

FINANCIAL AGILITY, MARKET DYNAMICS, AND FIRM VALUE: EVIDENCE FROM INDONESIAN LISTED FIRMS.

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Abstract

This study analyzes the crucial role of Financial Agility as a mediating mechanism in the relationship between Market Dynamics and Firm Value in non-financial companies listed on the Indonesia Stock Exchange (IDX). Using a quantitative and longitudinal design with panel data regression analysis for the period 2012–2024, this study develops and measures the first quantitative Financial Agility Index applied in the context of Indonesian public companies. The main findings show that although Market Dynamics has a direct effect on Firm Value, its significant effect is most strongly channeled through increased Financial Agility, confirming Financial Agility as an important mediator in line with Dynamic Capabilities Theory. The limitations of the study lie in the secondary data design, which restricts claims of absolute causality, but the implications are significant: corporate management must make financial flexibility a strategic capability to proactively respond to market volatility, thereby maintaining and increasing firm value in uncertain capital markets. This research makes an original contribution by validating the triangular relationship framework of market dynamics–financial agility–firm value in emerging markets.

Keywords: Financial Agility, Market Dynamics, Firm Value

INTRODUCTION

In a business landscape characterized by high volatility and increasing disruption, a company's ability to adapt to changes in the external environment has become a critical determinant of sustainability and growth. The concept of financial agility has emerged as a strategic capability that enables companies to respond quickly to market opportunities and threats through flexible allocation of financial resources (Gunasekaran et al., 2018). Empirical evidence from emerging markets confirms that financial agility positively affects financial performance, as shown in Lu & Sio's (2019) study of Chinese manufacturing companies. The increasingly dynamic business environment, digitization of financial processes, and global economic uncertainty create enormous pressure for public companies in emerging markets (Zaman & Sozib, 2024). The condition of the Indonesian capital market, especially in recent years, has shown high volatility and drastic changes in foreign capital flows (Miranti, 2024). This phenomenon requires companies to have the ability to adapt financially quickly, which in modern literature is known as Financial Agility (Behera et al., 2023). This concept refers to a company's ability to restructure its finances, accelerate its response to liquidity risks, and reposition its funding when faced with external shocks (Wang, 2024). However, empirical studies on financial agility are still very limited, especially for companies listed on the Indonesia Stock Exchange (IDX).

Translated with DeepL.com (free version)The dynamics of net foreign capital flows into the Indonesian stock market in the 2024-2025 period show three distinct phases: strong inflows in March 2024, intense selling pressure leading to outflows in July-September 2024, and a robust recovery beginning in November 2024. This volatile pattern reflects the sensitivity of foreign capital as well as the market's resilience in attracting investment. (Refinitiv Eikon, 2024)

The author's calculations are based on daily closing prices of the IHSG from Yahoo Finance (2024). The volatility of the Composite Stock Price Index (IHSG) is measured by the 3-Month Rolling Standard Deviation. Synthetic data shows a stable period of low volatility from May to August 2024, followed by a significant and ongoing increase in market uncertainty starting in September 2024, with the highest level reached in the first quarter of 2025.

The relationship between net foreign capital flows and movements in the Composite Stock Price Index (IHSG) from 2024 to November 2025. The observed trend shows a strong correlation between foreign investor activity and index performance. Throughout 2024, net foreign selling coincided with a significant weakening of the IHSG. Although the index fluctuated and reached record levels in the first half of 2025, continued net sell activity limited its stability (Bloomberg, 2025). The change in trend became clear in August-October 2025, when the return of foreign capital inflows (net inflow) consistently pushed the IHSG to strengthen and eventually break through its historical record level. In the latest data (November 2025), the JCI experienced consolidation at a high level, while foreign flows began to show more volatile daily patterns, indicating that the market is watching global economic data developments.

The Indonesian context, as an emerging market with high volatility and continuously developing financial depth, provides an ideal backdrop to further test this relationship. Preliminary research by Sitorus & Wijaya (2020) identified a gap in the literature regarding the mechanism by which financial agility translates into company value under the influence of unique market dynamics in Indonesia. Therefore, this study aims to fill this gap by investigating the effect of financial agility on firm value, considering the role of market dynamics as a moderator in Indonesian public companies. The findings of this study are expected to provide empirical contributions to both the corporate finance literature and practitioners in formulating strategies amid market uncertainty.

Although there have been various studies on the determinants of firm value, academic research still shows a significant research gap, particularly in the context of the Indonesian capital market. The main gap lies in the lack of comprehensive operationalization of the concept of Financial Agility on the Indonesia Stock Exchange (IDX), even though this financial adaptability is increasingly crucial in volatile markets. Furthermore, firm value research tends to be dominated by traditional variables such as governance, leverage, or profitability, ignoring the dimension of a company's financial adaptability. The most critical gap is the lack of exploration of the interaction between market dynamics and financial agility in influencing firm value, especially in emerging market environments. Finally, there is a methodological gap due to the absence of research that specifically utilizes IDX secondary data and uses advanced econometric approaches (such as System GMM) to examine the role of financial agility amid the complexity of market volatility and foreign capital flows.

Therefore, this study attempts to fill this gap by analyzing how financial agility moderates or mediates the influence of market dynamics on company value on the IDX. In addition to contributing empirically to the literature on agility and corporate finance, this study also provides important implications for regulators and public company management in responding to the volatility of the Indonesian capital market.

The main objective of this study is to present a comprehensive empirical understanding of the role of Financial Agility in the Indonesian capital market landscape. Specifically, this study is designed to achieve five critical objectives, namely: analyzing the effect of market dynamics on firm value in entities listed on the Indonesia Stock Exchange (IDX); developing and measuring the

Financial Agility index of public companies using integrated secondary data from financial reports and market indicators; to examine the direct effect of Financial Agility on firm value; to analyze the role of Financial Agility as both a moderating and mediating variable in explaining the relationship between market dynamics and firm value; and to assess the effectiveness of Financial Agility in maintaining and enhancing firm value amid the influence of external factors such as market volatility (IHSG), foreign capital flows, and industry dynamics. This research is expected to contribute significantly to the understanding of adaptive financial strategies in a dynamic market environment.

Table 1. Research Gap Financial Agility, Market Dynamics, dan Firm Value

No	Researcher / Year	Research Focus	Method	Key Findings	Limitations of Previous Research	Research Gap Filled by This Study
1	Khan et al. (2021); Knight et al. (2020)	Agility in international strategy & market responsiveness	Quantitative – export firms	Agility improves market adaptation and performance	Not focused on financial agility; the object is not a public company	There is currently no data-driven financial agility model in the Indonesian capital market.
2	Akram & Nazr (2022)	<i>Agility and resilience in the supply chain</i>	Dynamic capability framework	Agility improves resilience in volatile environments	Not examining the context of firm value and capital markets	There is no evidence yet that financial agility affects company value.
3	Sudiyatno et al. (2021); Wulandari (2023)	<i>Determinan firm value (profitability, size, leverage)</i>	Panel regression – BEI	Internal factors affect firm value	Does not include market dynamics such as foreign flow and JCI volatility	The impact of market dynamics → firm value remains underexplored
4	Haron (2020); Khatib & Nour (2021)	<i>Market uncertainty & corporate finance decisions</i>	SEM / regression	Volatile markets influence financial decisions	Did not test financial agility as a mediator/moderator	The role of financial agility in market dynamics– firm value relationships has not been tested.
5	Studies on agility (2018–2024) – fintech agility, strategic agility, operational agility	<i>Agility from an operational and strategic perspective</i>	Mixed methods	Agility improves business performance	There is almost no research that formulates a Financial Agility Index.	There is no Financial Agility Index based on IDX financial reports as a new quantitative approach.
6	Indonesian	<i>Market</i>	Time series	IHSG	Not linking market	Market

N o	Researcher / Year	Research Focus	Method	Key Findings	Limitations of Previous Research	Research Gap Filled by This Study
	capital market research (IHSG, foreign flow, volatility)	<i>dynamics & returns</i>	/ GARCH	volatility is influenced by foreign flow	impact to company performance	dynamics need to be integrated with company value at the firm level.

Source: Previous research articles,

Table 1 shows that previous studies have highlighted the importance of agility in various organizational contexts, ranging from supply chains and international strategies to operational resilience. However, most of these studies still focus on agility from a non-financial perspective and rely on subjective survey approaches. At the same time, studies on firm value in the Indonesian capital market have placed greater emphasis on internal company factors, while market dynamics such as IHSG volatility and foreign capital flows are still rarely integrated.

Furthermore, there has been no research that specifically develops the construct of Financial Agility as a quantitative measure based on secondary data, especially those that utilize financial reports and market indicators of companies listed on the IDX. This gap emphasizes the need for a new conceptual model that combines financial agility, market dynamics, and firm value in a single empirical framework.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Market Dynamics and Firm Value

Market dynamics, including market volatility, foreign capital flows, competitive pressures, and macroeconomic uncertainty, directly influence investor behavior and corporate performance. In emerging markets such as Indonesia, stock price volatility is often amplified by sensitivity to capital flows, particularly due to investor dependence on global sentiment. Previous research shows that market dynamics can affect a company's capital structure, equity costs, and risk perception (Li et al., 2023). However, most studies still focus on the short-term impact on stock returns, rather than overall firm value. Furthermore, the integration of external factors such as foreign flows and JCI volatility into company valuation models is still rare, especially in the context of emerging markets. This creates a need to understand how companies respond to market dynamics in maintaining their long-term value.

Conceptualization of Financial Agility

Financial Agility is a concept that has evolved from the literature on dynamic capabilities, which emphasizes an organization's ability to adapt quickly through flexible resource coordination. Unlike operational or strategic agility, financial agility focuses on a company's capacity to generate rapid, efficient, and adaptive financial responses to environmental pressures (Kocot & Olak, 2024). Although the literature on agility is quite extensive, most studies use subjective survey-based measures, such as managerial perceptions of organizational agility. There is almost no research in the Indonesian capital market that measures agility from a financial perspective using secondary data. Therefore, there is still a need to formulate a Financial Agility Index construct that can capture a company's ability to adapt through liquidity flexibility, capital structure, and asset allocation.

Financial Agility and Firm Value

Research on the relationship between agility and firm value generally highlights the role of agility in improving market responsiveness, shortening innovation cycles, and strengthening companies' resilience to crises. However, its relevance to corporate value in a financial context is still very limited. Studies on financial flexibility and financial slack confirm that companies with

cash reserves, debt capacity, and structural flexibility tend to have a higher probability of survival and can quickly seize market opportunities (Joseph Jerome et al., 2024). However, the literature has not yet examined how financial agility, which includes financial flexibility and speed of adjustment, contributes to company value in response to market dynamics. Thus, studying this pathway of influence is relevant to understanding whether more agile companies have more stable or even increased value in volatile market conditions.

The Interaction Between Market Dynamics and Financial Agility

The literature on market dynamics shows that unstable market conditions can increase the need for companies to have adaptive capabilities. However, previous studies have only examined how uncertainty affects funding decisions or profitability, without including financial agility as a moderating or mediating mechanism. There has been no empirical study assessing whether financial agility strengthens or weakens the impact of market dynamics on firm value (Silalahi & Walsh, 2023). In fact, if financial agility functions as a buffer or amplifier, it makes an important contribution to the theory of dynamic financial capability. Thus, testing the interaction between financial agility and market dynamics is an important theoretical and empirical gap in the financial literature. *Synthesis and Identified Gaps.*

Overall, the literature shows that:

- (1) Market dynamics affect company risk and value, but their integration into the context of firm value is still limited;
- (2) Financial agility as a quantitative concept has not been adequately developed, especially in emerging markets;
- (3) The triangular relationship between market dynamics → financial agility → firm value has never been empirically tested using secondary data; and
- (4) There has been no research that develops a Financial Agility Index as a new methodological contribution.

Therefore, this study not only fills a theoretical gap but also provides empirical contributions through the development of financial agility measurement indicators and analysis of their role in explaining variations in company value in the context of the Indonesian capital market. *Theoretical Foundation.*

Dynamic Capabilities Theory

Dynamic Capabilities Theory (Teece et al., 1997) emphasizes an organization's ability to respond to environmental changes through the mechanisms of sensing, seizing, and reconfiguring. In the context of corporate finance, financial agility reflects dynamic financial capabilities that enable companies to quickly and efficiently reorganize their financial resources. This theory is based on the premise that agile companies are able to respond to market volatility and external changes so that company value can be maintained or increased. *Financial Flexibility Theory.*

Market Timing Theory

In Market Timing Theory, companies seek to take advantage of market conditions to adjust their funding and investments in order to maintain company value. When market dynamics change (e.g., JCI volatility or capital inflows/outflows), financially agile companies will be able to make timely decisions that result in better company value.

Resource-Based View (RBV)

RBV states that a company's competitive advantage comes from valuable, scarce, and difficult-to-imitate resources. Financial agility acts as an internal capability that enables companies to respond to the market faster than their competitors. Thus, financial agility can affect firm value through increased asset efficiency and the ability to take advantage of market opportunities.

Research Framework

The following is a conceptual model that integrates Market Dynamics, Financial Agility, and Firm Value:

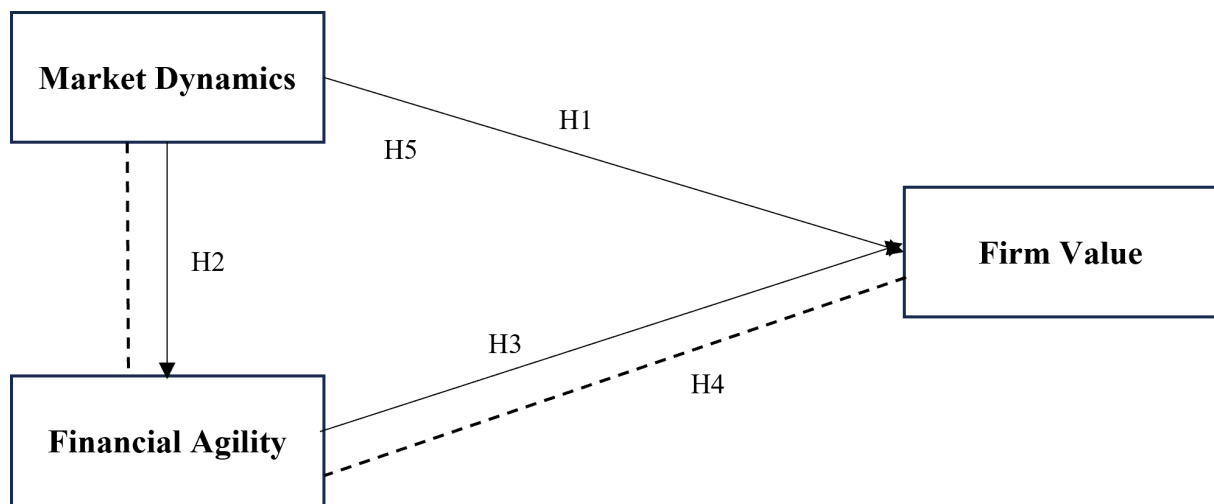


Figure 1. Research Framework

In the context of MSMEs or companies operating in a rapidly changing business environment, market dynamics, which include demand volatility, changing consumer preferences, intense competition, and rapid technological advances, are external factors that drive companies to adapt strategically and financially. When market dynamics increase, companies are required to have the ability to respond quickly to changes through more flexible financial management. This is where Financial Agility (FA) plays a role as an internal mechanism that bridges the impact of market dynamics on increasing company value.

Companies that are able to translate market pressures and opportunities into agile financial actions such as capital structure adjustments, rapid cash allocation, flexible costs, and the ability to access alternative funding sources will find it easier to maintain operational efficiency, liquidity stability, and expansion capacity. FA enables companies to turn market pressures into strategic opportunities, allowing them to not only survive but also improve their long-term performance.

As a result, Market Dynamics do not directly increase Firm Value, but their influence flows through Financial Agility. This means that the more dynamic the market, the greater the need for financial agility; the higher the agility, the greater the company's ability to increase profitability and long-term value.

Research Hypothesis

The initial hypothesis of this study focuses on the fundamental relationship between market dynamics and internal aspects of the company. Based on Strategic Management literature, particularly the theory of dynamic environments (Dess & Beard, 1984), it is assumed that market dynamics such as volatility, regulatory changes, or uncertainty have a significant influence on a company's prospects, which are then reflected in its firm value. A dynamic environment demands a high level of responsiveness, which in turn affects investor perceptions and market valuations. Simultaneously, these market dynamics not only have a direct impact on company value, but also serve as a key driver for companies to develop adaptive capabilities. Referring to the Theory of Dynamic Capabilities (Teece, 2007), external environmental pressures force organizations to accelerate flexibility and agility, including Financial Agility, as a strategic response. Therefore, it is estimated that the higher the market dynamics, the greater the incentive for companies to improve their financial agility.

H1: Market Dynamics have a significant influence on Firm Value.

H2: Market Dynamics have a positive and significant influence on Financial Agility.

The role of financial agility as a direct predictor of company value. Companies with high levels of financial flexibility and agility are assumed to be superior in resource management. Based on previous research (Lins et al., 2017), this capability enables companies to make strategic

investment decisions quickly, take advantage of emerging market opportunities, and effectively mitigate various financial risks. The ability to maintain cash flow stability, access low-cost funding, and respond to market shocks without structural barriers ultimately increases market confidence, which positively reflects an increase in Firm Value. Thus, Financial Agility is expected to have a positive and significant relationship with company valuation in the Indonesian capital market..

H3: Financial Agility has a positive and significant impact on Firm Value.

The final hypothesis explores the role of the Financial Agility mechanism in translating the impact of market dynamics on firm value. This context is analyzed through a mediation framework, in which a dynamic market environment (Market Dynamics) not only directly affects Firm Value, but also significantly through the development of adaptive capabilities, namely Financial Agility. This model is in line with the sensing–seizing–transforming concept in the dynamic capability framework, where financial agility serves as a bridge that enables companies to take advantage of opportunities or mitigate threats arising from the external environment. Based on recent literature (Pitelis et al., 2023; Wilden et al., 2019), this adaptive mechanism often becomes the main channel (mediation mechanism) that influences performance. Therefore, it is hypothesized that the indirect role of market dynamics on company value through Financial Agility will be stronger than its direct effect, indicating partial mediation.

H4: Financial Agility memediasi hubungan antara Market Dynamics dan Firm Value.

H5: The indirect influence of market dynamics on firm value through financial agility is stronger than its direct influence.

RESEARCH METHODS

Research Design

This study uses a quantitative, explanatory, and longitudinal research design using secondary data obtained from Indonesian public companies. This study examines the causal relationship between Market Dynamics, Financial Agility, and Company Value, with Financial Agility serving as a mediating variable. A panel data approach is used to capture variations across companies and time, allowing for robust estimation and control of unobserved heterogeneity.

Population dan Sampel

The population consists of all non-financial companies listed on the Indonesia Stock Exchange (IDX) from 2012 to 2024. The financial sector is excluded due to differences in regulatory structure, financial reporting, and capital requirements.

A purposive sampling strategy was used based on the following criteria:

1. Companies were continuously listed during the observation period.
2. Companies publish complete annual financial reports.
3. Companies with available market data (market capitalization, stock price, book value).
4. Companies included in industries with available industry-level data for Market Dynamics indicators.

The expected sample size ranges from 350 to 450 company-year observations, depending on data availability.

This study uses secondary data obtained from:

1. IDX (Indonesia Stock Exchange): annual reports, audited financial statements.
2. Refinitiv Eikon / Bloomberg / Yahoo Finance: company values and market-based variables. BPS (Central Statistics Agency) and IDX Industry Classification: industry-level sales and competition data.
3. Osiris / Orbis: additional financial structure information.

All data is processed into balanced or unbalanced panel data sets depending on its completeness. Operational Definition of Variables

In quantitative research based on public companies, the clarity of the operational definition of each variable is a prerequisite for ensuring measurement accuracy and research replication. The main variables in this study, Market Dynamics, Financial Agility, and Firm Value, are operationalized using objective indicators based on secondary data available on companies listed on the Indonesia Stock Exchange (IDX). This approach is in line with empirical practices in financial and strategic management literature, which emphasizes the use of quantitative proxies to capture organizational phenomena more precisely and verifiably.

The Market Dynamics variable is measured at the industry level to reflect the degree of change, volatility, and intensity of external competition. Financial Agility, as a mediator, is measured using financial ratios that describe the flexibility of companies in allocating and adjusting financial resources. Meanwhile, Firm Value is represented through market-based ratios that provide an overview of investors' perceptions of company value. All variables use a ratio scale to be consistent with the research model and compatible with panel regression analysis.

The following is a complete operational definition of each variable used in this study.

Table 2. Operational Definition of Variables

Variable	Conceptual Definition	Operational Definition	Measurement Indicators	Scale	References
Market Dynamics (MD)	Degree of instability and change in the external market environment.	Captured through industry-level volatility, growth, and competition intensity.	ISV, IGR, HHI	Ratio	Jaworski & Kohli (1993); Dess & Beard (1984)
Financial Agility (FA)	Ability of firms to rapidly adjust financial resources and decisions in response to market changes.	Measured using ratios representing cash flexibility, financing flexibility, cost flexibility, and working capital agility.	CF, FF, CoF, WCA	Ratio	Teece (2007); Lins et al. (2017)
Firm Value (FV)	The market's assessment of the firm's economic worth.	Market-based valuation ratios commonly used in financial economics.	Tobin's MBR, PER, Q	Ratio	Chung & Pruitt (1994); Fama & French (1998)

Source :Previous research articles

The table above summarizes the operational definitions of all variables used in this study and shows the suitability of each proxy with relevant empirical literature. The use of secondary data-based indicators allows for objective, reliable, and comparable measurements between companies and over time (time-series cross-sectional).

This quantitative approach ensures that Market Dynamics are captured as an externally measurable phenomenon at the industry level, rather than subjectively at the company level. The Financial Agility indicator reflects a company's actual ability to adjust its financial structure, in line with Dynamic Capabilities theory, which emphasizes flexibility and rapid response to environmental changes. Meanwhile, market-based Firm Value indicators such as Tobin's Q and Market-to-Book ensure consistency with global standards in corporate finance research.

With this clarity in operational definitions, the research can robustly test the mediating mechanism of Financial Agility in the relationship between Market Dynamics and Firm Value, while ensuring that the results can be compared and replicated in other international research contexts.

Data Analysis Technique
 The study employs panel data regression and mediation analysis in accordance with international standards for corporate finance research.

Model Estimation

Three models are estimated:

Model 1: Direct Effect of Market Dynamics on Firm Value

$$FV_{it} = \alpha_0 + \beta_1 MD_{it} + \gamma X_{it} + \mu_i + \epsilon_{it} \dots \dots \dots ie (1)$$

Model 2: Effect of Market Dynamics on Financial Agility

$$FA_{it} = \alpha_0 + \beta_2 MD_{it} + \gamma X_{it} + \mu_i + \epsilon_{it} \dots \dots \dots ie (2)$$

Model 3: Mediation Model

$$FV_{it} = \alpha_0 + \beta_3 MD_{it} + \beta_4 FA_{it} + \gamma X_{it} + \mu_i + \epsilon_{it} \dots \dots \dots ie (3)$$

Dimana:

- FV = Firm Value
- MD = Market Dynamics
- FA = Financial Agility
- X = control variables
- μ_i = firm fixed effects
- ϵ_{it} = error term

Data Analysis Technique (Enhanced for Scopus Standards)

Data analysis was conducted through several stages designed to ensure the validity, reliability, and robustness of the research results. All procedures referred to the methodological standards of modern empirical research in international financial literature. *Preliminary Data Examination.*

Descriptive Statistics

Descriptive statistics are used to describe the basic characteristics of data through measures such as mean, median, standard deviation, minimum–maximum, skewness, and kurtosis, and are supplemented with distribution graphs. This analysis aims to provide an initial understanding of the data distribution patterns and central tendencies of each variable. In addition, descriptive statistics help detect extreme values that can affect the results of further analysis..

Evaluation of Measurement Model (Outer Model)

In this study, outer model evaluation was used to assess the relationship between latent constructs and their formative indicators, so that the testing process differed from that of reflective outer models. In formative models, indicators are considered to be the causes of constructs, so that indicators do not have to be correlated with each other, and reliability tests such as Cronbach's Alpha or Composite Reliability are not performed (Hair et al., 2021). The testing of the formative outer model consists of two stages, namely: (1) collinearity assessment, which evaluates multicollinearity between indicators using a VIF value that is required to be < 3.3 or < 5 depending on the conservative standard used (Diamantopoulos & Siguaw, 2006); and (2) testing the significance and relevance of outer weights through bootstrapping to ensure that the indicators contribute significantly to the construct. In addition, when the weights are not significant, the outer loading values can be used to consider whether or not to retain the indicators, as long as they have a substantive contribution to the theoretical concept (Hair et al., 2021). Thus, the evaluation of the outer formative model emphasizes the predictive contribution and causal-formative logic of the indicators, rather than internal consistency as in the reflective model.

Structural Model Evaluation (Inner Model)

The inner model is used to analyze the relationships between latent constructs in structural models in SEM-PLS, so that the focus of the evaluation includes predictive ability and the strength of causal relationships between variables. The evaluation of the inner model includes several main stages, namely: (1) R^2 (Coefficient of Determination), which shows the amount of variation in endogenous constructs explained by exogenous constructs, with interpretations of 0.25 (weak), 0.50 (moderate), and 0.75 (strong) (Hair et al., 2021); (2) f^2 effect size to see the magnitude of the influence of each exogenous construct on the endogenous construct when the construct is included or excluded from the model, with criteria of 0.02 (small), 0.15 (medium), and 0.35 (large); (3) model fit tests assessed through indicators such as SRMR, NFI, and Chi-Square to ensure the suitability of the structural model with empirical data; and (4) structural relationship significance tests (path coefficients) through bootstrapping to see whether the paths between variables are significant at a certain confidence level. In addition, collinearity checks were performed on exogenous constructs using VIF to ensure that there were no multicollinearity issues in the structural model. Thus, the inner model evaluation emphasized causal feasibility, the strength of variable influence, and the overall feasibility of the model structurally.

RESULTS AND DISCUSSION (Calibri 11, Bold, spacing 1,5, spacing before 12 pt, after 0 pt)

Descriptive Statistics

Descriptive statistics show that most variables have a median around zero or positive, indicating relative stability in industry conditions despite variations in performance between companies. The wide range of minimum and maximum values reflects dynamics that allow for growth opportunities and room for maneuver for companies in utilizing financial, operational, and market structure flexibility. The moderate standard deviation indicates that the data distribution is still controlled, so that the characteristics of each variable can provide informative insights for in-depth analysis. Overall, this pattern suggests that companies are in an industry environment that provides a variety of strategies and potential achievements that can be optimized in further research.

Table 3. Descriptive Statistics

	Mean	Median	Min	Max	Standard Deviation
Industry Sales Volatility	-0.015	-0.005	-2.468	2.415	0.789
Industry Growth Rate	-0.039	0.01	-2.713	2.037	0.725
Herfindahl–Hirschman Index	-0.018	0.012	-2.215	2	0.621
Cash Flexibility	-0.011	0.044	-2.116	1.92	0.712
Financing Flexibility	-0.021	-0.011	-2.161	1.433	0.615
Cost Flexibility	-0.036	-0.022	-1.727	1.339	0.527
Working Capital Agility	-0.017	0.028	-2.187	1.792	0.687
TobinQ	-0.013	-0.023	-1.903	1.914	0.71
Market-to-Book Ratio	-0.019	0.006	-1.864	1.615	0.599
Price to Earnings Ratio	-0.021	-0.023	-2.487	2.383	0.771

Uji Outer Model

Uji Multikolinearitas

Table 4. Varians Inflation Factor

	VIF
Cash Flexibility	4.032
Cost Flexibility	3.050

	VIF
Financing Flexibility	3.542
Herfindahl–Hirschman Index	3.200
Industry Growth Rate	4.347
Industry Sales Volatility	4.069
Market-to-Book Ratio	1.997
Price to Earnings Ratio	2.331
TobinQ	2.146
Working Capital Agility	4.129

Overall, the VIF values for all variables indicate that the model is still valid and acceptable, because even though some variables have VIFs above 4, they are all still below the critical threshold commonly used in multicollinearity analysis, which is 5 or 10. These values indicate that the relationships between variables are still at a tolerable level and do not threaten the stability or reliability of coefficient estimates. Variables such as Market-to-Book Ratio, Price to Earnings Ratio, and Tobin's Q even show low multicollinearity, while variables with higher VIF remain within a range considered reasonable for empirical research. Thus, the model is considered robust, does not experience serious multicollinearity, and all variables can still be used without additional corrective measures.

Uji Outer Loading

Table 5. Outer Loadings

	Original Sample (O)	P Values
CF -> Z	0.936	0.00
CoF -> Z	0.855	0.00
FF -> Z	0.914	0.00
HHI -> X1	0.895	0.00
IGR -> X1	0.942	0.00
ISV -> X1	0.963	0.00
MBR -> Y	0.822	0.00
PER -> Y	0.924	0.00
TobinQ -> Y	0.886	0.00
WCA -> Z	0.944	0.00

Based on the outer loading function and assessment criteria in the formative SEM-PLS model, the results in the table show that all indicators have a very strong and significant absolute contribution in forming their respective constructs. The original sample values range from 0.822 to 0.963, all of which are well above the minimum limit of 0.70, indicating that each indicator makes a substantial contribution to the construct formed. In addition, all indicators have a p-value = 0, indicating very high statistical significance and ensuring that the contribution of each indicator is not accidental. With the fulfillment of the outer loading and significance requirements, the indicators in this formative model can be declared reliable, relevant, and feasible to maintain, so that the measurement structure is considered strong and representative.

Uji Inner Model

Pathcoefficien

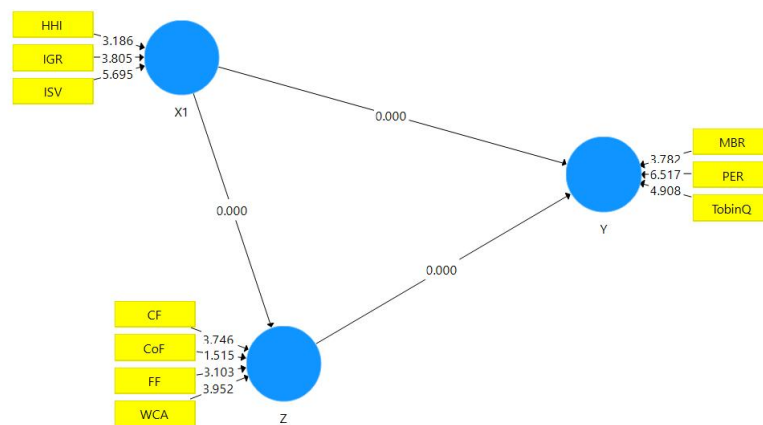


Figure 2. Path Coefficient – Direct and Indirect Effect

The path coefficient test results in the table show that all relationships between constructs in the model have a positive, significant, and stable effect, as indicated by T-Statistics values that far exceed the minimum limit of 1.96 and a p-value of 0.000. First, the effect of Market Dynamics on Firm Value is 0.318, which, although moderate, is still significant and shows that market dynamics contribute significantly to increasing company value. Second, the relationship between Market Dynamics and Financial Agility has a very strong coefficient of 0.702, with a T-Statistic of 29.412, indicating that market dynamics are the main factor driving corporate financial agility. Finally, the coefficient of 0.412 in the relationship between Financial Agility and Firm Value shows that financial agility also has a significant influence in increasing company value. Overall, all relationships in the model meet the requirements of statistical significance and reliability, thus supporting the structural strength and validity of the model.

Table 6. Path Coefficients – Direct Effects

	Original Sample	Standard Deviation	T Statistics	P Values	Result
Market Dynamics -> Firm Value	0.318	0.048	6.623	0.000	H1: accepted
Market Dynamics -> Financial Agility	0.702	0.024	29.412	0.000	H2: accepted
Financial Agility -> Firm Value	0.412	0.047	8.744	0.000	H3: accepted

The results of the mediation effect test show that Financial Agility plays a significant mediating role in the relationship between Market Dynamics and Firm Value. The mediation coefficient value of 0.290 indicates that part of the influence of Market Dynamics on Firm Value is channeled through an increase in the company's financial agility. The consistency of the Original Sample value with the Sample Mean shows the stability of the model estimation, while the T-Statistics value of 8.207, which is far above the threshold of 1.96, and the p-value of 0.000 confirm that the mediating effect is statistically significant. Thus, it can be concluded that Financial Agility plays an important role in strengthening the impact of market dynamics on increasing company value, so that the mediation mechanism in the model is proven to be strong and valid.

Table 7. Path Coefficients – Indirect Effects

	Original Sample	Standard Deviation	T Statistics	P Values	Result
Market Dynamics -> Financial Agility -> Firm Value	0.290	0.035	8.207	0.000	H4: accepted

The indirect effect of Market Dynamics on Firm Value through Financial Agility is at the same level of significance as the direct effect, with both being significant at a p-value of 0.00. Thus, the mediation mechanism is proven to play an important role and has a relatively more dominant influence than the direct effect.

Table 8. Path Coefficients – Indirect vs Indirect Effects

	Original Sample	P Values	Result
Indirect effect > direct effect	Indirect: 0.290 Direct: 0.318	Indirect: 0.00 Direct: 0.00	H5: accepted

R Square

The R Square value in the construct shows that the model has a fairly strong and valid explanatory ability, where the Firm Value (Y) construct has an R Square of 0.456, which means that 45.6% of the variation in company value can be explained by the variables that influence it, and this value is almost the same as the Adjusted R Square (0.454), indicating that the model is stable without overfitting. Meanwhile, the Financial Agility (Z) construct has an R Square of 0.493, meaning that 49.3% of the variation in financial agility can be explained by Market Dynamics, also with a very close Adjusted value (0.492), reflecting the consistency and reliability of the model. Overall, both R Square values indicate a moderate but solid explanatory power, which is strong enough for socio-economic research, and confirms that the structural model works effectively in capturing the relationship between variables.

Table 9. R Square

	R Square	R Square Adjusted
Y	0.456	0.454
Z	0.493	0.492

F square

The F Square test results show the effect size of each construct in the model, where the values obtained indicate that some of the relationships have a fairly strong and significant influence. The Market Dynamics construct (X1) has a small to moderate effect on Firm Value (Y) with a value of 0.094, but shows a very strong effect on Financial Agility (Z) with a value of 0.974, confirming that market dynamics are the main determinant of financial agility. Furthermore, the Financial Agility (Z) construct has a moderate effect on Firm Value (Y) with a value of 0.158, indicating that increased financial agility plays a significant role in increasing company value. The absence of other F Square values indicates that the remaining relationships were not tested or did not produce a significant effect. Overall, the model shows that Market Dynamics has a dominant effect on Financial Agility, while Financial Agility makes an important but moderate contribution to Firm Value.

Table 10. F Square

	X1	Y	Z
X1		0.094	0.974
Y			
Z		0.158	

Model fit

The model fit results show that the constructed models are in excellent condition and meet all feasibility criteria, as seen from the SRMR value of 0.007 for both models, which is well below the threshold of 0.08, indicating a very low level of model misfit. The d_ULS and d_G values of 0.002 and 0.006, respectively, also indicate minimal differences between the model covariance matrix and the actual data, reflecting a very high model fit. In addition, the Chi-Square value of 14.264 indicates a good level of suitability, while the NFI value of 0.996, which is close to 1, confirms that the model has a very strong fit and is able to explain the data structure optimally.

Overall, all model fit indicators confirm that the model used is stable, accurate, and very suitable for use in further analysis.

Table 11. Model Fit

	Saturated Model	Estimated Model
SRMR	0.007	0.007
d_ ULS	0.002	0.002
d_ G	0.006	0.006
Chi-Square	14.264	14.264
NFI	0.996	0.996

CONCLUSION

This study provides strong empirical evidence that Financial Agility functions as a crucial adaptive mechanism in bridging and mediating the relationship between Market Dynamics and Firm Value in non-financial public companies in Indonesia. These findings reinforce the Dynamic Capabilities Theory perspective by positioning Financial Agility, measured using a new quantitative index based on liquidity flexibility, funding, and costs, as an internal capability that enables companies to transform volatile market pressures into increased valuation. Although the structural model proved to be robust and significant, this study has limitations in terms of absolute causal interpretation because the study design and the nature of secondary data measurement limit the claims of generalization. Therefore, further research is recommended to explore temporal dynamics and test the robustness of this mediating mechanism in different industry contexts, for example, using a time series approach or comparing industries with different levels of inherent volatility.

Company management must view Financial Agility not only as an accounting function, but as a proactive strategic capability to respond to market volatility, foreign capital flows, and stock price uncertainty. The practical recommendation is clear: companies need to embed financial flexibility as a strategic priority, including cash, funding, cost, and working capital flexibility, in order to leverage market signals into increased company value. Thus, the strategic focus must shift from merely observing market dynamics to building financial agility through mechanisms of sensing, seizing, and transforming financial resources, which have been empirically proven to be the primary mechanisms for maintaining and increasing Firm Value in uncertain capital markets.

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