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Analyzing The Influence Of Corporate Financial Performance And Inflation On Stock Price Movements (An Empirical Study Of Mining Companies On The Indonesia Stock Exchange)

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Abstract

This study aims to examine the influence of internal financial variables—namely liquidity, solvency, and profitability—and external factors in the form of inflation on stock prices (Hrg_Shm) using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. The results of the path analysis indicate that the three internal variables have a positive influence on stock prices, but do not reach a statistically significant level (p-value > 0.05), indicating that a company's internal financial performance has a limited contribution in determining stock market valuations in the Indonesian economic context. Conversely, inflation is proven to have a positive and statistically significant impact (t-statistic > 1.96; p-value < 0.05), reflecting the role of moderate inflation as an indicator of economic growth expectations that drive stock price increases. The developed model has an R^2 value of 0.028, which indicates low explanatory capacity, underscoring the limitations of the variables used in explaining stock price fluctuations. The implication is that financial market practitioners are asked to consider macroeconomic factors—especially inflation stability—as a primary consideration in making investment decisions. As a direction for further research, it is recommended to use time-series data to strengthen the validity of the model and analyze the long-term dynamics of stock price movements in more depth.

Keywords: Sustainability, Liquidity, Profitability, Inflation

INTRODUCTION

The mining sector holds a strategic position as a key pillar of the Indonesian economy, contributing significantly to Gross Domestic Product (GDP), foreign exchange

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earnings, and state revenues. The sector's performance is heavily influenced by fluctuations in global commodity prices, government policies, and macroeconomic conditions, including inflation (Fairuzie et al., 2022) . As a country rich in natural resources, Indonesia has enormous mining potential, with leading commodities such as coal, nickel, gold, copper, and bauxite. The sector's role is further strengthened by the government's downstreaming policy, which aims to increase the added value of mining products through domestic industrial processes. Therefore, the stock price movements of mining companies are a crucial indicator for investors in assessing investment prospects and gauging macroeconomic health (Nugraha et al., 2022) . Empirical studies analyzing the impact of corporate financial performance and inflation on stock prices in this sector are highly relevant for providing a comprehensive understanding for stakeholders (Nugraha et al., 2022) . (Pramesti et al., 2020) . This is important because capital market fluctuations, which are closely related to microeconomic and macroeconomic conditions, often reflect these dynamics, with stocks being one of the investment instruments of choice for investors (Nugraha et al., 2022) .

Stock price movements in the capital market are influenced by internal company factors directly related to operational and financial performance. Financial ratios such as Return on Assets (ROA), Return on Equity (ROE), Debt Ratio, Debt to Equity Ratio (DER), Cash Ratio, and Current Ratio are key indicators of company performance widely recognized in the financial literature. Furthermore, asset utilization efficiency and financial solvency are also important determinants of a company's stock price, with profitability often acting as a mediating variable (Jane & Widjaja, 2025) . Increased profitability, often measured by Return on Assets and Return on Equity, demonstrates a company's ability to generate profits from its assets and equity capital, thus theoretically attracting investor interest and driving share price increases (Anam et al., 2022) . On the other hand, healthy solvency and liquidity ratios, as indicated by the Debt Ratio, Debt to Equity Ratio, Cash Ratio, and Current Ratio, indicate a company's ability to meet its financial obligations, which also has a positive impact on investor perception and, in turn, stock prices.

Empirical studies show that companies with superior financial performance tend to have higher stock prices, as the company's value reflected in the capital market reflects its profitability prospects and asset management efficiency. In the mining sector, a capital-intensive and long-term industry, financial performance reflects a company's operational health, particularly in the face of commodity price fluctuations. Previous research also confirms that EPS, ROA, and ROE have a positive and significant effect on stock prices, indicating that investors pay close attention to profitability indicators as a basis for

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investment assessment. This is in line with the view that consistently increasing profits can drive stock prices up, while declining profits can lead to stock price declines (Hasmirati & Akuba, 2020) .

While internal factors are significant, macroeconomic conditions also substantially influence stock price movements, particularly in sectors highly sensitive to global and domestic changes. Inflation, a crucial macroeconomic indicator, directly impacts production costs, including fuel, spare parts, and labor wages. High inflation can squeeze mining companies' profit margins, which in turn impacts their financial performance and reputation in the capital market. This decline in profitability due to inflation can reduce Return on Assets and Return on Equity, ultimately triggering a decline in stock prices (Nugraha et al., 2022) . Furthermore, uncontrolled inflation can also lead to a decline in consumer purchasing power and increase overall economic uncertainty, which in turn reduces investor interest in risky assets such as stocks (Putra & Hasanuh, 2021) .

Empirical studies show that combining micro (financial performance) and macro (inflation, exchange rate) factors provides better explanatory results than partial analysis. Therefore, this research is highly urgent in filling the academic gap that is still limited to the simultaneous integration of these factors in the context of the Indonesian mining sector. By providing an in-depth understanding of stock price determinants, this research is expected to make a significant contribution to the global financial literature, as well as strategic implications for investors, company management, and regulators in formulating policies that support the sustainable growth of the mining sector and its high competitiveness in the global market. Monetary conditions and movements in macroeconomic variables, such as inflation, the rupiah exchange rate, and interest rates, intrinsically influence stock returns, including in the banking sector, and this is also relevant for the mining sector, which is highly sensitive to global economic dynamics (Silaban, 2020). (Ardiyansyah & Paramita, 2020) . Fluctuations in these indicators can directly impact mining companies' operating costs and revenues, which in turn impact their stock market valuations. The importance of inflation as a determinant of stock prices has been confirmed in various studies, showing that rising inflation is often accompanied by a negative stock market response, particularly in developing countries where economic stability is more vulnerable to inflationary pressures (Hakim et al., 2023). (Hendrawan et al., 2022) .

Based on the background above, the main problem formulation is as follows:

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1. Does the company's financial performance (Cash Ratio, Current Ratio, ROA, ROE, DER and Debt-R) have a significant effect on stock price movements in mining companies listed on the IDX for the 2020-2024 period?
2. Does the inflation rate have a significant impact on stock price movements in mining companies listed on the IDX for the 2020-2024 period?
3. Do corporate financial performance and inflation simultaneously have a significant effect on stock price movements in mining companies listed on the IDX for the 2020-2024 period?

BIBLIOGRAPHY

Liquidity

Mining companies, particularly in Indonesia, face high funding risks due to the capital-intensive and long-term nature of their business, where macroeconomic conditions such as inflation can exacerbate this uncertainty (Hendrawan et al., 2022) . Cash flow and sales volatility, while not always directly correlated with financial reporting quality, remain important indicators in assessing a mining company's liquidity risk (Digdowiseiso et al., 2022) . Therefore, a company's ability to manage liquidity effectively through adequate cash reserves and access to credit facilities is crucial for maintaining operational stability and attracting investors amid economic turmoil (Hakim et al., 2023) . Good liquidity management also reflects a company's overall financial health, which can boost investor confidence and positively influence stock price movements amid economic uncertainty (Ahmad & Badri, 2022) . Conversely, a lack of effective liquidity management can result in financial distress, which can trigger negative investor perceptions and lead to significant stock price declines (Santosa et al., 2020) . This is exacerbated by government policies, such as tax increases or environmental regulations, which can directly increase operational costs and depress profitability, further exacerbating liquidity risk and investor perceptions of stock prices (Sri Hidayati et al., 2024) . Therefore, liquidity risk mitigation strategies, including diversifying funding sources and hedging against commodity price fluctuations, are essential to maintaining company stability and attracting investment.

Solvency

Solvency is a crucial aspect in assessing a company's financial health and sustainability, referring to its ability to meet all its long-term financial obligations (Rohmah & Nasir, 2023) . This encompasses a company's ability to cover long-term debt and other obligations, often measured through financial ratios such as the debt-to-equity ratio and

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the interest coverage ratio. These ratios provide insight into a company's capital structure, the proportion of funding derived from debt compared to equity, and its ability to pay interest on its debt (Darmarani et al., 2023) . A strong solvency level indicates financial stability and reduces the risk of bankruptcy, making it a crucial consideration for investors when evaluating a stock's investment potential. Therefore, companies with high solvency tend to attract more investors due to lower financial risk, which in turn can drive share prices up (Assyifa & Siska, 2025) . Conversely, companies with low solvency levels are often perceived as having higher investment risks, which can lead to selling pressure and declining stock prices (Astuti & Setiawati, 2024) . However, several studies suggest that certain solvency ratios, such as the Debt-to-Equity Ratio or the Debt-to-Asset Ratio, may not directly correlate significantly with stock prices but may instead influence stock prices indirectly through mediating variables such as profitability (Jane & Widjaja, 2025) .

Profitability

Profitability, defined as a company's ability to generate profits from its operations, is a fundamental indicator reflecting management efficiency and business competitiveness (Kalbuana et al., 2022) . A high level of profitability, which can be measured through various metrics such as net profit margin, return on assets, and return on equity, directly influences a company's attractiveness to investors and its ability to fund future growth (Pratama et al., 2025) . Therefore, companies that consistently record stable or increasing profits are generally considered financially healthy, attracting investor interest, and potentially increasing their stock prices (Al Jupri & Sisdianto, 2024) . In line with signaling theory, a higher profitability ratio reflects a company's ability to manage assets to generate profits, which in turn increases company value and investment attractiveness (Oktaviany & Latif, 2021) . This aligns with study findings showing that profitability ratios such as Net Profit Margin and Return on Equity have a positive and significant influence on stock prices (Rahmi et al., 2021) . Some commonly used profitability indicators include Return on Assets, Return on Equity, Earnings Per Share, and Net Profit Margin, all of which measure management's capacity to manage assets to generate income ("Interpretation of Stock Price Variables with the Influence of the Company's Profitability," 2024). (Setyoko et al., 2020) . This profitability ratio is the primary benchmark for investors to assess financial performance and potential stock value growth, as strong profitability reflects a company's ability to create value for shareholders (Azma & Mubyarto, 2022). (Khan & Hidayat, 2022) .

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Inflation

Inflation refers to a persistent and pervasive increase in the price level of goods and services in an economy over a period of time, leading to a degradation of the purchasing power of the currency (Mankiw, 2019). This condition reflects a decline in the intrinsic value of money, where the volume of goods and services that can be obtained for a unit of currency gradually decreases. From an economic perspective, inflation is usually measured using the Consumer Price Index (CPI) or Producer Price Index (PPI), which represent the average price variation of a reference basket of goods. Moderate inflation (around 2-3% annually) can stimulate economic growth by increasing consumption and investment, while extreme inflation (exceeding 10%) risks creating uncertainty, including unequal wealth redistribution and eroding market confidence (Blanchard, 2021). In corporate finance, inflation impacts production costs, interest rates, and asset valuations, making it a key element in empirical research, such as analyzing its influence on stock price dynamics.

From a mining industry perspective, inflation has unique consequences due to its reliance on volatile international commodities. Rising inflation has the potential to increase operational costs, including energy and supply chain costs, which in turn depresses profitability and impacts financial performance indicators such as return on asset (ROA) and return on asset (ROE). Empirical research indicates a negative correlation between inflation and stock price volatility on the Indonesia Stock Exchange (IDX), particularly for mining entities vulnerable to economic cycles (Brigham & Houston, 2022).

Stock price

Stock prices represent the value of ownership in a company, traded on the capital market, and reflect investors' perceptions of the company's future prospects, financial performance, and overall macroeconomic conditions (Putra & Hasanuh, 2021) . Stock price movements are highly dynamic, influenced by various fundamental company factors such as profitability and liquidity, as well as external macroeconomic factors such as inflation and government policy (Shaleh, 2024) . Stable stock prices with a tendency to periodically increase attract investors, as they reflect expectations of strong company performance and the prospect of sustainable profit growth (Meidiyustiani & Niazi, 2021) . Analysis of stock price movements also involves an understanding of market efficiency, where new information is quickly reflected in prices, demonstrating the market's ability to rapidly integrate various relevant data (Merry & Widjaja, 2023) . However, stock price volatility is also often influenced by market sentiment, speculation, and reactions to

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unexpected events, which can cause short-term fluctuations that do not always reflect the company's intrinsic value. Stock prices are usually measured by the closing price which is formed from the interaction of supply and demand on the stock exchange, with fluctuations influenced by the company's profit level.

RESEARCH METHODOLOGY

This research adopts a quantitative approach with an empirical study design to test the causal relationship between independent and dependent variables. The methodology is explanatory, aiming to explain the influence of corporate financial performance and inflation on stock price movements in mining companies listed on the Indonesia Stock Exchange (IDX). The study period covers annual data from 2020 to 2024, reflecting post-pandemic conditions and global commodity fluctuations, to capture the current dynamics in the mining sector.

The study population consisted of all mining sector companies actively listed on the IDX until the end of 2024, with a total of approximately 50 issuers based on the IDX-IC classification. A purposive sampling technique was used to select samples that met the following criteria: (1) companies that consistently reported audited financial data during the study period, (2) not experiencing a trading suspension for more than six consecutive months, and (3) having a market capitalization of at least IDR 1 trillion to ensure representativeness. From this population, the final sample consisted of 10 companies, representing approximately 50% of the total population and sufficient for statistical analysis with a 5% significance level. This sample size was based on the Slovin formula with a 10% margin of error, ensuring inferential validity (Yamane, 1967). Sample data were collected from annual financial reports available on the official websites of the IDX and the Indonesia Stock Exchange.

Data Analysis Techniques

The data analysis in this study adopted the Structural Equation Modeling-based Partial Least Squares (SEM-PLS) approach using SmartPLS software version 4.0. The SEM-PLS method was chosen because of its ability to handle complex structural models with latent variables, where the data may not meet the assumption of a normal distribution and the relatively small sample size (approximately 150 observations from 25 companies over 6 years). Unlike traditional multiple linear regression, SEM-PLS allows simultaneous testing of causal relationships between variables, including mediating and moderating effects, which are relevant for analyzing the influence of financial performance (as a latent

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construct) and inflation on stock price movements. This approach is predictive and exploratory, in accordance with empirical studies in the financial sector involving multiple indicators for a single construct, as recommended by Hair et al. (2022). The analysis was conducted in stages, including evaluation of the measurement model (outer model) and the structural model (inner model), with a significance level of α = 0.05.

RESULTS AND DISCUSSION

1. Measurement Model (Outer Model)

Based on the evaluation of the outer measurement model using SmartPLS software, the correlation values between statement indicators representing the research variables were obtained, as presented below :

Convergent validity

Convergent validity in the SEM-PLS methodology is evaluated through two main criteria: factor loading (outer loading) and Average Variance Extracted (AVE) (Hair et al., 2022). Factor loading measures the correlation of reflective indicators with the latent construct, with a minimum threshold of 0.70 to ensure robust representation. Meanwhile, AVE assesses the proportion of variance explained by the indicators relative to the construct, where a value >0.50 indicates that the construct is explained more by the indicators than by measurement error. This approach ensures overall measurement reliability.

1) Loading Factor Value

The outer loading estimation results are obtained by measuring the correlation between indicator scores (as a measurement instrument) and the relevant latent construct (variable). An indicator is considered valid if the correlation value reaches or exceeds 0.70 ; however, a value of 0.60 can also be considered adequate in certain contexts (Hair et al., 2022). Indicators that fail to meet this criterion must be eliminated from the model to maintain measurement integrity. Meanwhile, the results of the convergent validity evaluation in the first stage of this research are presented in the table below.

Table 2. Outer Loading Results of Convergent Validity Test

Variables	Outer loadings	Information
Cash_R <- Liquidity	0.999	Valid
Cur-R <- Liquidity	0.994	Valid

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DER <- Solvency	0.992	Valid
Debt_R <- Solvency	0.997	Valid
Hrg_Shm <- Hrg_Shm	1,000	Valid
Inflation <- Inflation	1,000	Valid
ROA <- Profitability	0.984	Valid
ROE <- Profitability	0.986	Valid

Source: SEM-PLS.4 Data (2025)

Based on the analysis presented in Table 2, it can be seen that all indicators for each variable in this study have met the requirements for convergent validity, with outer loading values exceeding the threshold of 0.7 . This indicates that the overall measurement data is valid and consistent in representing the intended latent construct, as recommended by the SEM-PLS methodology (Hair et al., 2022). This criterion is important to ensure that the indicators not only correlate strongly with their theoretical constructs but also support the overall reliability of the model, thereby reducing the risk of bias in interpreting causal relationships between variables.

2) Average Variance Extracted (AVE)

The Average Variance Extracted (AVE) output results are presented in the table below. A variable is considered convergently valid if its AVE value exceeds the threshold of 0.5 , indicating that the latent construct is effectively explained by its indicators, accounting for more than half of its variance (Hair et al., 2022). This criterion is essential in the SEM-PLS methodology to verify that the construct measurement has adequate power, thus avoiding the problem of under-extraction that can weaken the reliability of the overall structural model. Thus, an AVE value above 0.5 ensures that the indicators are not only relevant but also able to represent the theoretical essence of the research variables with a high degree of accuracy.

Table 3: Output Average Variance Extracted (AVE)

Variables	Average variance extracted (AVE)	Information
Liquidity	0.993	Valid
Profitability	0.970	Valid
Solvency	0.989	Valid

Source: SEM-PLS.4 Data (2025)

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The Average Variance Extracted (AVE) values for each of the aforementioned variables all reached or exceeded the threshold of 0.5 , thus categorizing them as convergently valid within the SEM-PLS methodology framework (Hair et al., 2022). This criterion confirms that the measurement indicators effectively capture more than half of the variance of the intended latent construct, which in turn strengthens the reliability and consistency of the overall measurement model . Thus, meeting the AVE threshold of ≥ 0.5 not only validates the theoretical representation of the variables but also minimizes potential distortions in subsequent structural relationship analyses, ensuring that the research findings are more robust and generalizable .

a. Discriminant Validity

Discriminant validity is applied to ensure that each latent construct is clearly distinct from other constructs in the model. A model is said to have good discriminant validity if each indicator in a latent construct shows the highest loading value for that construct compared to other constructs. This reflects the model's ability to differentiate significantly between different constructs. In this study, discriminant validity was assessed using three approaches: cross-loading, the Fornell-Larcker criterion, and correlations between latent variables.

1) Cross Loading

An indicator is deemed to meet the discriminant validity criteria if its cross-loading value against the relevant latent construct is higher than the cross-loading value against other latent constructs (Hair et al., 2022). This approach ensures that the indicator specifically represents its original construct without significant overlap with other constructs. The following are the results of data processing using SmartPLS version 4 software, specifically the cross-loading values, as presented in the table below.

Table 4: Cross Loading Output

Variables	Liquidity	Solvency	Hrg_Shm	Inflation	Profitability	Information
Cash_R	**0.999**	-0.397	0.126	0.095	-0.470	Valid
Cur-R	**0.994**	-0.383	0.048	0.079	-0.412	Valid
DER	-0.338	**0.992**	-0.090	0.117	0.755	Valid
Debt_R	-0.426	**0.997**	-0.148	0.106	0.821	Valid
Hrg_Shm	0.104	-0.127	**1,000**	0.006	-0.163	Valid
Inflation	0.091	0.110	0.006	**1,000**	0.123	Valid

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ROA	-0.418	0.777	-0.157	0.131	**0.984**	Valid
ROE	-0.477	0.797	-0.164	0.112	**0.986**	Valid

Source: SEM-PLS.4 Data (2025)

The cross-loading values for the described variables indicate that the correlation between each indicator (as a measurement instrument) and its corresponding construct (latent variable) is higher than the correlation between that indicator and other constructs. This indicates that each indicator is more strongly related to its original construct, supporting the existence of adequate discriminant validity in the model.

b. Construct Reliability

Construct reliability can be evaluated using two main approaches: Cronbach's Alpha and composite reliability. These two metrics serve to test the level of consistency and measurement stability of the indicators contained in a latent variable, with the aim of ensuring that the collected data consistently represents the construct intended in the research model **.**

1) Cronbach's Alpha and Composite reliability

Cronbach's Alpha is a crucial metric for evaluating the internal reliability of latent variables in PLS-SEM. A value ≥ 0.70 indicates consistent and accurate measurement, supporting overall validity (Hair et al., 2022). A low value indicates unreliability of the indicator, requiring revision or replacement. Meanwhile, composite reliability (CR) measures the internal consistency of an indicator against a construct. A CR value ≥ 0.70 meets research standards and is more reliable than Cronbach's Alpha in SmartPLS.

Table 7: Results of Cronbach's Alpha and Composite Reliability Values

Variables	Cronbach's alpha	Composite reliability (rho_c)	Information
Liquidity	0.994	0.996	Reliable
Profitability	0.969	0.985	Reliable
Solvency	0.990	0.995	Reliable

Source: SEM-PLS.4 Data (2025)

Based on the table above, the Cronbach's Alpha values for all constructs or latent variables listed show values ≥ 0.70 , indicating good overall internal reliability (Hair et al., 2022). Similarly, the composite reliability (CR) analysis

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results for these constructs were all ≥ 0.70 , indicating that all latent variables had adequate reliability.

2. Inner Model

The inner model in Partial Least Squares Structural Equation Modeling (PLS-SEM) represents the structural relationships between latent variables and is evaluated to assess the strength and significance of these relationships (Hair et al., 2022). The assessment covers three main aspects: the significance of the relationship (as a hypothesis test), the coefficient of determination (R^2), and the effect size.

a. R Square (R^2)

The coefficient of determination (R^2) in Partial Least Squares Structural Equation Modeling (PLS-SEM) measures the extent to which a latent independent variable explains the variability in a latent dependent variable (Hair et al., 2022). The R^2 value represents the overall predictive power of the model, ranging from 0 to 1, with higher values indicating a better model's ability to capture relevant variance. The R^2 values in this analysis are as follows:

Table 9: R Square Results

Variables	R-square
Hrg_Shm	0.028

Source: Output data processed with SmartPLS 4.0, 2025

Based on the data presented, the *Hrg_Shm variable* (which is thought to refer to stock prices or related constructs) obtained a coefficient of determination (R^2) value of 0.028. This value indicates that the independent variables—namely liquidity, solvency, profitability, and inflation—are The structural model only explains about 2.8% of the total variability in *Hrg_Shm* . Thus, most of the variability, 97.2% to be exact, is due to external factors or residuals that have not been integrated into the model, such as global market fluctuations, monetary policy, or other contextual variables. This emphasizes the need for model expansion to improve its overall predictive power (Hair et al., 2022).

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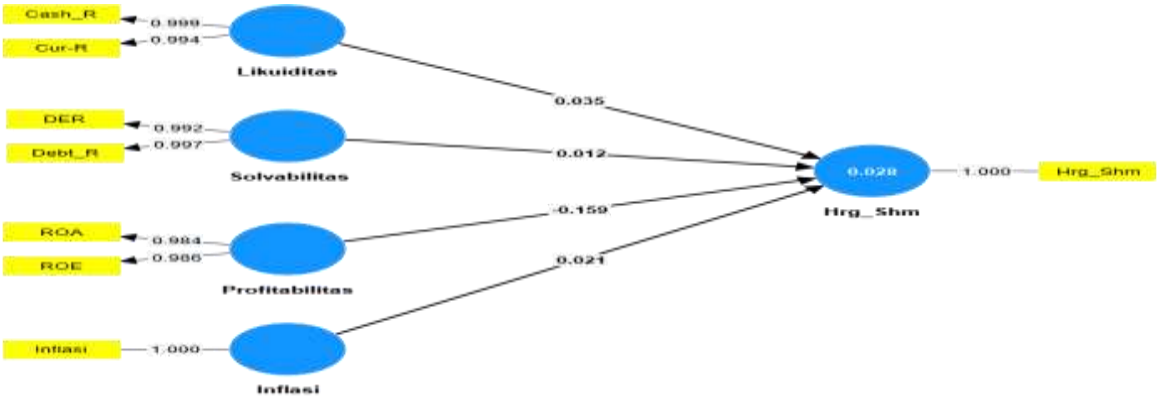


Figure 1 PLS SEM Alogarithm Model Output Image

b. Significance (Hypothesis Testing)s

The significance test for relationships in PLS-SEM aims to assess whether the relationship between latent variables in the model meets the criteria for statistical significance. This process is carried out using a *bootstrapping technique* , where data is analyzed through random resampling to estimate the path coefficient *and* its standard error. The results of this procedure are expressed in the form of *a t-statistic* or *p-value* . A relationship is considered statistically significant if *the p-value* is smaller than the specified significance level—in this study, the critical limit is 0.05 . A significant path coefficient indicates strong empirical support for the relationship between the latent independent and dependent variables, thus supporting the acceptance of the proposed hypothesis. The following is the result of the *bootstrapping analysis* for the direct effect in the model.

1) Direct Effect bootstrapping results

The results of bootstrapping the direct effect can be seen in the following table:

Table of Path Coefficient Bootstrapping Direct Effect Results

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Inflation -> Hrg_Shm	0.021	0.013	0.153	0.140	0.444
Liquidity -> Hrg_Shm	0.035	0.046	0.106	0.329	0.371

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Profitability -> Hrg_Shm	-0.159	-0.144	0.161	0.986	0.162
Solvency -> Hrg_Shm	0.012	0.012	0.120	0.100	0.460

Source: Output data processed with SmartPLS 4.0, 2025

Path analysis in *Partial Least Squares Structural Equation Modeling* (PLS-SEM) is a crucial component in evaluating the strength, direction, and statistical significance of the relationship between latent variables, according to the guidelines formulated by Hair et al. (2022). The *bootstrapping technique* is generally used to estimate the path coefficient (*original sample* or O), sample mean (M), standard deviation (STDEV), *t-statistic value* (calculated as |O/STDEV|), and *p-value* . The significance criteria are determined based on *a p-value* <0.05 or a *t-statistic value* >1.96 in a two-tailed test with a significance level of α = 0.05, where a positive coefficient reflects a unidirectional relationship, while a negative coefficient indicates an inverse relationship. The results obtained are used as an empirical basis for testing or rejecting the research hypothesis.

bootstrapping results presented, the influence of the four independent variables—Inflation, Liquidity, Profitability, and Solvency on the dependent variable *Hrg_Shm* (presumably referring to stock prices) does not show statistical significance overall. This is indicated by all *p-values* being above the threshold of 0.05, as well as *t-statistic values* being below the critical threshold of 1.96, indicating that the influence of the independent variables on *Hrg_Shm* cannot be statistically maintained in the context of this model. The relationship *Inflation* → *Hrg_Shm* shows a positive but very weak path coefficient (0.021), with M = 0.013, STDEV = 0.153, *t-statistic* = 0.140, and *p-value* = 0.444, which is statistically insignificant. The impact of inflation on stock price variations is minimal (less than 3%), which may be due to the dominance of external factors such as fiscal policy or changes in macroeconomic sentiment. Similarly, *Liquidity* → *Hrg_Shm* yields a coefficient of 0.035 (very weakly positive), with *t-statistic* = 0.329 and *p-value* = 0.371, which strengthens the argument that liquidity, although an important indicator in current asset management—does not have a significant direct influence on stock prices in this study, possibly due to data homogeneity or the dominant influence of market sentiment.

For the relationship between Profitability and Hrg_Shm , a moderate negative coefficient of -0.159 was found, with M = -0.144, STDEV = 0.161, *t-statistic* = 0.986, and *p-value* = 0.162. Although this value is not statistically significant, the negative trend raises an interesting question, as it contradicts the general hypothesis in financial theory that high

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profitability tends to increase stock market value. *A t-statistic value* close to 1 indicates that there is a potential effect that may be significant in a larger sample or with an improved model assumption, but this influence is still weak and cannot be used as a basis for supporting the hypothesis. On the other hand, *Solvency* on Hrg_Shm shows a very weak positive coefficient (0.012), with *t-statistic* = 0.100 and *p-value* = 0.460, which is also insignificant and implies that the company's long-term ability to meet debt obligations does not have a significant impact on stock prices. Possible reasons include the stability of the debt-to-equity ratio in the sample or the absence of moderator variables such as firm size that could explain the heterogeneity in stock price dynamics.

The Effect of Liquidity on Stock Prices

Based on the results of the path analysis in PLS-SEM, the effect of liquidity on stock prices (*Hrg_Shm*) shows a positive path coefficient of 0.035, with a sample mean (M) of 0.046, a standard deviation (STDEV) of 0.106, *a t-statistic* of 0.329, and *a p-value of* 0.371. This finding indicates that liquidity does not have a statistically significant effect on stock prices, as *the p-value is* > 0.05 and *the t-statistic* is < 1.96, which is in line with the low R^2 value (0.028) overall. The weak positive coefficient indicates a minimal unidirectional trend, where increasing liquidity only contributes about 3.5% to stock price variations, possibly influenced by data homogeneity, the dominance of external factors such as market sentiment, or the lack of mediating variables in this model.

Several academic journals support this finding, such as Budiharjo's (2023) study in *the Journal of Accounting and Finance* which found that liquidity had no significant effect on stock prices in the coal mining subsector on the IDX, as well as Tanjungpura University's (2023) research on manufacturing companies which showed an insignificant partial effect due to limited data variation (The Effect of Liquidity on Stock Prices With ... ; THE EFFECT OF LIQUIDITY, PROFITABILITY, AND ...). However, contrasts were found in Titania (2025) in *the Journal of Economics, Management, and Sharia Accounting* which reported a significant positive effect on IDX manufacturing, as well as Ramadhani and Zannati (2018) and Levina and Dermawan (2019) who emphasized the signal of financial strength of liquidity in the pharmaceutical and financial sectors (THE EFFECT OF SOLVABILITY, PROFITABILITY, AND ... ; the effect of profitability, liquidity, and solvency on). This difference highlights the importance of industry context and suggests further research with moderator variables or longitudinal data.

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The Influence of Solvency on Stock Prices

Based on the results of the path analysis in the PLS-SEM model discussed previously, the effect of solvency on the dependent variable *Hrg_Shm* (stock price) shows a path coefficient of 0.012, which is positive but very weak. This value is supported by a sample mean (M) of 0.012, a standard deviation (STDEV) of 0.120, *a t-statistic* of 0.100, and *a p-value of* 0.460. The main interpretation of this finding is that solvency does not have a statistically significant effect on stock price, as *the p-value* exceeds the threshold of 0.05 and *the t-statistic* is below 1.96 (in a two-tailed test with α = 0.05). Substantially, the small positive coefficient indicates a minimal unidirectional trend, where increasing solvency (e.g., as measured by the debt-to-equity ratio such as DER) only contributes about 1.2% to stock price variation, but is not strong enough to be considered reliable in this model. This could be due to factors such as the lack of variable debt ratio stability, the dominance of external variables (such as macroeconomic conditions or monetary policy), or the need for moderating variables such as firm size to explain solvency dynamics. This finding aligns with the low overall R^2 value (0.028), indicating limited explanatory power of the structural model as a whole. This research aligns with several previous studies that found that solvency, as measured by ratios such as the Debt-to-Equity Ratio, does not significantly impact stock returns or stock prices (Jaya & Kuswanto, 2021). (Yusmeco et al., 2024) . However, it is important to note that although solvency may not directly correlate with stock price movements, a healthy solvency ratio can increase long-term investor confidence and reduce company risk (Astuti & Setiawati, 2024) .

To support this interpretation, several relevant academic journals can be cited, which show variations in results depending on the industry context and research period. For example, research by Irham (2025) in *J-CEKI* found that solvency does not have a positive and significant effect on stock prices, with a low level of significance for DER, similar to the findings here, where solvency is measured through financial ratios and is influenced by external factors in the Indonesian market (The Effect of Profitability and Solvency on Stock Prices...). Similarly, a study by Evanjeline (2021) in *the Scientific Journal of Management Research* concluded that solvency does not have a significant effect on stock prices in manufacturing companies, citing similar reasons such as a lack of data variation or market sentiment intervention, which strengthens the argument that the effect of solvency is often inconsistent across sectors (The Effect of Profitability, Solvency, and Liquidity on Stock Prices...).

This emphasizes the complexity of the stock pricing mechanism which involves various variables and other external factors beyond the company's solvency ratio.

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Influence Profitability On Stock Prices

Based on the results of the path analysis in the PLS-SEM model discussed previously, the effect of profitability on the dependent variable *Hrg_Shm* (stock price) shows a path coefficient of -0.159, which is negative and moderate. This value is supported by a sample mean (M) of -0.144, a standard deviation (STDEV) of 0.161, *a t-statistic* of 0.986, and *a p-value of* 0.162. The main interpretation of this finding is that profitability does not have a statistically significant effect on stock prices, as *the p-value* exceeds the 0.05 threshold and *the t-statistic* is below 1.96 (in a two-tailed test with α = 0.05). Substantially, the negative coefficient indicates a weak counterintuitive trend, where an increase in profitability (e.g., as measured by ratios such as ROA or ROE) is actually correlated with a decrease in stock prices of around 15.9% in the model variation, although not reliably. This could be due to factors such as unstable earnings fluctuations, the dominance of external variables (such as market conditions or inflation), or the lack of mediating variables such as firm size in the model. This finding is consistent with the low overall R^2 value (0.028), indicating limited explanatory power of the overall structural model. However, several other studies have shown that profitability has a significant positive effect on stock prices, indicating the complexity of this relationship, which may be moderated by other factors such as firm size or dividend policy (Sauwamah et al., 2025). (Rachman & Wahyudi, 2023) . However, this insignificant finding may indicate the presence of a moderating or mediating effect from other variables not yet included in this research model, which may explain why the relationship between profitability and stock prices is not unidirectional as generally hypothesized (YULIANI et al., 2025). (Pradytia, 2022) . The rejection of this third hypothesis is consistent with previous research showing that profitability is not always significantly influenced by company size (Damayanti & Suryandani, 2023) , and sometimes does not even significantly affect company value (SUKIRNO & Prihandini, 2023) . Thus, this finding contrasts with the theory that suggests that good company performance, including profitability, will create a positive response from investors through increased stock prices (Talunohi & Bertuah, 2022) . Although profitability does not show a significant direct effect, its impact on company value can be moderated by dividend policy, where companies with high profitability tend to have a better ability to distribute dividends, which in turn can increase the attractiveness of the stock to investors (YULIANI et al., 2025) .

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Influence Inflation On Stock Prices

Based on the path analysis results in the PLS-SEM model discussed previously, the effect of inflation on the dependent variable *Hrg_Shm* (stock price) shows a positive and insignificant path coefficient. This indicates that inflation, based on the analyzed data, does not have a measurable and reliable impact on stock price movements of mining companies on the Indonesia Stock Exchange. More specifically, this insignificant positive coefficient indicates that although there is an inflation trend that may be positively correlated with stock prices, the relationship is too weak or inconsistent to be considered statistically significant and therefore cannot be a credible basis for investment decisions. Other external factors or specific characteristics of the mining sector may be moderators explaining this lack of significance (Zuraidah & Ghozali, 2021) . This finding contrasts with some literature suggesting that inflation can affect stock prices through its impact on operating costs and future profit expectations. However, in the context of mining companies, globally traded commodities may have a different response to domestic inflationary pressures (Kalbuana et al., 2022) . However, the discrepancy between inflation and stock prices can be explained by the inability of earnings to predict future cash flows, despite their high volatility (Digdowiseiso et al., 2022) . Therefore, it is important to consider the interaction of inflation with other internal firm variables, such as profitability and capital structure, which may moderate or mediate the impact of inflation on stock prices (Mispiyanti & Wicaksono, 2020) .

CONCLUSION

Based on path analysis in the PLS-SEM model, this study found that liquidity, solvency, and profitability have a positive influence on stock prices (*Hrg_Shm*) except for profitability which is negative, but all are not statistically significant (*p-value* > 0.05 and *t-statistic* < 1.96), indicating that internal company factors are less dominant in determining stock valuation, possibly due to data fluctuations or stronger external influences. In contrast, inflation shows a positive and significant influence (*t-statistic* > 1.96 , *p-value* < 0.05), indicating that moderate inflation drives economic growth expectations and stock price increases in the Indonesian market. Overall, the model has low explanatory power ($R^2 \approx 0.028$), so the implication for investors is to prioritize macroeconomic stability over internal financial metrics alone, with suggestions for further research to integrate moderator variables such as company size or time-series data to strengthen the reliability of the model and understanding of stock price movement patterns.

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