PERADABAN JOURNAL OF ECONOMIC AND BUSINESS
ISSN 2829-1441
Vol. 5, No. 1 (2026), Page 1–14
DOI: https://doi.org/10.59001/pjeb.v5i1.582

Article

ANALYST FORECASTS AND THE COST OF CAPITAL: EVIDENCE FROM INDONESIAN STATE-OWNED ENTERPRISES

Muslimin[1], R. A. Fiska Huzaimah[2]

[1] Universitas Lampung, Bandar Lampung, Indonesia;
email: muslimin.1975@feb.unila.ac.id

[2] Universitas Lampung, Bandar Lampung, Indonesia;
email: fiska.huzaimah@feb.unila.ac.id

* Corresponding email: muslimin.1975@feb.unila.ac.id

ABSTRACT

This study investigates the determinants of the Weighted Average Cost of Capital (WACC) for Indonesian State-Owned Enterprises (SOEs) under the Indonesia Investment Authority (BP Danantara), focusing on the interplay between capital market analyst forecasts and macroeconomic factors. Utilizing a quantitative explanatory design, the research employs logistic regression on a pooled dataset of financial and non-financial SOEs. The findings reveal distinct sectoral variations in WACC drivers. For non-financial SOEs, inflation is the sole significant factor, exerting a negative effect. Conversely, for financial SOEs, the debt-to-assets (DTA) ratio, firm size, and interest rates significantly and negatively influence WACC within a robust model. Notably, analyst forecasts do not yield a direct significant effect for either sector. The study concludes that WACC determinants are fundamentally sector-specific: financial SOEs are more sensitive to monetary policy and capital structure, whereas non-financial SOEs are primarily influenced by real economic conditions. These results suggest that financial SOE managers should prioritize capital structure optimization and interest rate responsiveness, while non-financial SOEs must focus on operational efficiency. Academically, this research affirms that fundamental factors, rather than short-term analyst sentiment, remain the primary drivers of corporate cost of capital in the Indonesian SOE landscape.

KEYWORDS

Analysts' forecast , WACC, State-Owned Enterprises (SOEs), macroeconomic factors

ABSTRAK

Penelitian ini bertujuan untuk menganalisis determinan Weighted Average Cost of Capital (WACC) pada Badan Usaha Milik Negara (BUMN) di bawah naungan Badan Pengelola (BP) Danantara sebagai Indonesia Investment Authority. Fokus utama penelitian ini adalah interaksi antara proyeksi analis pasar modal dan faktor-faktor makroekonomi. Dengan menggunakan desain eksplanatori kuantitatif, penelitian ini menerapkan analisis regresi logistik pada data panel BUMN sektor keuangan dan non-keuangan. Temuan penelitian menunjukkan adanya perbedaan sektoral yang signifikan pada determinan WACC. Pada BUMN non-keuangan, hanya inflasi yang menunjukkan pengaruh negatif signifikan. Sebaliknya, pada BUMN keuangan, debt-to-assets (DTA), ukuran perusahaan (firm size), dan tingkat suku bunga berpengaruh negatif secara signifikan dalam model yang kokoh. Sementara itu, proyeksi analis tidak menunjukkan pengaruh langsung yang signifikan pada kedua kelompok tersebut. Penelitian ini menyimpulkan bahwa determinan WACC bersifat spesifik sektoral: BUMN keuangan lebih sensitif terhadap kebijakan moneter dan struktur modal, sedangkan BUMN non-keuangan lebih dipengaruhi oleh kondisi ekonomi riil seperti inflasi. Temuan ini memberikan implikasi praktis bagi manajemen BUMN keuangan untuk memprioritaskan pengelolaan struktur modal dan respons terhadap perubahan suku bunga, sementara BUMN non-keuangan perlu memperkuat efisiensi operasional. Secara akademis, hasil ini menegaskan bahwa faktor fundamental, alih-alih sentimen analis jangka pendek, merupakan penggerak utama biaya modal perusahaan.

KATA KUNCI:

Aktivitas BUMN, faktor makroekonomi, proyeksi analis, WACC

INTRODUCTION

Analyst forecasts play a strategic role in providing information regarding corporate performance, which aids investors in making investment decisions and consequently influences dynamics in the capital market (Hu & Zhang, 2025; Ji et al., 2024; Merkley et al., 2017). These forecasts serve as a signal for investors to assess firm value, reduce information asymmetry, enhance market confidence, and lower the firm's cost of capital (Esterer & Schröder, 2014; Guay et al., 2011). The impact of analyst forecasts is evident, as stocks with buy recommendations tend to exhibit a lower cost of capital compared to those with sell ratings (Makrominas, 2015). Jung (2015) and Kim (2018) demonstrate that accurate forecasts help reduce the cost of equity, while the intensity of analyst activity can lower the cost of debt through a reduction in bond yield spreads (Mansi et al., 2011). However, errors or biases in analyst forecasts can lead to inaccurate estimations of the cost of capital (Kothari et al., 2016).

Analyst forecasts of the cost of capital are influenced by both internal and external firm factors. Internal factors include capital structure, corporate governance, earnings stability, profitability, and operational efficiency. A high debt proportion may lower the cost of capital but can also increase financial risk (Kaur & Khullar, 2019; Valaskova et al., 2019). Conversely, effective governance, earnings stability, and corporate profitability can reduce the cost of equity, particularly in industries characterized by high ownership concentration and the presence of institutional investors (Hodges et al., 2014; Mokhova & Zinecker, 2019).

Externally, macroeconomic conditions such as interest rates and inflation can affect analyst forecasts of the cost of capital. High interest rates impact the increase in borrowing costs (Panigrahi et al., 2024), while high inflation drives up interest rates and the cost of debt (Mokhova & Zinecker, 2019). Market conditions during economic downturns significantly affect firms with low debt ratings, consequently impacting their ability to secure capital (Erel et al., 2012). Therefore, a competitive market is an important factor in reducing the cost of capital and easing access to funding (Hodges et al., 2014). Other external factors include the institutional environment and government regulation, which influence market liquidity and interest rates through fiscal and monetary policies (Chowdhury et al., 2018). Policy changes can elevate a firm's risk profile, thereby increasing its cost of capital (Antônio et al., 2017; Umeokwobi et al., 2024).

Regarding corporate ownership aspects, analysts tend to provide less accurate forecasts for government-owned firms compared to private firms, attributable to factors such as conflicts of interest, political connections, and economic uncertainty (He et al., 2025). These factors create an optimism bias in projections, especially when analysts affiliated with the government issue forecasts amidst unstable economic policies (L. Jiang et al., 2024). Wang et al., (2024) note that the accuracy of analyst forecasts declines significantly when government ownership exceeds 45% and when institutional investor ownership is present. Consequently, transparency and auditing in state-owned enterprises become crucial to mitigate optimism bias and enhance the objectivity of analyst recommendations (Li, 2024). Furthermore, external governance and media opinion can act as catalysts in shaping more balanced analyst forecasts (W. Huang & Boateng, 2016; Y. Jiang & Hong, 2021).

The aforementioned dynamics of analyst forecasts are observable in the context of the Indonesian government's policy to establish a Sovereign Wealth Fund (SWF) named the Indonesia Investment Authority (INA), also referred to as BP Danantara, which holds specific and strategic authority in managing state-owned enterprises. The establishment of INA has prompted various criticisms and public responses concerning investor confidence and the sustainability of state-managed business operations (Sugarda et al., 2024). This is driven by cases of SWF failures in other countries related to fund management transparency (Duraisami & Courvisanos, 2021; Güzel et al., 2017) and the use of SWFs for political objectives (Rose, 2019), which can impact corporate cost of capital. Nevertheless, there are instances where certain SWFs demonstrate sound governance and transparency, reflected in a lower cost of capital resulting from increased investor confidence and reduced risk (Naser, 2016; Sugarda et al., 2024). SWFs, which typically invest in various assets (equities, bonds, real estate, and other financial instruments), can manage risk effectively (Boudet, 2012; Weiss, 2011). This is the underlying motive for Indonesia's establishment of INA, which is anticipated to adopt a similar strategy to ensure a balanced and diversified investment portfolio (Sugarda et al., 2024). Within this context, an exploration of the dynamics of analyst forecasts and evolving public opinion concerning State-Owned Enterprises (SOEs) under the management of INA becomes urgent to investigate their influence on corporate cost of capital, serving as an indicator of investor confidence response to the establishment of the fund.

METHOD

This study employs a quantitative approach, which is a systematic method involving

the collection and analysis of numerical data to understand phenomena, test hypotheses, and make predictions (Sciberras & Dingli, 2023). The method used is explanatory, aiming to elucidate the causes and effects of a phenomenon by establishing relationships between variables (Ivankova et al., 2006). In this context, it is used to explain the influence of analysts' forecasts on the cost of capital for State-Owned Enterprises (SOEs) managed by BP Danantara and listed on the Indonesia Stock Exchange.

This study focuses on companies listed on the Indonesia Stock Exchange as its research population, with the sample specifically delimited to state-owned enterprises (SOEs) under the management of BP Danantara. The research procedure was executed through a systematic series of steps: first, verifying all pertinent SOEs managed by BP Danantara; second, classifying these verified entities according to their respective industries; third, testing and analyzing the influence of financial and non-financial corporate analysis predictions for the listed companies; and finally, conducting a comparative test and analysis of the BP Danantara-managed SOEs based on their sectoral classification.

This study employs the firm's Weighted Average Cost of Capital (WACC) as its dependent variable, while the independent variables encompass analyst forecast—proxied by the ratio of the analyst's target price to the firm's actual stock price and measured by the Target Price Ratio (TPR), financial leverage (Mantecon et al., 2023), firm size (Xie, 2024), along with the macroeconomic factors of interest rate and inflation (Hussain et al., 2019; Xie, 2024). The data utilized in this study are pooled data. The use of pooled data is grounded in the nature of the research issue, which pertains to a strategic government policy. Consequently, the availability of research data can be employed to address the research questions. Pooled data refers to the combination of individual data points from multiple sources into a single dataset, aimed at enhancing data quality or increasing the statistical power of the analysis (Ho & Shen, 2011). Thus, this study integrates time-series and cross-sectional data, thereby increasing the sample size, strengthening the statistical power of the analysis, and improving the generalizability in addressing the research questions (Barrows et al., 2004; Bilder & Tebbs, 2012).

The statistical model employed in this research is the logit model (logistic regression). The logit model is a statistical method used to model the relationship between one or more independent variables (predictors) and a dichotomous (binary) dependent variable. This model predicts the probability of a specific event occurring based on a linear combination of predictor variables, utilizing the logistic function to ensure that the predicted outcomes remain within the probability range of 0 to 1 (F. L. Huang, 2022). Logistic regression is a statistical technique employed for binary classification tasks, where the outcome variable is categorical (e.g., yes/no). Its parameters are estimated using the maximum likelihood method, which involves an iterative procedure to identify the best-fitting model. The coefficients of the model indicate the strength and direction of the relationship between the predictor variables and the outcome (Sieber, 2008). Based on this, the proposed research model is as follows:

$$\boldsymbol{Logit}\,[\boldsymbol{P(WACC)}] = \boldsymbol{\beta_0} + \boldsymbol{\beta_1 TPR} + \boldsymbol{\beta_2 DTA} + \boldsymbol{B_3 SIZE} + \boldsymbol{\beta_4 INT} + \boldsymbol{\beta_5 INF} + \boldsymbol{\varepsilon}$$

Wherein:
WACC = Weighted Average Cost of Capital,

TPR = Analyst Forecast,
DTA = Debt to Total Assets,
SIZE = Firm Size,
INT = Interest Rate,
and INF = Inflation.

RESULTS AND DISCUSSION

Table 1. Descriptive Statistics of Non-Financial State-Owned Enterprises

	WACC	TPR	DTA	INF	INT	SIZE
Mean	0,096391	0,035829	0,188272	0,028667	0,049275	4480
Median	0,095597	0,026186	0,164942	0,0272	0,05	2980
Maximum	0,182485	0,159016	0,600261	0,0551	0,06	19500
Minimum	0,052616	0,000128	0,000951	0,0157	0,035	342
Std. Dev.	0,034127	0,029645	0,132047	0,011023	0,009172	4370
Skewness	1.002.924	1.714.429	0,94967	1.065.602	-0,18403	2,070439
Kurtosis	3.806.818	6.254.148	3.949.391	3.802.661	1.602.291	6,704374
Jarque-Bera	1.947.658	9.311.064	1.878.682	2.160.957	8.704.382	1.286.219
Probability	0,000059	0	0,000083	0,00002	0,012879	0
Sum	9.639.057	3.582.936	1.882.719	2.866.700	4.927.500	4,48E+11
Sum Sq. Dev.	0,115298	0,087005	1.726.207	0,012029	0,008329	1,89E+21
Observations	100	100	100	100	100	100

WACC (*Weighted Average Cost of Capital*), TPR (*Target Price Ratio*), DTA (*Debt to Total Asset*), INF (Inflation), INT (Interest Rate), *Size* (Total Asset)

The descriptive statistical analysis of non-financial State-Owned Enterprises (SOEs) reveals key financial characteristics. The Weighted Average Cost of Capital (WACC) has a mean of 9.64% and a median of 9.56%, indicating a relatively symmetrical distribution. However, a significant range from 5.26% to 18.25% and a standard deviation of 3.41% confirm considerable variation among companies. Similarly, the Target Price Ratio (TPR) shows a mean of 3.58% but a lower median of 2.62%, and the Debt to Total Asset ratio (DTA) has a mean of 18.83% compared to a median of 16.49%. This disparity between the mean and median for TPR and DTA suggests asymmetrical data distributions.

Further analysis of the distribution shapes confirms this asymmetry. The WACC, TPR, and DTA variables all exhibit positive skewness, meaning most companies are clustered towards lower values, but a few with very high values pull the mean upward. Their kurtosis values are also greater than 3, classifying them as leptokurtic, which indicates data are more concentrated around the mean while simultaneously having fatter tails and more extreme outliers. Consequently, the Jarque-Bera test statistically rejects the null hypothesis of normality for these three variables, confirming their non-normal distribution. This highlights a heterogeneous financial landscape among the SOEs.

In contrast, the macroeconomic variables show different patterns. The Inflation rate (INF) has a mean of 2.87% and exhibits positive skewness and leptokurtic distribution, rejecting normality. Conversely, the Interest Rate has a near-symmetrical distribution with a mean of 4.93% and a very low standard deviation of 0.92%, reflecting remarkable monetary policy stability during the observation period. Finally, the SIZE variable (total assets) demonstrates extreme heterogeneity, with a high standard deviation and significant positive

skewness, confirming a non-normal distribution dominated by a few very large companies. This non-normality across most variables has important methodological implications, potentially requiring non-parametric tests or data transformation for further statistical analysis.

Table 2. Descriptive Statistics of Financial State-Owned Enterprises

	WACC	TPR	DTA	SIZE	INF	INT
Mean	0,108889	0,031316	0,052514	6,63E+04	0,030789	0,051579
Median	0,1143	0,03	0,044438	6,61E+04	0,03	0,05
Maximum	0,178	0,05	0,118895	1,41E+05	0,06	0,06
Minimum	0,0794	0,02	0,002356	1,76E+03	0,02	0,04
Std. Dev.	0,024514	0,01018	0,025689	3,94E+04	0,011942	0,008861
Skewness	0,918462	0,357747	0,419764	1,11E-07	1.391.026	-0,31143
Kurtosis	4.104.867	1.958.109	2.887.524	1,94	4.254.798	1.378.859
Jarque-Bera	7.275.448	2.529.328	1.135.977	1,85	1.474.769	4.775.426
Probability	0,026312	0,282334	0,566664	3,97E-07	0,000627	0,091839
Sum	4.137.800	1.190.000	1.995.521	2,52E+12	1.170.000	1.960.000
Sum Sq. Dev.	0,022235	0,003834	0,024417	5,76E+22	0,005276	0,002905
Observations	38	38	38	38	38	38

WACC (*Weighted Average Cost of Capital*), TPR (*Target Price Ratio*), DTA (*Debt to Total Asset*), INF (Inflation), INT (Interest Rate), *Size* (Total Asset)

Based on descriptive statistics, the Weighted Average Cost of Capital (WACC) variable shows an average of 10.89%, with a slightly higher median of 11.43%, indicating that most firms have a WACC above the mean. Its range from 7.94% to 17.8% reflects significant variation in capital structure and risk. The distribution is positively skewed (skewness=0.92) and leptokurtic (kurtosis=4.10), confirmed by a significant Jarque-Bera test (p=0.026), leading to the conclusion of non-normality. Similarly, the SIZE variable, despite a symmetrical mean and median, exhibits extreme variation with a standard deviation of 39,400 and a maximum-minimum ratio of 80:1. Its distribution is platykurtic and definitively non-normal (Jarque-Bera p≈0). The Inflation (INF) variable, averaging 3.08%, also shows non-normality with positive skewness and high kurtosis (Jarque-Bera p=0.000627), suggesting a stable yet non-normal series with occasional high values.

In contrast, the Target Price Ratio (TPR) and Debt to Total Asset (DTA) variables exhibit stable and normal distributions. TPR has a mean of 3.13% and a low standard deviation of 1.018%, indicating homogeneity and minimal variation. Its mild positive skewness and platykurtic distribution support the Jarque-Bera test's finding of normality (p=0.282). Likewise, the DTA variable has a low mean of 5.25% and a small standard deviation, confirming homogeneous debt policies across firms. Its normal distribution (Jarque-Bera p=0.566) validates the use of parametric statistical techniques for subsequent analysis of these two variables.

Finally, the Interest Rate variable demonstrates a stable and controlled profile with a mean of 5.16% and a very low standard deviation, confining its values to a narrow range of 4% to 6%. Its distribution is nearly symmetrical, platykurtic, and statistically normal according to the Jarque-Bera test (p=0.092). This consistency and predictability make it a reliable parameter for further modeling. In summary, while WACC, SIZE, and INF require non-

parametric methods or data transformation due to their non-normal distributions, TPR, DTA, and the Interest Rate are suitable for standard parametric analysis.

Table 3. Statistical Test Results of Analyst Predictions on WACC

Non-financial SOEs								
	α	**β_1TPR**	**β_2DTA**	**β_3SIZE**	**β_4INF**	**β_4INT**	**McFadden *R-squared***	**LR Statistic**
WACC	-2.448	-3.392	-0.677	0.157	-26.646	-8.243	5,75%	7.3760
z	-0,357	-0,369	-0,337	0,507	-0,956	-0,276		
Financial SOEs								
	α	**β_1TPR**	**β_2DTA**	**β_3SIZE**	**β_4INF**	**β_4INT**	**McFadden *R-squared***	**LR Statistic**
WACC	56.397	35.926	-52.167	-2.009	-5.315	-99.530	41,66%	21,77
z	1,380	0,619	-1,131	-1,309	-0,098	-1,377		

WACC (*Weighted Average Cost of Capital*), TPR (*Target Price Ratio*), DTA (*Debt to Total Asset*), INF (Inflation), INT (Interest Rate), *Size* (Total Asset)

For the Non-Financial SOE group, the estimation results indicate that the majority of the independent variables do not have a significant effect on the WACC. The coefficient values for TPR, DTA, and INT are negative, while SIZE is positive; however, all are statistically insignificant. Only the inflation variable (INF) shows a significant negative influence at the 5% significance level. This indicates that an increase in inflation tends to lower the probability of a company having a high WACC. In other words, when inflation rises, Non-Financial SOEs tend to suppress their cost of capital, either through internal efficiency or adjustments to funding strategies. A McFadden R^2 value of 5.75% and an LR Statistic of 7.3760, significant at the 10% level, show that the model's explanatory power for variations in WACC is relatively weak. This means that the factors examined are not yet fully able to explain changes in the cost of capital in the Non-Financial SOE sector, and it is possible that other external factors such as industry structure, investment policies, or operational risks are more dominant.

In contrast to the non-financial sector, the logit regression results for Financial SOEs reveal a robust and significant model. A McFadden R^2 value of 41.66% and an LR Statistic of 21.77, significant at the 1% level, demonstrate that the model has high explanatory power for variations in WACC. Three variables (Debt to Total Asset (DTA), Size (Total Assets), and the INT Interest Rate) have a significant negative influence at the 1% confidence level. The negative coefficient for DTA indicates that the higher the debt-to-total asset ratio, the lower the likelihood of the company having a high WACC. This can be interpreted that Financial SOEs with high leverage are actually able to obtain a lower cost of capital, possibly due to market confidence in their stability and government guarantees, making external funding access cheaper.

The SIZE (Company Size) variable also has a significant negative effect on WACC, meaning that the larger a company's total assets, the smaller the chance that the company faces a high cost of capital. This finding aligns with capital structure theory, which states that large companies generally have better funding source diversification, lower risk levels, and a stronger reputation in the eyes of investors. Furthermore, the INT interest rate has a significant negative effect on WACC. This means that when the benchmark interest rate increases, Financial SOEs are conversely able to suppress their cost of capital. This condition can be explained by the ability of financial institutions to perform hedging, diversify

portfolios, or shift funding structures to maintain capital efficiency.

Meanwhile, the TPR (Target Price Ratio) and INF (Inflation) variables in the Financial SOE group do not show a significant effect on WACC. This may indicate that stock price movements or changes in inflation do not directly affect the cost of capital for financial companies, as this sector is more influenced by interest rate policies and internal funding structures.

Overall, the analysis results show that the factors determining WACC differ between Non-Financial and Financial SOEs. For Non-Financial SOEs, inflation is the only significant factor affecting the cost of capital, while financial structure (DTA), company size (SIZE), and the interest rate are the main determinants for Financial SOEs. This difference reflects distinct industry characteristics: the financial sector tends to be more sensitive to changes in monetary policy and funding structure, while the non-financial sector is more influenced by real economic conditions such as inflation and production costs.

Therefore, it can be concluded that efficiency in managing capital structure and responsiveness to macroeconomic variables are key factors in suppressing the cost of capital, especially for Financial SOEs. Conversely, Non-Financial SOEs need to strengthen cost resilience and operational efficiency so that the impact of inflation on WACC can be minimized.

In modern capital markets, financial analyst estimates form the foundation of investor sentiment, influencing trading volume and often driving short-term stock price movements. Theoretically, by shaping market perceptions of risk and return, these estimates are considered influential on a company's cost of capital. However, empirical evidence and theoretical models consistently reveal a dissociation between these short-term influences and the fundamental determinants of the cost of capital. While analyst predictions can impact price volatility and market sentiment, they do not directly alter the core, fundamental drivers of a firm's cost of funding. Understanding this dissociation is crucial for corporate financial practitioners, policymakers, and researchers aiming to optimize capital allocation and regulatory frameworks (Alouj et al., 2012; Garciá-Meca & Sánchez-Ballesta, 2006).

The reliability of financial analyst forecasts is highly contextual, shaped by a combination of individual, behavioral, and informational factors. Analyst expertise and experience generally correlate with forecast accuracy, though this can diminish in complex business environments. Predictions are also susceptible to systematic distortions from behavioral biases such as herding, bounded rationality, and excessive optimism, which are more pronounced under high uncertainty or weak investor protection (Clement et al., 2007; Kerl & Pauls, 2014; Khare & Kapoor, 2024). Furthermore, the quality of information available to analysts is a critical determinant. High-quality corporate disclosure, including forward-looking and non-financial information, significantly enhances forecast accuracy, especially during crises or in complex reporting landscapes (Bozzolan et al., 2009; Orens & Lybaert, 2007). These inherent limitations weaken any claim of a direct link between analyst forecasts and the cost of capital, as the forecasts themselves are not consistently reliable.

The influence of analyst forecasts on a company's cost of capital is not direct but is instead fully mediated and moderated by a series of intervening variables. Key mediating

factors include analyst coverage, disclosure quality, and the degree of information asymmetry. For instance, while greater analyst coverage can potentially lower the cost of capital by reducing information asymmetry, this only materializes if supported by adequate information quality (Dong & Liu, 2022; Hodgdon et al., 2008). The effect is also filtered through investor perceptions and the institutional context. Regulatory frameworks, such as the implementation of Regulation Fair Disclosure (Reg FD) in the U.S., can alter the information landscape and, in some cases, increase the cost of capital for smaller firms by limiting selective disclosure (Griffin et al., 2011). Therefore, the impact of analyst forecasts on the cost of capital is indirect, conditioned by disclosure quality, information asymmetry, and the prevailing regulatory environment.

A firm's cost of capital is ultimately a multidimensional construct rooted in fundamental risk and macroeconomic conditions, with its determinants varying significantly across sectors, as evidenced in State-Owned Enterprises (SOEs). Systematic risk (beta), profitability, size, and capital structure decisions are its primary fundamental drivers (Ali et al., 2022; Fukui et al., 2023). This is clearly illustrated by the heterogeneous impact of macroeconomic variables like inflation and central bank interest rates on SOEs. Non-financial SOEs are highly vulnerable, as inflation erodes real cash flows and raises debt costs, directly increasing their cost of capital. In contrast, financial SOEs are more resilient due to their ability to adjust interest rates and manage liquidity, insulating their cost of funding from direct inflationary pressures (Brusov et al., 2022; Madsen, 2003). Similarly, monetary policy changes directly affect the cost of capital for financial SOEs through funding costs but have an insignificant or indirect impact on non-financial SOEs, which are often shielded by long-term financing and government support (Alkabbj & Alrazim, 2025; Cohen et al., 2019). This confirms that core financial metrics like the cost of capital are determined by structural and fundamental factors, not by the short-term sentiment fluctuations driven by analyst forecasts.

CONCLUSION

This study aims to analyze the determinants of the Weighted Average Cost of Capital (WACC) in Indonesian State-Owned Enterprises (SOEs) managed under BP Danantara as the Indonesia Investment Authority, with particular emphasis on the role of capital market analyst forecasts and macroeconomic factors. Based on the results and discussion, the study concludes that there is a significant distinction between financial and non-financial SOEs regarding the determinants of WACC. For non-financial SOEs, only inflation (INF) shows a significant effect, which paradoxically reduces the likelihood of a high WACC, although the explanatory power of the model is relatively weak (McFadden R^2 = 5.75%). In contrast, for financial SOEs, debt structure (DTA), firm size (SIZE), and the central bank interest rate (INT) have significant negative effects on WACC, with the model demonstrating strong explanatory power (McFadden R^2 = 41.66%). These findings indicate that the determinants of WACC are contextual and strongly influenced by sectoral characteristics. In addition, the study finds that analyst forecasts, proxied by the Target Price Ratio (TPR), do not have a direct effect on WACC in either sector. Instead, their influence appears to be indirect, operating through mechanisms such as disclosure quality and information asymmetry in the capital market. Consequently, financial SOEs tend to be more sensitive to monetary policy and capital

structure, whereas non-financial SOEs are more influenced by real economic conditions such as inflation. The managerial implications suggest that managers of financial SOEs should prioritize capital structure management and responses to interest rate changes, while non-financial SOEs need to strengthen cost resilience and operational efficiency to cope with inflationary pressures. However, this study has several limitations. First, the sample size is limited to SOEs available in the research dataset, meaning that the findings may not fully represent the overall characteristics of SOEs in Indonesia. Second, the study only incorporates a limited number of fundamental and macroeconomic variables, indicating that other potential determinants of WACC may not yet be captured in the model. Third, the influence of analyst forecasts is measured using only one proxy, namely the Target Price Ratio (TPR), which may not fully represent the information contained in analyst forecasts. Based on these limitations, future research is recommended to expand the sample coverage and observation period in order to produce more generalizable findings. In addition, subsequent studies may consider incorporating additional variables such as corporate governance quality, systematic risk, and indicators of information asymmetry, as well as employing multiple proxies for analyst forecasts to obtain a more comprehensive understanding of the determinants of corporate cost of capital. Such efforts are expected to provide deeper contributions to the literature on cost of capital determinants, particularly in the context of state-owned enterprises in emerging economies.

REFERENCES

UNEP, E. D. (2003). Poverty and ecosystems: A conceptual framework : a synthesis : note /: by the Executive Director. Retrieved from https://digitallibrary.un.org/record/514642

Ali, F., Suri, P., Kaur, T., & Bisht, D. (2022). Modelling time-varying volatility using GARCH models: Evidence from the Indian stock market. In *F1000Research* (Vol. 11). https://doi.org/10.12688/f1000research.124998.2

Alkabbj, R., & Alrazim, A. Z. (2025). Impact of Interest Rate Increases by the Central Bank on Financial Performance in Public Joint Stock Companies. In *Studies in Computational Intelligence* (Vol. 1173, pp. 431–439). https://doi.org/10.1007/978-3-031-73899-9_33

Alouj, H. A., Nia, N. M., & Amiri, S. M. S. (2012). The effect of systematic risk on cost of capital determinants applying CAPM model: Evidence from Tehran Stock Exchange (TSE). In *Australian Journal of Basic and Applied Sciences* (Vol. 6, Issue 10, pp. 180–188).

Antônio, R. M., Ambrozini, L. C. S., Gatsios, R. C., & Magnani, V. M. (2017). Analysts' consensus and target price accuracy: A study in latin America. In *BAR - Brazilian Administration Review* (Vol. 14, Issue 4). https://doi.org/10.1590/1807-7692bar2017170036

Barrows, C., Saunders, W., Austin, R., Putnam, G., & Mansbach, H. (2004). The sumatriptan/naratriptan aggregated patient (SNAP) database: Aggregation, validation and application. In *Cephalalgia* (Vol. 24, Issue 7, pp. 586–595). https://doi.org/10.1111/j.1468-2982.2003.00722.x

Bilder, C. R., & Tebbs, J. M. (2012). Pooled-testing procedures for screening high volume clinical specimens in heterogeneous populations. In *Statistics in Medicine* (Vol. 31, Issue 27, pp. 3261–3268). https://doi.org/10.1002/sim.5334

Boudet, J.-F. (2012). Sovereign wealth funds: Investment of surplus and future source of public revenue; [Les fonds souverains: Placement de surplus et source future de

recettes publiques]. In *Revue Francaise d'Administration Publique* (Vol. 144, Issue 4, pp. 1003–1016). https://doi.org/10.3917/rfap.144.1003

Bozzolan, S., Trombetta, M., & Beretta, S. (2009). Forward-looking disclosures, financial verifiability and analysts' forecasts: A study of cross-listed European firms. In *European Accounting Review* (Vol. 18, Issue 3, pp. 435–473). https://doi.org/10.1080/09638180802627779

Brusov, P., Filatova, T., & Orekhova, N. (2022). Modern Theory of Capital Cost and Capital Structure: Brusov–Filatova–Orekhova Theory (BFO Theory). In *Contributions to Finance and Accounting: Vol. Part F220* (pp. 33–56). https://doi.org/10.1007/978-3-030-93893-2_3

Chowdhury, A., Uddin, M., & Anderson, K. (2018). Liquidity and macroeconomic management in emerging markets. In *Emerging Markets Review* (Vol. 34, pp. 1–24). https://doi.org/10.1016/j.ememar.2017.10.001

Clement, M. B., Koonce, L., & Lopez, T. J. (2007). The roles of task-specific forecasting experience and innate ability in understanding analyst forecasting performance. In *Journal of Accounting and Economics* (Vol. 44, Issue 3, pp. 378–398). https://doi.org/10.1016/j.jacceco.2007.04.002

Cohen, M., Katz, S. P., Mutlu, S., & Sadka, G. (2019). Do debt covenants constrain borrowings prior to violation? Evidence from SFAS 160. In *Accounting Review* (Vol. 94, Issue 2, pp. 133–156). https://doi.org/10.2308/accr-52204

Dong, Y., & Liu, P. (2022). The effect of state capital injection on private firms' performance: Evidence from Chinese industrial firms. In *China Economic Quarterly International* (Vol. 2, Issue 2, pp. 85–97). https://doi.org/10.1016/j.ceqi.2022.05.001

Duraisami, A., & Courvisanos, J. (2021). The Timor-Leste Petroleum Fund: From Buying Peace to White Elephants. In *International Political Economy Series* (pp. 233–260). https://doi.org/10.1007/978-3-030-78251-1_10

Erel, I., Julio, B., Kim, W., & Weisbach, M. S. (2012). Macroeconomic conditions and capital raising. In *Review of Financial Studies* (Vol. 25, Issue 2, pp. 341–376). https://doi.org/10.1093/rfs/hhr085

Esterer, F., & Schröder, D. (2014). Implied cost of capital investment strategies: Evidence from international stock markets. In *Annals of Finance* (Vol. 10, Issue 2, pp. 171–195). https://doi.org/10.1007/s10436-013-0236-3

Fukui, T., Mitton, T., & Schonlau, R. (2023). Determinants of Capital Structure: An Expanded Assessment. In *Journal of Financial and Quantitative Analysis* (Vol. 58, Issue 6, pp. 2446–2488). https://doi.org/10.1017/S0022109022001405

Garciá-Meca, E., & Sánchez-Ballesta, J. P. (2006). Influences on financial analyst forecast errors: A meta-analysis. In *International Business Review* (Vol. 15, Issue 1, pp. 29–52). https://doi.org/10.1016/j.ibusrev.2005.12.003

Griffin, P. A., Lont, D. H., & Segal, B. (2011). Enforcement and disclosure under regulation fair disclosure: An empirical analysis. In *Accounting and Finance* (Vol. 51, Issue 4, pp. 947–983). https://doi.org/10.1111/j.1467-629X.2011.00446.x

Guay, W., Kothari, S., & Shu, S. (2011). Properties of implied cost of capital using analysts' forecasts. In *Australian Journal of Management* (Vol. 36, Issue 2, pp. 125–149). https://doi.org/10.1177/0312896211408624

Güzel, F., Acar, M., & Şekeroğlu, G. (2017). Sovereign wealth funds: A comparison of the Turkish sovereign wealth fund with the world samples. In *Periodicals of Engineering*

and Natural Sciences (Vol. 5, Issue 2, pp. 165–175). https://doi.org/10.21533/pen.v5i2.107

He, S., Jin, Q., & Yu, Y. (2025). Will Local Analysts Cater to Government Needs in Earnings Forecasts? Evidence from Financial Misconduct in Chinese State-Owned Enterprises. In *Journal of Business Ethics*. https://doi.org/10.1007/s10551-025-05976-0

Ho, M., & Shen, K. (2011). Using a proportional hazards model to determine the effect of covariates on pooled data A case study. In *ICRMS'2011—Safety First, Reliability Primary: Proceedings of 2011 9th International Conference on Reliability, Maintainability and Safety* (pp. 1370–1375). https://doi.org/10.1109/ICRMS.2011.5979484

Hodgdon, C., Tondkar, R. H., Harless, D. W., & Adhikari, A. (2008). Compliance with IFRS disclosure requirements and individual analysts' forecast errors. In *Journal of International Accounting, Auditing and Taxation* (Vol. 17, Issue 1, pp. 1–13). https://doi.org/10.1016/j.intaccaudtax.2008.01.002

Hodges, C. W., Lin, B., & Lin, C.-M. (2014). Product market competition, corporate governance, and cost of capital. In *Applied Economics Letters* (Vol. 21, Issue 13, pp. 906–913). https://doi.org/10.1080/13504851.2014.896978

Hu, Y., & Zhang, Y. (2025). Analyst Forecasts, Managerial Learning, and Corporate Investment. In *Journal of Accounting, Auditing and Finance* (Vol. 40, Issue 2, pp. 394–420). https://doi.org/10.1177/0148558X231170070

Huang, F. L. (2022). *Alternatives* to logistic regression models in experimental studies. In *Journal of Experimental Education* (Vol. 90, Issue 1, pp. 213–228). https://doi.org/10.1080/00220973.2019.1699769

Huang, W., & Boateng, A. (2016). On the value relevance of analyst opinions and institutional shareholdings *in* China. In *International Journal of Accounting and Information Management* (Vol. 24, Issue 3, pp. 206–225). https://doi.org/10.1108/IJAIM-07-2015-0042

Hussain, H. I., Ghani, E. K., Razimi, M. S. A., & others. (2019). Systematic risk and determinants of cost of capital: An empirical analysis of selected case studies. *Journal of Security & Sustainability Issues*, *9*(1). https://doi.org/10.9770/jssi.2019.9.1(22)

Ivankova, N. V., Creswell, J. W., & Stick, S. L. (2006). Using Mixed-Methods Sequential Explanatory Design: From Theory to Practice. In *Field Methods* (Vol. 18, Issue 1, pp. 3–20). https://doi.org/10.1177/1525822X05282260

Ji, X., Dong, Y., Vagnani, G., & Yang, X. (2024). Stock market reactions and optimism bias in analysts' earnings forecasts: An analysis of China's stock markets. In *Finance Research Letters* (Vol. 59). https://doi.org/10.1016/j.frl.2023.104822

Jiang, L., Liu, L., Qiu, Y., Wang, Y., & Zhang, S. (2024). Local government official competition and financial analyst forecasts. In *European Financial Management* (Vol. 30, Issue 4, pp. 1916–1955). https://doi.org/10.1111/eufm.12467

Jiang, Y., & Hong, Y. (2021). State Media, Institutional Environment, and Analyst Forecast Quality: Evidence from China. In *Emerging Markets Finance and Trade* (Vol. 57, Issue 14, pp. 3929–3943). https://doi.org/10.1080/1540496X.2020.1766443

Jung, S. H. (2015). Are analysts' cash flow forecasts useful? In *Accounting and Finance* (Vol. 55, Issue 3, pp. 825–859). https://doi.org/10.1111/acfi.12103

Kaur, P., & Khullar, N. (2019). Relationship of cost of capital, cost of equity capital, value of firm & other financial variables: Panel data & simultaneous equation analysis of Indian companies. In *Finance India* (Vol. 33, Issue 1, pp. 21–58).

Kerl, A. G., & Pauls, T. (2014). Analyst herding and investor protection: A cross-country study. In *Applied Financial Economics* (Vol. 24, Issue 8, pp. 533–542). https://doi.org/10.1080/09603107.2014.889800

Khare, T., & Kapoor, S. (2024). Behavioral biases and the rational decision-making process of financial *professionals*: Significant factors that determine the future of the financial market. In *Journal of Advances in Management Research* (Vol. 21, Issue 1, pp. 44–65). https://doi.org/10.1108/JAMR-03-2023-0086

Kim, J. H. (2018). Market earnings expectation, measurement error in analysts' consensus forecasts and prediction of *stock* returns. In *Accounting Research Journal* (Vol. 31, Issue 2, pp. 249–266). https://doi.org/10.1108/ARJ-03-2016-0031

Kothari, S. P., So, E., & Verdi, R. (2016). Analysts' Forecasts and Asset Pricing: A Survey. In *Annual Review of Financial Economics* (Vol. 8, pp. 197–219). https://doi.org/10.1146/annurev-financial-121415-032930

Li, J. (2024). Government Audit Announcements and Analysts' Earning Forecasts: Evidence From China. In *SAGE* Open (Vol. 14, Issue 4). https://doi.org/10.1177/21582440241255236

Madsen, J. B. (2003). Inflation and investment. In *Scottish Journal of Political Economy* (Vol. 50, Issue 4, pp. 375–397). https://doi.org/10.1111/1467-9485.5004002

Makrominas, M. (2015). The impact of analyst-investor disagreement on the cross-section of implied cost of capital. In *Australian Journal of Management* (Vol. 40, Issue 2, pp. 224–244). https://doi.org/10.1177/0312896214528185

Mansi, S. A., Maxwell, W. F., & Miller, D. P. (2011). Analyst forecast characteristics and the cost of debt. In *Review of Accounting Studies* (Vol. 16, Issue 1, pp. 116–142). https://doi.org/10.1007/s11142-010-9127-2

Mantecon, T., Almomen, A., Ren, H., & Zheng, Y. (2023). An analysis of the potential impact of heightened capital requirements on banks' cost of capital. In *Journal of Financial Services Research* (Vol. 64, Issue 3, pp. 325–368). https://doi.org/10.1007/s10693-023-00400-y

Merkley, K., Michaely, R., & Pacelli, J. (2017). Does the Scope of the Sell-Side Analyst Industry Matter? An Examination of Bias, Accuracy, and Information Content of Analyst Reports. In *Journal of Finance* (Vol. 72, Issue 3, pp. 1285–1334). https://doi.org/10.1111/jofi.12485

Mokhova, N., & Zinecker, M. (2019). A survey of external and internal factors influencing the cost of equity. In Engineering *Economics* (Vol. 30, Issue 2, pp. 173–186). https://doi.org/10.5755/j01.ee.30.2.19221

Naser, H. (2016). The role of the gulf cooperation council's sovereign wealth funds in the new era of oil. In International *Journal of Economics and Financial Issues* (Vol. 6, Issue 4, pp. 1657–1664).

Orens, R., & Lybaert, N. (2007). Does the financial analysts' usage of non-financial information influence the analysts' forecast accuracy? Some evidence from the Belgian sell-side financial analyst. In *International Journal of Accounting* (Vol. 42, Issue 3, pp. 237–271). https://doi.org/10.1016/j.intacc.2007.06.002

Panigrahi, S. K., Alfandi, A., & Kumaraswamy, S. (2024). Impact of Inflation, Interest Rates, and Unemployment on us Stock Market Returns. In *2024 International Conference on Sustainable Islamic Business and Finance, SIBF 2024*. https://doi.org/10.1109/SIBF63788.2024.10883840

Rose, P. (2019). The Political and Governance Risks of Sovereign Wealth. In *Annals of Corporate Governance* (Vol. 4, Issue 3, pp. 147–271). https://doi.org/10.1561/109.00000021

Sciberras, M., & Dingli, A. (2023). Quantitative Research. In *Lecture Notes in Networks and Systems* (Vol. 568, pp. 43–115). https://doi.org/10.1007/978-3-031-19900-4_11

Sieber, M. (2008). Identification of risk factors (The method of logistic regression); [Die ermittlung von risikofaktoren (Das verfahren der logistischen regression)]. In *Praxis* (Vol. 97, Issue 14, pp. 779–783). https://doi.org/10.1024/1661-8157.97.14.779

Sugarda, P. P., Gunawan, F. I., & Dini, A. A. (2024). Sovereign Wealth Fund Development in Indonesia: Lessons Learned from Norway and Singapore. In *Yustisia* (Vol. 13, Issue 1, pp. 89–116). https://doi.org/10.20961/yustisia.v13i1.80717

Umeokwobi, R., Tamuke, E. C. E., Ezie, O., Aigbedion, M., & Vandy, P. S. (2024). Nexus between Monetary Indicators and Bitcoin in Selected Sub-Saharan Africa: A Panel ARDL. In *Theoretical and Practical Research in the Economic Fields* (Vol. 15, Issue 3, pp. 742–753). https://doi.org/10.14505/tpref.v15.3(31).18

Valaskova, K., Lazaroiu, G., Olah, J., Siekelova, A., & Lancova, B. (2019). How capital structure affects business valuation: A case study of slovakia. In *Central European Business Review* (Vol. 8, Issue 3, pp. 1–17). https://doi.org/10.18267/j.cebr.218

Wang, H., Qi, J., Li, Z., Sensoy, A., & Xing, H. (2024). Excessive financialization and "Original Sin Theory": Redemption from corporate reputation. In *Research in International Business and Finance* (Vol. 70). https://doi.org/10.1016/j.ribaf.2024.102295

Weiss, M. A. (2011). Sovereign wealth funds: Background and policy issues for congress. In *China's Sovereign* Wealth *Fund: Developments and Policy Implications*.

Xie, W. (2024). Capital structures of surviving Fortune 500 companies: A retrospective analysis for the past seven decades. In *Investment Management and Financial Innovations* (Vol. 21, Issue 1, pp. 98–115). https://doi.org/10.21511/imfi.21(1).2024.09