

Unveiling Firm Value: The Role of ESG, Cash Holding, and Retention Ratio with Firm Size as a Moderator

Anggie Nur Cahyani ^a, Eny Maryanti^{b,*}, Sarwenda Biduri ^c, Risha Tri Amanda ^d

^a Department Accounting, University of Muhammadiyah Sidoarjo, Sidoarjo, Indonesia

^b Department Accounting, University of Muhammadiyah Sidoarjo, Sidoarjo, Indonesia

^c Department Accounting, University of Muhammadiyah Sidoarjo, Sidoarjo, Indonesia

^d Department Accounting, University of Muhammadiyah Sidoarjo, Sidoarjo, Indonesia

*Corresponding author. E-mail address: enymaryanti@umsida.ac.id

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Firm value holds significant importance, as an increase in firm value reflects greater wealth and prosperity for shareholders. A higher stock price typically signifies a rise in firm value. This research investigates the influence of Environmental, Social, and Governance (ESG), cash holding, and retention ratio on firm value, with firm size serving as a moderating variable. The study employed a purposive sampling technique, focusing on manufacturing companies listed on the Indonesia Stock Exchange during the 2019-2023 period, resulting in a total sample of 94 companies. Data analysis was conducted using multiple linear regression and Moderated Regression Analysis (MRA) through the SPSS 26 software. The findings reveal that both ESG and cash holding have a positive impact on firm value, while the retention ratio does not show a significant effect. Additionally, firm size moderates the relationship between ESG and retention ratio with firm value but does not moderate the relationship between cash holding and firm value.

1. Introduction

Companies are established to achieve maximum profit, prosper investors and finally maximize the value of the company which is usually reflected through the share price of a company [1]. Company value is one of the information needed by investors. Company value is the level of success of a company in achieving its goals "[2]. Firm value is very important to influence investors' perceptions of the company, because firm value can provide an overview of the company's actual condition [3]. Good company value is seen from a stable stock price and in the long term will continue to increase. The increasing share price causes the company value to also get higher [3]. A high company value indicates that the company is successful in managing its shares and the wealth of its shareholders is large. Companies that succeed in creating this value will certainly bring hope to their shareholders in the form of significant profits. The higher the share price, the higher the company value. Conversely, the lower the share price, the lower the company value [4].

Increasing company value will be a hope for every company by striving for the company's performance to get a good assessment from the owner and outside parties with an interest in the company [5]. Increasing company value can be achieved by companies that are able to get targeted profits. Through these profits the company is able to distribute dividends to shareholders. Based on the results of a survey conducted by Globescan and the Global

Reporting Initiative (GRI) in 2020, Indonesia is ranked the highest out of 27 countries in terms of information disclosure on sustainable reports. The level of public trust in Indonesia reached 81%, up 2% previously from 2016. These results show that the need for disclosure of sustainability information is increasingly considered important because investors consider it to be one indicator of the strength of the company [6]. An increase or decrease in the company's share price can change the view of the company's value, thus affecting the interest of investors to invest in a company. So, the higher the share price, the higher the company value [7]. The increase in company value can increase investor and potential investor confidence to invest in the company and hope to get better prospects in the future [8].

There are various factors that influence the rise and fall of company value. One of them is *Environmental, Social & Governance (ESG)*. *ESG* is a non-financial indicator that includes aspects of social sustainability and corporate governance capabilities [4]. good company *ESG* performance will have an impact on increasing company value [2]. In relation to *ESG*, there is a new measurement approach related to corporate transparency, namely *ESG* disclosure [9]. *ESG* score disclosure is considered to help investors in making decisions and making transactions in the capital market. This is in accordance with signaling theory which states that when a company provides information related to the disclosure of good performance and social responsibility carried out by a company, it will send positive signals to investors and ultimately affect the value of the company which is reflected in the increase in stock prices. The higher the share price, the higher the company value in the eyes of investors [10]. In assessing the performance of a company, shareholders use environmental, social, and economic measurements based on the disclosure of sustainability reports. Disclosure of sustainability reports in Indonesia is still voluntary, and not many companies have implemented it. The issuance of sustainability reports in Indonesia has used the disclosure standards contained in the Global Reporting Index (GRI) [4]. Based on the results of research [11], companies that have practiced *ESG*, company statistics are 88% better than operating performance. Their stock price performance is also 80% better and has a positive impact.

Some previous research on *ESG* on firm value shows inconsistent results such as research conducted by [12] states that *ESG* has a significant positive effect on firm value while research conducted by [1] states that *ESG* has a negative and significant effect on firm value. Meanwhile, contrary to the results conducted by [13] found that there is no significant influence between *ESG* and firm value. The same results also conducted by [14] prove that *ESG* has no significant effect on firm value.

The factor that affects the rise and fall of the next company value is *Cash Holding*. *Cash Holding* is cash owned by the company or available for investment in the form of physical assets and for distribution to investors [15]. Companies need cash holding to be able to meet needs in unplanned situations in the future and can also be used to finance new projects or investments. Maintaining cash holding has the aim of increasing productivity or increasing returns or returns to investors. *Cash Holding* is measured by comparing or dividing cash and cash equivalents on total assets. Determining *cash holdings* at the optimal point is very necessary because cash is the element of working capital that is most needed by the company to fulfill the company's operational activities and increase company value [16]. High *cash holding* can increase dividends so that it will provide a positive signal to investors which will ultimately increase the value of the company [17]. *Cash holding* is related to *agency theory* because high cash holdings can cause agency conflicts [16]. Managers are advised to maintain *cash holding* to be a precautionary measure and to reduce company risk to increase the value of the company itself [18].

Based on previous research produced by [19] and [20] it was found that *cash holding* has a positive and significant effect on firm value. According to Meginson in [20] explains that when the company's cash holding is high, dividend payments will also be high, so that this can give a positive signal to the company so that the company's value will also increase.

The next factor that affects firm value is the *Retention Ratio*. *Retention Ratio* is a ratio that shows the percentage of profit that is not given to shareholders in the form of dividends [15]. Companies often use retained earnings to reinvest in operations and grow their business. This ratio is the opposite of the dividend payout ratio which calculates the percentage of profit given to shareholders as dividends. Since it is not distributed, the profit will increase the amount of equity capital and positively affect the growth of equity capital [13]. The company's *Retention Ratio* is the higher the company value, the more the market trusts the company's performance and future prospects. With companies regularly paying dividends (low retention ratio), and having a high market value, this can make investors interested in investing [13].

Some previous studies In addition, research conducted by [1] states that the *retention ratio* has an effect on stock prices while research conducted by [21] states that the retention ratio has no effect on stock prices. Company value will be reflected through the stock price. If the company's value is higher in the eyes of investors, the share price will be higher and vice versa, if the value of a company is lower in the eyes of investors, generally the reflected share price is also low [13].

Based on the results of previous research, there are inconsistent results regarding the effect of *ESG, Cash Holding and Retention Ratio* on firm value. So that researchers add one more variable in this study, namely company size as a moderating variable, which can strengthen or weaken the influence of *ESG, Cash Holding and Retention Ratio* on firm value. Company size is a description of the size of a company which can be seen from the number of sales, total assets, average total assets and the average level of sales of the company [22]. The larger the size of the company, the easier it is for the company to access the capital market in obtaining funding sources, both internal and external, so that company size can affect firm value [23]. Company size has an influence on the relationship between ESG and firm value can be explained through several relationships [24]. First, large companies have more financial resources when compared to small companies so that large companies can invest more in ESG activities and disclosure. Second, since ESG activities require complex processes and large scale to operate effectively, firm size is an important factor to make ESG activities more successful since large firms have better financial and non-financial resources compared to small firms [12]. The results of research [12] reveal that company size is able to moderate ESG on firm value.

In addition to the effect of *Environmental, Social & Governance (ESG)* on firm value which can be moderated by company size, the effect of *Cash Holding* on firm value can also be moderated by company size. Maintaining cash holding to be a precautionary measure and to reduce company risk to increase the value of the company itself. Research conducted by [22] also shows the same results by proving that company size is able to strengthen the influence of *Cash Holding* on firm value. *Retention Ratio* on firm value can also be moderated by company size. Retention Ratio can be moderated by company size because it can strengthen or increase the relationship between the effect of retention ratio on firm value [1].

This study also uses the population of all manufacturing companies listed on the Indonesia Stock Exchange (IDX). All Manufacturing Companies listed on the Indonesia Stock Exchange for the period 2019-2023 were chosen because of the development of more and more companies registered and listed on the Indonesia Stock Exchange. In addition, the increasing number of

companies will attract investors to choose and invest their shares. This study develops research from [1] which adds one independent variable, namely *Cash Holding*, which is not found in previous studies.

2. Literature Review

Signaling theory

This research relates to *signaling* theory. The focus of signaling theory is to reduce information asymmetry between internal and external parties of the company. When information is announced, market participants who hear the information will interpret whether the information is good news or bad news for investors [9]. Disclosing ESG can signal to investors that the company is not only focused on maximizing shareholder wealth but also contributing to the prosperity of the community in the environment where the company operates so that thus, ESG disclosure can be good news for investors so that this will affect the volume of stock trading which ultimately also has an impact on the higher company value in the eyes of investors [11].

Agency Theory

This research relates to agency theory. concerns the contractual relationship between members of the company. According to [16] agency theory focuses on the relationship between two actors with different interests, namely between agents and principals. Where it relates to *cash holding*, which is the most liquid asset to be misused, because managers are the easiest party to use *cash holding* to fulfill their own interests.

Based on the background explanation above and the inconsistency in the results of previous research, the researcher is interested in conducting this research. This research is important in the hope that it can provide benefits for investors and potential investors to be used in analyzing performance and prospects. before investing, namely considering the amount of *ESG*, *Cash Holding*, *Retention Ratio*, and Company Size which will affect company value. The purpose of this study is to determine the role of company size in moderating *ESG*, *Cash Holding*, and *Retention Ratio* on firm value.

Hypothesis Development

The Effect of Environmental, Social, And Governance (ESG) on Company Value

Environmental, Social, And Governance (ESG) score reflects good governance in the company. Good governance can increase the value of the company which is reflected in the increasing stock price because investors assume that most of the company's profits will return to investors in the form of dividends [2] This is in accordance with signaling theory which states that when a company provides information related to good performance, it will send positive signals to investors and ultimately affect the company's value which is reflected in the increase in stock prices. The higher the share price, the higher the company value in the eyes of investors [7]. This is supported by research conducted by [12] which states that ESG has a significant positive effect on firm value and research conducted by [1] states that ESG has a negative and significant effect on firm value. Based on this, the following hypothesis can be drawn:

H1 : ESG affects firm value

The Effect of Cash Holding on Firm Value

Companies must find a balance between the benefits and costs of *cash holding*. According to [16] in accordance with the agency theory managers in managing the company tend to act in their own interests rather than in the interest of increasing the value of the company High *cash holding* can provide financial flexibility, allowing companies to face emerging business challenges and opportunities. However, too much *cash holding* can also lead to opportunistic costs, such as lost opportunity costs or high financial costs. Therefore, there is an optimal point where *cash holding*

can provide added value to the company and increase company value. The results of research conducted by [25] and [17] reveal that cash holding has a positive effect on firm value. Based on this, the following hypothesis can be drawn:

H2 : Cash holding affects firm value

The Effect of Retention Ratio on Company Value

The retention ratio is a ratio that shows the level of profit that is not distributed to shareholders as dividends. If the *retention ratio* is positive, it means that part of the profit earned by the company is reinvested into the company, thereby increasing the amount of retained earnings and affecting the growth rate of retained earnings. This is in line with the statement [8] that the high *retention ratio* shows that the company allocates more profit for business development rather than distributing it to investors so that this can reduce the share price, which means that the company's value will also decrease in the eyes of investors. This result is also in line with *stakeholder* theory which states that companies in operating must provide benefits to their stakeholders [13]. The results of research conducted by [1] state that the retention ratio has an effect on firm value. Based on this, the following hypothesis can be drawn:

H3 : Retention Ratio affects firm value

The Effect of Environmental, Social, And Governance (ESG) on Company Value with Company Size as a Moderating Variable

Companies that implement the ESG concept will increase the value of the company in the market [20]. Company size is considered a pure moderator, which means that company size can strengthen the relationship between ESG and firm value. Large companies that have implemented and disclosed ESG concepts well are able to lead in the global market and have high sustainable capabilities [1]. The size of the company is also expected to control ESG to maximize company value. The results of research conducted by [9] and [1] reveal that company size moderates positively Significant. Based on this, the following hypothesis can be drawn.

H4 : ESG Affects Company Value with Company Size as a Moderating Variable

The Effect of Cash Holding on Firm Value with Firm Size as a Moderating Variable

Market imperfections require companies to hold a certain amount of cash balances. Determining *cash holding* is an important decision that must be made by financial managers. According to [26], cash holding can be used for several things, including: distributing it to shareholders in the form of dividends, repurchasing company shares, making investments, or saving it for future interests. future. The larger the size of the company, the higher the *Cash Holding* of a company which will provide a good future for the company's value. The results of research conducted by [22] state that company size is able to positively moderate *Cash Holding* on firm value. Based on this, the following hypothesis can be drawn.

H5 : Cash Holding Affects Company Value with Company Size as a Moderating Variable

The Effect of Retention Ratio on Firm Value with Company Size as a Moderating Variable

Company size is considered a quasi moderator, which means that company size can strengthen the relationship between *retention ratio* and firm value [1]. However, large company sizes usually have greater debt, allowing the interests of shareholders to be sacrificed in terms of delays or reductions in dividend payments. Delays or reductions in dividend value can cause decreased investor interest in investing which will ultimately have an impact on firm value [13]. The results of research conducted by [1] state that company size is able to moderate the dividend payment.

retention ratio to firm value. Based on this, the following hypothesis can be drawn.

H6 : *Retention Ratio* Affects Company Value with Company Size as a Moderating Variable Conceptual Framework

The collective numbers in the research can be described as below:

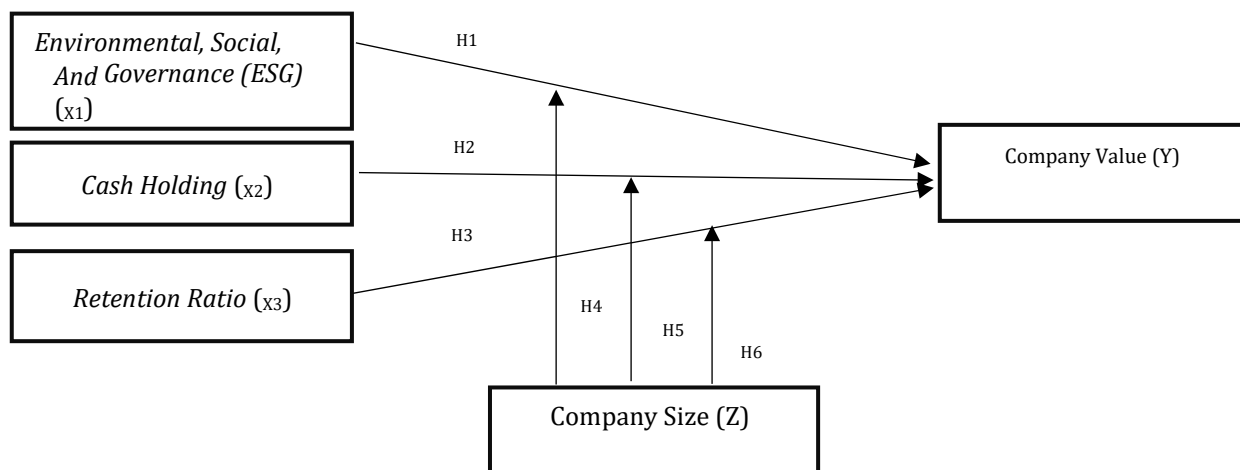


Figure 1: Conceptual Framework

3. Methodology

Describe the research design and methods used to collect and analyze data. Explain why each choice was made and how it aligns with the research objectives.

Type and Object of Research

This type of research is quantitative research. The object of this research is manufacturing companies incorporated on the Indonesia Stock Exchange in 2019-2023 by taking data samples on the official website of the Indonesia Stock Exchange (www.idx.col.id) and the BGK ESG Index for ESG score information.

Data Type and Source

The type of data in this study is quantitative data. The data source used is secondary data obtained indirectly from the source, namely in the form of company financial reports. The data collection technique is carried out secondarily in the form of company documentation by obtaining data from the financial statements of public companies listed on the Indonesia Stock Exchange from 2019-2023 and can be accessed through the official website, namely www.idx.col.id.

Research Population and Sample

The population in this study are Manufacturing Companies listed on the Indonesia Stock Exchange in 2019-2023 with a total population of 228 companies. The sampling technique uses *purposive* sampling technique, namely the sampling technique by selecting several criteria. The criteria used are:

Table 1. Sampling Criteria

NO	Criteria	Number of companies
1	Manufacturing companies listed on the Indonesia Stock Exchange	228
2	Companies that are not listed on the IDX consecutively from 2019-2023	(85)

- 3 Companies that do not report a *sustainability report* (20)
4 Companies that consistently pay dividends consecutively from (103)
period to period.
2019-2023

Number of companies selected as research samples	20
Number of samples selected 20 x 5 years	100
Data is not normally distributed	(6)
Total data	94

Source: Summarized by the researcher

Variable Identification and Indicators

In this study to determine the effect of *ESG*, *Cash Holding*, and *Retention Ratio* on firm value with company size as a moderating variable in all manufacturing companies listed on the Indonesia Stock Exchange (BEI) in the period 2018 to 2022 using variables consisting of independent variables, dependent variables, and Moderation Variables. The variables carried out in this study are as follows:

Table 2 Operational Variables

Variables	Definition	Indicator	Scale
<i>ESG</i>	According to [10] ESG is a corporate standard in investment practices consisting of three concepts or criteria, namely environmental, social, and governance.	ESG Score Source: [1] and [7]	Ratio
<i>Cash Holding</i>	<i>Cash holding</i> according to [27] is cash owned by the company or available for investment in the form of physical assets and for distribution to investors.	<i>CASH</i> Source: [26] and [27]	Ratio
<i>Retention Ratio</i>	Retention Ratio is a ratio that shows the percentage of profit that is not given to shareholders in the form of dividend[13]	$RR = 1 - \text{Dividend Payout Ratio (DPR)}$ Source: [1] and [13]	Ratio
Company Value	Investor valuation of companies seen from the company's share price, or it can also be known as market value [8].	Tobins'Q=MVE+Debt/Tot al Asset Source: [7] and [18]	Ratio
Company Size	Company size is a description of the size of a company which can be seen from the number of sales, total assets, average total assets and the average level of sales of the company [1].	Company size = LN (Total assets) Sources: [28] and [23]	Ratio

Source: Summarized by Researcher

Analysis Technique

The analysis technique used in this research is to use path analysis. Which is an extension of multiple linear regression analysis to estimate the causal relationship between variables that have been previously determined based on theory. So that in its management it can test whether there is an indirect effect of the Independent variable on the Dependent variable through the moderating variable [29]. The relationship between variables X and Y is associated with Company Size which is used as a moderating variable with the help of SPSS (*Statistical Product and Service Solution*) software.

Hypothesis Test

Hypothesis testing is a researcher's process when determining decisions in assessing the research results to be achieved beforehand on something. In this study using a model testing the relationship between the independent variables, namely *Environmental, Social, Governance, Cash Holding and Retention Ratio*, the dependent variable is firm value and the moderating variable is company size. Hypothesis testing can be done by comparing the t-statistic value with the t-table value on *two tailed*. If the t-statistic value has a value greater than the t-table value and the significance of the *sig* value < 0.05 (*two tailed*) then the hypothesis will be accepted. If the t-statistic value is smaller than the t-table value and the significance of the *sig* value > 0.05 then the hypothesis is rejected.

4. Results and Discussion

Present the findings of the study. Use tables, charts, and figures to effectively display data (if applicable). Describe the results in text form, highlighting trends or patterns.

RESULTS

Descriptive Statistical Analysis

The descriptive statistical test results are able to summarize or describe information from each variable used in this study by displaying the minimum, maximum, mean and standard deviation values. The following descriptive statistical test results for each variable are presented in Table 3 as follows:

Table 3. Descriptive Statistics Test Results

N		Minimum	Maximum	Mean	Std. Deviation
Environmental, Social, and Governance (ESG)	94	10.00	46.00	25.5106	7.52165
Cash Holding	94	.00	36.00	13.2021	9.89034
Retention Ratio	94	-4.00	99.00	70.7128	21.25757
Company Value	94	42.00	133.00	85.0106	18.52142
Company Size	94	2697.00	3366.00	2931.5745	182.75917
Valid N (listwise)	94				

Source: SPSS Output Results

Table 3 shows the value of the Company Value (Y) variable, the average value of the 94 samples of Manufacturing Companies listed on the Indonesia Stock Exchange in the study was 85.0106 with a standard deviation of 18.52142. The highest value is 133.00. While the lowest value is 42.00.

Table 3 shows the value of the *Environmental, Social, and Governance* (X1) variable, the average value of the 94 samples of Manufacturing Companies listed on the Indonesia Stock Exchange in the study was obtained at 25.5106 with a standard deviation of 7.52165. The highest value is 46.00. While the lowest value is 10.00.

Table 3 shows the value of the *Cash Holding* (X2) variable, the average value of the 94 samples of Manufacturing Companies listed on the (IDX) Indonesia Stock Exchange in the study was obtained at 13.2021 with a standard deviation of 9.89034. The highest value in the study was obtained as much as 36.00. While the lowest value is .00.

Table 3 shows the value of the *Retention Ratio* (X3) variable, the average value of the 94 samples of Manufacturing Companies listed on the (IDX) Indonesia Stock Exchange in the study was obtained at 70.7128 with a standard deviation of 21.25757. The highest value in the study was 99.00. While the lowest value is - 4.00.

Table 3 shows the value of the Company Size (Z) variable, the average value of the 94 samples of Manufacturing Companies listed on the Indonesia Stock Exchange in the study was 2931.5745 with a standard deviation of 182.75917. The highest value in the study was obtained as much as 3366.00. While the lowest value is 2697.00.

Classical Assumption Test

Classical assumption testing was carried out in this study to determine the feasibility of using the research model. This test is to ensure that the regression model used has been tested for normality, multicollinearity, autocorrelation, and heteroscedasticity. The following are the results of the classical hypothesis test carried out on the evidence of information applied to this study.

Normality Test

Table 4. Normality Test Results *One-Sample Kolmogorov-Smirnov Test*
One-Sample Kolmogorov-Smirnov Test

Unstandardized Residual

N		94
Normal Parameters ^{a,b}		Mean
		.0000000
		Std.
		17.93759
		Deviation
		345
Most Extreme Differences	Absolute	.052
	Positive	.052
	Negative	-.041
	Test Statistic	.052
Asymp. Sig. (2-tailed) ^c		.200 ^d

Source: SPSS Output Results

The residual value can be said to be normal if the probability value (significance) is greater than 0.05. Based on table 4, it is known that the data is normally distributed. This can be seen in the test results Asymp. Sig (2- tailed) test results obtained a value of 0.200 which exceeds the value of a = 0.05. Which means, the regression model has a normal data distribution.

Multicollinearity Test

Table 5. Multicollinearity Test Result

No	Model	Collinearity Statistics	
		Tolerance	VIF
1	Environmental, Social, and Governance (ESG)	.919	1.589
	Cash Holding	.980	1.420
	Retention Ratio	.995	1.905
	Company Size	.904	1.407

a. Dependent Variable: Company Value Source: SPSS Output Results

In table 5, the results of the multicollinearity test if the *tolerance* value > 10 and the VIF value < 10 means that there is no multicollinearity [16]. Based on table 5, it shows that the *tolerance* value of *Environmental, Social, and Governance* is 0.919, *Cash Holding* is 0.980, *Retention Ratio* is 0.995 and *Company Size* is 0.904, which means that the *tolerance* value is greater than 10% or 0.10. *Environmental, Social, and Governance* has a *variance inflation factor* (VIF) value of 1,589, *Cash Holding* of 1,420, *Retention Ratio* of 1,905 and *Company Size* of 1,407 which means, the VIF value is smaller than 10. It can be concluded that there is no multicollinearity between variables in the regression model.

Heteroscedasticity Test

Table 6. Heteroscedasticity Test Results Coefficients^a - Glejser Coefficients^a

Model	Sig.
1 (Constant)	.253
Environmental, Social, and Governance (ESG)	.600
Cash Holding	.916
Retention Ratio	.711

a. Dependent Variable: ABS_RES Source: SPSS Output Results

Based on the test results in table 6, it is known that the significance level of *Environmental, Social, and Governance* is 0.600, *Cash Holding* is 0.916, *Retention Ratio* is 0.711 and *Company size* is 0.576. All variables have a significance value that exceeds 0.05. So, it can be concluded that the regression model is free from symptoms of heteroscedasticity.

Autocorrelation Test

Table 7. Autocorrelation Test Results Model Summary Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.953 ^a	.977	.877	18.58045	1.123

- a. Predictors: (Constant), Company Size, *Environmental, Social, and Governance, Cash Holding, Retention Ratio*
b. Dependent Variable: Company Value Source: SPSS Output Results

Testing using the *Durbin-Watson* test method. With the results obtained based on table 7 is a value of 1,123 which indicates that the *Durbin-Watson* value is still in the range of autocorrelation-free areas, namely between -2 to +2, which means that the *Durbin-Watson* value is greater than -2 and smaller than +2. Which means there is no autocorrelation.

Test Coefficient of Determination R (R^2)

Table 8. R Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.953 ^a	.977	.877	18.58045

- a. Predictors: (Constant), Company Size, *Environmental, Social, and Governance, Cash Holding, Retention Ratio*
b. Dependent Variable: Company Value Source: SPSS Output Results

It can be seen in table 8 that the R-square value is 0.977 or 97.7%. this shows that the ability of the independent variables *Environmental, Social, and Governance, Cash Holding, Retention Ratio* and company size in explaining the dependent variable firm value is 97.7%. while the remaining 2.3% is explained by other variables not included in this study.

Hypothesis Test

Individual Parameter Significance Test (t-test)

Table 9. Individual Parameter Significance Test Results (t test)

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-322.905	264.530		-1.221	.225

Environmental, Social, and Governance (ESG)	168.890	267.890	.609	4.684	.000
Cash Holding	.017	12.790	.957	2.130	.002
Retention Ratio	-.042	.091	.049	.466	.356
Company Size	51.855	33.263	.171	1.559	.123

a. Dependent Variable: Company Value Source: SPSS Output Results

Based on the results obtained in table 9, it is known that the *Environmental, Social, and Governance* variable has a significance value of $0.000 < 0.05$ and the *Cash Holding* variable has a significance value of $0.002 < 0.05$, which means that these variables have an effect on the dependent variable firm value, then H1 and H2 are accepted. While the *Retention Ratio* which has a significance value > 0.05 , meaning that this variable has no effect on Firm Value, then H3 is rejected.

Moderated Regression Analysis (MRA)

Table 10. MRA Test Results

Coefficients ^a					
Unstandardized Coefficients			Standardized Coefficients	t	Sig.
Model	B	Std. Error	Beta		
(Constant)	4.509	.665		3.785	.000
X1_Z	-1.420	.698	-.306	-2.304	.045
X2_Z	-1.570	2.434	-.070	-.640	.543
X3_Z	5.008	1.894	.400	2.216	.037

a. Dependent Variable: Company Value Source: SPSS Output Results

The regression processing results in table 10, show that the variable (X1_Z), namely *environmental, social, and governance* (ESG) moderated by company size, shows a significance value of $0.045 < 0.05$, which means that the disclosure of *environmental, social, and governance* (ESG) moderated by company size (X1_Z) has an influence on firm value, so H4 is accepted. The *cash holding* variable cannot be moderated by company size (X2-Z) shows a significance value of $0.543 > 0.05$, which means it has no effect on firm value, so H5 is rejected. The *retention ratio* variable with company size (X3_Z) obtained a significance value of $0.037 < 0.05$, which means that the *retention ratio* variable with company size (X3_Z) has an effect on firm value, so H6 is accepted.

5. Discussion

The Effect of *Environmental, Social, And Governance (ESG)* on Company Value

Based on the results in table 9 *Environmental, Social, and Governance (ESG)* shows that there is a significant influence between *Environmental, Social, and Governance* disclosures on firm value with a significance value of 0.000 which is smaller than the value of $\alpha = 0.05$ and the regression coefficient is 168.890, then the first hypothesis (H1) is accepted. The results of this study are in line with *signaling theory* which states that ESG disclosure is considered a positive signal that the company has adopted good governance practices to get a positive response from investors so that it affects the company's value [1]. Thus it can be said that a high ESG score will increase the value of the company. Increased transparency, accountability and increased stakeholder trust play a role in increasing firm value [30]. Disclosure of company information is important to maintain relationships and improve the company's reputation with investors. This research is in line with the results of research that states ESG has a significant positive effect on *firm value* [1] [12]. In contrast, the results of other studies contradict the finding that there is no significant effect between ESG and firm value [13].

The Effect of *Cash Holding* on Firm Value

Based on the test results in table 9, it shows that there is a significant influence between the disclosure of *cash holding* on firm value with a significance value of $0.002 < 0.05$ and the regression coefficient is 0.017, so the second hypothesis (H2) is accepted. The results of this study are in line with *agency theory* which states that managers in managing companies tend to act in their own interests rather than in the interests of increasing company value. An increase in *cash holding* will have an influence on firm value. This effect can be explained by the existence of large amounts of cash will show the company's liquidity and ability to survive in uncertain economic circumstances [16]. With this ability, it will show the good performance of the company. Then it will affect the greater investor interest in the company so as to increase the share price which in turn reflects the company's value [26]. The results of the study reveal that *cash holding* has a positive effect on firm value [31] [17]. In contrast to the results of research which states that *cash holding* has no significant effect [19].

The Effect of *Retention Ratio* on Company Value

Based on the test results in table 9, it shows that the *retention ratio* has a significance value of $0.356 > 0.05$ and the regression coefficient is -0.042, which means that the third hypothesis (H3) is rejected. These results indicate that the *retention ratio* has no effect on firm value. This result is not in line with stakeholder theory which states that companies must provide benefits to their stakeholders, in this case specifically for investors. This is because in investing, the benefits that investors get do not only come from dividends, but there are also capital gains. So, even though the company does not distribute dividends, investors still do not lose their interest in investing because they believe the company can improve its performance from the profits that are played back in operational activities [24]. This result is consistent and in line with other research which states that the *retention ratio* has no effect on firm value [13].

The Effect of *Environmental, Social, And Governance (ESG)* on Company Value with Company Size as Moderator

In table 10, it can be seen that the interaction variable of *environmental, social, and governance (ESG)* with company size has a significance value of $0.045 < 0.05$ and a coefficient of -1.420, indicating that the analysis states company size can moderate the relationship between

environmental, social, and governance (ESG) and firm value or the fourth hypothesis (H4) is accepted. From these results, it shows that company size weakens the relationship between ESG and firm value. This explains that increasing company size results in a decrease in firm value, which means that the size of a large company that has implemented and disclosed the ESG concept is not a consideration for the company will be able to lead in the global market and has a high sustainable ability, has a more developed market, financial performance grows significantly and has better profitability reflected in the ROE ratio and has good company growth when compared to small companies or companies that have not implemented the ESG concept properly [13]. The results of this study are in line with other studies which state that company size can moderate *environmental, social, and governance* (ESG) on firm value [1].

The Effect of *Cash Holding* on Firm Value with Company Size as Moderator

Based on the results in table 10, it can be seen that the *cash holding* variable with company size has a significance value of 0.543 and a coefficient of -1.570, this value exceeds the significance level of 0.05, which means that company size is unable to moderate the relationship between *cash holding* and firm value, so the fifth hypothesis (H5) is rejected. Large or small company size does not affect the increase in *cash holding* of a company so that it does not affect the company's stock price. This is because the cash holding of a company is not a measure for the company to gain investor confidence to invest in the company and easily obtain financing from creditors [16]. A lower share price will have an effect on decreasing the value of the company. Because the smaller the size of the company, the lower the *cash holding* of the company which will provide a bad future for the company's value [32]. These results are in line with research stating that company size cannot moderate *cash holding* on firm value [33].

The Effect of *Retention Ratio* on Firm Value with Company Size as Moderator

The results of data analysis in table 10 show that the *retention ratio* variable with company size has a significance value of 0.037 lower than the significance level of 0.05 and a coefficient of 5.008, so the sixth hypothesis (H6) which states that company size can moderate the *retention ratio* on firm value is accepted. Company size can strengthen the relationship between *retention ratio* and firm value. Large companies tend to have easy access to the capital market so that it can affect the company's flexibility in obtaining large amounts of funds because the funds obtained can be used to pay dividends for its shareholders [1]. However, companies that are usually large have greater debt when compared to small companies [34]. Delaying or reducing the value of dividends can lead to decreased investor interest in investing which in turn will reduce the value of the company. This result is in line with research which states that company size can moderate the *retention ratio* on firm value [1].

6. Conclusion

Based on the results of the data analysis, it can be concluded that Environmental, Social, and Governance (ESG) has a significant effect on firm value. The disclosure of ESG serves as a positive signal that the company adheres to good governance practices, which encourages a positive response from investors and ultimately increases firm value. Likewise, cash holding has a significant effect on firm value. A large amount of cash indicates the company's liquidity and ability to endure during uncertain economic conditions. This resilience reflects strong financial performance, which increases investor interest, raises stock prices, and contributes to enhancing firm value. In contrast, the retention ratio does not have a significant effect on firm value. This may be due to the fact that investor benefits are not limited to dividends but also include capital gains. Therefore, even if a company does not distribute dividends, investors may continue to invest

with confidence that retained earnings will be used to improve operational performance. Furthermore, company size is proven to moderate the relationship between ESG and firm value. Larger companies tend to lead the market, exhibit higher sustainability, better financial performance, and stronger growth compared to smaller firms. However, company size does not moderate the relationship between cash holding and firm value, suggesting that liquidity alone is insufficient to influence investor confidence or access to external financing. Interestingly, company size does moderate the relationship between retention ratio and firm value. Large firms often have easier access to capital markets, increasing their flexibility in fund acquisition and dividend distribution, which in turn strengthens their firm value.

7. Recommendation

In light of the conclusions drawn, several recommendations are proposed. First, companies are encouraged to strengthen the implementation and disclosure of ESG practices, as these elements are shown to positively influence firm value. Integrating ESG into strategic planning can enhance the company's reputation and attract long-term investors. Second, firms should maintain an optimal level of cash holdings to ensure liquidity while avoiding inefficient capital management. Clear communication regarding the use of cash reserves is essential to maintain investor trust. Third, small and medium-sized enterprises (SMEs) are advised to gradually adopt ESG frameworks to remain competitive and relevant in the evolving investment climate, especially since ESG impact is more pronounced in larger firms. Fourth, large companies should align their dividend and retention policies with their capital market access and operational needs, ensuring shareholder value is maximized. Lastly, investors are advised to evaluate firm value not solely based on dividend distributions but also on the company's capacity to reinvest profits effectively and demonstrate strong ESG commitment, as these factors are indicative of sustainable long-term performance.

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