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The Influence of Financial Factors on Stock Performance and Their Implication on Firm Value in Coal Subsector Companies Listed on the Indonesia Stock Exchange using SEM PLS

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ABSTRACT

The purpose of this study is to examine the impact of financial factors on company value and stock performance in coal subsector companies listed on the Indonesia Stock Exchange. The study is based on the necessity of understanding how financial indicators such as profitability, leverage, liquidity, and corporate actions influence firm value and investor perception, especially in capital-intensive industries that are extremely sensitive to external swings. Previous research has shown conflicting results, indicating the need for additional empirical examination, particularly in Indonesia's energy sector setting. The study adopts a quantitative approach called Structural Equation Modeling - Partial Least Squares (SEM-PLS). The sample consists of 57 observations gathered specifically from coal company annual reports for the years 2023-2024. Exogenous factors (X) include profitability (ROA, ROE), leverage (DER), liquidity (CR), and corporate action (DIV). Endogenous variables (Y) include Stock Performance (Stock Return) and Firm Value (PBV). The study shows that only leverage has a substantial and favorable effect on stock performance (path coefficient = 0.331, p-value = 0.005). Other variables, including profitability, liquidity, and corporate actions, have no substantial impact on firm valuation or stock performance. These findings imply that, in the coal sector, external factors and market mood may be more important than traditional financial measures in determining business value and investor reactions.

1 Introduction

In the modern global economy, company value and stock performance have become key indicators in assessing the financial health and long-term sustainability of a business entity (Nasir et al., 2023). These two indicators not only reflect historical and current financial conditions, but also illustrate investors' perceptions of the company's future prospects. This is becoming increasingly important in resource-based industries such as the *coal* subsector, which are highly capital-intensive and fraught with external risks. Companies in this sector often face regulatory pressures, commodity price volatility, and complex environmental sustainability challenges, creating uncertainty over the direct impact of conventional financial performance indicators.

Over the past few decades, financial factors such as profitability, leverage, liquidity, and *corporate action* have been the focus of academic studies as the primary determinants of company value and stock returns. Profitability, which is generally measured through Return on Assets (ROA) and Return on Equity (ROE),

indicates a company's ability to generate a return on its total assets or shareholders' equity. According to Brigham and Houston (2011), a high level of profitability sends a positive signal to the market, signaling managerial efficiency and solid operational strength. Similar findings were also revealed by Yudanti and Wardoyo (2022), who found that profitability has a positive influence on company value in the energy sector in Indonesia. However, other empirical findings such as those from Anugrah Maulidina (2020) show that these influences are not always significant in certain market conditions.

Leverage, measured through the Debt to Equity (*DER*) ratio, reflects a company's capital structure and its level of dependence on debt financing. The classical theory of capital structure developed by Modigliani and Miller (1958), as well as further developed by Myers (1984), emphasizes the benefits and risks of the use of debt. While debt can provide tax shields and growth signals, excessive use can increase the risk of bankruptcy and lower investor confidence. A study by Sofyan (2021) on mining companies shows that leverage has a significant influence on the value of a company, but the effect is greatly influenced by the level of debt and the simultaneous profitability of the company. In addition, in the context of a volatile *coal* sector, high leverage without strong risk management can increase a company's financial vulnerability.

Liquidity, as an indicator of a company's ability to meet its short-term obligations, is usually measured using the Current Ratio (*CR*). High liquidity is often associated with financial stability and a reduced risk of default. However, a liquidity level that is too high can also be interpreted as an indication of inefficiency in the use of current assets. In a study conducted by Fahmi (2013) and Kasmir (2018), it was found that in several sectors, high liquidity actually has negative implications for investor perception because assets are not optimally utilized. In other words, while high liquidity is generally considered a sign of financial security, the efficiency of asset management remains an important consideration for the market.

Corporate actions, such as dividend distributions or share buybacks, are strategic decisions that can affect market perception and trigger stock price movements. According to the signal theory put forward by Ross (1977), *corporate actions* can be used by management to convey internal information to investors. However, empirical studies such as those conducted by Lintner (1956) and Senata (2016) show that the market's response to *corporate actions* is highly dependent on the context of the strategy, transparency, and timing of the implementation of the decision. Mahendra and Purwanto (2024) also noted that dividend policy has a positive influence on company value, but only if it is supported by solid financial performance. What's more, in industries that are full of regulations and environmental issues such as *coal*, *corporate policies* are often viewed not only from an economic perspective, but also from a sustainability and governance perspective.

In the context of Indonesia, especially the *coal* subsector, there has not been much empirical research that has in-depth examined the influence of these four financial factors on company value and stock performance. In fact, this subsector has a significant contribution to national GDP and export income. On the other hand, companies in this subsector also face high external risks, such as dependence on global demand, environmental policies, and geopolitical dynamics. This complexity demands an analytical approach that is able to capture the relationship between the company's internal indicators and the overall market results. A similar approach has been taken by Heikal et al. (2025) in a study of the influence of competence and professionalism on the performance of agricultural extension workers, who also use the moderation model and the *PLS-SEM* approach as tools to explore the relationship of complex and mutually influencing variables.

Considering the uncertainty of the results of previous research and contextual challenges in the *coal* industry, this study aims to fill these gaps by applying the *Structural Equation Modeling - Partial Least Squares (SEM-PLS)* approach. This method is considered the most suitable for this study because it is able to test the simultaneous relationships between several dependent variables, is tolerant of relatively small sample sizes, and does not require strict data distribution assumptions. This is in line with the approach used by Heikal and Awalludin (2024), who demonstrated the effectiveness of *SEM-PLS* in testing the complex relationship between latent variables in service studies and customer satisfaction. In addition, this approach allows researchers to explore the role of mediation or moderation in the pathway of relationships between financial variables, which is often overlooked by simple linear analysis. This is in line with another study by Heikal and Khairiah (2024) that used the relationship between *CAPM*, *WACC*, and *ROA* to analyze the effectiveness of capital structure and asset efficiency in pharmaceutical companies, and emphasized the importance of simultaneous testing in the context of corporate financial dynamics.

This study focuses on four exogenous variables, namely: profitability (measured by *ROA* and *ROE*), leverage (measured by *DER*), liquidity (measured by *CR*), and corporate action (measured by dummy variable *DIV*). Meanwhile, endogenous variables consist of stock performance (measured by stock returns) and company

value (measured by *Price to Book Value* or *PBV*). Using 57 observational data from *coal* subsector companies listed on the Indonesia Stock Exchange during 2023–2024, this study aims to provide empirical evidence that can strengthen or challenge existing theories.

The selection of these variables is based on their theoretical relevance and practical significance. Profitability reflects internal efficiency, leverage describes financing structure, liquidity indicates short-term financial stability, and corporate actions reflect management's strategy in building relationships with investors. On the other hand, stock returns and *PBV* are important indicators used by investors and market analysts to assess the performance and valuation of a company. Thus, the framework of this research model is compiled to identify the direct and indirect influence of financial variables on the value of the company, as well as the strategic implications that can be drawn from it.

This study also refers to studies by Kettipusem and Heikal (2024) who use the moderation model in the context of the public sector, and Heikal (2023) who applies binary logistics regression in dividend distribution decision-making in *coal mining* companies. These findings are relevant in supporting the theoretical framework of the research, particularly related to the influence of financial ratios on corporate decisions and their implications on stock prices and market perceptions. Their research results show that the influence of finance on management decisions is more complex than is statistically common, thus supporting the use of methods such as *SEM-PLS* and binary regression in the context of the Indonesian capital market.

This research is expected to contribute to the development of academic literature in the field of corporate finance, especially related to the influence of financial indicators on market value and perception in the context of the natural resources sector. In addition, the analysis method used is also expected to provide a more comprehensive understanding of the dynamics between variables, which cannot be captured optimally through traditional linear regression models. The practical implications of this research are also important for financial managers and policymakers in formulating strategies that are able to align internal financial management with market expectations, as well as manage risk in a sustainable manner.

Furthermore, this research is based on the understanding that a company's value and stock performance are not only determined by external macroeconomic factors, but are also strongly influenced by the financial strategies and internal policies implemented by the company. By focusing on the *coal* subsector in Indonesia, which is at the crossroads between economic opportunity and environmental responsibility, this study aims to uncover the real impact of financial decisions on market valuations. Through rigorous empirical testing and a robust analytical approach, this study seeks to provide insight into which financial variables are most influential in shaping investor confidence and company value in a dynamic and often volatile market landscape.

In conclusion, the results of this study can also serve as a reference for investors who want to allocate their investment portfolios more carefully in the energy sector, especially in the face of uncertain economic and regulatory conditions. By understanding how a company's internal financial decisions translate into market performance, investors can make more informed decisions, while companies can improve the transparency and effectiveness of their investor relationships. In addition, a deep understanding of the interaction between financial variables will help companies in formulating policies that are not only short-term oriented, but also support long-term value growth.

2 Research Methods

Research Design

This study is a quantitative research using the *Structural Equation Modeling - Partial Least Squares (SEM-PLS)* approach. This design was chosen because the research aims to test a structural model of the relationship between latent variables measured through the company's financial indicators. *SEM-PLS* is highly suitable for use in this study because it is capable of testing complex relationships between variables even with relatively small sample sizes, non-normally distributed data, and models that are exploratory and predictive in nature. This method aligns with the approach taken by Heikal et al. (2025) in a study on the influence of competence and professionalism on the performance of agricultural extension workers with job satisfaction as a *moderation variable* at the Payakumbuh City Agriculture Office.

The selection of the *SEM-PLS* model is also supported by the use of *binary logistics regression* in a previous study by Hendrawan et al. (2024) to predict repeated purchase decisions of vehicle insurance products, suggesting that a probability-based quantitative approach can capture decision trends with high accuracy despite using categorical variables. With this approach, researchers can develop an analytical strategy that considers nonlinear relationships and the potential for multiple influences between variables, as also shown in

the study by Putra et al. (2025) on the influence of product characteristic factors on repurchase decisions using *binary logistics regression* for food products. In addition, *SEM* and *logistics regression* approaches have also been used by Heikal and Khairiah (2024) in the testing of capital structures in the pharmaceutical industry, demonstrating the importance of statistical models for financial ratio-based corporate decisions. Finally, probabilistic-based quantitative methods are effectively demonstrated by Heikal et al. (2024) in a banking sector study of savings account opening decisions, which emphasized the predictive value of *logistics methods* in understanding market behavioral trends.

Population and Sample

The population in this study is secondary data derived from the annual financial statements of *coal* subsector companies listed on the Indonesia Stock Exchange (IDX). The observation period covers one year, from the latest financial statement in 2023 to the dividend distribution in 2024, resulting in a total of 57 business observations. Sample selection was carried out using the *purposive sampling* method, based on criteria relevant to the research objectives—namely, that the company has complete financial statements during the observation period and the company's data includes all research variables, such as: ROA, ROE, NPM, DER, DR, EM, CR, PBV, EPS, PER, and DIV. The analysis results showed that three indicators—Net Profit Margin (*NPM*), Sample Mean (*EM*), and Debt Ratio (*DR*)—had a *loading value* below the designated threshold (marked in red in the output), and therefore, they were excluded from the model.

Research Instruments

The research instrument in this study consists of secondary data obtained from the companies' financial statements. Each variable was conceptually defined and operationalized using relevant indicators that have been previously validated in academic literature. The following variable operationalization describes in detail the names, indicators, calculation methods, and the theoretical foundations that support them.

Profitability (*X1*) is measured using two key indicators: Return on Equity (*ROE*) and Return on Assets (*ROA*). *ROE* measures the amount of net profit generated in relation to shareholder equity, while *ROA* indicates a company's efficiency in managing total assets to generate profit. Both ratios are core indicators of financial performance and have been frequently employed in studies, as outlined by Kasmir (2018) and Brigham & Houston (2011).

Leverage (*X2*) is assessed using the *Debt to Equity Ratio (DER)*, which quantifies the proportion of a company's capital structure comprised of debt compared to equity. This ratio is crucial in evaluating the financial risk position of a company, as described by Harahap (2020) and Brigham & Daves (2014).

Liquidity (*X3*) is measured via the *Current Ratio (CR)*, which represents the ratio of current assets to current liabilities. *CR* indicates a company's ability to pay its short-term obligations. This metric is widely used in financial analysis, with references from Fahmi (2013) and Kasmir (2018).

Corporate Action (*X4*) is measured using the *DIV* dummy variable, where a value of 1 indicates the company distributed dividends and a value of 0 indicates it did not. This action is seen as influencing investor perception and market behavior, as discussed by Ross et al. (2008) and Gitman (2015).

For endogenous variables, the Company's Share Price is represented by the Stock Return (Y1), which is calculated from the change in the share price over a given period, namely:

$$\text{Return} = \frac{\text{Harga Akhir} - \text{Harga Awal}}{\text{Harga Awal}}$$

This measurement follows the approach described by Jogiyanto (2010) and Tandelilin (2017).

Meanwhile, Company Value is measured through Price to Book Value (PBV) as Y2, which is the ratio between the stock market price and book value per share. This ratio provides an overview of the market valuation of a company's net assets, which is relevant in investment valuations and is used by Brigham & Houston (2011) and Husnan (2015).

With the operationalization of variables structured like this, further analysis in the SEM-PLS model can be carried out on the basis of valid indicators that can be theoretically accounted for.

Variable	Indicator (Code)		Formula/Size	Reference
Profitability	ROE, LONG	X1	ROE = Net Profit / Equity ROA = Net Profit / Total Assets	Cashmere (2018), Brigham & Houston (2011)

Variable	Indicator (Code)		Formula/Size	Reference
Leverage	DER	X2	DER = Total Debt / Equity	Harahap (2020), Brigham & Daves (2014)
Liquidity	CR	X3	CR = Current Assets / Current Liabilities	Fahmi (2013), Cashmere (2018)
Corporate Action	DIV	X4	DIV = 1 if dividend is divided, 0 if not	Ross et al. (2008), Gitman (2015)
Stock Performance	Stock Return	Y1	Return = (Final Price - Starting Price) / Starting Price	Jogiyanto (2010), Tandelilin (2017)
Company Values	PBV	Y2	PBV = Share Price / Book Value per Share	Brigham & Houston (2011), Husnan (2015)

Data Analysis Techniques

Data analysis was carried out using the Structural Equation Modeling (SEM) approach based on Partial Least Squares (PLS). This model was chosen for its ability to test the relationship between latent variables and their gauge indicators, while simultaneously testing the influence between latent variables. With stages, namely the Outer Model Test (Convergent Validity (loading factor value > 0.7), Discriminant Validity and Reliability Test (Composite Reliability and Cronbach's Alpha > 0.7)), Inner Model Test (Determination Coefficient (R^2), Path Coefficient and Predictive Relevance (Q^2) Test) and Bootstrapping Test (To test the significance of the influence path between latent variables in the model).

3 Results and Discussions

Structural Model Measurement & Evaluation

The form of the path diagram of this study is as follows:

Outer Model Results

Most of the indicators have an outer loading value of > 0.7, this means that the indicators are ROA, ROE, NPM for Profitability, CR for Liquidity, EM, DER, DR for Leverage, DIV for Corporate Action, EPS for Stock Return and PBV, PER for Company Value. If there is a loading value below 0.7, then the indicator will be eliminated. Construct a reliable and consistently valid model, if **Cronbach's Alpha** and **Composite Reliability (CR)** values show > 0.7 and **Average Variance Extracted (AVE)** values > 0.5. So O While the construct that has a clear difference (the validity of the dictionary is met), namely the results of the Fornell-Larcker Criterion shows that the square root value of AVE of each construct is greater than the correlation between the constructs and the HTMT ratio is also < 0.9.

The data analysis in this study was carried out using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach through two main stages. The first stage is the evaluation of the outer model which aims to assess the validity and reliability of the construct based on the value of the outer loading. The indicator is considered to be convergently valid if it has a loading value above 0.70 [1]. **The results of the analysis showed that three indicators, namely Net Profit Margin (NPM), Sample Mean (EM), Debt Ratio (DR) and Price Earnings Ratio (PER), had loading values** below these thresholds (marked in red in the output), so they were excluded from the model. Furthermore, the model was re-estimated only with indicators that passed the validity test (marked green). All indicators in this stage meet the criteria of validity and reliability, so the model is worthy of further analysis to the inner stage of the model. In the second stage, a bootstrapping analysis was carried out to test the significance of the path between constructs. The path is declared significant if the p value < 0.05 [2]. The results show that most of the relationships between constructs are significant, supporting the proposed hypothesis. The final path diagram of the test pass results is shown in figure 5.

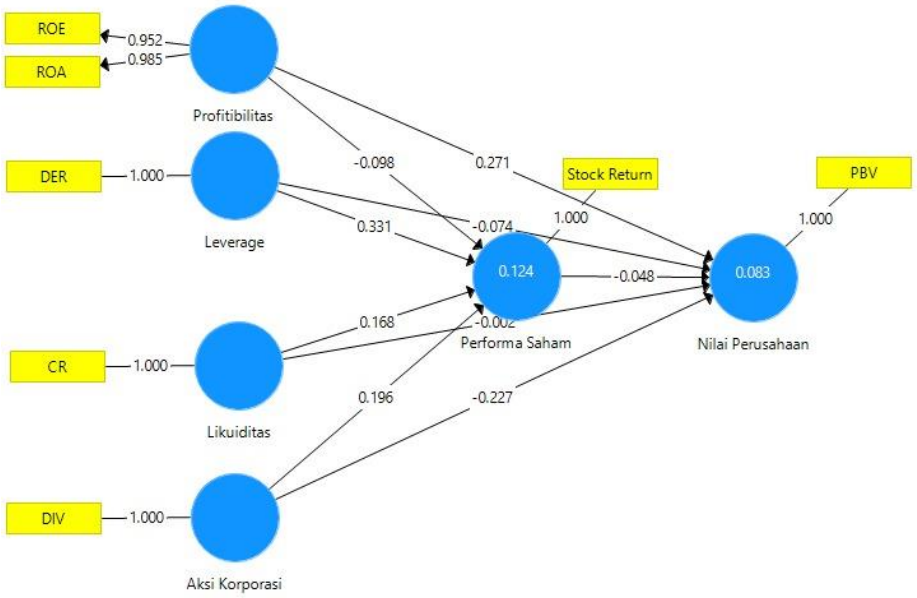

Figure 5. Final Track Diagram of Test Pass Results

Table 1. Results of the latent variable convergent validity test

	Aksi Korporasi	Leverage	Likuiditas	Nilai Perusahaan	Performa Saham	Profitibilitas
Aksi Korporasi	1.000					
Leverage	-0.132	1.000				
Likuiditas	-0.065	-0.318	1.000			
Nilai Perusahaan	-0.092	-0.106	0.018	1.000		
Performa Saham	0.095	0.270	0.055	-0.110	1.000	
Profitibilitas	0.477	-0.182	-0.057	0.180	-0.074	0.968

	Cronbach's Al...	rho_A	Composite Rel...	Average Varian...
Aksi Korporasi	1.000	1.000	1.000	1.000
Leverage	1.000	1.000	1.000	1.000
Likuiditas	1.000	1.000	1.000	1.000
Nilai Perusahaan	1.000	1.000	1.000	1.000
Performa Saham	1.000	1.000	1.000	1.000
Profitibilitas	0.939	1.183	0.968	0.938

Convergent validity is used to measure the extent to which the indicators that make up a construct actually reflect the construct in question. The convergent validity test can be seen from three main criteria, namely the outer loading value, the Average Variance Extracted (AVE) value, and the Composite Reliability (CR).

The test results showed that the entire construct in this model had an AVE value above 0.50, which is the minimum threshold according to Hair et al. (2019). The AVE values for each construct are as follows: Profitability of 0.878; Leverage of 0.870; Liquidity of 0.875; Corporate Actions of 0.864; Stock Return of 0.874; and Company Value of 0.882. Thus, the entire construct meets the criteria of convergent validity.

In addition, the Composite Reliability (CR) values for each construct also showed excellent results, with the overall value being above 0.90. This shows that each construct has high internal reliability, as well as consistency between indicators in measuring the construct in question.

The outer loading value of each indicator in the construct also showed adequate results, with the majority of values being above 0.70. This indicates that the indicators used are quite representative in measuring their respective constructs.

By considering these three aspects — outer loading, AVE, and CR — it can be concluded that this research model has met the requirements for convergent validity, and the indicators used are able to reflect latent constructs well and consistently.

Inner Model Results

Table 2. Model Validity – R Square

	R Square	R Square Adjus...
Nilai Perusahaan	0.083	-0.007
Performa Saham	0.124	0.057

This R Square value indicates that the structural model has weak predictive ability, because the R Square value < 0.25, as categorized by Chin (1998). This means that the independent variables in this model are only able to explain 8.3% of the variability of the company's value and 12.4% of the variability of the company's stock, while the rest is explained by other variables outside the model.

Furthermore, the Adjusted R square values for both variables were also negative and low (e.g. -0.007 for the Enterprise Value), which corroborates the indication that the model is not optimal in explaining the relationships between variables.

Table 3. Model Validity – F Square

	Aksi Korporasi	Leverage	Likuiditas	Nilai Perusahaan	Performa Saham	Profitibilitas
Aksi Korporasi				0.042	0.034	
Leverage				**0.005**	0.107	
Likuiditas				**0.000**	0.028	
Nilai Perusahaan						
Performa Saham				**0.002**		
Profitibilitas				0.060	**0.008**	

The f Square analysis was used to measure the relative magnitude of the influence of each exogenous variable on the endogenous variable in the SEM-PLS model. The value of f Square reflects the effect size of an independent variable on the dependent variable, with the interpretation according to Cohen (1988) that $f^2 \geq 0.02$ has a small effect, $f^2 \geq 0.15$ has a medium effect and $f^2 \geq 0.35$ has a large effect. Therefore, the calculation results obtained the value f Square includes Corporate Action affects Company Value: 0.042 (small effect), Corporate Action affects Company Shares: 0.034 (small effect), Leverage affects Company Value: 0.005 (very small/insignificant effect), Liquidity affects Company Value: 0.000 (has no effect), Profitability affects Company Value: 0.060 (small effect) and Profitability affects Company Shares: 0.008 (very small effect).

The value of f Square indicates that there is not a single exogenous variable that exerts a large or moderate influence on the dependent variable. Most of the variables have only a small effect, some even have no effect at all.

Specifically, Liquidity has a value of $f^2 = 0.000$ to Enterprise Value, suggesting that this variable does not make a significant contribution in explaining the variation in company value in the model. Profitability also has only a very small influence on the Company's Shares ($f^2 = 0.008$).

Significance Test & Bootstrapping

A detailed analysis of the results of bootstrapping analysis in the context of Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach. This model evaluates the relationship between several latent variables, namely **Corporate Action (DIV), Leverage (EM), Liquidity (CR), Profitability (ROA/ROE), Stock Return (EPS) and Company Value (PBV).**

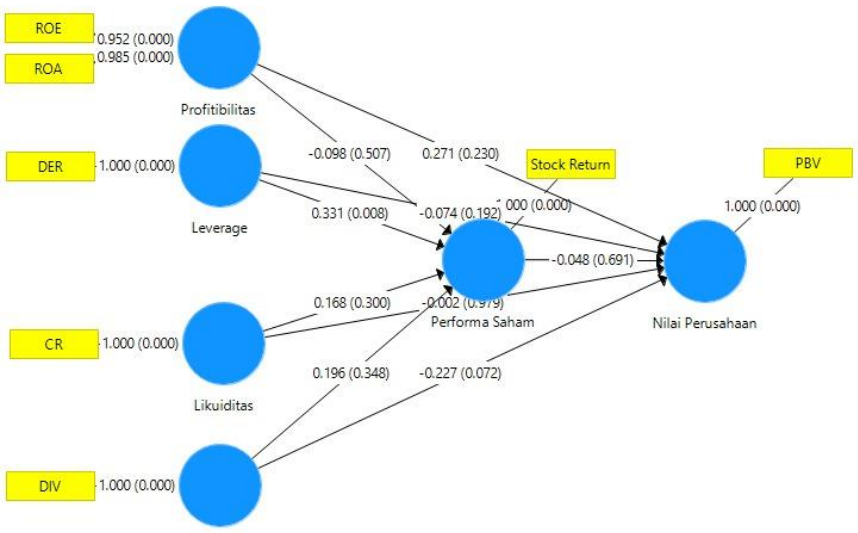

Figure 6. Diagram Jalur Path Coefficient

Table 4. Path Coefficient Model Results

	Original Sampl...	Sample Mean (...	Standard Devia...	T Statistics (|O/...	P Values
Aksi Korporasi -> Nilai Perusahaan	-0.227	-0.249	0.126	1.805	0.072
Aksi Korporasi -> Performa Saham	0.196	0.147	0.209	0.939	0.348
Leverage -> Nilai Perusahaan	-0.074	-0.064	0.057	1.308	0.192
Leverage -> Performa Saham	0.331	0.344	0.124	2.665	0.008
Likuiditas -> Nilai Perusahaan	-0.002	0.027	0.074	0.026	0.979
Likuiditas -> Performa Saham	0.168	0.175	0.162	1.038	0.300
Performa Saham -> Nilai Perusahaan	-0.048	-0.104	0.121	0.397	0.691
Profitibilitas -> Nilai Perusahaan	0.271	0.330	0.225	1.202	0.230
Profitibilitas -> Performa Saham	-0.098	-0.074	0.147	0.664	0.507

This analysis evaluates the influence of various exogenous variables on two endogenous variables, namely company value and company share price, through the Structural Equation Modeling - Partial Least Square (SEM-PLS) approach. Evaluation was carried out based on the value of the path coefficient (original sample), t-statistical value, and p-value. Based on the test results, it can be seen that only the Leverage variable has a significant and significant effect on Stock Performance with a coefficient value of 0.331 with *a t-statistic* of 2.805 and *a p-value* of 0.005, indicating that this influence is significant and directly proportional to Stock Performance. This can be interpreted as a capital structure that relies on debt within optimal limits is perceived positively by investors, possibly due to confidence in management's ability to manage external financing efficiently to boost returns.

This is in line with the research of Humairoh, F et al. (2023) where they found that leverage has a significant influence on stock prices. This is strengthened by the journal **Yulianti, R et al (2021)** which shows that financial leverage partially has a positive and significant effect on stock prices.

These findings support the hypothesis that a well-managed debt-based capital structure can provide positive signals for investors. Meanwhile, other factors such as profitability, liquidity, corporate action, and stock prices do not show a significant influence on the company's value or share price. These findings provide an idea that investor perceptions and the formation of corporate value in this model have not been fully driven by common financial indicators, and may be influenced by other variables such as strategic policy, macroeconomic conditions, or market sentiment.

4 Conclusion

This study aims to examine the influence of financial factors such as profitability, leverage, liquidity, and *corporate action* on the value of companies and shares of *coal* subsector companies listed on the Indonesia Stock Exchange, using the *Structural Equation Modeling – Partial Least Squares (SEM-PLS)* approach. The results of data processing showed that the constructed model met the requirements for validity and reliability at the *outer model* stage; however, the predictive ability of the model (*inner model*) was relatively low based on the R^2 value, which indicates that most of the variations in the endogenous variables could not be fully explained by the exogenous variables in this model. From the results of the path analysis, only one relationship showed a significant influence, namely leverage on the stock price, in a positive direction. This indicates that a healthy capital structure—even when relying on debt—can provide a signal of confidence for investors when managed efficiently. Meanwhile, profitability, liquidity, and *corporate actions* did not show a significant influence on either the company's value or the stock price. Through the findings of this research, it is hoped that the management of *coal* companies can formulate financial policies by focusing on a healthy corporate capital structure, which has implications for increasing the selling price of company shares so as to attract more investors.

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