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Green Intellectual Disclosure, Cash Holding, and Foreign Ownership on Financial Performance: The Moderating Role of Good Corporate Governance in Indonesia

[1]Siti Fatmawati, [2*]Avilya Baysta Bheda Wea, [3]Sisilia Rachel Ari Putri, [4]Valentina Agnes Stevani
[1,2*]Sekolah Tinggi Ilmu Ekonomi Tri Bhakti, Bekasi, Indonesia
[3]Institusi Bisnis dan Komunikasi Swadaya, Jakarta Timur, Indonesia,
[4]Politeknik Pariwisata NHI Bandung, Bandung, Indonesia
Email: [1]fatmawati@stietribhakti.ac.id , [3]putrirachel635@gmail.com, [4]Valentinapasaribu1103@gmail.com
Corresponding author e-mail: [2*]avhywhea@gmail.com

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Abstract

Purpose – *This study investigates the impact of Green Intellectual Disclosure, Cash Holding, and Foreign Ownership on Financial Performance, with Good Corporate Governance (GCG) as a moderating variable in Indonesia's post-pandemic financial sector. The study responds to the limited empirical evidence on whether sustainability disclosure and governance mechanisms have translated into financial value creation following the implementation of Sustainable Finance regulations.*

Design/methodology/approach – *A quantitative research design was employed using secondary data from financial sector companies listed on the Indonesia Stock Exchange during 2022–2024. Through purposive sampling, 70 firms were selected. Panel data regression analysis with a Fixed Effect Model (FEM) was applied to capture firm-specific heterogeneity. The estimation was conducted using EViews9 software, which remains fully compatible with panel datasets and does not affect estimation accuracy.*

Findings – *The results reveal that Green Intellectual Disclosure and Cash Holding have negative but insignificant effects on Financial Performance. Conversely, Foreign Ownership demonstrates a positive and statistically significant influence. Moderation testing shows that GCG strengthens the relationship between Foreign Ownership and Financial Performance but fails to moderate the effects of Green Intellectual Disclosure and Cash Holding.*

Research limitations/implications – *The findings indicate that sustainability disclosure practices within Indonesia's financial sector remain largely compliance-oriented and have not yet generated measurable financial benefits. This suggests that ESG transparency may still function symbolically rather than strategically in enhancing firm value. The study provides policy insights for regulators, particularly the Financial Services Authority (OJK), to strengthen the quality, assurance, and audit standards of sustainability reporting under POJK No. 51/2017 to ensure that green disclosure delivers market relevance rather than administrative burden.*

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INTRODUCTION

The financial sector in Indonesia has demonstrated a resilient recovery following the COVID-19 pandemic, marked by gradual improvements in intermediation performance, credit distribution, and financial inclusion. Despite this positive trajectory, the sector continues to face structural challenges related to sustainability integration, governance effectiveness, and value creation from ESG initiatives. These dynamics position the financial sector as a critical arena for examining whether sustainability disclosure and governance mechanisms translate into measurable financial outcomes. According to Statistics Indonesia (BPS), the financial services and insurance sector recorded consistent growth after the pandemic contraction, with GDP at constant prices reaching IDR 334.35 trillion in 2024, growing 6.8% year-on-year. This recovery underscores the sector's strategic role as a catalyst for national economic expansion, particularly through credit allocation, investment facilitation, and sustainable financing distribution.

Beyond its intermediation function, the financial sector operates as a transmission channel for sustainability agendas, capital allocation efficiency, and risk governance. Its performance is therefore shaped not only by profitability metrics but also by governance quality and intangible strategic assets, including sustainability knowledge and disclosure capabilities. The issuance of Financial Services Authority Regulation No. 51/POJK.03/2017 on Sustainable Finance marked a regulatory turning point, mandating financial institutions to integrate ESG principles into operational and reporting frameworks. This regulation compels firms to disclose sustainability information, including Green Intellectual Disclosure, as a form of accountability and transparency to stakeholders.

However, empirical evidence remains inconclusive regarding whether sustainability disclosure enhances financial performance, particularly within emerging financial markets. Prior studies have largely concentrated on manufacturing and extractive industries, where environmental impacts are more visible and directly measurable. Consequently, the financial sector whose sustainability role is indirect yet systemically significant remains underexplored, creating a critical empirical gap. The Indonesian financial sector itself comprises several subsectors, including banking, financing services, investment services, insurance, and holding companies, each demonstrating distinct profitability characteristics and governance structures. Such heterogeneity makes the sector particularly relevant for testing the financial implications of sustainability disclosure and ownership dynamics.

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.

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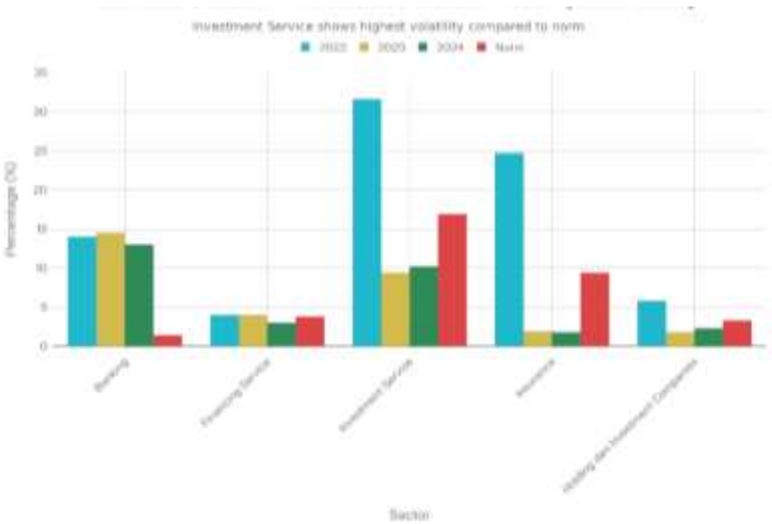

Figure 1. Comparison of Sub-Sectors

The Indonesian financial sector comprises several subsectors, including banking, financing services, investment services, insurance, and holding companies. Each subsector demonstrates distinct profitability characteristics, risk structures, and asset utilization patterns. Table 1 presents the comparative average Return on Assets (ROA) across subsectors during 2022–2024, illustrating heterogeneous financial performance dynamics within the sector.

Sustainability and governance have emerged as dominant strategic themes within the financial industry. Global initiatives such as the Paris Agreement, coupled with domestic regulatory enforcement, have accelerated ESG adoption. Financial institutions increasingly engage in green financing instruments, including green bonds and sustainable investment portfolios. Consequently, Green Intellectual Disclosure has evolved into a reputational and legitimacy mechanism influencing investor perception.

Financial performance is influenced by multiple determinants, including governance structure, ownership composition, liquidity management, and sustainability disclosure. Among these, Green Intellectual Disclosure, Cash Holding, and Foreign Ownership have attracted growing scholarly attention due to their strategic implications for firm value creation. However, empirical findings remain mixed, particularly when governance quality is introduced as a moderating mechanism.

This study contributes to the literature in three ways. First, it examines sustainability disclosure within the financial sector, where ESG impacts are indirect yet systemically significant. Second, it utilizes post-pandemic panel data (2022–2024), capturing recovery-phase dynamics. Third, it evaluates the moderating role of Good Corporate Governance in determining whether sustainability and ownership structures translate into financial performance.

Grounded in these empirical and regulatory phenomena, this study investigates the effects of Green Intellectual Disclosure, Cash Holding, and Foreign Ownership on Financial Performance, with Good Corporate Governance serving as a moderating variable. By focusing on Indonesia's post-pandemic financial sector, this research aims to provide empirical evidence on whether governance mechanisms can transform sustainability disclosure and ownership structures into measurable financial value.

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LITERATUR 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

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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 refers to the totality of intangible assets that encompass insights, capabilities, and connections related to environmental preservation or eco-friendly innovations, which are possessed by both individuals and institutions within a company. Green intellectual disclosure is classified into green human capital, green structural capital, and green relational capital (Chen, 2008).

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.

Good Corporate Governance

Good Corporate Governance (GCG) is a system and set of principles of corporate management that ensure transparency, accountability, responsibility, independence, and fairness in the relationships among management, shareholders, creditors, the government, and other stakeholders, with the aim of creating healthy, ethical, and sustainable business management; in this study, Good Corporate Governance is measured using four indicators as described in the book by (Suri & Hadad, Muliaman, 2014) namely the Independent Board of Commissioners, Audit Committee, Managerial Ownership, and Institutional Ownership.

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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.

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 disclosure, companies not only strengthen their competitive position in the market but also enhance financial performance sustainably in line with green sustainability principles. 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 indicate that higher Green Intellectual Disclosure leads to better financial performance. According to the Resource-Based View, intangible assets such as environmental knowledge and intellectual capital can create competitive advantage. Green Intellectual Disclosure reflects firms' ability to manage environmentally related knowledge resources.
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.
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. 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

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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.

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

The Influence of Good Corporate Governance on Financial Performance

The effect of Good Corporate Governance (GCG) on financial performance can be explained through Stakeholder Theory, which emphasizes that corporate success is not solely focused on shareholders' interests but also on fulfilling the interests of all stakeholders. Good Corporate Governance is a set of principles, values, and mechanisms designed to direct and control companies so that they are managed in a transparent, accountable, responsible, and fair manner, thereby creating a balance between corporate authority and responsibility to stakeholders (Mediaty et al., 2024). Effective implementation of GCG can minimize fraudulent practices, improved the quality of decision-making, and strengthen investor and stakeholder trust, which ultimately has a positive impact on corporate profitability and firm value. This relationship is consistent with Stakeholder Theory (Freeman, R et al., 2010) and is supported by previous studies, including (Titania & Taqwa, 2023), (Noviala et al., 2024), and (Wayan Aprilia et al., 2022), which find that Good Corporate Governance has a positive effect on corporate financial performance.

H_4 : The Influence of Good Corporate Governance has a positive effect on Financial Performance

The Effect of Green Intellectual Disclosure on Financial Performance with Good Corporate Governance as a Moderating Variable

The effect of Green Intellectual Disclosure (GID) on financial performance with Good Corporate Governance (GCG) as a moderating variable can be explained through agency theory, which highlights the potential conflicts between company owners (principals) and management (agents), making oversight mechanisms necessary to ensure that management acts transparently, accountably, and responsibly. Green Intellectual Disclosure refers to the accumulation of knowledge, information, technology, intellectual property rights, experience, organizational learning, and environmental innovations that create value for the company (Stewart, 1997). As a moderating variable, good corporate governance strengthens the positive effect of GID on financial performance, as the proper implementation of GCG principles encourages management to optimally manage environmental intellectual resources for both sustainability and corporate profitability (Mediaty et al., 2024). This relationship is supported by previous studies, including (Anggriani & Dewi, 2022), (Yuliandhari, Willy & Ramadhanty, Rezma, 2023), (Maryanti et al., 2025), and (Meiditha & Mulyani, 2025), which found that Green Intellectual Disclosure positively affects financial performance across various sectors and periods.

H_5 : Good Corporate Governance strengthens the effect of Green Intellectual Disclosure on Financial Performance

The Effect of Cash Holdings on Financial Performance with Good Corporate Governance as a Moderating Variable

The effect of Cash Holding on financial performance with Good Corporate Governance (GCG) as a moderating variable can be explained through agency theory, which highlights the potential conflicts of interest between company owners (principals) and management (agents), particularly in the management of corporate cash. Cash holding is defined as the amount of cash and cash equivalents held by a company, measured by dividing cash and cash equivalents by total assets (Özcan, 2024), and represents resources available for operational needs, investment, or distribution to investors (Dekrita & Samosir, 2022). Excessive cash holding can be misused by management for personal benefit or inefficient investments, potentially reducing financial performance. In this context, good corporate governance acts as a moderating mechanism, ensuring transparency, accountability, responsibility, independence, and fairness in cash management, thereby minimizing agency conflicts and strengthening the positive relationship between cash holding and financial performance (Junaedi, 2020). This theoretical relationship is supported by empirical studies, including (Khansa et al., 2025) on energy sector companies listed on the Indonesia Stock Exchange (2019–2023) and (Al-Sulayvani et al., 2025) on companies listed on the Iraq Stock Exchange (2019–2023), which confirm that proper governance enhances the impact of cash holding on corporate financial performance.

H_6 : Good Corporate Governance strengthens the effect of Cash Holdings on Financial Performance

The Effect of Foreign Ownership on Financial Performance with Good Corporate Governance as a Moderating Variable

The effect of Foreign Ownership on financial performance with Good Corporate Governance (GCG) as a moderating variable can be explained through agency theory, which highlights potential conflicts of interest between company owners (principals) and management (agents) in strategic decision-making and performance oversight. Foreign Ownership refers to investments made by foreign parties in a domestic company, including shares, debt, or other forms of capital (Mediaty et al., 2024), and foreign shareholders can

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provide additional monitoring that may enhance company performance. Good Corporate Governance serves as a moderating mechanism, ensuring that management acts transparently, accountably, and responsibly, thereby strengthening the positive effect of foreign ownership on financial performance. This relationship is further supported by complementary theories, such as Signaling Theory (improving credible financial communication to investors), Stakeholder Theory (balancing stakeholder interests for better performance), and Legitimacy Theory (enhancing public legitimacy through sustainable performance). Empirical studies support this framework, including (Trianjani et al., 2024) on manufacturing companies (2018–2022), (Ahzan et al., 2025) on financial sector firms (2021–2023), and (Ivan & Raharja, 2021) on manufacturing firms (2016–2018), all of which found that foreign ownership positively influences financial performance, particularly when reinforced by strong corporate governance.
H_7 : Good Corporate Governance strengthens the effect of Foreign Ownership on Financial Performance

RESEARCH METHOD

The analysis was conducted using EViews9, which remains technically reliable for panel data regression and does not affect the accuracy or robustness of estimation results. The software supports Fixed Effect modeling, classical assumption testing, and interaction moderation analysis required in this study.

Population and Sample

The population in this research consists of 127 financial sector companies on the Indonesia Stock Exchange (IDX) during 2022-2024. 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.

The sampling technique employed purposive sampling with transparent exclusion criteria. From a population of 127 financial sector firms, 70 firms were excluded due to:

Table 1. Sample Selection

The number of listed companies in the Investment sector and the Financial sector on the Indonesia Stock Exchange as of December 31, 2024.		127
NO	**CRITERIA**	

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1	Companies in the listed investment products sector and financial sector unlisted on the Indonesia Stock Exchange during 2022-2024.	7
	Companies in the listed investment products sector and financial sector listed on the Indonesia Stock Exchange during 2022-2024.	120
2	Companies in the listed investment products and financial sectors that have not submitted annual reports for the period 2022-2024 used in this research.	17
	Companies in the listed investment products and financial sectors that have submitted annual reports for the period 2022-2024 used in this research.	103
3	Companies in the listed investment products and financial sectors that did not incur losses during 2022-2024.	33
Sample		70

Source: Procecced date (2025)

Therefore, the final sample consisted of 70 firms, generating 210 panel observations.

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

Green Intellectual Disclosure (X_1)

The researcher uses the Global Reporting Initiative (GRI) measurement to assess green intellectual disclosure, as the GRI provides a structured and internationally recognized standard for measuring companies’ environmental-related intellectual assets, such as green knowledge, innovation, and environmental policies with 18 item (Bangun et al., 2024).

$$\text{GICI} = \frac{n}{\text{k}}$$

Cash Holding (X_2)

Cash holding (CHL) is measured as the ratio of cash and cash equivalents to total assets. This ratio reflects the company's liquidity available for operations and investments. Measurement of cash holding using the formula Hilmi & Aini (2023).

$$\text{CHD} = \frac{Cash+Cash\ Equivalents}{Total\ Asset}$$

Foreign Ownership (X_3)

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Foreign ownership (FO) is measured as the percentage of shares held by foreign investors. This measure indicates the level of foreign capital involvement in the company. Measurement of Foreign Ownership using the Ivan & Raharja (2021).

$$\text{KAI} = \frac{Total\ Kepemilikan\ Saham\ Asing}{Jumlah\ Saham\ Beredar} x100\%$$

Financial Performance (Y)

Financial performance is proxied by Return on Assets (ROA), which measures the efficiency of asset utilization in generating profit. The measurement of Financial Performance was measured using the formula Maryanti et al., (2025).

$$\text{ROA} = \frac{Laba\ Bersih}{Total\ Asset}$$

Good Corporate Governance (X_4)

Good Corporate Governance (GCG) is measured using a composite governance index consisting of independent commissioners, audit committee, managerial ownership, and institutional ownership. This index assesses the quality of the company's internal oversight mechanisms. The composite score reflects the level of good governance practices implementation. Good Corporate Governance measurement is measured using the formula Suri & Hadad Muliaman (2014).

$$\textbf{DKI} = \frac{\boldsymbol{Number\ of\ Independent\ Commissioners}}{\boldsymbol{Total\ Number\ of\ Commissioners}} \boldsymbol{x100\%}$$

RESULTS

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 disclosure, 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 2. Descriptive Test Results

No	Variabel	N	Min	Max	Mean	Std. Dev
1	GID	210	0.200	0.5700	0.3830	0.0799
2	CHL	210	0.0007	0.4630	0.1023	0.0754
3	FO	210	2.000	0.9723	0.1388	0.0203

4	FP	210	1.000	0.2392	0.0273	0.0346
5	GCG	210	0.200	0.770	0.5035	0.1183

Source: Output Eviews9 (2025)

Based on the results of the descriptive statistical results for five variables (GID, CHL, FO, FP, and GCG) with 210 observations, including minimum, maximum, mean, and standard deviation values; overall, the means lie between reasonable minimum and maximum values for each variable, while the relatively small standard deviations (compared to the min–max range) indicate that the data points do not deviate strongly from their respective means. The descriptive results indicate moderate variation across firms, suggesting relatively homogeneous governance and disclosure practices in the Indonesian financial sector.

The low dispersion in GID scores reflects standardized sustainability reporting compliance rather than strategic differentiation.

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 Model (FEM).
- 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 (CEM).

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	12.221316	(69,133)	0.0000
Cross-section Chi-square	418.612091	69	0.0000

Source: Output Eviews9 (2025)

Based on the results of the Chow Test using Eviews9, it is stated that the probability value of Cross Section F is 0.0000 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).
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Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.894928	7	0.0125

Source: Output Eviews9 (2025)

The Hausman test results show a probability value of 0.00125, which is smaller than the significance level of 5% (α = 0.05). These results indicate that the most appropriate model is the Fixed Effect Model (FEM). In this case, based on the Chow test, Hausman test, and Lagrange multiplier Test, the dominant model is the Fixed Effect Model (FEM), so the best model used is the Fixed Effect Model (FEM).

Normality was tested using the Jarque–Bera test, confirming normally distributed residuals. Multicollinearity was examined using the Variance Inflation Factor (VIF), with all variables below the threshold of 10. Heteroscedasticity testing using the Glejser test indicated homoscedastic residuals. Autocorrelation testing using the Durbin–Watson statistic showed no serial correlation.

Multiple Regression Analysis

Table 5. Panel Regresi Result

Variable	Prediction	Coefficient	t-Statistic	Prob.
C		-0.096347	-0.865923	0.3881
GID	+	-0.002532	-0.008518	0.9932
CHL	+	-0.006961	-0.095015	0.9244
FO	+	7.277027	5.882826	0.0000
GCG	+	0.308343	1.427517	0.1558
GID*GCG	+	-0.334929	-0.622925	0.5344
CHL*GCG	+	-0.010920	-0.068905	0.9452
FO*GCG	+	-9.357520	-5.452898	0.0000

Source: Processed Eviews9 (2025)

The results of panel data regression estimation using the Fixed Effect Model (FEM) show the results of testing with panel data regression, so from these results the following model equation is obtained.

$$ROA = -0.096347 - 0.002532*GID - 0.006961*CHL + 7.277027*FO + 0.308343*GCG - 0.334929*GID*GCG - 0.010920*CHL*GCG - 9.357520*FO*GCG$$

The large coefficient of foreign ownership (7.277) indicates that foreign investors play a dominant role in enhancing firm performance. This may reflect technology transfer, governance discipline, and managerial expertise brought by foreign shareholders.

Coefficient of Determination Test

Table 6. Determination Coefficient Test

R-squared	0.944776	Mean dependent var	0.027348

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Adjusted R-squared	0.913219	S.D. dependent var	0.034627
S.E. of regression	0.010201	Akaike info criterion	-6.056181
Sum squared resid	0.013839	Schwarz criterion	-4.828908
Log likelihood	712.8990	Hannan-Quinn criter.	-5.560040
F-statistic	29.93904	Durbin-Watson stat	2.632148
Prob(F-statistic)	0.000000		

Source: Output Eviews9 (2025)

The high R-squared value (94.5%) is typical in Fixed Effect models due to firm-specific dummy absorption. This does not indicate model bias, as VIF diagnostics confirm no multicollinearity concerns. The R-squared value of 0.9448 in the fixed effects model indicates that 94.5% of the variation in financial performance is explained by green intellectual disclosure, cash holding, foreign ownership, and good corporate governance, with the remaining 5.5% influenced by other factors such as firm size, leverage, and institutional/family ownership. This high value is expected and not indicative of serious issues, as the fixed effects approach absorbs entity-specific heterogeneity through individual effects and company dummies (LSDV), capturing firm-specific variations unexplained by main predictors—though adjusted R-squared appears inflated due to reduced degrees of freedom. This is not due to multicollinearity, as evidenced by low Variance Inflation Factor (VIF) values (<5-10) across all variables.

Partial Test (T-Test)

Table 7. T-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.096347	0.111265	-0.865923	0.3881
GID	-0.002532	0.297253	-0.008518	0.9932
CHL	-0.006961	0.073257	-0.095015	0.9244
FO	7.277027	1.236995	5.882826	0.0000
GCG	0.308343	0.215999	1.427517	0.1558
GID*GCG	-0.334929	0.537672	-0.622925	0.5344
CHL*GCG	-0.010920	0.158473	-0.068905	0.9452
FO*GCG	-9.357520	1.716064	-5.452898	0.0000

GID: Green Intellectual Disclosure, CHL: Cash Holding, FO: Foreign Ownership, FP: Financial Performance, GCG: Good Corporate Governance
Source: Output Eviews9 (2025)

The results of the test using the Fixed Effect Model (FEM) can be concluded as follows:

1. Green Intellectual Disclosure with a probability value of 0.9932 > 0.05, can be interpreted that the green Intellectual disclosure variable has a negative effect and is statistically insignificant on Financial Performance.
2. Cash Holding with a probability value of 0.9244 > 0.05, can be interpreted that the cash holding has a negative effect and is statistically insignificant on Financial Performance.
3. Foreign Ownership with a probability value of 0.0000 < 0.05, can be interpreted that the Foreign Ownership variable has a positive effect and is statistically significant on Financial Performance.
4. Good Corporate Governance with a probability value of 0.1558 > 0.05, can be interpreted

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that the Good Corporate Governance variable has a negative effect and is statistically insignificant on Return on Assets.

5. The interaction between Green Intellectual Disclosure and Good Corporate Governance has a probability value of 0.5344 > 0.05, which means that Good Corporate Governance does not moderate the effect of Green Intellectual Disclosure on Financial Performance. The interaction between GID and GCG is statistically insignificant ($p = 0.5344$), indicating that governance mechanisms do not strengthen the financial impact of green disclosure.
6. The interaction between Cash Holding and Good Corporate Governance has a probability value of 0.9452 > 0.05, which means that Good Corporate Governance does not moderate the effect of Cash Holding on Financial Performance. Similarly, GCG fails to moderate the relationship between cash holding and financial performance ($p = 0.9452$).
7. The interaction between Foreign Ownership and Good Corporate Governance has a probability value of 0.000 < 0.05, which means that Good Corporate Governance moderate the effect of Foreign Ownership on Financial Performance. However, GCG significantly moderates the influence of foreign ownership ($p < 0.01$), suggesting governance effectiveness is more responsive to shareholder monitoring than sustainability disclosure.

DISCUSSIONS

Green Intellectual Disclosure on Financial Performance

Based on partial testing (t-test) using the Fixed Effect Model (FEM), the Green Intellectual Disclosure (GID) variable shows a negative coefficient with a probability value greater than the significance level of $\alpha = 5\%$. These results indicate that Green Intellectual Disclosure does not have a statistically significant effect on Financial Performance. Therefore, the proposed hypothesis is rejected. The insignificance of Green Intellectual Disclosure suggests that sustainability practices in Indonesia's financial sector remain symbolic and compliance-driven. Disclosure quality may not yet meet investors' decision-making needs.

This finding suggests that the disclosure of green intellectual resources, such as environmental knowledge, green innovation initiatives, and sustainability-oriented organizational capabilities, does not immediately translate into improved financial performance. Although Green Intellectual Disclosure reflects a firm's commitment to environmental responsibility and long-term sustainability, its implementation often requires additional costs related to reporting, compliance, and environmental investment. As a result, the financial benefits of such disclosures may not be directly observable in short-term accounting-based performance measures. This implies that Green Intellectual Disclosure tends to generate long-term strategic value rather than immediate profitability.

The findings of this study are inconsistent with those of (Maryanti et al., 2025), who examined manufacturing companies in the food and beverage sub-sector during the 2018–2022 period, as well as the study by (Anggriani & Dewi, 2022), which investigated mining companies listed on the Indonesia Stock Exchange during the 2014–2020 period. Both studies reported that green intellectual disclosure has a positive effect on financial performance.

However, the results of this study are in line with the research conducted by (Br Sagala et al., 2025), which examined family firms listed on the Indonesia Stock Exchange during the 2019–2022 period. The findings of that study indicate that green intellectual disclosure has a negative effect on financial performance. In contrast, green intellectual disclosure (GID) shows no effect because ESG practices are not yet valued by the Indonesian market, disclosures remain largely administrative, and there is a risk of green washing without real impact.

The empirical findings indicate that Green Intellectual Disclosure does not significantly affect Financial Performance in Indonesia's financial sector. This insignificance reflects the early stage of sustainability implementation, where environmental disclosure practices remain largely compliance-driven rather than value-creating. Financial institutions tend to disclose sustainability information to fulfill regulatory obligations under POJK No. 51/2017 instead of integrating environmental knowledge into core business strategies.

Moreover, sustainability disclosure in the financial sector is dominated by narrative reporting rather than measurable green innovation outputs. As a result, investors may perceive such disclosure as symbolic legitimacy rather than an indicator of operational efficiency or profitability enhancement. This explains why Green Intellectual Disclosure fails to generate short-term accounting returns such as ROA.

Cash Holding Disclosure on Financial Performance

Based on partial testing (t-test) using the Fixed Effect Model (FEM), the Cash Holding (CHL) variable shows a negative coefficient with an insignificant probability value. This result indicates that Cash Holding does not have a statistically significant effect on Financial Performance, leading to the rejection of the proposed hypothesis.

This result implies that maintaining high levels of cash reserves does not necessarily enhance firm performance. While adequate cash holding is important for ensuring liquidity and operational flexibility, excessive cash accumulation may indicate inefficient asset utilization. Idle cash that is not optimally invested in productive activities can reduce a firm's ability to generate returns, thereby limiting its contribution to financial performance. Consequently, cash holding may serve more as a risk-hedging mechanism rather than a direct driver of profitability.

The findings of this study are inconsistent with those of (Khansa et al., 2025), who examined the energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period, as well as (Al-Sulayvani et al., 2025), who investigated companies listed on the Iraq Stock Exchange for the period 2019–2023. Both studies reported that cash holding has a positive effect on financial performance.

However, the results of this study are consistent with the research conducted by (POST, 2022), who examined public firms incorporated in the Netherlands and Germany over the 2012–2021 period. The findings of that study indicate that cash holding has a negative effect on financial performance. Foreign ownership (FO) has a significant positive effect on financial performance due to stringent monitoring by foreign investors, the introduction of advanced technology, and strong governance pressures that enhance operational efficiency.

The insignificant effect of Cash Holding suggests that liquidity reserves in financial institutions function primarily as risk buffers rather than profit-generating assets. In highly regulated sectors such as banking and insurance, liquidity adequacy is mandatory to maintain solvency and public trust. Consequently, excess cash is often parked in low-risk instruments instead of productive investments.

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This conservative liquidity management weakens the direct contribution of cash reserves to profitability. Therefore, high cash holding reflects prudential regulation compliance rather than managerial inefficiency, explaining its limited impact on financial performance.

Foreign Ownership on Financial Performance

Based on partial testing (t-test) using the Fixed Effect Model (FEM), the Foreign Ownership (FO) variable shows a positive and statistically significant coefficient. This result indicates that Foreign Ownership has a significant positive effect on Financial Performance, thus supporting the proposed hypothesis. Foreign investors, however, prioritize operational efficiency and governance effectiveness rather than sustainability narratives, explaining why governance strengthens only this relationship.

This finding suggests that foreign investors play an important role in improving firm performance. The presence of foreign ownership may enhance monitoring effectiveness, reduce agency problems, and introduce superior managerial expertise, advanced technology, and international best practices. These factors contribute to more efficient decision-making and better resource allocation, which ultimately improve financial performance. Therefore, foreign ownership can be considered a key mechanism for strengthening corporate competitiveness and profitability.

The results of this study are inconsistent with the findings of (Alfathan & Manda, 2025), who examined companies in the food and beverages subsector during the 2020–2022 period, as well as (Afifah et al., 2024) who conducted research in the consumer cycle sector (non-primary consumer goods) for the 2014–2022 period. Both studies found that foreign ownership has a negative effect on financial performance.

However, the findings of this study are consistent with the research conducted by (Trianjani et al., 2024), which examined manufacturing sector companies during the 2018–2022 period. The results of that study indicate that foreign ownership has a positive effect on financial performance. Foreign ownership (FO) has a significant positive effect on financial performance due to stringent monitoring by foreign investors, the introduction of advanced technology, and strong governance pressures that enhance operational efficiency.

Foreign Ownership demonstrates a significant positive influence on Financial Performance, indicating the strategic role of international investors in enhancing corporate efficiency. Foreign shareholders contribute advanced managerial expertise, global governance standards, and technological innovation that improve operational effectiveness.

In Indonesia's financial sector, foreign investors also impose stricter monitoring and performance discipline, reducing agency conflicts and strengthening strategic decision-making. This monitoring function explains the relatively dominant regression coefficient compared to other variables.

Good Corporate Governance on Financial Performance

Based on partial testing (t-test) using the Fixed Effect Model (FEM), the Good Corporate Governance (GCG) variable shows a positive but statistically insignificant effect on Financial Performance. As a result, the proposed hypothesis is rejected.

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This result indicates that although good corporate governance mechanisms aim to improve transparency, accountability, and managerial oversight, their direct impact on financial performance may not be immediately observable. Governance practices are primarily designed to mitigate risk, ensure regulatory compliance, and promote long-term sustainability rather than to directly increase short-term profitability. Therefore, the benefits of GCG may be reflected more strongly in non-financial outcomes or long-term firm stability.

The findings of this study are not consistent with the results of (Noviala et al., 2024), who examined State-Owned Enterprises (SOEs) during the 2019–2021 period, as well as the study conducted by (Wayan Aprilia et al., 2022) on manufacturing companies from 2018 to 2020, both of which found that good corporate governance has a positive effect on financial performance.

However, the results of this study are in line with the research conducted by (Arimby & Astuti, T, 2023), who examined companies in the mining sector during the 2020 and 2022 periods, where the findings indicate that good corporate governance has a negative effect on financial performance. Foreign ownership (FO) has a significant positive effect on financial performance due to stringent monitoring by foreign investors, the introduction of advanced technology, and strong governance pressures that enhance operational efficiency.

Although Good Corporate Governance shows a positive coefficient, its insignificant effect indicates that governance implementation in Indonesia's financial sector remains procedural rather than performance-oriented. Governance mechanisms are primarily designed to ensure regulatory compliance, risk mitigation, and reporting transparency.

As a result, governance practices contribute more to institutional stability and reputational legitimacy than to immediate profitability. The financial benefits of governance are therefore long-term and indirect, which may not be captured by short-term accounting indicators such as ROA.

Good Corporate Governance as a Moderator of Green Intellectual Disclosure on Financial Performance

The interaction test between Green Intellectual Disclosure and Good Corporate Governance (GID×GCG) shows an insignificant result. This indicates that Good Corporate Governance does not strengthen the relationship between Green Intellectual Disclosure and Financial Performance. Therefore, the moderating hypothesis is not supported.

This finding implies that the existence of governance mechanisms alone is insufficient to amplify the financial benefits derived from green intellectual disclosure. Although Good Corporate Governance may ensure transparency and compliance in the disclosure of environmental and intellectual disclosure information, it does not necessarily translate such disclosures into improved financial performance. The effectiveness of Green Intellectual Disclosure in enhancing firm performance appears to depend more on how environmental knowledge and green initiatives are strategically implemented and integrated into core business operations, rather than on governance oversight alone.

The findings of this study are consistent with prior empirical evidence indicating that green intellectual disclosure has a negative effect on financial performance. A study by (Bangun et al., 2024), which examined companies included in the SRI-KEHATI Index during the 2015–2022 period, found that higher levels of green intellectual disclosure tend to reduce firms' financial performance. This occurs because increased disclosure is often accompanied

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by additional costs, such as expenses related to the implementation of environmental programs, sustainability reporting, and investments in green resources that do not generate immediate financial returns. In the short run, these costs may suppress corporate earnings and negatively affect financial performance.

In addition, previous studies have documented that Good Corporate Governance has a negative effect on financial performance. This is because strict governance implementation increases compliance, monitoring, and administrative costs, while also limiting managerial flexibility in strategic decision-making. As a result, profitability may decline in the short term, particularly in the banking sector, which faces a high regulatory burden. This finding is consistent with the study conducted by Saputri & Avriyanti (2023) on banking sector companies during the 2018–2020 period.

Overall, these findings support the conclusion that although green intellectual disclosure and good corporate governance individually have negative effects on financial performance, good corporate governance does not strengthen the influence of green intellectual disclosure on financial performance.

The interaction between Green Intellectual Disclosure and Good Corporate Governance is statistically insignificant, indicating that governance does not strengthen the financial impact of environmental disclosure.

This result suggests that governance structures in Indonesian financial institutions are not yet oriented toward integrating sustainability into strategic performance frameworks. Governance bodies tend to focus on compliance, audit oversight, and risk control rather than evaluating the economic value of environmental intellectual assets.

Consequently, governance mechanisms fail to transform green disclosure into financial outcomes, reinforcing the view that sustainability reporting remains symbolic rather than performance-driven.

Good Corporate Governance as a Moderator of Cash Holding on Financial Performance

The interaction between Cash Holding and Good Corporate Governance (CHL×GCG) is found to be statistically insignificant. This result indicates that Good Corporate Governance does not strengthen the relationship between Cash Holding and Financial Performance. Accordingly, the moderating hypothesis is not supported.

This finding suggests that governance mechanisms play a limited role in influencing the way cash reserves affect firm performance. Cash holding decisions are primarily driven by internal financial management policies, liquidity needs, and external market conditions. While Good Corporate Governance may provide general oversight and control, it does not significantly alter managerial decisions regarding cash utilization or enhance the effectiveness of cash holdings in improving financial performance.

The results of this study are also in line with prior empirical research reporting a negative relationship between cash holding and financial performance. Hilmi & Aini (2023), in a study of companies in the miscellaneous industry sector listed on the Indonesia Stock Exchange during the 2018–2021 period, found that excessively high cash holdings indicate inefficient use of corporate funds for productive activities. Idle cash entails opportunity costs, as these resources could otherwise be invested to generate returns. Consequently, asset utilization efficiency declines, leading to lower financial performance.

Furthermore, previous studies have confirmed that good corporate governance negatively affects financial performance because it increases compliance and monitoring costs, such as audit, reporting, and internal control expenses. In the short term, these additional costs reduce corporate profits and adversely affect financial performance. This finding is consistent with the study by Arimby & Astuti (2023), which examined companies in the mining sector during the 2020 and 2022 periods.

Overall, these results indicate that although cash holding and good corporate governance individually exert negative effects on Return on Assets, good corporate governance does not strengthen the influence of cash holding on financial performance.

The moderating test shows that Good Corporate Governance does not strengthen the relationship between Cash Holding and Financial Performance. This finding indicates that liquidity policies are predominantly shaped by regulatory capital requirements and risk management frameworks rather than governance oversight.

Board monitoring and audit structures play limited roles in determining cash utilization strategies, as liquidity allocation decisions are governed by prudential banking regulations. Therefore, governance does not significantly alter the profitability impact of cash reserves.

Good Corporate Governance as a Moderator of Foreign Ownership on Financial Performance

The interaction test between Foreign Ownership and Good Corporate Governance (FO×GCG) shows a statistically significant result. This indicates that Good Corporate Governance strengthens the relationship between Foreign Ownership and Financial Performance. Therefore, the moderating hypothesis is supported.

This finding implies that the presence of effective governance mechanisms enhances the positive contribution of foreign ownership to firm performance. Strong Good Corporate Governance can facilitate better coordination between foreign shareholders and management, improve monitoring and control functions, and ensure that foreign investors' expertise, technology, and managerial practices are optimally utilized. As a result, firms with higher levels of foreign ownership are more likely to achieve superior financial performance when supported by robust governance structures.

The findings of this study are consistent with prior empirical evidence demonstrating a positive relationship between foreign ownership and financial performance. A study by (Alfathan & Manda, 2025), which examined firms in the food and beverages subsector during the 2020–2022 period, found that foreign ownership generally provides advantages in the form of technology transfer, managerial expertise, improved governance practices, and access to international networks and funding sources. These advantages enhance operational efficiency and managerial decision-making, thereby positively affecting corporate financial performance.

In addition, previous studies have emphasized that good corporate governance positively influences financial performance, as effective governance enhances transparency, accountability, and the quality of managerial decision-making. This strengthens investor confidence, reduces agency conflicts, and improves operational efficiency, ultimately leading to better financial performance. This finding is supported by Titania & Taqwa (2023), who

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examined State-Owned Enterprises (SOEs) during the 2019–2022 period.

Overall, the results of this study indicate that foreign ownership and good corporate governance individually have positive effects on financial performance, and that good corporate governance strengthens the influence of foreign ownership on the financial performance of food and beverage companies. Good corporate governance (GCG) only moderating FO since foreign investors drive general governance improvements rather than specifically promoting green disclosure.

Good Corporate Governance significantly strengthens the effect of Foreign Ownership on Financial Performance. This indicates that governance structures facilitate the effective utilization of foreign investors' expertise and monitoring capacity. Foreign shareholders typically demand higher transparency, operational efficiency, and strategic accountability. When supported by robust governance systems, their influence becomes institutionalized through formal control mechanisms, performance evaluation systems, and strategic oversight.

This synergy explains why governance moderates foreign ownership but fails to moderate green disclosure and cash holding. Foreign investors prioritize efficiency and profitability rather than sustainability symbolism or liquidity conservatism.

CONCLUSIONS

Based on the analysis results, Green Intellectual Disclosure has a negative and significant effect on Financial Performance, while Cash Holding has a negative but insignificant effect, Foreign Ownership has a positive and significant effect, and Good Corporate Governance has a negative and insignificant effect on Financial Performance. Additionally, Good Corporate Governance does not moderate (does not strengthen) the effect of Green Intellectual Disclosure and Cash Holding on Financial Performance, but it does strengthen the effect of Foreign Ownership on Financial Performance.

SUGGESTION

Companies must comply with OJK latest regulations (revisions to POJK 51/2017 and POJK 14/2023) by preparing Sustainability Reports that integrate Scope 1-3 emissions disclosures (including fuel, electricity, and business travel) and adopt a climate-first approach to avoid green washing while supporting IFRS S1-S2 standards, alongside utilizing the Carbon Exchange for carbon credit trading. For ESG parking aspects, provide priority parking facilities for electric vehicles (EVs) in shopping centers as per the Minister of Trade's SE, as well as bicycle parking racks (minimum 1 unit per 2,500 m² of green building land) in accordance with Governor's Regulation DKI No. 60/2022, to improve environmental scores and attract foreign investors. This can enhance the positive impact of Foreign Ownership on financial performance while mitigating the negative effects of green disclosures. Regulators, particularly the Financial Services Authority (OJK), should strengthen sustainability disclosure audit standards to ensure that reported environmental intellectual capital reflects substantive practices rather than administrative compliance.

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