



The Role Of ESG In Sustainable Financial Strategies and Innovation Towards Competitive Advantage Through GCG

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ABSTRACT

Study This aim For analyse influence Financial Strategy Sustainable and Innovation Finance to Superiority Competitive with Environmental, Social, and Governance (ESG) as variables mediation. Phenomenon increasing demands implementation principle sustainability and innovation in practice finance in the ESG era demands company For No only profit- oriented, but also on fulfilment stakeholder expectations and sustainability term long . Runway the theory used covering Resource-Based View (RBV), Stakeholder Theory, and Dynamic Capability Theory. Study This use approach quantitative with method Structural Equation modelling - Partial Least Square (SEM-PLS). Data obtained from [customize : questionnaire manager /executive company or secondary data in the form of report annual and sustainability reports of companies listed on the IDX and including in IDX ESG Leaders index]. Variable study operationalized through indicators that include aspect investment green, transparency finance, implementation product finance innovative, ESG scores, and indicator performance financial and non-financial For measure superiority competitive. Research results demonstrate financial strategy sustainable influential positive significant effect on competitive advantage ($\beta=0.190$; $p=0.024$), while financial innovation ($\beta=-0.225$; $p=0.007$) and ESG ($\beta=-0.207$; $p=0.015$) had a significant negative effect. ESG did not mediate the relationship and GCG did not moderate the effect of ESG on superiority competitive.

INTRODUCTION

Change environment growing business dynamic, complex, and competitive demand company For No only focused on achievement profit term short, but also pay attention sustainability term long. Concept *Sustainable Financial Strategy* or Financial Strategy Sustainable become relevant Because emphasize integration aspect finance with dimensions sustainability economic, environmental, and social. Eccles and Klimenko (Barney, 1991) confirm that sustainability has become demands of modern investors, where companies expected manage risk term long in a way more comprehensive. In line with that, Fatemi and Fooladi (Barney, Ketchen and Wright, 2011) explain that approach finance sustainable can increase efficiency use source power, strengthen resilience company, and create mark for stakeholders interests. In addition, Innovation Finance (Financial Innovation) also play a role important in increase Power competition company. Frame and White (R. Edward Freeman, 2010) state that innovation in finance, including digitalization system finance, fintech usage, and technology management risk, allowing company respond market dynamics in general more fast and efficient. Development innovation finance No let go from the growth of fintech that drives efficiency and inclusion finance (Haddad and Hornuf, 2019). Fintech also forms ecosystem finance new connecting various actor in system digital (Lee and Shin, 2018) Digital transformation in sector banking cause changing business models and improving competition industry finance (Vives, 2019). Tufano (R. Edward Freeman et al., 2007) also emphasized that innovation finance can repair structure financing, reducing cost transactions, as well as create instrument new support superiority competitive. In some year Lastly, the Environmental, Social, and Governance (ESG) framework has evolved become global standards in evaluate quality sustainability company.

In some year Lastly, the Environmental, Social, and Governance (ESG) framework has evolved become global standards in evaluate quality sustainability company. Research show that ESG performance has connection positive with performance finance company (Friede, Busch and Bassen, 2015). Other studies also found that company with practice good sustainability tend own performance term longer stable (Eccles, Ioannou and Serafeim, 2014) In addition, ESG implementation has also been proven can increase mark company through improvement investor (Du, Zhang and Feng, 2018). Other findings show that ESG contributes to increasing firm value and reputation companies in the market (Chao Zhao, 2018). However, so, no all study show consistent results. Some studies find that ESG implementation is not always give impact positive to performance company (Tong, Wang and Pu, 2022). Other studies show that cost implementation sustainability can pressing profitability in term short (Reuter, 2022). In addition, there are proof empirical that the relationship between ESG and value company can nature negative in condition certain (Naffa and Fain, 2022). Other studies also show that ESG practices are not yet Of course increase performance if Not yet integrated in a way strategic (Aracil, Gómez-Bengoechea and Moreno-de-Tejada, 2022). In fact, in global context, ESG can give different impacts depending on market conditions and readiness company (Satish Kumar, 2022).

Analysis study by Friede, Busch, and Bassen shows that majority study find connection positive between ESG performance and performance finance company. With Thus, ESG does not Again seen as initiative ethical only, but become a business strategy For strengthen legitimacy, reputation, and investor trust. Effective ESG implementation is closely related with quality of Corporate Governance. Aggarwal et al. emphasized that good governance ensure the retrieval process decision ongoing in a way transparent , accountable, and consistent, so that can strengthen connection between ESG and excellence competitive. Governance works as internal controllers ensure practice sustainability implemented in a way disciplined and not nature cosmetics. However, research previously show varying results.

A number of study find influence direct financial strategy sustainability and innovation finance to superiority competitive, while study other highlight importance role ESG mediation. There are still inconsistency findings related mechanism influence both strategies to Power

competition company. In addition, research that places Corporate Governance as moderator variables in connection between ESG and excellence competitive Still limited, especially in the context of developing countries like Indonesia. In Indonesia, the implementation of finance sustainable pushed through Financial Services Authority (OJK) policies in the financial roadmap sustainable (Otoritas Jasa Keuangan (OJK), 2021). The implementation of ESG is also driven by global initiatives such as the Principles for Responsible Investment (PRI) which emphasizes integration sustainability in decision investment (United Nations Principles for Responsible Investment (UN PRI), 2021). With existence gap study Therefore, a more detailed research model is needed . comprehensive that integrates financial strategies sustainable, innovation finance, ESG, and governance company For explain superiority competitive in a way more intact. Moderated mediation approach with Hayes (Jensen and Meckling, 1976). give opportunity For learn mechanism complex the in a way more In -depth ESG integration into financial strategy become a strategic issue in the banking sector. However, empirical evidence in developing countries show results that have not been consistent.

State of the Art in study This is a global research trend finance move going to integration sustainability and innovation finance as source Power strategy. ESG is increasingly Lots tested as a mediator in study management and finance, but Not yet Lots combined with financial strategy sustainability and innovation finance at the same time. Moderated mediation research in financial strategy context – innovation finance – ESG – excellence competitive is still very limited. The role of Corporate Governance as a moderator in the relationship between ESG and power competition Not yet Lots tested in Indonesia. There is no study comprehensive testing modelling Complete Sustainable Financial Strategy, ESG, Competitive Advantage, Financial Innovation, ESG, Competitive Advantage with Corporate Governance as a moderator. Globally , sustainable finance has become attention main in system modern finance for support development sustainable (World Bank, n.d.). Research This will in a way special focused on the sector service finance, in particular banking, which plays a role important in the development era sustainable. Distribution of funds from banks can in a way significant influence potential and capacity sectors that receive financing.

Novelty in study This is Integrating Financial Strategies Sustainable and Innovation Finance in one comprehensive model For explain superiority competitive. Positioning ESG as a core mediator, connecting financial strategy and innovation finance to superiority competitive. Testing the role of Corporate Governance as a moderator in ESG relationship with superiority Competitive. Using Moderated Mediation Analysis approach which is still seldom used in Indonesian Company context. Presenting contribution theoretical new through modelling conceptual linking finance sustainability, innovation, ESG, governance, and power competition in a way integrated . For answer problem research, the approach used covering Test influence direct financial strategy sustainability and innovation finance to superiority competitive. Analyse influence of financial strategy sustainability and innovation finance towards ESG. Testing role ESG mediation as mechanism connector. Analyse Corporate Governance moderation on the relationship between ESG and excellence competitive. Implementing Moderated analysis. Mediation for test effect influenced mediation governance level company. Using SEM method for model validation.

LITERATURE REVIEW

Transformation paradigm global business shows fundamental shift from orientation of shareholder capitalism towards stakeholder capitalism. Within the framework In this regard, the concept of Environmental, Social, and Governance (ESG) is developing as instrument strategic For create mark term long at a time guard legitimacy company in the eyes stakeholders interests. Concept This in line with triple bottom line approach that emphasizes balance between aspect economic, social and environmental in activity business (Elkington, 1998). ESG is also seen

as a creation strategy mark together (shared value) that integrates interest business and society (Michael E. Porter and Mark R. Kramer, n.d.). Shift This put not quite enough answer social and sustainability as an integral part of corporate strategy. Within the framework In this regard, the concept of Environmental, Social, and Governance (ESG) is developing as instrument strategic For create mark term long at a time guard legitimacy company in the eyes stakeholders interests. Perspective This in line with R. Edward Freeman's thoughts which emphasize that success company No only determined by ability produce profit, but also by its ability fulfil expectation various stakeholders.

In the sector banking, pressure For integrate principle sustainability the more increase along regulations and capital market demands. Implementation of financial strategies sustainable as well as innovation finance ESG- based is seen as response to dynamics said. However thus, in a way conceptually, the effectiveness of ESG in create superiority competitive Still become debate, especially in emerging market context.

In a way theoretical, advantages competitive sustainable can explained through the Resource-Based View (RBV). According to Jay Barney, the company will get superiority competitive if own source resources that are valuable, rare, inimitable, and non-substitutable (VRIN). The Resource-Based View (RBV) emphasizes that superiority competitive obtained from source valuable, rare, difficult power imitated, and not irreplaceable. In addition, the concept of Dynamic Capabilities emphasizes ability company in integrate, build, and configure repeat source Power For respond change dynamic environment (Teece, Pisano and Shuen, 1997). Approach this also emphasizes importance adaptation and innovation sustainable in face market and technological changes (Teece, 2018). In perspective this, ESG, innovation finance, and governance practices company can positioned as source Power No intangible assets that have potential create differentiation strategic. However thus, if ESG implementation is still nature symbolic or Not yet integrated in the core business process, then VRIN characteristics are not yet fully fulfilled. With Thus, ESG has not yet Of course in a way automatic become source superiority competitive. In addition, from corner view Trade-Off Theory in policy finance, company face dilemma between benefit term length and cost term short in taking decision finance (Myers, 1984). Investment in ESG and innovation finance often requires cost additional, such as cost compliance, reporting, restructuring operational and investment technology. In the long term short, increase cost This potential pressing profitability and efficiency operational.

More further, effectiveness innovation finance in increase Power competitiveness is greatly influenced by capabilities organization. The Dynamic Capability perspective developed by David Teece emphasizes that innovation only will create mark if company own sensing, seizing, and transforming capabilities. Without the capabilities adequate dynamics, innovation precisely potential increase complexity operational and risk strategic. In the context of Indonesian banking, readiness infrastructure, quality source Power humans, as well as integration system become factor determinant success innovation finance as source superiority competitive. On the other hand, Good Corporate Governance (GCG) is conceptual rooted in Agency Theory which explains importance mechanism supervision in reduce conflict interest between management and owners (Jensen and Meckling, 1976), (Shleifer and Vishny, 1997) This theory explain that governance company functioning For minimize conflict interest between management (agent) and owner (principal). In general normative, GCG is expected strengthen effectiveness of corporate strategy , including ESG implementation. Governance principles good companies also refer to standards international which emphasizes transparency, accountability, and investor (Anon., 2015; Tricker, 2019). However, Likewise, if governance more nature administrative and formal compliance rather than value-creating governance, then his role as mechanism moderator can become not optimal.

RELATIONSHIP BETWEEN VARIABLES AND HYPOTHESES

1. Financial Strategy Sustainable → Excellence Competitive

Financial strategy sustainable reflect integration principle sustainability in policy funding, investment, and management risk. In the Resource-Based View (RBV) perspective developed by Jay Barney, an integrated strategy in a way systematic can become source Power strategic if create efficiency and differentiation. In addition, the stakeholder approach put forward by R. Edward Freeman emphasizes that responsive strategy to demands sustainability potential increase reputation and market trust.

Hypothesis (H1):

Financial strategy sustainable influential positive to superiority competitive.

2. Innovation Finance → Advantages Competitive

Innovation finance covers development products, services, and technology financial improvement efficiency and market access. According to David Teece 's Dynamic Capability theory, innovation will create mark if organization own capability For integrate and transform source Power. With Thus, innovation finance in a way theoretical increase Power competition company .

Hypothesis 2 (H2):

Innovation finance influential positive to superiority competitive .

3. Financial Strategy Sustainable → ESG

Financial strategy sustainable become mechanism implementation ESG principles in operational company. Policy integration funding green, management risk social and governance transparent strengthen ESG performance.

Hypothesis 3 (H3):

Financial strategy sustainable influential positive towards ESG.

4. Innovation Finance → ESG

Innovation finance-based technology and digitalization can increase transparency, efficiency reporting, and access inclusion finance, which contributes to improvement ESG scores.

Hypothesis 4 (H4):

Innovation finance influential positive towards ESG.

5. ESG → Excellence Competitive

From the perspective of RBV and Stakeholder Theory, ESG has the potential become asset No tangible that increases reputation, investor confidence, and loyalty customers. However, the Trade-Off Theory opens up possibility that cost ESG implementation can pressing performance term short.

Hypothesis 5 (H5):

ESG is influential positive to superiority competitive.

6. ESG positioned as mechanism transformational that bridges sustainability strategy and results competitive. This means that the financial strategy sustainability and innovation finance influence Power competition through improvement ESG performance.

Hypothesis 6 (H6):

ESG mediates influence of financial strategy sustainable to superiority competitive.

Hypothesis 7 (H7):

ESG mediates influence innovation finance to superiority competitive.

7. Good Corporate Governance moderates the influence of ESG on superiority competitive, so that connection the become stronger when high GCG level.

Hypothesis 8 (H8):

GCG moderates ESG relationship → excellence competitive

METHODS

Study This use approach quantitative with design explanatory research, namely research that aims explain connection causal between variables research, good influence direct *effect*, mediation (*indirect effect*), and moderation (*interaction effect*). The analysis method used is Moderated Mediation Analysis (Hayes PROCESS MODEL) as approach For test connection mediation influenced by moderator variables, as well as *Structural Equation Modelling (SEM)* for test validity and reliability of the measurement model. Research This use approach quantitative explanatory with SEM-PLS analysis. The research sample is a company banking listed on the Indonesia Stock Exchange.

Data Types and Sources

Type of data used is quantitative data, which is obtained through Secondary Data Originate from report sustainability, reports annual publication company banking listed on the stock exchange Indonesia, literature scientific, journals, and documents supporters other.

Population and Sample

Population study This using sector company data banking listed on the Indonesia Stock Exchange (IDX) and/ or enter ESG index (IDX ESG Leaders, SRI-KEHATI, or LQ45 as comparison). Sample in the research This is purposive sampling, it is a company that is consistent publish report annual report sustainability, or own ESG score over 3 years final.

Table 1. Research Variable Indicators

Variables	Definition	Indicator	Reference	Scale
Strategy Finance Sustainable (X1)	Management strategy finance with notice aspect environmental, social, and governance (ESG) in investment, funding, and reporting	1) Proportion investment green 2) Publishing green finance instruments (green bonds, green sukuk, ESG loans) 3) Transparency report finance ESG-based 4) Risk integration ESG in policy finance	(Eccles, Ioannou and Serafeim, 2014; Friede, Busch and Bassen, 2015), (Ali M. Fatemi and Iraj Fooladi, 2013)	Ratio
Innovation Finance (X2)	Implementation instruments, products and	1) Use of fintech/digital banking 2) Product finance new	(Tufano, 2003; Josh Lerner and	Ratio

	technology finance new For increase efficiency, sustainability, and power competitive.	(green loans, green insurance) 3) Proportion financial R&D budget 4) Business model transformation finance	Peter Tufano, 2011; W. Scott Frame and Lawrence J. White, 2014)	
ESG (Z) (Variable Mediation)	Performance score company in terms of aspects E (environment), S (social), and G (governance).	E : Emission carbon , efficiency energy , management waste S : CSR, welfare employees , rights consumer G : Board structure , transparency , compliance law	(Tufano, 2003; Josh Lerner and Peter Tufano, 2011; W. Scott Frame and Lawrence J. White, 2014)	Ratio
GCG (Variable Moderation)	GCG is a structure, system, and processes used by company organs For give mark plus in a way sustainable in term long to holder shares and stakeholders interest other with still notice principle transparency, accountability, responsibility responsibility, independence, and fairness	Transparency , Openness information Accountability , Clarity roles and responsibilities Responsibility , Compliance with regulations and ethics Independence , Management free intervention and conflict interest Fairness , Treatment fair to all party	(Jensen and Meckling, 1976; Komite Nasional Kebijakan Governance (KNKG), 2006)	Ratio
Superiority Competitive (Y)	Superiority sustainable owned company compared to competitors based on performance financial and non- financial.	1) Profitability (ROA, ROE, NPM) 2) Market value (Tobin's Q, PBV) 3) Growth market share 4) Differentiation products / services based sustainability	(Barney, 1991; Newbert, 2008; Michael E. Porter and Mark R. Kramer, n.d.)	Ratio

Sources: author's elaboration basen on (Barney, 1991; Teece, Pisano and Shuen, 1997; Komite Nasional Kebijakan Governance (KNKG), 2006; Newbert, 2008) and MSCI ESG Rating Methodology

Data Collection Technique

Data collection methods are carried out through Documentation Gather report sustainability, reports annual, as well as document related to CSR and corporate governance .

Data Analysis Techniques

The goal validate indicator every variable.

A. Validity Convergent**Outer Loading** ≥ 0.7 **Average Variance Extracted (AVE)** ≥ 0.5

If loading 0.4–0.7 can considered For deleted.

B. Validity Discriminant

Measure whether construct truly different One each other.

Method: **Fornell-Larcker Criterion**

square root of AVE must be more big from correlation between variable.

1. Heterotrait – Monotrait Ratio (HTMT)HTMT < 0.85 (conservative) or < 0.90 (liberal).**Reliability**Cronbach's Alpha ≥ 0.7 Composite Reliability (CR) ≥ 0.7 **2. Structural Model Evaluation (Inner Model)**

Measure connection between latent construct.

A. Multicollinearity TestSeen from **VIF** < 3.3 or maximum < 5 .**B. Coefficient Determination (R^2)**

0.75 = strong

0.50 = moderate

0.25 = weak

C. Predictive Relevance (Q^2)

Using blindfolding:

$$Q^2 = 1 - \frac{\text{SSE}}{\text{SSO}} \quad Q^2 = 1 - \frac{\text{SSO}}{\text{SSE}}$$

 Q^2 value > 0 = model has predictive relevance.**D. Goodness of Fit (Tenenhaus) – Optional**

$$\text{GoF} = \text{AVE} \times R^2 \quad \text{GoF} = \sqrt{\text{AVE} \times R^2} \quad \text{GoF} = \text{AVE} \times R^2$$

3. Testing Hypothesis (Bootstrapping)Done with procedure **bootstrapping 5,000 resamples**.

Criteria :

t-value ≥ 1.96 (alpha 5%)p-value ≤ 0.05 Significant $\rightarrow$ hypothesis accepted**RESULTS****Table 2. Result of Hypothesis Testing**

Hypothesis	Connection	Coefficient	T-Stat	P-Value	Decision
H1	$X1 \rightarrow Y$	0.190	2,264	0.024	Accepted
H2	$X2 \rightarrow Y$	-0.225	2,677	0.007	Accepted (direction

					negative)
H3	$X1 \rightarrow Z$	-0.070	0.847	0.397	Rejected
H4	$X2 \rightarrow Z$	0.053	0.504	0.615	Rejected
H5	$Z \rightarrow Y$	-0.207	2,422	0.015	Accepted (direction negative)
H6	$X1 \rightarrow Z \rightarrow Y$	0.014	0.721	0.471	Rejected (no mediate)
H7	$X2 \rightarrow Z \rightarrow Y$	-0.011	0.453	0.651	Rejected (no mediate)
H8	Moderating Effect $\rightarrow Y$	0.006	0.065	0.949	Rejected (no moderate)

Source: Data Processed using SmartPLS, 2026

DISCUSSION

Influence Direct

Hypothesis 1 (H1)

Financial Strategy Sustainable $\rightarrow$ Excellence Competitive

Test results show that financial strategy sustainable (X1) influential positive significant to superiority competitive ($\beta = 0.190$; $p = 0.024$). This indicates that integration principle sustainability in financial strategy capable increase Power competition company, in line with Resource-Based View perspective which emphasizes the importance of strategy as source superiority competitive. In terms of theoretical, findings This can explained through Resource-Based View perspective put forward by Jay Barney, which states that the strategy is integrated and difficult imitated can become source superiority competitive. Implementation of financial strategies sustainable, such as financing ESG- based management risk sustainable, as well as efficiency allocation of funds, allowing company increase efficiency operations and reputation in the eyes of investors.

In addition, in R. Edward Freeman's perspective, a strategy that takes into account interest stakeholders interest will increase legitimacy company, which ultimately strengthen Power competitive. With Thus, the results This show that financial strategy sustainable has functioning as *strategic value driver* in context study.

Hypothesis 2 (H2)

Innovation Finance $\rightarrow$ Advantages Competitive

On the contrary, **innovation finance (X2)** show influence negative significant to superiority competitive ($\beta = -0.225$; $p = 0.007$). Findings This indicates that innovation that is not accompanied readiness organization precisely can creates inefficiencies and risks operational , so that impact negative to Power competitive findings This show that innovation finance precisely lower superiority competitive in term short. This is contradictory with expectation theoretically stating that innovation increase efficiency and differentiation. In the Dynamic Capability perspective put forward by David Teece, innovation only will create mark if organization own ability For integrate and transform source power. Without capability said , innovation can cause inefficiency , increase costs , as well as risk operational. In the context of Indonesian banking, implementation innovation such as digital banking or fintech often face constraint in the form of readiness technology, HR competencies, and integration system. Condition This cause innovation Not yet give impact positive to Power competitive, even precisely cause pressure performance in term short.

Hypothesis 3 (H3)**Financial Strategy Sustainable → ESG**

hypothesis rejected. This indicates that financial strategy sustainable Not yet capable increase ESG performance in general significant. In terms of conceptual, financial strategy should become instrument ESG implementation. However, the results This show existence gap between strategy and practice. Phenomenon This can explained through Paul DiMaggio's perspective, where ESG implementation is often carried out Because pressure external like regulation and legitimacy social, not as part from the Company's core strategy (DiMaggio and Powell, 1983). As a result, the financial strategy implemented Not yet fully integrated with ESG indicators.

Hypothesis 4 (H4)**Innovation Finance → ESG**

The results show coefficient as big as 0.053 with p-value 0.615 (>0.05), so hypothesis rejected. Findings This show that innovation finance Not yet contribute to ESG enhancement. This indicates that innovations made more efficiency - oriented operational or digitalization, not on sustainability. With Thus, innovation finance in context study Not yet ESG -*driven innovation*, but rather Still nature technology -driven without integration sustainability.

Hypothesis 5 (H5)**ESG → Excellence Competitive**

The results show coefficient as big as -0.207 with p-value 0.015 (<0.05), so hypothesis accepted However with direction negative. Findings This is results important to show that ESG has an impact negative to superiority competitive, which shows there is a trade-off between cost implementation and benefits obtained (Myers, 1984; Tobias Hahn and Frank Figge, 2011). However, the results This show existence phenomenon *ESG paradox*. From the perspective of Trade-Off Theory, ESG implementation requires sufficient cost big, like cost reporting, auditing, and restructuring operational. In the long term short, cost the more dominant compared to the benefits obtained, so impact negative to Power competitiveness. In addition, in emerging market context, ESG is often still is compliance-driven, so that Not yet capable create mark significant strategic.

Hypothesis 6 (H6)**ESG Mediation in Financial Strategy Sustainable → Excellence Competitive**

The results show coefficient as big as 0.014 with p-value 0.471 (>0.05), so hypothesis rejected. This is show that ESG is not mediate connection between financial strategies sustainability and excellence competitive. This means that the influence of financial strategy to Power competition nature directly, without through ESG Conditions This show that ESG is not yet functioning as mechanism transformational in the research model.

Hypothesis 7 (H7)**ESG Mediation on Innovation Finance → Advantages Competitive**

The results show coefficient as big as -0.011 with p-value 0.651 (>0.05), so hypothesis rejected. Findings This show that ESG is not capable bridge influence innovation finance to superiority competitive. This is the more strengthen that ESG is not yet integrated in innovation company.

Hypothesis 8 (H8)**Moderation on ESG → Excellence Competitive**

The results show coefficient as big as **0.006** with **p-value 0.949** (>0.05), so hypothesis rejected. In the perspective of Agency Theory put forward by Michael C. Jensen, GCG should

strengthen effectiveness of the company's strategy. However, the results This show that GCG has not functioning as mechanism amplifier ESG relationship to superiority competitive. This indicates that governance practices company Still nature administrative and not yet creation - oriented mark strategic .

Interpretation (R-Square)

The R^2 value shows that :

- Superiority competitive explained by 13.9% by variables in the model
- ESG only explained by 0.8%

This matter indicates that Still there is other variables outside the model that are more dominant in influence superiority competitive and ESG.

Based on results testing hypothesis use SEM-PLS approach, research This produce findings empirical evidence that shows that connection between financial strategies sustainable, innovation finance, ESG, and excellence competitive No completely linear as predicted by theory normative. Findings This give description that implementation sustainability in context Indonesian banking is still is at the stage transitional and not yet fully internalized as source superiority strategic.

First, financial strategy sustainable proven influential positive and significant to superiority competitive. This is show that capable companies integrate principle sustainability in policy finance, such as management risk ESG- based, efficiency allocation source power and financing sustainable, tending to own Power more competitive good. Findings This indicates that financial strategy sustainable has functioning as *strategic enabler* which is direct increase position competitive company, although without through ESG mechanisms as variables intermediary. Innovation finance precisely show influence negative significant to superiority competitive. Findings This indicates that innovation that is not accompanied with readiness organization, good from side capability technology, resources Power humans, as well as integration system, potentially cause inefficiency and improvement cost operational. With Thus, innovation finance in context study This Not yet functioning as *value creator*, but rather Still become *cost driver* in term short.

ESG proven own influence negative significant to superiority competitive. Findings This show existence phenomenon paradox, where ESG is theoretical expected increase reputation and performance company, in fact impact on the contrary in term short. This is indicates that ESG implementation is still dominated by costs compliance and not yet capable produce benefit comparable strategic objectives. In other words, ESG in context This Still nature *compliance-driven* and not yet reach stage *value-driven sustainability*. Research results show that financial strategy sustainability and innovation finance No influential significant towards ESG. This show existence gap between corporate strategies with implementation sustainability . ESG has not yet fully integrated in the process of taking decision strategic , so that Still walk in a way partial and administrative.

ESG does not proven mediate connection between financial strategies sustainable and innovation finance to superiority competitive. This is show that ESG is not yet functioning as mechanism transformational capable linking corporate strategy with creation mark competitive. With Thus, the role of ESG in the research model This Still limited and not optimal. Good Corporate Governance (GCG) is not proven moderate connection between ESG and excellence competitive. Findings This indicates that governance practices company in context study Not yet capable strengthen effectiveness ESG implementation . This show that GCG is still compliance - oriented administrative and not yet play a role as *strategic governance* that is capable push creation mark.

S in a way overall, results study This confirm that just a financial strategy sustainable functioning as determinant direct superiority competitive, while innovation finance and ESG yet

give contribution positive in term short. Besides, no found role mediation and moderation show that integration between ESG, innovation, and governance company Still weak.

Findings This give implications that in emerging market context such as Indonesia, ESG implementation and innovation finance No can in a way automatic assumed as source superiority competitive. Its effectiveness is highly dependent in level maturity strategic, readiness organization, as well as orientation implementation that is not only based obedience, but also creation mark term long.

CONCLUSION

Findings This confirm that ESG implementation and innovation finance in context Indonesian banking has not yet fully functioning as a strategic value driver, but rather Still is at a compliance-driven stage which tends to cause burden cost term short. Test results hypothesis show that in context Indonesian banking, sustainability and innovation Not yet fully internalized as source superiority strategic, but rather Still is at the stage marked transitional with domination cost implementation and weakness integration in business strategy.

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