Unveiling the Symphony of Economic Policies on Corporate Financial Performance: A Quantitative Revelation through SMARTPLS Analysis

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Abstract

This research investigates the influence of economic stimulus policy, fiscal policy, and the solvency risk of companies on their financial performance. Utilizing a quantitative approach, the study adopts regression analysis through SMARTPLS to analyze the data. Primary data for the variables - impact of economic stimulus policy, solvency risk of companies, and fiscal policy - were gathered, along with secondary data over a five-year period pertaining to the financial performance variable. The dataset was derived from 26 manufacturing companies listed on the Indonesia Stock Exchange (BEI). The findings reveal that both economic stimulus policy and fiscal policy exert a positive and significant effect on financial performance. In contrast, the solvency risk of companies does not exhibit a significant impact. This outcome suggests that while macroeconomic policies facilitate an environment conducive to financial growth, the internal risk management and financial structuring of a company play a critical role in leveraging these external benefits. The study underscores the importance of strategic internal management and effective risk mitigation practices in enhancing and sustaining financial performance amidst varying economic policies.

Keywords: Economic Stimulus Policy, Fiscal Policy, Solvency Risk, Financial Performance.

Introduction

In the dynamic realm of economics, governments worldwide frequently implement various economic stimulus policies in response to emerging economic challenges. These policies are intended to enhance the liquidity and solvency of corporations, as well as to influence fiscal policy and overall corporate financial performance (Khusaini, 2015). This research aims to analyze the impact of economic stimulus policies on the liquidity and solvency of corporations, and the effect of fiscal policy on corporate financial performance. Through comprehensive analysis, this study seeks to bridge existing knowledge gaps and provide new

insights into the effectiveness of government policies in addressing economic challenges.

Economic crises, whether global or local in scale, often result in a sharp decline in corporate financial performance (Chen et al., 2022); (Buse & Ştefan, 2014). In such situations, the liquidity and solvency of corporations become critically important, as these factors influence a company's ability to survive in the short and long term. Liquidity, referring to a company's ability to meet its short-term obligations, and solvency, indicating a company's capacity to meet long-term liabilities, are key indicators of a corporation's financial stability (Teker et al., 2016). On the other hand, fiscal policy, which includes government spending and taxation to influence the economy, also significantly impacts corporate financial performance. Fiscal policy can stimulate the economy through increased spending, which in turn can boost demand for a company's products and services, or through tax reductions, which can enhance corporate profits (Abbott & Jones, 2012; Carmignani, 2015; Fölster & Henrekson, 2001). Relevant phenomena in this context include government responses to economic crises, such as the 2008 global financial crisis, where various economic stimulus policies were implemented to prevent a deeper recession (de Oliveira Leite et al., 2020). Another example is the COVID-19 pandemic, which led governments worldwide to implement unprecedented economic stimulus packages to support corporations and the economy at large (Di Bartolomeo et al., 2022). These examples highlight the importance of government policy in mitigating the economic impacts of crises and underscore the need for a deeper understanding of the effectiveness of these policies.

Despite extensive research evaluating the impacts of economic stimulus and fiscal policies, a knowledge gap remains regarding how these policies specifically affect corporate liquidity and solvency, and overall financial performance. Many studies focus on the macroeconomic impacts of these policies, while research on their microeconomic effects on corporations is still limited. Additionally, existing research often fails to consider variations in policy effectiveness across different economic sectors or under different economic conditions. Therefore, this study aims to fill these gaps by analyzing the impact of economic stimulus policies and fiscal policy on corporate liquidity and solvency, and financial performance, considering diverse economic and sectoral contexts. A range of studies have explored the impact of various factors on the financial performance of manufacturing companies in Indonesia. Masdupi et al (2018) and Susilowati et al (2019) both found that liquidity, leverage, and profitability significantly influence financial distress, with the latter also highlighting the role of operating capacity and managerial agency cost. Mukhibad et al (2020) and Djazuli & Dodi (2020) further emphasized the negative impact of liquidity on debt policy and the significant effect of liquidity, solvency, and profitability on dividends. Sudiyatno & Suwarti (2022) and Laurencia & Amalia (2020) both found that liquidity plays a significant role in firm performance, with the former also highlighting the influence of capital structure and firm size. Rizal et al (2020) and Simorangkir & Adamanti (2010) focused on the impact of fiscal and monetary policies, with the former finding a positive impact on macroeconomic performance and the latter emphasizing the effectiveness of a combination of fiscal and monetary expansion.

In terms of state of the art, this research adopts a multidisciplinary approach that combines economic, financial, and management theories. Through the analysis of corporate financial data and macroeconomic data, this study employs statistical and econometric methodologies to identify and measure the impact of economic stimulus policies and fiscal policy. By comparing

corporations across various sectors and regions, this study aims to offer new insights into how government policies can be optimized to support corporations in facing economic challenges. As summary, this research endeavours to make a significant contribution to our understanding of the effectiveness of economic stimulus policies and fiscal policy in supporting corporate liquidity and solvency, as well as in enhancing overall financial performance. By addressing existing knowledge gaps and providing a comprehensive analysis, this study is expected to offer valuable policy recommendations for policymakers, business practitioners, and academics in responding to future economic challenges.

Literature Review

Many studies have been conducted to observe the effects of economic stimulus policies on firm performance. In general, these policies focus on supporting firms by optimizing government spending, providing incentives for investment, and increasing domestic consumption. The theoretical implication of economic stimulus policies is that an increase in the liquidity and solvency of firms will positively affect the fiscal and financial performance of firms. Several studies have examined the impact of economic stimulus policies on corporate liquidity. Various studies found that stimulus policies that allocate funds directly to firms can improve their liquidity. For example, A range of studies have explored the impact of various interventions on different aspects of society. (Yusuf, 2021) and (Herawati et al., 2022) both highlight the importance of economic empowerment, with the former focusing on entrepreneurship in rural areas and the latter on women's empowerment. (Nashori, 2016) and (Palupi J et al., 2021) emphasize the role of education in nurturing talent and financial literacy. This can happen because these additional funds allow companies to pay debts and settle other financial obligations, which in turn increases their solvency.

In addition, some studies also explain how economic stimulus policies can affect the financial performance of companies. Some studies also show that stimulus policies that provide tax incentives can encourage companies to generate higher profits. This is due to tax reductions that allow companies to allocate more resources on investment and increased production. In this case, this policy provides a positive boost to the company's financial performance. For example, it is explained in several studies that. Research on the impact of tax incentives on company profitability yields mixed results. While some studies, such as Akomolafe, 2022), find a positive relationship between tax incentives and profitability, others, like Harrison 1978, argue that these incentives may not necessarily lead to new investment. The effectiveness of these incentives in stimulating innovation is also questioned, with Yigitcanlar et al (2019) suggesting that existing programs may have limited impact. However, (Zwick & Mahon (2014) study on temporary tax incentives found a significant increase in equipment investment, particularly among financially constrained firms. Despite these mixed findings, tax incentives remain a popular policy tool, with states in the US spending significant amounts on them (Slattery & Zidar, 2020).

However, there are also studies that show that the effects of economic stimulus policies are not always positive. Some studies have found that stimulus policies that rely on public debt can cause long-term fiscal problems. Uncontrolled debt growth can lead to an increase in interest rates and inflation, which in turn will hurt the company's financial performance. Research on the impact of economic stimulus policies on public debt and long-term fiscal

problems presents a mixed picture. Seidman & Lewis (2009) and (Auerbach & Gorodnichenko, 2017) both find that temporary fiscal stimulus can effectively mitigate recessions and may not significantly increase debt-to-GDP ratios. However, McCausland & Theodossiou (2016) challenges the traditional view that fiscal contractions improve public debt, suggesting that fiscal austerity can worsen the situation. Gechert et al (2019) further supports the benefits of early stimulus, while Mahfouz et al (2002) and Agnello & Sousa (2011) highlight the small positive fiscal multipliers and the potential negative impact of fiscal policy on asset markets. Dincă (2013) and Galí (2014) add that public debt can negatively influence economic growth and that money-financed fiscal stimulus can have strong effects on economic activity.

In addition, it is important to consider that the effects of economic stimulus policies may vary across different sectors of the economy. Some studies have also shown that the manufacturing sector is generally more vulnerable to changes in economic stimulus policies than the services sector. This factor needs to be considered by the government when planning and implementing economic stimulus policies. Research on the effects of economic stimulus policies reveals a complex and varied impact. Wilson (2012) emphasizes the need to consider the specific fiscal policies and economic context, while (Jha, 2019) and (Guest & Makin, 2011) highlight the potential employment effects and the importance of productivity and debt repayment in fiscal stimulus. Gravelle et al (2010) discusses the issues surrounding fiscal stimulus, including timeliness and long-term effects. Gravelle et al (2010) and Cai et al (2010) both underscore the sectoral differences in employment effects, with the former noting the vulnerability of the manufacturing sector and the latter suggesting a focus on employment in public investment. Coenen et al (2010) further emphasizes the effectiveness of fiscal stimulus, particularly in the form of spending and targeted transfers, when accompanied by monetary policy.

Research Method

Research Approach

This study employs a quantitative approach to investigate the impact of Economic Stimulus Policy on company liquidity and solvency, and their effects on financial performance. Using Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis with the assistance of SMARTPLS software, the research aims to identify and analyze significant relationships between independent variables such as Economic Stimulus Policy, Liquidity, and Solvency, and dependent variables which include Gross Margin, Net Profit Margin, Operating Margin, and Return on Investment (ROI).

Data and Data Collection and Measurement

The data utilized in this research comprises primary and secondary sources. Primary data was collected through the distribution of questionnaires to 26 managers from 26 companies as a sample in this study; aimed at measuring their perceptions towards the independent variables using a Likert scale of 1-5 (See Table 1). These independent variables include perceptions towards Economic Stimulus Policy, Company Liquidity, and Solvency. Meanwhile, secondary data was gathered from the financial reports of companies (See. Table 2), including information on Gross Margin, Net Profit Margin, Operating Margin, and ROI, measured in terms of percentage over Trailing Twelve Months (TTM). To ensure data comparability, secondary data

was processed through frequency distribution into 5 class intervals, facilitating the analysis and interpretation of varied financial data.

Table 1. Financial Performance Measurement

Company Name	in % TTM			
	Gross Margin	Operating Margin	Net Profit Margin	ROI
Tiga Pilar Sejahtera Food Tbk, PT (AISA)	31,31	2,14	-0,46	2,89
Tri Banyan Tirta Tbk, PT (ALTO)	5,92	-3,82	-8,99	-0,91
Campina Ice Cream Industry Tbk, PT (CAMP)	57,15	12,72	11,26	12,06
Wilmar Cahaya Indonesia Tbk, PT (CEKA)	7,11	4,25	3,41	12,4
Sariguna Primatirta Tbk, PT (CLEO)	40,7	22,97	16,66	17,31
Wahana Interfood Nusantara Tbk, PT (COCO)	22,14	6,08	-5,89	2,03
Delta Djakarta Tbk (DLTA)	69,93	30,91	27,97	18,89
Diamond Food Indonesia Tbk,PT (DMND)	20,64	4,86	3,62	5,93
Sentra Food Indonesia Tbk, PT (FOOD)	17,05	-24,8	-16,37	-32,6
Garudafood Putra Putri Jaya Tbk, PT (GOOD)	26,17	7,61	4,77	11,22
Buyung Poetra Sembada Tbk, PT (HOKI)	8,02	-0,58	-1,09	-0,55
Indofood CBP Sukses Makmur Tbk, PT(ICBP)	36,33	22,01	12,41	10,56
Era Mandiri Cemerlang Tbk (IKAN)	16,5	3,55	1,03	3,2
Indofood Sukses Makmur Tbk, PT (INDF)	30,69	17,11	7,72	8,36
Mulia Boga Raya Tbk, PT (KEJU)	22,87	6,08	5,61	6,63
Multi Bintang Indonesia Tbk, PT (MLI)	60,94	39,31	30,95	66
Mayora Indah TBK, PT (MYOR)	26,16	12,01	9,2	15,53
Pratama Abadi Nusa Industri Tbk, PT (PANI)	49,47	41,83	16,27	8,8
Prima Cakralawa Abadi Tbk (PCAR)	15,18	3,59	2,79	8,29
Prashida Aneka Niaga Tbk, PT (PSDN)	26,31	130,7	125,26	40,82
Palma Serasih Tbk, PT (PSGO)	29,46	21,96	11,92	10,54
Nippon Indosari Corporindo Tbk, PT (ROTI)	52,63	15,04	10,21	13,06
Sekar Bumi Tbk, PT (SKBM)	12,71	3,43	1,14	4,85
Sekar Laut Tbk, PT (SKLT)	25,63	6	4,69	11,74
Siantar Top Tbk, PT (STTP)	27,74	18,2	17,89	17,61
Ultrajaya Milk Industry and Trading Company Tbk, PT (ULTJ)	32,04	16,7	13,16	14,58

Table 2. Primary Data

Variables	Item / Indicators
Economic Stimulus Policy	• Impact on Operational Decisions • Impact on Investment • Impact on Finances • Response to Long-Term Strategy • Perception of Policy Effectiveness
Solvency Risk of Companies	• What is the ratio of debt financing to equity financing in your company's capital structure? (e.g., more debt, more equity, or a balance between both • On a scale of 1 to 5, how confident are you in your company's ability to repay its existing long-term debts? • How would you assess your company's liquidity in terms of meeting short-term obligations? Does the company have sufficient liquid assets (e.g., cash and cash equivalents) to meet these obligations?

Variables	Item / Indicators
	• Estimate, what percentage of your company's total assets are currently financed by liabilities? • How effective is your company's operational performance in generating sufficient cash flow to meet interest obligations and debt?
Fiscal Policy	• How do you assess the impact of the recent tax rate changes by the government on the operations of your business/company? • To what extent has the government's recent spending, particularly in sectors relevant to your business, affected your company's performance? • On a scale from 1 to 5, how effective have the government's fiscal incentives been in boosting investment or expansion by your company? • What is your perception of the current government's budget deficit or surplus policy? Do you feel that this policy is beneficial or detrimental to the economy as a whole? • Rate how much you believe the government's fiscal policy contributes to the country's economic stability.

Data Analysis

Data analysis was conducted using SMARTPLS software, through several crucial steps. Initially, the outer model testing was performed to evaluate the validity and reliability of variable measurements. This includes convergent validity, discriminant validity, and composite reliability. Following that, inner model testing was executed to analyze the relationships between variables by examining path coefficients and assessing the R-square value. Subsequently, an evaluation of multicollinearity with the inspection of VIF was conducted to ensure the absence of multicollinearity, which could compromise model validity. Mediation effect assessment was also carried out, if necessary, to determine the role of mediating variables. Finally, overall model testing was done to evaluate the model's Goodness-of-Fit and the reliability of analysis results. Through these analytical steps, the research is expected to provide a deep understanding of the dynamics between economic stimulus policy and corporate financial performance.

Result and Discussion

In this section on results and discussion, we present the significant findings derived from our data analysis. This analysis concentrates on several crucial aspects, including Outer Loading, Construct Reliability and Validity, the Fornell-Larcker Criterion, F-Square, R-Square, and Regression Testing. Each of these components is vital in our study to ensure the reliability and validity of the model we have developed. We will delve into each part in detail, starting with a discussion on Outer Loading, which indicates how well the indicators in our study measure the intended constructs. Subsequently, we will explore Construct Reliability and Validity. This section elucidates the reliability and validity of the data we have gathered based on our measurements. This step is critical to ensuring that our findings are grounded and trustworthy. We employed various methods to assess these aspects, including Cronbach's Alpha for reliability and Confirmatory Factor Analysis for validity. The Fornell-Larcker Criterion will then be discussed to evaluate the discriminant validity of our model. This is crucial to ensure that the constructs we measure are indeed distinct from one another and contribute uniquely to

the research model.

Following that, we will examine the F-Square values, which help us understand the relative impact of independent variables on the dependent variables in the model. This provides insights into the strength of the relationships among the variables we analyzed. The analysis of R-Square will be presented to show how well our model can explain the variability of the dependent variables. This offers a picture of the overall performance of our model in explaining the data we have. Lastly, Regression Testing will be utilized to evaluate the causal relationships between the variables under study. Through this test, we can identify how significantly the independent variables influence the dependent variables. The entire analysis is designed to provide a deep understanding of the dynamics within our study. By discussing these findings, we hope to make a meaningful contribution to the existing literature and offer new insights that can be utilized by other researchers in similar studies in the future.

Table 3. Outerloading

	Economic Stimulus Policy	Financial Performance	Fiscal Policy	Solvency Risk of Companies
ESP1	0.659			
ESP2	0.756			
ESP3	0.774			
ESP4	0.678			
FP1			0.807	
FP2			0.935	
FP3			0.940	
FP4			0.784	
FPP1		0.887		
FPP2		0.801		
FPP3		0.824		
FPP4		0.454		
SRC1				0.757
SRC2				0.799
SRC3				0.819
SRC4				0.706

Table 3. Outerloading provides a detailed overview of the loadings of various indicators on their respective constructs within a research model. These constructs include Economic Stimulus Policy (ESP), Financial Performance (FP), Fiscal Policy (FPP), and Solvency Risk of Companies (SRC). The loadings represent how strongly each indicator is associated with its construct, with higher values indicating a stronger association. Here is an interpretation and narrative explanation of the table:

1. Economic Stimulus Policy (ESP)
   The indicators for the Economic Stimulus Policy construct range from ESP1 to ESP4, with loadings varying from 0.659 to 0.774. These values suggest that all four indicators have a substantial and positive association with the Economic Stimulus Policy construct, indicating that they are relevant and accurately measure the construct. ESP3, with the highest loading of 0.774, is the most significant indicator, implying it has the strongest association with the Economic Stimulus Policy among the four indicators.
2. Financial Performance (FP)
   For the Financial Performance construct, the indicators (FP1 to FP4) show loadings between 0.784 and 0.940. These high loadings indicate a strong and positive link

between each indicator and the Financial Performance construct, confirming the relevance and adequacy of these indicators in measuring Financial Performance. FP3 stands out with the highest loading of 0.940, making it the most influential indicator of Financial Performance in this model.

3. Fiscal Policy (FPP)
    The Fiscal Policy construct is represented by indicators FPP1 to FPP4, with loadings ranging from 0.454 to 0.887. Except for FPP4, which has a relatively low loading of 0.454, the other indicators have strong associations with the Fiscal Policy construct, with FPP1 showing the strongest association (0.887). The low loading of FPP4 suggests it might be less relevant or not as accurately measuring the Fiscal Policy construct compared to the others.

4. Solvency Risk of Companies (SRC)
    Indicators SRC1 to SRC4 are associated with the Solvency Risk of Companies construct, with loadings between 0.706 and 0.819. These values indicate a positive and meaningful association between the indicators and the Solvency Risk construct, confirming their relevance in measuring this construct. SRC3, with a loading of 0.819, is identified as the most significant indicator, indicating the strongest association with the Solvency Risk of Companies.

Table 4. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Economic Stimulus Policy	0.686	0.687	0.809	0.516
Financial Performance	0.743	0.811	0.839	0.578
Fiscal Policy	0.890	0.910	0.925	0.756
Solvency Risk of Companies	0.774	0.790	0.854	0.595

Table 4, Construct Reliability and Validity, presents critical statistics related to the reliability and validity of the constructs within the research model. These constructs include Economic Stimulus Policy, Financial Performance, Fiscal Policy, and Solvency Risk of Companies. The table provides values for Cronbach's Alpha, rho_A, Composite Reliability, and Average Variance Extracted (AVE) for each construct. Here's an interpretation and narrative explanation of these statistics:

1. Economic Stimulus Policy
    Cronbach's Alpha (0.686) and rho_A (0.687) indicate acceptable levels of internal consistency reliability for this construct, although they are close to the commonly accepted threshold of 0.7. This suggests that the items measuring Economic Stimulus Policy are reasonably consistent. Composite Reliability (0.809) exceeds the threshold of 0.7, indicating good reliability and that the construct's indicators have a strong internal consistency. Average Variance Extracted (AVE) (0.516) surpasses the minimum value of 0.5, suggesting that more than half of the variance observed in the indicators of Economic Stimulus Policy is due to the construct itself, affirming good convergent validity.

2. Financial Performance
    Shows higher Cronbach's Alpha (0.743) and rho_A (0.811), indicating strong internal consistency among the items measuring this construct. Composite Reliability (0.839) further confirms the high reliability of the Financial Performance construct. With an AVE of 0.578, this construct also demonstrates strong convergent validity, as it captures a significant proportion of the variance in its indicators.

3. Fiscal Policy

Exhibits the highest Cronbach's Alpha (0.890) and rho_A (0.910) among the constructs, indicating excellent internal consistency. Composite Reliability (0.925) is also notably high, reinforcing the reliability of the Fiscal Policy construct. An AVE of 0.756 is exceptionally high, suggesting excellent convergent validity and indicating that a substantial amount of the variance in the indicators is accounted for by the construct.

4. Solvency Risk of Companies

Has Cronbach's Alpha (0.774) and rho_A (0.790), both of which reflect good internal consistency, ensuring that the items measuring this construct are reliable. Composite Reliability (0.854) is well above the threshold, further affirming the construct's reliability. The AVE (0.595) indicates good convergent validity, signifying that a significant portion of the variance in its indicators can be attributed to the construct itself.

Table 5. Fornell-Larcker Criterion

	Economic Stimulus Policy	Financial Performance	Fiscal Policy	Solvency Risk of Companies
Economic Stimulus Policy	0.718			
Financial Performance	0.897	0.760		
Fiscal Policy	0.791	0.556	0.869	
Solvency Risk of Companies	0.874	0.828	0.492	0.771

Based on the Fornell-Larcker Criterion and the data provided in Table 5, it can be inferred that all constructs exhibit discriminant validity, as each construct's square root of AVE is higher than its correlations with other constructs. This implies that the constructs within the model are distinct and measure different phenomena, an essential condition for the validity of the research model. However, a detailed view of the exact correlation values between constructs would further clarify these relationships. The demonstration of discriminant validity through this criterion supports the integrity and robustness of the model's construct design, contributing to the reliability of the study's conclusions.

Table 6. F-Square

	Economic Stimulus Policy	Financial Performance	Fiscal Policy	Solvency Risk of Companies
Economic Stimulus Policy		1.379		
Financial Performance				
Fiscal Policy		0.557		
Solvency Risk of Companies		0.095		

The F-Square values presented in Table 6 highlight the differing magnitudes of impact that Economic Stimulus Policy, Fiscal Policy, and Solvency Risk of Companies have on Financial Performance. Economic Stimulus Policy stands out as having the largest effect, indicating it is a crucial driver of Financial Performance within this model. Fiscal Policy also shows a significant, though smaller, effect on Financial Performance. Meanwhile, Solvency Risk of Companies exhibits a minimal impact, suggesting its role as a predictor of Financial Performance is limited compared to the other constructs. This analysis provides valuable insights into how different policies and risk factors contribute to the financial performance of companies, guiding stakeholders in prioritizing areas for intervention and research.

Table 7. R-Square

	R Square	**R Square Adjusted**
Financial Performance	0.880	0.864

The R-Square values presented in Table 7 highlight the strong explanatory power of the model concerning Financial Performance. With 88% of the variance in Financial Performance being explained by the independent variables, stakeholders, and researchers can have high confidence in the model's relevance and applicability. The proximity of the R Square and R Square Adjusted values reinforces the efficiency of the model, indicating that it is well-specified without redundant variables. This robustness in explaining Financial Performance is invaluable for theoretical contributions and practical applications, such as policy formulation, strategic planning, and performance improvement initiatives within organizations.

Table 8. Regression Test

	Original Sample	**Sample Mean**	**Standard Deviation**	**T Statistics**	**P Values**
Economic Stimulus Policy → Financial Performance	1.608	1.385	0.366	4.389	0.000
Fiscal Policy → Financial Performance	-0.570	-0.424	0.215	2.657	0.008
Solvency Risk of Companies → Financial Performance	-0.297	-0.158	0.253	1.172	0.242

Table 8, demonstrated Regression Test, presents the results of regression analysis examining the impact of Economic Stimulus Policy, Fiscal Policy, and Solvency Risk of Companies on Financial Performance. This analysis involves the Original Sample estimates, Sample Mean, Standard Deviation, T Statistics, and P Values for each of the paths within the model. Here's an interpretation and narrative explanation based on the table:

1. Economic Stimulus Policy on Financial Performance
   Original Sample Estimate (1.608): Indicates a strong positive effect of Economic Stimulus Policy on Financial Performance, suggesting that improvements in Economic Stimulus Policy are associated with significant enhancements in Financial Performance. Sample Mean (1.385): The average effect size across samples supports the positive relationship. Standard Deviation (0.366): This relatively low standard deviation indicates a consistent effect across different samples. T Statistics (4.389): Significantly exceeds the common threshold of 1.96 for statistical significance, indicating a very strong relationship. P Value (0.000): Demonstrates that the effect of Economic Stimulus Policy on Financial Performance is statistically significant at conventional levels (e.g., p < 0.05).

2. Fiscal Policy on Financial Performance
   Original Sample Estimate (-0.570): Shows a negative effect of Fiscal Policy on Financial Performance, implying that certain aspects of Fiscal Policy may detract from Financial Performance. Sample Mean (-0.424): The average effect size across samples also supports the negative relationship. Standard Deviation (0.215): Indicates a relatively consistent effect across different samples. T Statistics (2.657): Exceeds the threshold of 1.96, suggesting the relationship is statistically significant. P Value (0.008): Indicates that the negative effect of Fiscal Policy on Financial Performance is statistically significant, though less so than Economic Stimulus Policy.

3. Solvency Risk of Companies on Financial Performance
Original Sample Estimate (-0.297): Indicates a negative effect, suggesting that higher Solvency Risk of Companies is associated with lower Financial Performance. Sample Mean (-0.158): The average effect size across samples suggests a consistent negative relationship, albeit weaker. Standard Deviation (0.253): Reflects some variability in the effect across different samples. T Statistics (1.172): Falls below the threshold for statistical significance, suggesting that the relationship may not be robust across different contexts. P Value (0.242): Far exceeds the conventional threshold for statistical significance (e.g., $p < 0.05$), indicating that the negative effect of Solvency Risk of Companies on Financial Performance is not statistically significant.
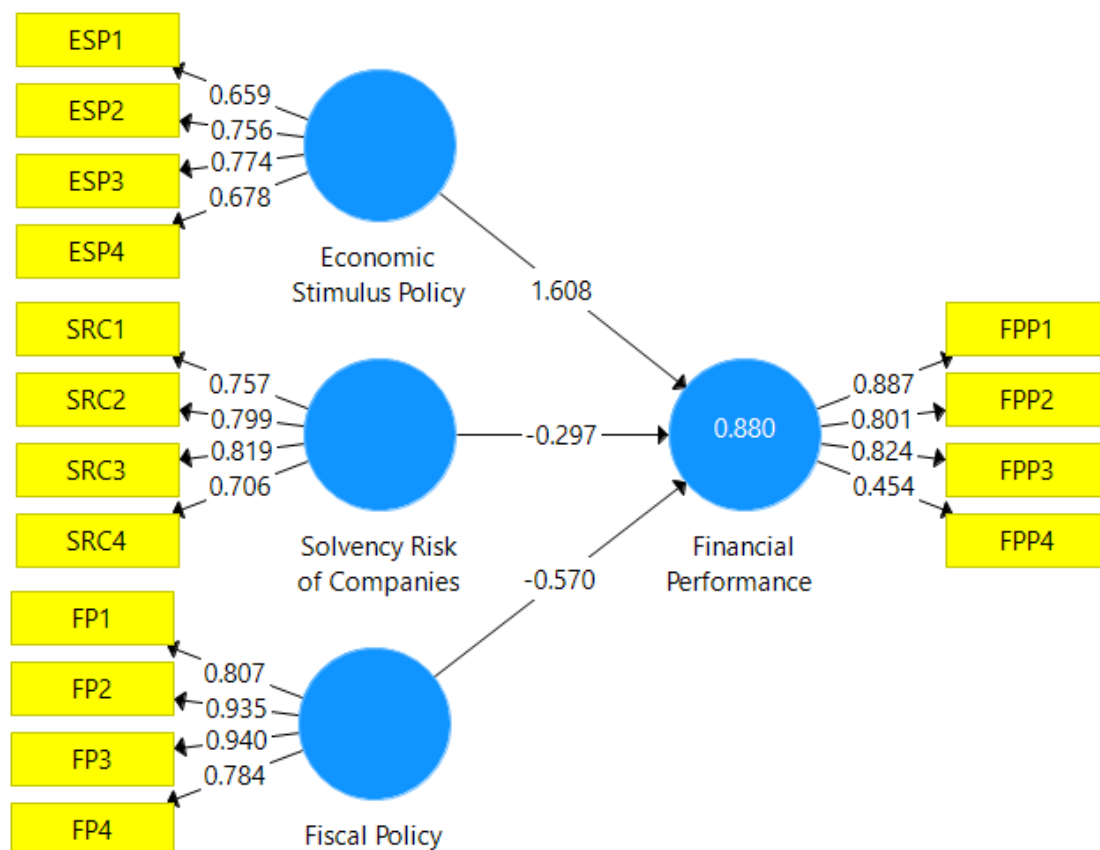

Figure 1. Conceptual Framework

Discussion

Economic stimulus policy encompasses measures undertaken by the government or central banks to spur economic growth, especially during recessionary periods. These measures can take the form of increased government spending, tax reductions, or lower interest rates. The primary aim is to boost consumption and investment by households and businesses. Regarding fiscal policy, which plays a crucial role in government efforts to influence economic conditions, it focuses on government spending and taxation policies. An expansive fiscal policy, for example, involves increasing government spending and/or cutting taxes to raise aggregate demand, which, in turn, is expected to stimulate economic growth.

The financial performance of companies, typically measured through indicators like revenue, net profit, ROI (Return on Investment), and ROE (Return on Equity), is significantly influenced by macroeconomic conditions. Economic stimulus and expansive fiscal policies tend to create a conducive environment for business growth. When the government cuts taxes or increases spending, households' disposable income generally rises, meaning consumers have more money to spend. This can increase company revenues, especially for those operating in sectors sensitive to economic cycles such as retail, automotive, and construction.

Furthermore, a reduction in interest rates by central banks can lower borrowing costs for companies, making it easier for them to finance expansion or daily operations. This often leads to increased investment in fixed assets, which in turn can enhance a company's productive capacity and efficiency. These improvements contribute to enhanced company financial performance.

However, when discussing the solvency risk of companies—the ability of a company to meet its long-term obligations—the relationship with financial performance is not as straightforward as the impact of economic stimulus and fiscal policies. Solvency risk is often more related to a company's internal financial structure and risk management than to macroeconomic conditions. Well-managed companies can navigate through challenging economic conditions without jeopardizing their solvency, while poorly managed companies may struggle even in favorable economic conditions. Moreover, companies with high levels of debt may not be significantly impacted by economic stimulus or fiscal policies if a significant portion of their resources is allocated to servicing debt. In such cases, solvency risk can become more critical than macroeconomic conditions in determining a company's financial performance. Another factor that diminishes the significance of solvency risk on financial performance is access to capital markets and credit conditions. Companies with good access to financing can secure the necessary capital to survive during economic uncertainties or to capitalize on growth opportunities, despite possibly facing higher solvency risks. In other words, solvency risk is one of many factors to be considered in the broader context of a company's financial and operational strategy. In conclusion, economic stimulus and fiscal policies significantly and positively affect companies' financial performance because they enhance aggregate demand, facilitate access to financing, and encourage investment and consumption. Conversely, the solvency risk of companies does not always significantly influence financial performance due to the multitude of other factors in play, including company risk management, financial structure, and access to capital markets. Therefore, it is crucial for companies not merely to focus on macroeconomic conditions but also on their internal management to ensure stable and sustainable financial performance.

Concluding

The intriguing conclusion that emerges from this discourse is the nuanced understanding that while governmental economic policies can catalyze business environments conducive to growth, the core resilience and long-term sustainability of a company's financial performance are inherently tied to its internal governance, financial structuring, and risk management capabilities. This insight directs us toward the realization that companies must not solely rely on favorable economic conditions or governmental policies for their financial prosperity but

should cultivate robust financial health through strategic planning and risk management. To navigate the complex interplay of external economic forces and internal strategic decisions, companies should embark on a multifaceted approach to bolster their financial performance such as Companies should engage in forward-looking financial planning, identifying potential risks and opportunities in the market. This involves setting clear financial goals, forecasting future financial conditions, and preparing for various economic scenarios.

Secondly, developing a comprehensive risk management framework is essential. This includes assessing solvency risks, market risks, and operational risks, and implementing strategies to mitigate these risks. Diversification of products, services, and markets can serve as a hedge against sector-specific downturns. Third, should continually evaluate and optimize their capital structure to ensure a healthy balance between debt and equity. This optimization is crucial for maintaining financial flexibility and minimizing solvency risk, thereby enhancing the company's ability to invest in growth opportunities even during challenging economic times. Fourth, Continuous investment in innovation and operational efficiency can provide companies with a competitive edge, enabling them to adapt more swiftly to market changes and economic shifts. Embracing technological advancements can lead to cost savings, new revenue streams, and improved market positioning. Maintaining open lines of communication with all stakeholders, including investors, employees, customers, and suppliers, can provide valuable insights into Fifth, market trends and shifts in consumer behavior. Engaging with stakeholders can help companies to anticipate changes, adapt strategies accordingly, and maintain trust during periods of uncertainty.

In essence, the path to sustaining and enhancing financial performance in the face of fluctuating economic policies and market conditions lies in a company's ability to strategically manage its internal resources, embrace adaptive financial practices, and commit to continuous improvement and innovation. As such, the key to enduring financial success is not found in the external economic landscape but within the strategic sanctums of the company itself. By focusing on internal strengths and strategic adaptability, companies can navigate economic uncertainties with greater resilience, positioning themselves for sustained financial health and growth.

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