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MEDIATING ROLE OF FINANCIAL PERFORMANCE IN THE EFFECT OF MACRO- AND MICRO-FUNDAMENTAL FACTORS ON THE FIRM VALUE

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Abstract

This study aims to analyze the influence of macro and micro fundamental factors on the financial performance and value of non-financial SOEs in Indonesia using panel data for the 2017–2022 period. The results of the estimation show that micro fundamental factors have a significant role in improving financial performance and company value, while macro fundamental factors do not have a significant influence on these two variables. These findings confirm that internal company dynamics such as operational efficiency, capital structure, and profitability capacity are more decisive than external macroeconomic conditions. This study also found that financial performance does not have a significant effect on company value and does not mediate the relationship between macro and micro fundamentals on the value of SOEs. These conditions indicate that the capital market assesses SOEs through a broader perspective, including institutional reputation, governance, long-term stability, and government support. These results make an important contribution to the public financial management literature and confirm the differences in market behavior towards SOEs compared to private companies. In addition, the findings of the study provide strategic implications for SOE management to strengthen internal capabilities and improve the quality of information disclosure to be more in line with investor expectations and market dynamics.

Keywords: Macro Fundamentals, Micro Fundamentals, Financial Performance, Company Value

INTRODUCTION

The transformation of the global economy, which is now filled with geopolitical uncertainty, energy disruptions, and exchange rate volatility, requires companies to reorganize their corporate strategies to maintain long-term value sustainability (De Crescenzo, 2025; EY-Parthenon, 2025). In increasingly unstable global conditions, companies not only need to be agile in running operations, but also must have structural resilience to face ever-growing external pressures (IMF 2023, IMF 2025). This situation has created systematic pressure on the performance of corporations, including state-owned enterprises in developing countries such as Indonesia (Ministry of SOEs, 2024). Global trends also point to a paradigm shift in corporate management from a short-term profit orientation to sustainable value creation focused on a long-term horizon (Rahayu, 2024). Institutional investors increasingly demand the integration of sustainability, governance, and risk management aspects in the assessment of company value, no longer relying solely on annual profit performance (Lestari, 2024; Maine, 2024; Zheng, 2025). Various IMF reports and global financial stability studies confirm that companies with mature risk management and strong governance tend to be better able to maintain corporate value in the midst of volatile macro conditions (IMF 2023, IMF 2025). Therefore, the evaluation of company value needs to pay attention to a more comprehensive approach, covering aspects of risk, governance, and sustainability (Muslih, 2024; Oreshile et al., 2025).

In Indonesia, SOEs play an important role as an economic driving force as well as an executor of development and service functions (Ministry of SOEs, 2024). However, a number of reports show that SOEs still face internal obstacles including suboptimal operational efficiency, bureaucratic complexity, and high demands from the public and government (Coal, 2024) The performance report of the Ministry of SOEs even emphasized that only some companies have managed to achieve adequate financial and operational performance, while others are still lagging behind. Macro factors such as inflation, interest rates, and exchange rate volatility prove to be important determinants in the formation of corporate value, both at the global and national levels (Hanani, 2024; ITScience, 2025; Mustofa & Faizin, 2025). Changes in the exchange rate, for example, can affect a company's profit margins,

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operating costs, and expansion capacity, especially for entities that rely heavily on imports or have foreign-denominated debt (March, 2025). Meanwhile, rising inflation can lower the real value of assets and weaken public consumption, ultimately reducing corporate income (Melinda, 2024). On the other hand, interest rate fluctuations affect funding costs, investment decisions, and investors' preference for risk (Mustofa & Faizin, 2025). At the micro level, capital structure, dividend policy, and leverage level are important indicators in assessing the company's financial health (Saputra, 2025; Yuswandani et al., 2023). Excessive use of debt can increase the risk of bankruptcy and lower investor perception, especially in periods of economic instability (Kim, 2023; Waryati, 2022). Conversely, a balanced capital structure with strong cash flow support can provide a positive signal for the market (Nam, 2024). In SOEs, the management of capital structure and dividends becomes more complicated because they have to consider financial objectives as well as social mandates and government policies (Kusnadi, 2018).

Previous literature has shown inconsistencies in findings regarding the relationship between macro and micro factors and company value (Fauzia, 2022). A number of studies have found that inflation and interest rates do not always have a significant effect, depending on the characteristics of the sector and the period (Sijabat, 2024). Other findings suggest that a combination of macro and micro factors may explain substantial variations in company values, although the magnitude of the influence varies between countries and between sectors (Gautama, 2024). This inconsistency shows that there are theoretical and empirical gaps related to the interaction of these factors in influencing the company's value (Chandra, 2025). The disagreement of the research results confirms the need for an approach that includes mediation mechanisms, particularly through financial performance. Financial performance itself reflects the company's effectiveness in managing resources, generating profits, and maintaining liquidity and operational efficiency (Muslih, 2024). Empirical findings show that financial performance often acts as an intermediary variable that explains the relationship between capital structure, dividend policy, governance, and non-financial factors on the company's value (Hastalona, 2025). Thus, including financial performance as a mediator may explain why the influence of fundamental factors on a company's value often exhibits inconsistent patterns (Silva, 2019). In the context of SOEs, the role of mediation is becoming increasingly relevant given the complex and multifunctional characteristics of organizations (Martiana et al., 2022). Performance finance It is also an indicator that bridges how corporate policies, macroeconomic conditions, and institutional factors are applied and reflected in changes in company values (Coal, 2024; Martiana et al., 2022). Research that does not consider mediation aspects tends to capture direct relationships that are often weak or insignificant, resulting in conclusions that are not comprehensive for the needs of public policy or managerial strategies (Oreshile et al., 2025).

The context of the business environment is also influential in determining how fundamental factors affect the value of the company (Adam & Yacob, 2022). The effectiveness of macro and micro variables is influenced by the market structure, level of competition, depth of the financial system, and the regulatory framework applicable in a country. In Indonesia's case, although macro stability is relatively maintained, the economy remains vulnerable to external shocks such as trading partner economic slowdowns and fluctuations in commodity prices that affect the company's prospects (Mustofa & Faizin, 2025). Therefore, research that focuses on SOEs is important to formulate strategies that are in accordance with the institutional characteristics, state ownership, and applicable governance (Hidayat, 2025). Based on this presentation, a conceptual model is needed that not only connects macro and micro factors with the company's value, but also includes financial performance as the main mediating variable (Hanani, 2024). This kind of model is able to describe a more realistic transmission mechanism, i.e. how macro shocks and corporate policies are Affect Company value through changes in financial performance (Silva, 2019). This approach has the potential to answer inconsistencies in the literature and provide more relevant empirical contributions, especially for the SOE sector that has a strategic role and is directly related to the public interest. This research replicates and develops the previous study using different objects and contexts, namely state-owned companies listed on the IDX in the 2017–2022 period. The novelty of the research lies in the use of financial performance variables as a mediating variable measured by Economic Value Added (EVA) indicator in the relationship between macro and micro fundamental factors to the company's value. The focus on SOEs was chosen because this sector has a strategic role as a role model for real sector growth as well as an agent of government development in Indonesia. Based on this, this study aims to analyze the Mediation of Financial Performance on Macro and Micro Fundamental Factors on the Value of State-Owned Enterprises (SOEs).

LITERATURE REVIEW

A company's value is a reflection of market expectations of growth prospects, performance stability, and the company's ability to create value in the future. In the context of SOEs, the value of a company is not only influenced by internal economic performance, but also by macroeconomic pressures and social mandates that must be implemented, so that the dynamics of value become more complex than that of private companies (Kusnadi, 2018; Ministry of SOEs, 2024). Various studies show that macro variables such as inflation, interest rates, and exchange rates have a significant impact on a company's capital costs, revenue, and risk. High inflation can reduce the real value of assets and weaken people's purchasing power, thus suppressing company income (Melinda, 2024; ITScience, 2025). Meanwhile, rising interest rates increase funding burdens and weaken investment interest, which ultimately has the potential to lower the value of companies (Mustofa & Faizin, 2025). Exchange rate fluctuations also contribute to operational cost volatility, especially for SOEs that have debt or input purchases in foreign currencies (Makore, 2025; Hanani, 2024). Thus, macro fundamental factors serve as external pressures that affect the financial stability and value prospects of the company in the long term.

Micro fundamental factors that reflect the company's internal conditions such as profitability, leverage, liquidity, and capital structure are direct determinants of market perception of the company's health and risk. High profitability gives a positive signal to investors that the company is able to effectively manage assets to generate profits (Yuswandani et al., 2023). However, an aggressive capital structure with a high level of leverage can actually increase financial risk and lower market perception of the company's value (Kim, 2023; Waryati, 2022). Conversely, a balanced capital structure between debt and equity is able to improve funding efficiency and provide a competitive advantage for companies (Nam et al., 2024; Capital-Structure, 2025). Liquidity factors and dividend policies are also the focus of investor assessments because they are directly related to the company's ability to meet obligations and provide returns to shareholders (Saputra, 2025). However, various previous studies have found inconsistencies in the empirical results of the relationship between macro and micro factors to company value, which may be due to differences in sectors, periods, and institutional contexts (Fauzia, 2022; Sijabat et al., 2024; Adiyana, 2024). To bridge these inconsistencies, the literature emphasizes the importance of including mediating variables such as financial performance in research models (Gautama, 2024; Idris, 2024).

Financial performance reflects a company's ability to manage resources to generate added value and maintain operational efficiency. Economic Value Added (EVA) is seen as a more comprehensive indicator because it calculates performance after explicitly considering the cost of capital (Muslih, 2024). A number of empirical studies show that macro and micro fundamental factors do not always have a direct effect on a company's value, but these influences work through changes in financial performance (Hastalona, 2025; Rahayu, 2024; The Effect of GRC, 2024). Companies with strong financial performance tend to give positive signals to the market thereby increasing the value of the company, especially in high-risk sectors such as SOEs (Oreshile et al., 2025; Silva et al., 2019). On the other hand, in companies with complex governance such as SOEs, financial performance serves as a bridge to translate corporate policies, regulatory pressures, and changes in macro conditions into marketable outputs (Martiana et al., 2022; Coal, 2024). Therefore, the use of financial performance as a mediator is relevant in explaining the mechanism of influencing fundamental factors on the company's value.

The literature also shows that the relationship between fundamental factors and company values is influenced by the institutional context, market structure, and regulatory dynamics in a country (IMF, 2023a; IMF, 2025). In Indonesia's condition, although macro stability is relatively maintained, external risks such as global geopolitics, commodity price volatility, and economic slowdown of trading partners can affect the performance of SOEs that have a strategic role in the national economy (Mustofa & Faizin, 2025; De Crescenzo, 2025). This shows that research on SOEs requires an approach that takes into account the specific characteristics of this sector, especially related to state ownership, social functions, and exposure to macro risks (Ministry of SOEs, 2022; Hidayat, 2025). Based on the overall literature, there is an important space to build a conceptual model that connects macro and micro fundamental factors with company value through the mediating role of financial performance to provide a more comprehensive understanding of the value dynamics of SOEs.

Research from Sumantri & Hwihanus, (2023) that the influence of macro fundamentals affects the company's performance with the ownership structure, Capital Policy and audit opinion as the mediation variable. The population in this study is all infrastructure companies in the telecommunications subsector listed on the Indonesia Stock Exchange (IDX) in 2018-2021. Data analysis and hypothesis testing techniques used Partial Least Square with outer model and inner model tests.

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H1 = Macro Fundamentals have a direct effect on Financial Performance

Research from Rosmita Rasyid, (2022) provides empirical evidence regarding the influence of leverage, asset structure, company size, liquidity, and working capital turnover on financial performance of manufacturing companies in the basic and chemical industry subsectors listed on the Indonesia Stock Exchange (IDX) in 2016-2018. This study uses a sample of 90 manufacturing companies in the basic and chemical industry subsectors that have been selected using the purposive sampling method based on criteria determined with a three-year period. The data used in this study are secondary data. The data processing in this study uses the EViews ver program. 10.0. The results of the t-test show that leverage and asset structure have a significant negative effect on financial performance, company size has a significant positive effect on financial performance, liquidity and working capital turnover do not have a significant influence on financial performance.

H2 = Micro Fundamentals have a direct effect on Financial Performance

The results of the study (Lintjewas et al., 2019) show that partially, the inflation rate and interest rates do not have a significant effect on the company's value (PBV). The study used a purposive sampling method based on the criteria of 93 companies that were sampled in 2014-2018. Meanwhile, Permana & Rahyuda (2019) found that simultaneous and partial inflation had a significant and positive effect on the value of the company based on research on 16 manufacturing companies in the metal sector for the period 2014-2016. Other macroeconomic research projected through inflation has an effect on the value of companies in the food and beverage subsector listed on the Stock Exchange in 2014-2024 according to Asep Alipudin (2023).

H3 = Macro Fundamentals have a direct effect on the Company's Value

Kurniawan et al. (2019) examined the influence of Capital Policy proxied through the Debt to Equity Ratio (DER) on the value of the company and showed the results that Capital Policy has a negative and insignificant influence based on manufacturing companies listed on the Indonesia Stock Exchange for the period 2014-2016. Meanwhile, Miftamala and Nirawati (2018) on the other hand came to a different conclusion that DER has a significant effect on company value by taking the population of cigarette industry companies on the Indonesia Stock Exchange using purposive sampling techniques. Research with mixed results stated that the relationship between the influence of environmental performance on company value, according to Dewi and Wirasedana (2017) and Arieftiara and Venusita (2017) stated that environmental performance had a positive effect on company value while according to research Ardila (2017) and Sawitri (2017) found that environmental performance did not have a significant effect on company value.

H4 = Micro Fundamentals have a direct effect on the Company's Value

Research by Wardani, Rahmiyati & Hwihanus (2022) states that macroeconomics does not have an indirect effect on company value through profitability by sampling state-owned companies in the infrastructure sector in 2014-2021 and SEM data analysis techniques through the PLS program. The results of the path analysis show that indirectly the financial performance of companies proxied through ROA has a perfect effect in mediating the exchange rate and inflation on the value of the company (stock price) in companies that are members of the JII (Jakarta Islamic Index) which was researched by A'yun et al (2018).

H5 = Macro Fundamentals have an indirect effect on the Company's Value through Financial Performance

Wardani, Rahmiyati & Hwihanus (2022) analyzed that Investment Policy does not have a significant indirect effect on company value through profitability by sampling state-owned companies in the infrastructure sector in 2014-2021 and SEM data analysis techniques through the PLS program. Meanwhile, the research of Patricia, Bangun & Tarigan (2018) states that the positive effects of profitability, liquidity, and company size on company value will be more positive and strengthen if financial performance increases by sampling 58 manufacturing companies listed on the Indonesia Stock Exchange for the period 2014-2016 as well as multiple regression analysis techniques.

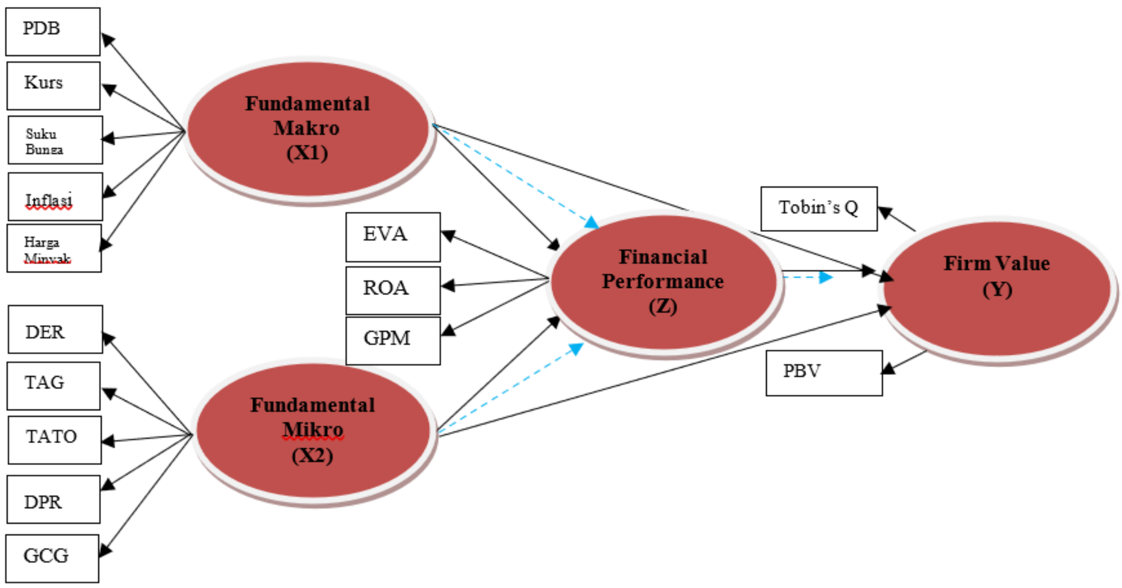
H6 = Micro Fundamentals have an indirect effect on Company Value through Financial Performance.

Research from Aprilia & Wahjudi, (2021) to analyze the influence of financial performance on company value with the moderation variable of corporate governance. Industrial sector companies listed on the Indonesia Stock Exchange (IDX) in 2019 in this study were made into the population. The sample selection uses a purposive sampling technique by determining certain criteria that produce 103 companies as a sample. This study uses Structural Equation Model (SEM) hypothesis testing supported by the Partial Least Square (PLS) analysis method. The results of this study are that financial performance has a positive effect on company value and the moderation variable of corporate governance can strengthen the influence of financial performance on company value. Patricia et al (2018) found that the positive effects of profitability, liquidity, and company size on company value will be more positive and strengthen if financial performance also increases in manufacturing companies listed on the IDX in the 2014-2016 period

H7 = The Influence of Financial Performance has a direct effect on the Company's Value

This research model was built based on the background of the problem and the literature review carried out. The model of this research can be described as follows:

Figure 1. Research Model



METHOD

This study uses Approach quantitative with an explanatory design to test the causal relationship between macro fundamental factors, micro fundamental factors, financial performance, and the value of SOEs (Scott, 2022). The quantitative approach was chosen because it is able to present objective empirical evidence through numerical measurements as well as statistical testing (Gautama, 2024; Hanani, 2024). The object of the study includes all SOEs listed on the Indonesia Stock Exchange (IDX) during the 2017–2022 period, taking into account the importance of the strategic role of SOEs in the national economy (Ministry of SOEs, 2024). The research population is all state-owned companies listed on the IDX. A population is defined as a whole of objects that have certain characteristics to be studied, analyzed, and inferences drawn from them (Scott, 2022). From this population, researchers used the *purposive sampling* to select a sample based on certain criteria: (a) state-owned companies listed on the IDX during the 2017–2022 period, (b) not companies engaged in the financial services sector, (c) present financial statements in rupiah, and (d) have financial statements and complete annual reports during the observation period. This technique was chosen so that the selected sample had appropriate and representative characteristics for the population (Kim, 2023; Nam, 2024). Based on these criteria, 17 state-owned companies were obtained as research samples.

This study uses time series data for six years (2017–2022) and cross section data from many companies (17 SOEs). Time series data is data collected over a specific time range, while cross section data is information obtained at a specific point in time (Ismalnto & February, 2021). The combination of these two types of data forms pooled data, a collection of data consisting of observations across time and across companies. Pooled data can evolve into data panels, which are collections of observations on the same object over time, such as a company, country, or individual (Gujalralti & Porter, 2015). Thus, the data of this study is panel data that reflects a combination of cross section and time series observations in SOE companies for six years. The use of panel data regression models has a number of advantages. According to Balsuki & Pralwoto, (2017)Data panels allow for explicit measurement of individual heterogeneity because they can capture differences in the characteristics of each company that cannot be observed in pure time series or cross section data. In addition, the data panel is more informative, has higher variability, and is able to reduce multicollinearity between variables resulting in more efficient estimation. Data panels can also troubleshoot issues *omitted variable bias* because it combines information across time and across entities (Balsuki, 2019). Therefore, the use of panel data in this study is considered more appropriate to analyze the dynamics of fundamental factors and financial performance on the value of SOEs in the observation period. Research data was obtained from the company's annual reports, audited financial statements, IDX publications, Bank Indonesia economic reports, the Central Statistics Agency, and IMF official reports (IMF, 2023a; IMF, 2025). Macro fundamental variables include inflation, interest rates, and exchange rates (Melinda, 2024; ITScience, 2025; Madison, 2025). The micro fundamental variables consist of profitability, leverage, and liquidity (Yuswandani et al., 2023; Saputra, 2025). Financial performance is used as a mediating variable and measured using Economic Value Added (EVA) (Muslih, 2024). Company value is measured using Tobin's Q, an indicator commonly used in company value research (Waryati, 2022; Maine, 2024). Data analysis was carried out using descriptive statistics, classical assumption tests, and structural models with Structural Equation Modeling – Partial Least Squares (SEM-PLS). The SEM-PLS method was chosen because it is suitable for models involving latent variables, simultaneous relationships, and mediated analysis at a limited sample size (Hastalona, 2025; Oreshile et al., 2025; Silva et al., 2019). Mediation testing is conducted using the *Bootstrapping* to test the significance of indirect influences. Model evaluation includes convergent and discriminant validity tests, construct reliability, R^2 values, and *predictive relevance* type. All analyses were conducted using SmartPLS, according to widely used practices in management and financial research on companies in emerging markets (Badriyah, 2025; Chandra, 2025), With this methodological approach, the research is expected to provide a comprehensive understanding of the mechanism of influence of macro and micro fundamental factors on company value through the role of performance mediation finance in the SOE sector.

RESULTS AND DISCUSSION

This discussion integrates all the results of PLS-SEM structural model analysis, starting from multicollinearity examination, direct and indirect hypothesis testing, model prediction quality, model suitability, to linearity analysis. The discussion was made to provide a comprehensive understanding of the influence of Macro Fundamentals, Micro Fundamentals, and Financial Performance on the Value of SOEs for the 2017–2022 period.

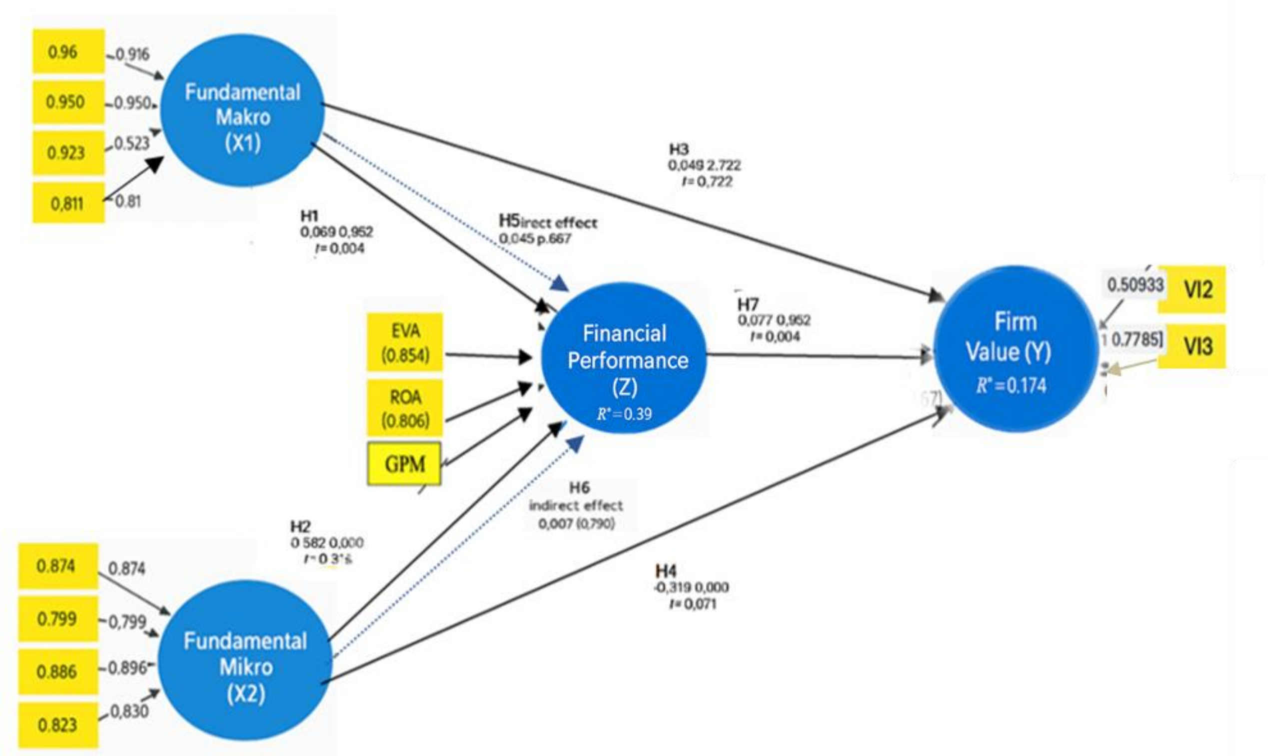


Figure 2. Smart PLS analysis results, 2025

Initial testing of multicollinearity showed that all variables had an Inner VIF value of < 5**,** so it can be concluded that there is no high correlation between exogenous variables. This condition ensures that the model parameter estimation is stable and unbiased (Hair et al., 2021).

Table 1. Inner VIF Results

Variable	Inner VIF	Information
Macro Fundamentals (X1)	< 5	Multicollinearity does not occur
Micro Fundamentals (X2)	< 5	Multicollinearity does not occur
Financial Performance (Z)	< 5	Multicollinearity does not occur

Source: Smart PLS analysis results, 2025

These results ensure that the model can proceed to the hypothesis testing stage without modification. The direct influence between variables was tested based on *the path coefficient* and *p-value* values. The results are shown in Table 2.

Table 2. Direct Effect Test Results

Hypothesis	Relationship	Path Coef	p-value	Result
H1	X1 → Z	0.069	0.652	Insignificant
H2	X2 → Z	0.582	0.000	Significant
H3	X1 → Y	0.039	0.722	Insignificant
H4	X2 → Y	-0.319	0.004	Significant
H7	Z → Y	0.077	0.652	Insignificant

Source: Smart PLS analysis results, 2025

Overall, the findings of the study show that Micro Fundamentals (X2) are the main determinants that are able to improve Financial Performance (Z) as well as Company Value (Y), so that internal aspects of the company are proven to play a more dominant role in shaping the performance and value of SOEs. In contrast, Macro Fundamentals (X1) did not show a significant influence on the two variables. This indicates that the dynamics of the national economy do not directly affect the value or performance of SOEs, and the company's internal conditions have a greater contribution. In addition, Financial Performance (Z) has also not been proven to have a significant impact on the Company Value (Y), which shows that the capital market has not fully responded to accounting performance-based information as the basis for assessing the value of SOEs.

Mediation analysis shows that Financial Performance is not an effective mediator between the Fundamental variables and Company Value.

Table 3. Indirect Effect Test Results

Hypothesis	Mediation	Coef	p-value	Upsilon v	Category
H5	X1 → Z → Y	0.005	0.790	0.000	Very low mediation
H6	X2 → Z → Y	0.045	0.667	0.002	Very low mediation

Source : Smart PLS analysis results, 2025

This shows that although Micro Fundamentals have a strong influence on Financial Performance, the improvement in performance does not translate significantly into an increase in the company's value. The R^2 and Q^2 values support the stability and predictability of the model.

Table 4. R-square and Q-square values

Endogenous Variable	R^2	Interpretation	Q^2	Interpretation
Financial Performance (Z)	0.591	Moderate	>0.25	Moderate
Company Value (Y)	0.471	Moderate	>0	Low

Source : Smart PLS analysis results, 2025

The test results show that the model has a strong enough explainer power for variations in Financial Performance, so that the fundamental variables used are able to adequately describe the dynamics of SOEs' financial

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performance. However, the model's ability to predict Corporate Value is still relatively weak, which indicates that the determinant of SOEs value is not only sourced from the observed macro and micro fundamental factors. In other words, there are other external variables such as political factors, government regulations, quality of governance, level of public trust, and institutional reputation that may have a significant contribution in shaping the value of SOEs in the market. These findings underline that market valuations of SOEs tend not to be based solely on financial performance or fundamental indicators, but also consider non-financial aspects that are institutional and structural.

DISCUSSION

The results of this study reveal a number of important findings regarding how macro and micro fundamental factors contribute to the financial performance and value of SOEs. In general, the model is able to explain variance in financial performance well, but it shows more limited predictive capabilities on the company's value. This condition suggests that there are other variables outside the model including political factors, institutional reputation, the level of government intervention, and investor perception of SOE governance that also affect the formation of market value. The first findings show that micro fundamental factors have a dominant and significant influence on financial performance. These results are in line with the theory of organizational structure and resource-based view (Barney, 1991) which asserts that internal capabilities, such as operational efficiency, funding decisions, leverage, and capital structure, are the main determinants of a company's performance. In SOEs, the effectiveness of asset management, liquidity, and cash flow strength have proven to be more decisive than external dynamics, as supported by research by Gautama (2024), Yuswandani et al. (2023), and Saputra (2025). The empirical implication is that SOEs with controlled leverage and optimal capital structure tend to be able to maintain stable performance despite macroeconomic fluctuations. On the other hand, macro fundamental factors do not have a significant effect on the financial performance of SOEs. These findings are different from the classical macroeconomic view (Samuelson & Nordhaus, 2010) which places inflation, interest rates, exchange rates, and economic growth as vital determinants of company performance. The relatively protected condition of SOEs—through fiscal and regulatory support and the existence of public service functions—makes them less sensitive to macro shocks than the private sector. The studies of Mustofa & Faizin (2025) and Adam & Yacob (2022) also confirm that the influence of macro variables on state-owned companies in the Southeast Asian region tends to be limited.

In relation to company value, micro fundamentals still show significant influence, while macro fundamentals do not. This illustrates that the capital market responds more to internal information, especially signals related to profitability, solvency, and capital structure policies, as described in signal theory (Spence, 1973). However, financial performance does not have a significant effect on the value of state-owned companies. These unique findings show that investors do not fully use accounting indicators as the basis for assessment, but rather consider non-financial factors such as governance, reputation, political risk, government assignment burden, and monopoly position. A number of studies, including Oreshile et al. (2025) and Silva et al. (2019), support that the relationship between financial performance and company value can be weakened in entities with high levels of institutional influence. Finally, mediation analysis shows that financial performance has only a weak mediative role in the relationship of macro and micro fundamentals to the value of the company. The very small value of Upsilon-v (Ogbeibu et al., 2022) indicates that financial performance is not the main transmission path for the influence of fundamental variables on market perception. This can be explained by two main factors: first, investors assess SOEs not solely from financial performance, but from stability and government support, and second, internal fundamental changes often directly affect the perception of market value without the need to change accounting performance.

The findings of this study provide a number of strategic implications for SOE policy makers and management. First, SOEs need to strengthen micro fundamentals by prioritizing optimizing capital structures, controlling leverage, increasing liquidity, and managing cash flow more effectively. This effort needs to be accompanied by increasing operational efficiency through digitalization, restructuring business processes, and strengthening governance and risk management. These steps are also in line with the corporate transformation agenda launched by the Ministry of SOEs to increase the competitiveness of state companies. Second, the results of the study show the need to strengthen the transparency of financial information. The insignificance of the influence of financial performance on the value of the company indicates that the market has not responded optimally to accounting reports. Therefore, SOEs need to improve the quality of disclosure, including presenting non-financial indicators such as ESG performance, governance quality, and public service achievements. Additionally, the preparation of value-creation-based reports such as EVA or ROIC can help investors get a more comprehensive picture.

Third, SOE management needs to strengthen its strategy in meeting investor expectations. In the context of state-owned companies, investors do not only assess short-term profits, but also focus more on company stability, governance quality, management integrity, and long-term sustainability. As such, corporate policies need to be geared towards maintaining institutional reputation and ensuring broader business sustainability than just profit achievement. This research offers several significant scientific contributions. First, this study reveals that financial performance does not mediate the influence of macro and micro fundamentals on company value, different from the findings of the majority of previous research. Second, this study shows that macro fundamentals do not have a significant effect in the context of SOEs, a characteristic characteristic of state-owned enterprises that do not fully operate based on market mechanisms. Third, this study provides a data-based prediction model for the non-financial SOE panel for the 2017–2022 period, which is rarely used in similar studies. Fourth, this study provides empirical evidence that the capital market has different valuation behavior towards SOEs compared to private companies, especially in response to internal and external factors of the company.

CONCLUSION

This study confirms that the internal dynamics of companies play a much more dominant role in shaping the financial performance and market value of SOEs than macroeconomic pressures. Micro-fundamental factors such as capital structure, operating efficiency, profitability, and risk management proved to be the main determinants of performance stability, while macro variables did not show a significant influence. These findings reflect the institutional characteristics of SOEs that have regulatory protection and state support, so that their sensitivity to economic volatility is lower. In addition, the capital market tends to respond to internal information of companies rather than macro indicators or accounting performance results, showing that investors' perceptions of governance, reputation, and government support are more decisive in the formation of company value. This study also reveals that financial performance does not play a mediator role in the relationship between micro and macro fundamentals to the value of the company, indicating that there are other transmission channels that are more dominant, especially non-financial factors and market expectations for the long-term stability of SOEs. Drawing on the panel's data from 2017–2022, the study provides empirical evidence that market behavior toward SOEs is structurally different from responses to private companies. This not only adds new perspectives to the literature on public finance and state corporations, but also provides a foundation for policymakers and SOE management to strengthen internal capabilities, increase information transparency, and adjust corporate communication strategies to align with the expectations of modern investors.

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