa Tenggara it grew by 6.25% over the same period. In Central Kalimantan, the GDP at current prices of Financial Intermediary Services grew by 7.78% in 2024. For the financial services and insurance sector in Y**apen Islands Regency**, the highest growth occurred in 2024 at 6.71%, although the lowest growth was recorded in 2020 at 2.78%. The financial sector is a collection of institutions and markets that provide financial intermediation, financing services, insurance, investment, and supporting services (such as IT infrastructure, capital markets, non-bank financial institutions, and Islamic finance). The main objectives of the financial sector are to channel financing to the real economy, maintain financial system stability, promote financial inclusion, and strengthen national competitiveness through product innovation and market efficiency. Regulations and policies are directed at safeguarding financial system stability amid global dynamics (such as partner-country economic growth, market volatility, and inflation) while at the same time encouraging the adoption of technology, financial literacy, and financial inclusion.

Within the financial sector there are several subsectors, namely: the banking subsector consisting of 38 banking companies; 10 companies in the financing services subsector; 4 companies in the investment services subsector; 14 insurance companies; and 5 companies in the holding and investment subsector. Each subsector has its own advantages, as presented in Table 1.1, which compares the average Return on Assets (ROA) of each subsector for the 2022–2024 period.

Table 1. Comparison of Sub-Sectors

Sub Sector	Financial Performance			Norm
	2022	2023	2024	
Banking	0,014	0,0143	0,0137	0,0142
Financing Service	0,04	0,04	0,03	0,0383
Investment Service	0,313	0,094	0,102	0,1697
Insurance	0,247	0,019	0,018	0,0947
Holding and Investment Companies	0,058	0,018	0,023	0,0330

The banking subsector shows the most stable and consistent ROA over the three-year period, moving within a very narrow range (0.014 to 0.0137). Although the value is relatively low compared with other subsectors (around 1.4%), this stability reflects the highly regulated nature of the banking business, which operates with thinner yet safer margins. The banking sector thus has advantages in terms of the size and total amount of assets as well as efficiency in asset utilization. The relatively higher average ROA compared with other subsectors, alongside increasing profits in line with asset growth at several major banks such as BBCA, BBRI, and BBTN, indicates the strength of this subsector. The main strengths of the banking sector lie in asset stability and resilience supported by solid risk management and its central role in supporting the national economy. Although its ROA appears small due to its large asset base, this sector

offers high investment safety and liquidity, accompanied by a substantial contribution to national credit growth.

Another advantage of the banking subsector is liquidity and public trust, given its role as the main intermediary institution and creator of demand deposits. Its core function is to mobilize funds on a large scale with a guarantee of security (public trust) and to channel them as credit, making it the key pillar in driving liquidity and providing the most integrated and wide-ranging payment services. The financing services subsector records relatively stable ROA in 2022 and 2023 (both at 0.04 or 4%), but experiences a noticeable decline in 2024 to 0.03 (3%). Although its ROA is higher than that of banks, this subsector tends to face higher margins and risks, while still maintaining profit efficiency relative to assets. Its main advantage lies in the potential for higher margins among certain financing companies, although the ROA dispersion across firms is wider. This subsector is also more flexible in channeling credit to different segments with more optimal margins, thereby maintaining growth potential despite increased credit risk and sensitivity to macroeconomic conditions. Another advantage is accessibility and asset specialization, as this subsector facilitates access to capital for individuals and MSMEs that may face strict requirements in the banking sector. Its focus on financing specific assets (such as vehicles or machinery) allows for deeper risk knowledge of financed assets and accelerates consumption and productive financing.

The investment services subsector shows the highest and most volatile ROA among all subsectors. ROA surged to 0.313 (31.3%) in 2022, reflecting highly favorable capital market conditions, before dropping sharply to 0.094 in 2023 and then slightly recovering to 0.102 in 2024. This volatility is typical of businesses that are highly sensitive to capital market movements. The subsector demonstrates the ability to generate high profits with relatively small asset bases, yet with significant fluctuation. Its strength lies in the potential for large returns, particularly for investors who can tolerate higher risk and volatility. Another advantage is its role as a capital market catalyst that mobilizes substantial funds from investors and directs them to productive investments such as stocks and bonds, which are important for corporate expansion and infrastructure financing. It also offers professional diversification through collective investment products (mutual funds), thereby helping retail investors optimize their investment returns.

Similarly, the insurance subsector also displays high volatility. ROA is very high in 2022 (0.247 or 24.7%), but drops sharply and significantly in 2023 (0.019) and remains low in 2024 (0.018). This pattern is often affected by the investment performance of premium funds managed by insurance companies and may reflect portfolio adjustments or specific events. Despite this volatility, several life and general insurance companies show profit recovery along with product diversification and premium growth. The subsector's fundamental advantage lies in risk transfer and long-term stability. By providing financial protection against unforeseen losses (health, assets, life), insurance offers security for individuals and businesses, while accumulated premium funds become a substantial source of long-term investment that supports the bond market and large-scale projects.

The holding and investment subsector also experiences a sharp decline in ROA in 2023 after relatively high performance in 2022, followed by a slight recovery in 2024. The ROA of holding companies is largely influenced by the consolidated performance of their subsidiaries. Overall, the subsector demonstrates fairly good ROA, indicating efficient asset utilization despite profit fluctuations. Its main strength lies in synergy and strategic control, as holding and investment companies manage diversified portfolios across various industries, enabling them to optimize capital allocation and reduce overall business risk. Losses in one business unit can be offset by strong performance in other units, making this subsector suitable for investors focusing on stability and diversification.

Sustainability issues and corporate governance have become key concerns in the financial sector. Various global policies such as the Paris Agreement, as well as domestic regulations, encourage financial institutions to enhance environmentally friendly practices. The Financial Services Authority (OJK) issued Regulation No. 51/2017 on Sustainable Finance, signaling the government's commitment to ESG. Green financing instruments, such as green bonds, have grown rapidly in Indonesia. Media and the public increasingly scrutinize ESG transparency among banks and investment companies, linking political and regulatory stability with long-term performance. This phenomenon shows that the financial sector, although not as capital-intensive as manufacturing, plays a strategic role in promoting economic

sustainability. Financial institutions are increasing the proportion of green products as green intellectual disclosure and good corporate governance practices become important benchmarks of reputation in the eyes of investors.

This study introduces a novel integrated framework by combining Green Intellectual Disclosure (GID), Cash Holding, and Foreign Ownership to explain financial performance in Indonesia's financial sector—a context rarely examined compared to prior research focused on mining or manufacturing industries. Grounded in the Resource-Based View (RBV) theory, GIC represents inimitable intangible resources driving sustainable competitive advantages, while Cash Holding reflects precautionary liquidity strategies under Trade-Off and Pecking Order theories. Foreign Ownership adds a governance dimension Stakeholder Theory, where international investors pressure firms to balance short-term profits with long-term legitimacy and environmental accountability. Unlike previous studies (Anggriani & Dewi, 2022), on mining firms; (Maryanti et al., 2025), on food manufacturing), which tested these variables in isolation or capital-intensive sectors, this research uniquely models their joint effects in highly regulated financial institutions of a developing economy, revealing counterintuitive negative GID impacts amid stringent liquidity rules

Resource-Based View (RBV) asserts that firm performance depends on resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991), where Green Intellectual Disclosure (GID) serves as a strategic intangible asset in the financial sector, fulfilling these criteria through environmental knowledge and green innovation capabilities that create sustainable competitive advantages. Meanwhile, Stakeholder Theory emphasizes the need for companies to balance the interests of stakeholders such as investors, customers, and regulators, who now demand transparency on climate risks (Freeman, 1984), positioning GID as a signal of environmental commitment that reduces agency costs arising from information asymmetry. This integration is reinforced by Legitimacy Theory, which underscores that firms must align with societal norms to survive (Suchman,1995), with GID acting as tangible evidence of a green transition that secures a "social license to operate," as its absence could lead to a legitimacy gap that undermines long-term financial performance in Indonesia's financial sector.

There are numerous factors that influence financial performance, including carbon emission disclosure, green intellectual capital, sustainability reporting disclosure, corporate social responsibility costs, firm size, family ownership, leverage, transparency, carbon performance, public share ownership, green accounting, good corporate governance, cash holding, debt maturity, dividend policy, foreign ownership, debt policy, environmental performance, managerial ownership, institutional ownership, board of directors, and audit committee. Based on these factors, this study focuses on green intellectual capital, cash holding, foreign ownership, and good corporate governance. Prior studies show mixed results across mining, manufacturing, and other sectors regarding the effects of these variables on firm performance. Grounded in these phenomena, the present study investigates “The Effect of Green Intellectual Disclosure, Cash Holding, and Foreign Ownership on Financial Performance” in the financial sector.

This study pioneers an integrated framework combining Green Intellectual Disclosure, Cash Holding, and Foreign Ownership, addressing three critical gaps in prior literature. First, unlike single-variable studies (Anggriani & Dewi, 2022) and (Maryanti et al., 2025) our model captures interaction effects where GID's legitimacy signaling (Legitimacy Theory) may conflict with cash holding constraints under stringent OJK liquidity regulations (Trade-Off Theory). Second, foreign ownership introduces governance pressure (Stakeholder Theory) that amplifies GID's RBV value in developing markets. Third, financial sector's unique regulatory environment (unlike mining/manufacturing) creates counterintuitive dynamics where green initiatives face liquidity trade-offs. This trivariate approach explains 93.2% performance variance versus fragmented prior models (<60% R^2), uniquely suited for Indonesia's POJK 51/2017 sustainable finance mandate. Unlike prior studies that examine Green Intellectual Disclosure, Cash Holding, and Foreign Ownership separately, this study integrates these variables into a single empirical framework within the financial sector of an emerging market.

LITERATURE REVIEW

Resource-Based View theory

According to Wernerfelt (1984), the Resource-Based View theory posits that intangible assets play a crucial role in achieving a company's goals and strategies, as well as in determining its market value. One manifestation of this important role can be seen in the use of knowledge that generates innovation and serves as a foundation for enhancing responsiveness to customer and stakeholder needs. Consequently, the higher the value of intangible assets, the higher the company's market value (Widagdo et al., 2021).

Trade-Off Theory & Pecking Order

The Trade-Off Theory, proposed by Kraus and Litzenberger (1973), and the Pecking Order Theory, introduced by Myers and Majluf (1984), both explain how companies determine an optimal capital structure, albeit from different perspectives. The Trade-Off Theory emphasizes that companies balance the benefits of debt usage, such as tax shields, against the costs of bankruptcy arising from financial risk, thereby achieving an optimal equilibrium between risk and benefits. Meanwhile, the Pecking Order Theory focuses on the hierarchy of financing preferences, where companies prioritize internal funds such as retained earnings, followed by debt, and new equity issuance as the last resort.

Signaling theory

According to Spence (1973) in his research, job applicants in the labor market use certain signals, such as education and work experience, to demonstrate their productive abilities to potential employers. Similarly, in companies, management strives to convey relevant information to stakeholders to provide a clear picture of the company's past performance and future prospects. The problem of information asymmetry among stakeholders can be reduced by providing additional information as a signal to other parties (Irawan & Apriwenni, 2021).

Agency theory

Jensen and Meckling explain the relationship between owners (principals) and managers or agents. Conflicts arise because each party has different interests, and managers do not always act in accordance with the owners' interests. To address this, companies incur agency costs, such as monitoring costs, incentives, and control mechanisms, to ensure agents act in line with the principals' objectives (Badawi & Hartati, 2024).

Stakeholder Theory

Stakeholder Theory was first proposed by R. Edward Freeman in 1984 through his book Strategic Management: A Stakeholder Approach. In his theory, Freeman states that a company's success and sustainability do not depend solely on efforts to maximize profits for shareholders, but also on the extent to which the company fulfills the interests of all stakeholders, such as employees, customers, suppliers, society, government, and the environment.

Legitimacy Theory

Suchman (1995) explains that legitimacy is the perception or assumption that the actions of an entity, such as a company, are considered appropriate with the prevailing social values, norms, and beliefs in society. In other words, companies must act ethically, transparently, and in

accordance with public expectations to gain social acceptance and support.

Green Intellectual Disclosure

Green Intellectual Disclosure measured using the Green Intellectual Capital Index (GICI) refers to a collection of knowledge assets, skills, and relationships possessed by individuals or organizations that are specifically related to understanding, capabilities, and motivation in creating added value for the company through environmental concern and responsibility. Green Intellectual Disclosure not only drives the achievement of company goals economically but also sustainably by integrating environmental aspects into strategies and operations, thereby enabling the company to gain competitive advantages and make positive contributions to the environment and society.

Cash Holding

Cash holding is a liquid asset in the form of cash and cash equivalents available on hand or in the bank, which can be used directly to meet the company's operational needs or investment strategies, and serves as an important measure for managing liquidity and financial stability.

Foreign Ownership

Foreign ownership is the portion of a company's shares or capital owned by individuals, companies, or institutions from abroad, either directly or through legal entities or foreign governments, indicating foreign investment in Indonesian companies.

Financial Performance

A company's financial performance is a depiction of the level of success in managing its financial resources to achieve goals and maintain financial health, measured through financial ratio analysis such as ROA and ROE to assess efficiency, profitability, and the company's ability to generate profits over a specific period.

Hypothesis Development

The Influence of Green Intellectual Disclosure on Financial Performance

Green Intellectual Disclosure serves as a strategic resource capable of creating sustainable competitive advantages. Through the management of environmentally oriented intellectual capital, companies not only strengthen their competitive position in the market but also enhance financial performance sustainably in line with green sustainability principles. Empirical studies examining the relationship between Green Intellectual Disclosure and financial performance report mixed results across different sectors. In capital-intensive industries such as mining and manufacturing, green intellectual initiatives are generally found to improve financial performance by enhancing environmental innovation, operational efficiency, and corporate legitimacy, this theory is supported by prior studies, such as (Anggriani & Dewi, 2022) on mining companies listed on the Indonesia Stock Exchange from 2014–2020, and (Maryanti et al., 2025) on manufacturing companies in the food and beverage subsector from 2018–2022, which found that green intellectual disclosure positively influences company financial performance.

These findings support the Resource-Based View, which argues that environmentally oriented intangible assets can create sustainable competitive advantages. However, in the financial sector, where firms do not directly engage in physical production and operate under

strict regulatory frameworks, the financial benefits of green intellectual disclosure may not materialize immediately. In such contexts, green disclosure often serves as a legitimacy and compliance mechanism rather than a direct driver of short-term profitability. These findings indicate that higher Green Intellectual Disclosure leads to better financial performance.

H_1 : Green Intellectual Disclosure has a positive effect on Financial Performance.

The Influence of Cash Holding on Financial Performance

Cash Holding represents a form of liquid asset in the form of cash held by the company, stored in petty cash, cash registers, or bank and money market accounts. The unit for the Cash Holding variable in this study is expressed in percentage (%). Higher cash holding improves financial performance, as a large amount of cash demonstrates the company's ability to meet short-term obligations, fund operational activities, and seize investment opportunities without reliance on external financing sources. Adequate cash availability also reflects healthy and stable financial conditions, thereby increasing investor confidence and supporting company profitability. Thus, an increase in cash holding positively affects financial performance by providing greater flexibility and resilience against financial risks.

Previous studies on the effect of cash holding on financial performance have produced mixed findings. In the non-financial sector, an optimal level of cash holding is often associated with improved financial performance because it provides financing flexibility and enhances firms' ability to cope with economic uncertainty. This theory is reinforced by prior studies, such as (Khansa et al., 2025) on the energy sector listed on the Indonesia Stock Exchange during 2019–2023, and (Al-Sulayvani et al., 2025) on companies listed on the Iraq Stock Exchange for the period 2019–2023, which found that cash holding positively influences company financial performance. However, in the financial sector, cash holding policies are largely determined by regulatory provisions, such as minimum liquidity requirements and mandatory reserves, which limit managerial discretion. As a result, variations in cash holding among firms in the financial sector tend not to have a significant impact on profitability. This indicates that the effect of cash holding on financial performance in the financial sector is structurally different from that in the real sector and still requires further empirical investigation. These findings state that higher cash holding leads to better financial performance.

H_2 : Cash Holding has a positive effect on Financial Performance.

The Influence of Foreign Ownership on Financial Performance

Foreign Ownership refers to the portion of outstanding shares owned by foreign investors, namely individuals, legal entities, governments, and their parts with foreign status, relative to the total outstanding share capital (Farooque et al., 2007). Higher levels of foreign ownership in a company lead to improved financial performance. This occurs because foreign investors typically possess superior managerial capabilities, technology, and international experience that enhance company efficiency and productivity. Foreign ownership also promotes better corporate governance through increased transparency and management oversight. Additionally, the presence of foreign investors expands the company's access to global funding sources and strengthens market confidence. Therefore, an increase in foreign ownership directly contributes to higher profitability and overall financial performance.

Empirical evidence consistently shows that foreign ownership plays a significant role in

enhancing firm financial performance, particularly in emerging markets. Foreign investors often bring superior managerial expertise, advanced technology, and international best practices that improve operational efficiency and corporate governance. Prior studies document that higher levels of foreign ownership are associated with stronger monitoring mechanisms, reduced agency problems, and improved profitability, this theory is supported by prior studies, such as (Trianjani et al., 2024) on manufacturing sector companies from 2018–2022, (Ahzan et al., 2025) on the financial sector from 2021–2023, and (Ivan & Raharja, 2021) on manufacturing companies from 2016–2018, which found that foreign ownership positively affects company financial performance. These findings indicate that greater foreign investor ownership leads to higher or better financial performance.

$H_{3:}$: Foreign Ownership has a positive effect on Financial Performance

RESEARCH METHOD

Research Design

This study aims to examine the influence of green intellectual capital disclosure, cash holding, and foreign ownership on financial performance in the financial sector, adopting a positivist paradigm that emphasizes measurable objective facts verified through empirical hypothesis testing using quantitative data focused on specific phenomena; the research employs a quantitative panel data analysis strategy on 70 sample companies from a population of 127 financial sector companies listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 period, via purposive sampling based on criteria including complete annual report availability and financial reporting standard compliance, in a non-intervened setting with a panel data timeframe integrating time series and cross-sectional data for robust hypothesis testing (Pasaribu et al., 2023). This study employs a one-tailed test because the hypotheses are directional and grounded in prior theoretical and empirical evidence that predicts the direction of the relationships examined.

Population

The population in this research consists of companies in the listed investment products sector and the financial sector listed on the Indonesia Stock Exchange (IDX) for the period 2022-2024. The research population was obtained based on data collected during September 2025 to ensure the currency and relevance of the information used in this research analysis. Thus, the population totals 131 companies, comprising 24 companies from the listed investment products sector and 107 companies from the financial sector that have been listed on the IDX.

Sample

This study employs purposive (non-probability) sampling based on three criteria:

1. Companies in the listed investment products sector and financial sector listed on the Indonesia Stock Exchange during 2022-2024.
2. Companies in the listed investment products and financial sectors that have submitted annual reports for the period 2022-2024 used in this research.
3. Companies in the listed investment products and financial sectors that did not incur losses during 2022-2024.

Therefore, this study consistently applies non-probability purposive sampling, in accordance with quantitative panel data research standards.

Data Sources

This study uses secondary data sourced from the annual reports and financial statements of financial sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2022–2024. The data were obtained from official company websites and the IDX database (www.idx.co.id).

Variable Operationalization

The following is a table containing the indicators for each variable:

Table 2. Variable measuring instruments and sources of measurement

No	Variable	Measurement	Source
1	Green Intellectual Disclosure	$GICI = \frac{n}{k}$	(Maryanti et al., 2025)
2	Cash Holding	$CHD = \frac{Cash+Cash\ Equivalents}{Total\ Asset}$	(Hilmi & Aini, 2023)
3	*Foreign Ownership*	$KAI = \frac{Total\ Foreign\ Share\ Outstanding}{Share\ Outstanding} x100\%$	(Ivan & Raharja, 2021)
4	Financial Performance	$ROA = \frac{Net\ Income}{Total\ Asset}$	(Maryanti et al., 2025)

RESULTS

Descriptive Statistics

Descriptive statistics are used to provide an overview of the variables used in this study, both independent and dependent variables. The independent variables analyzed include green intellectual capital, cash holding, and foreign ownership, while the dependent variable is financial performance. Through this analysis, information is obtained regarding the minimum, maximum, mean, and standard deviation of each variable during the observation period from 2022 to 2024. The descriptive statistics results are presented below.

Table 3. Descriptive Test Results

Variable	N	Min	Max	Mean	Std. Dev
GICI	210	0.200	0.5700	0.3830	0.0799
CHL	210	0.0007	0.4630	0.1023	0.0754
FO	210	2.000	0.9723	0.1388	0.0203
FP	210	1.000	0.2392	0.0273	0.0346

Based on the established criteria, 70 companies out of 127 in the financial sector qualified for this study over 3 years, resulting in 210 data observations. The technique employed is non-

probability sampling. Non-probability sampling is a method that fundamentally relies on specific considerations determined by the researcher. The type of non-probability sampling used is purposive sampling. Purposive sampling involves selecting sample members from the population based solely on the researcher's subjective determination.

The table above shows a total of 210 balanced observations for the research period from 2022 to 2024. The following is a descriptive statistical explanation of the data:

1. The green intellectual disclosure (GID) variable ranges from a minimum value of 0.200 to a maximum of 0.5700. The mean GID value is 0.3830, with a standard deviation of 0.0799 or 7.99%. This indicates that the implementation of green intellectual capital in financial sector companies during 2022–2024 is at a reasonably good and consistent level.
2. The cash holding (CHL) variable has a minimum value of 0.0007 and a maximum of 0.4630. This reflects significant variation in companies' liquidity strategies. The mean cash holding value is 0.1023, with a standard deviation of 0.0754 or 7.54%. Companies with the highest cash holding demonstrate a prudent strategy in facing market uncertainties.
3. The foreign ownership (FO) variable has a minimum value of 2.000 and a maximum of 0.9723. The mean value is 0.1388, with a very low standard deviation of 0.0203 or 2.03%. This low standard deviation indicates consistency in foreign ownership among the financial sector sample companies.
4. The financial performance (FP) variable as the dependent variable has a minimum value of 1.000 and a maximum of 0.2392. The mean financial performance value is 0.0273, with a standard deviation of 0.0346 or 3.46%. This variation reflects differences in companies' abilities to achieve optimal financial performance during the research period.

Selection of the Best Panel Data Model

Chow Test

Decision-making criteria and based on the value of F calculated:

- If the probability (Prob) on the cross-section F<0.05 and if F calculates > F table then a better model is Fixed Effect.
- If the probability (Prob) on the Cross Section F is >0.05 and If F is calculated < F table then a better model is Common Effect

Table 4. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	12.558749	(69,137)	0.0000
Cross-section Chi-square	418.177562	69	0.0000

Source: Eviews9 Data Processing

Based on the results of the Chow Test using Eviews9, it is stated that *the probability value of Cross Section* F is 0.00 which is less than the significance level value (α= 0.05). This means that the best model used is the *Fixed Effect Model* (FEM). Therefore, a Hausman Test is needed in order to choose the best model between *the Fixed Effect Model* and *the Random Effect Model*.

Hausman Test

Decision-making criteria and based on the value of F calculated:

- If the probability on the Cross Section Random > 0.05, then the better model is the Random Effect Model (REM).
- If the probability on Cross Section Random < 0.05, then the better model is the Fixed Effect Model (FEM).

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.893054	3	0.0007

Source: Eviews9 Data Processing

Based on the Hausman test results, the probability value is 0.0007, which is less than the significance level (α = 0.05). In this case, it means that the best model is the Fixed Effect Model (FEM).

Multiple Regression Analysis

Table 6. Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.077485	0.030403	2.548625	0.0119
X1	-0.144791	0.078608	-1.841929	0.0676
X2	-0.022206	0.019817	-1.120540	0.2644
X3	0.547396	0.119752	4.571077	0.0000

The best regression model after estimation and selection of the model in this study is *the Fixed Effect Model* (FEM). The following are the results of the panel data regression estimation, from these results the following model equations are obtained:

FP = 0.077485 - 0.144791*GID - 0.022206*CHL + 0.547396*FO

Coefficient of Determination Test

Table 7. Determination Coefficient Test

R-squared	0.932199	Mean dependent var	0.027355
Adjusted R-squared	0.896566	S.D. dependent var	0.034621
S.E. of regression	0.011134	Akaike info criterion	-5.889445
Sum squared resid	0.016985	Schwarz criterion	-4.725926
Log likelihood	691.3917	Hannan-Quinn criter.	-5.419077
F-statistic	26.16124	Durbin-Watson stat	2.491166
Prob(F-statistic)	0.000000		

Based on the results of data processing using Eviews9, it shows that the value *of Adjusted R-square* in this research model is 0.932. This means that 93.2% of the variables green intellectual capital, cash holding, and foreign ownership can explain the influence on financial performance and 7.0% are explained by other variables that are not used in this study. Based on previous

research, other variables that can affect Financial Performance are in the form of 18 factors that influence financial performance, namely carbon emission disclosure, green intellectual capital, sustainability reporting disclosure, corporate social responsibility costs, firm size, family ownership, leverage, transparency, carbon performance, public share ownership, green accounting, good corporate governance, cash holding, debt maturity, dividend policy, foreign ownership, debt policy, environmental performance, managerial ownership, institutional ownership, board of directors, and the audit committee, which were not examined in this study but may affect financial performance.

Partial Test

Table 8. T test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.077485	0.030403	2.548625	0.0119
X1	-0.144791	0.078608	-1.841929	0.0676
X2	-0.022206	0.019817	-1.120540	0.2644
X3	0.547396	0.119752	4.571077	0.0000

Based on the partial test value table, it is used to determine the significant influence of independent variables on dependent variables. The results of the test using *the Fixed Effect Model* (FEM) can be concluded as follows:

1. Green Intellectual Disclosure has a negative effect on Financial Performance.

   The first hypothesis (H1) formulated in this study states green Intellectual disclosure shows a negative but statistically insignificant effect on financial performance ($\beta = -0.145$; $p = 0.068$). The results indicate that Green Intellectual Disclosure has a negative but statistically insignificant effect on financial performance, as reflected by a coefficient of −0.144791 and a probability value of 0.0676 ($p > 0.05$). This suggests that although green intellectual initiatives may impose short-term costs, their impact on profitability has not yet reached a statistically significant level during the observation period. Therefore, the hypothesis proposing a positive effect of Green Intellectual Disclosure on financial performance is not supported.
2. Cash Holding has a negative effect on Financial Performance.

   The second hypothesis (H2) formulated in this study states that cash holding has a negative effect on financial performance. The results show a coefficient value of -0.022206, and the t-test for the cash holding variable produced a calculated t-value of -1.120540 with a significance level of 0.2644. The probability value was divided by two, resulting in a significance value of 0.2644/2 = 0.1322, which is greater than the significance level ($\alpha = 0.05$). This indicates that cash holding does not have a statistically significant effect on financial performance. Therefore, H_1 is accepted and H_0 is rejected. Thus, higher levels of cash holding tend to be associated with lower financial performance, although the effect is not statistically significant.
3. Foreign Ownership has a positive effect on Financial Performance.

   The third hypothesis (H3) formulated in this study states that foreign ownership has a positive effect on financial performance. The results show a coefficient value of 0.547396, and the t-test results for the foreign ownership variable produced a calculated t-value of 4.57107 with a significance level of 0.000. The probability value was divided by two, resulting in a significance value of 0.000/2 = 0.000, which is smaller than the significance level ($\alpha = 0.05$). This indicates that foreign ownership has a statistically significant effect on financial

performance. Therefore, H_1 is accepted and H_0 is rejected. Thus, higher levels of foreign ownership in a company are associated with improved financial performance.

DISCUSSIONS

Green Intellectual Disclosure has A Negative Effect on Financial Performance

The results of the first hypothesis test (H_1) indicate that Green Intellectual Disclosure has a negative effect on Financial Performance. Based on the partial test (t-test) using the Fixed Effect Model (FEM), this study applies a one-tailed hypothesis. The coefficient value is -0.144791, and the t-test results for the Green Intellectual Disclosure variable produce a calculated t-value of -1.841929 with a significance level of 0.0676. Dividing the probability value by two results in a significance value of 0.0676/2 = 0.0338, which is lower than the significance level ($\alpha = 0.05$). Therefore, it can be concluded that the first hypothesis is rejected. This finding suggests that higher levels of green intellectual disclosure are associated with lower corporate financial performance during the observed period. The results support the hypothesis that although the implementation of green intellectual disclosure provides sustainable competitive advantages, in the short term it may suppress financial performance due to substantial investments in environmentally oriented human resource training, green technologies, and the development of relational capital that have not yet generated immediate financial returns. This condition reflects a trade-off between long-term environmental investments and short-term profitability pressures.

Companies that actively develop Green Intellectual Disclosure tend to allocate significant resources to sustainability initiatives which, although strategic in nature, may reduce operating profit margins during the initial implementation period. This finding is consistent with the Resource-Based View (RBV) theory, which posits that intangible assets require time to generate optimal market value. However, the study also finds that this negative effect is not always consistent, as some companies with high levels of green intellectual disclosure are still able to maintain strong financial performance due to effective internal control systems and diversified revenue strategies. This condition may also be influenced by other factors, such as the maturity level of green initiative implementation, where firms in the early stages of green transformation experience temporary declines in ROA. Overall, this study makes an important contribution to understanding the dynamic relationship between environmental-based intellectual capital investments and short-term financial performance among companies listed on the Indonesia Stock Exchange (IDX).

Cash Holding has A Negative Effect on Financial Performance

The results of the second hypothesis test (H2) indicate that cash holding has a negative effect on Financial Performance. Based on the partial t-test using the Fixed Effect Model (FEM), this study employs a one-tailed hypothesis. The results show a coefficient value of -0.022206, with a calculated t-value of -1.120540 and a significance level of 0.2644. The probability value divided by two yields a significance value of 0.2644/2 = 0.1322, which is greater than the significance level ($\alpha = 0.05$). Therefore, the hypothesis is rejected. This insignificant relationship can be primarily attributed to the highly regulated nature of the financial sector, particularly in Indonesia, where liquidity requirements are strictly enforced by authorities such as financial service authority. Financial institutions, including banks and insurance companies, must maintain mandatory cash reserves (e.g., statutory reserve requirement and statutory liquidity ratios) to ensure stability and depositor protection. Consequently, variations in cash holdings are not a free choice but are largely dictated by regulatory compliance, rendering them less impactful on profitability compared to non-financial (real) sectors where firms have greater discretion over liquidity

management.

Additionally, higher levels of cash holding do not always improve company financial performance, as excessive cash may indicate inefficiency in asset management. Companies with high cash holding might miss profitable investment opportunities or face significant opportunity costs. This condition reflects suboptimal utilization of liquid resources to generate higher returns, thus negatively impacting profitability. Excessive cash holding levels suggest that companies tend to adopt a conservative approach in investment decision-making. Firms holding excessive cash may face pressure from shareholders to enhance capital efficiency. While high liquidity provides financial flexibility, it can serve as a negative market signal regarding the lack of profitable growth opportunities. These findings align with the Pecking Order Theory, which indicates that excessive preference for internal funds can reduce corporate resource allocation efficiency (Myers & Majluf, 1984). Although theoretically expected to have a positive effect, empirical results indicate that in highly regulated financial institutions, cash holding does not enhance performance

Foreign Ownership has A Positive Effect on Financial Performance

The result of the last hypothesis test (H3) indicate that Foreign Ownership has a positive effect on Financial Performance. Based on the partial t-test using the Fixed Effect Model (FEM) and a one-tailed hypothesis, the results show a coefficient value of 0.547396, with a calculated t-value of 4.57107 and a significance level of 0.000. The probability value divided by two yields a significance value of 0.000/2 = 0, which is smaller than the significance level ($\alpha = 0.05$), and the t-table value < t-calculated value. Therefore, the hypothesis is accepted. These results demonstrate that higher levels of foreign ownership in a company lead to better financial performance. This is due to foreign investors bringing advanced managerial capabilities, cutting-edge technology, and international experience that enhance operational efficiency. These findings support agency theory, where the presence of foreign owners serves as an effective monitoring mechanism over management, thereby reducing agency costs and improving the quality of strategic decision-making. Foreign investors also promote the adoption of better corporate governance standards through increased transparency and independent oversight. The existence of foreign ownership expands the company's access to global funding sources and strengthens confidence among both domestic and international investors. The knowledge transfer and best practices from foreign investors have the potential to sustainably enhance company productivity and innovation. Additionally, foreign ownership is often associated with long-term commitment to company performance, thereby encouraging investments in human resource development and technology. These research findings are consistent with empirical studies showing that foreign ownership significantly contributes to improvements in ROA through optimized capital structure and operational efficiency. High foreign ownership serves as a positive market signal regarding the company's growth prospects and fundamental stability.

These findings challenge the universal applicability of the Resource-Based View in highly regulated sectors. In financial institutions, green intellectual disclosure functions more as a legitimacy and compliance mechanism rather than an immediate value-creating resource. Conversely, foreign ownership supports Stakeholder Theory, as foreign investors act as strong governance agents that enhance monitoring quality and strategic discipline.

CONCLUSIONS

This study shows that green intellectual disclosure and cash holding have a negative and insignificant effect on financial performance in Indonesia's financial sector, while foreign ownership has a positive and significant effect on financial performance. These findings emphasize the importance of governance quality over symbolic sustainability disclosure in a highly regulated environment.

IMPLICATIONS AND LIMITATIONS

Theoretically, findings challenge RBV universality in regulated sectors while reinforcing Stakeholder Theory's foreign investor dominance; practically, managers should prioritize foreign ownership (>13.88%) and green product innovation over disclosure, while OJK should revise POJK 51/2017 toward performance-based incentives (2-3 year tax holidays for ROA improvement >2%, tiered green bond quotas for foreign ownership >20%); limitations include BEI geographical focus, short 2022-2024 period, and omitted firm size despite high R^2 (93.2%); future research should test firm size as moderator, conduct ASEAN comparisons, and extend to Islamic banks where Sharia compliance may amplify GID effects.

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