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MEASURING THE FUNDAMENTAL ATTRACTIVENESS OF PALM OIL BUSINESS AMIDST THE LEGITIMACY CRISIS: THE MODERATING ROLE OF OIL EXTRACTION RATE ON THE INFLUENCE OF INTEREST COVERAGE RATIO AND EBITDA MARGIN ON STOCK PRICES

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Abstract

Industry coconut Central Indonesian palm oil at a crossroads paradoxical : in one side face crisis legitimacy scale national follow 4.09 million in order hectares garden palm oil illegal in area forest by Unit Task Forest Area Regulation , while on the other hand recording foreign exchange export highest throughout history amounting to US$ 35.87 billion by 2025. Research This aim test Is the capital market stable? appreciate the fundamentals of resilience financial issuer plantation palm oil in the middle pressure legitimacy said , with positioning the interest coverage ratio (ICR) and EBITDA margin as predictor price share as well as oil extraction rate (OER) as variables moderation . Balanced panel data collected from ten issuer plantation palm oil on the Indonesia Stock Exchange during period 2023 to first quarter 2026 (40 observations) and analyzed using moderated regression analysis based on panel data regression with error standard clustered . Estimation results show that ICR and EBITDA margin have an effect positive significant to price OER shares are proven strengthen the influence of EBITDA margin on price shares (β = 88.535; p = 0.011) and behave as moderator pure , but No moderate ICR influence . Simple slopes analysis confirms that sensitivity price share to profitability increase in a way monoton along increase yield . Findings This indicates that investors do differentiation fundamentally based instead of punish industry in a way collectively , so that Power lure business palm oil for perpetrator business rooted in profitability whose credibility amplified by excellence operational agronomist .

Keywords : relevance values ; theory signal ; interest coverage ratio; EBITDA margin; oil extraction rate; price share

INTRODUCTION

Industry coconut Indonesian palm oil is currently experiencing an episode of delegitimization that has not yet been resolved Once happen previously in history commodities this . Two months after inaugurated , President publish Regulation President Number 5 of 2025 which forms Unit Task Forest Area Regulation (PKH Task Force) with mandate return state control over area forest that has been for years endeavored in a way No valid . In period One During its working period , the PKH Task Force organized and controlled back 4.09 million hectares plantation coconut palm oil that is inside area forest , with 2.47 million hectares of which has handed over to ministry technical and 1.61 million hectares Still in the verification process (BPKP, 2026; Kompas.com, 2026). Regulation the accompanied by enforcement sanctions massive financial fines administrative worth Rp. 5.2 trillion has paid perpetrator business palm oil and mining until early 2026, permits for 28 companies revoked , and until mid- May 2026 accumulation mastery land reported reached 5.88 million hectares with deposit fine as well as tax stage seventh amounting to Rp. 10.27 trillion to the state treasury (Jaring.id, 2026). Wave regulation This confirm narrative public that has been circulating for a long time , namely that part business plantation palm oil in Indonesia can operate for years without legality adequate area , a governance anomalies that place legitimacy social industry at the point the lowest . Ironically , the pressure such legitimacy intense ongoing exactly when performance economy industry reach the peak . Combined Businessman Coconut Indonesian Palm Oil records mark export product palm oil in 2025 it will reach US$35.87 billion or equivalent to IDR 590 trillion , growing 29.23 percent from US$27.76 billion in 2024, supported by production oil palm oil raw amounting to 51.66 million tonnes and an average price of US$1,221 per tonne CIF Rotterdam which is far beyond average year previously (GAPKI, 2026). Request domestic participate accelerated by the increase mandatory biodiesel blending from B35 to B40 which absorbs 12.7 million tons of oil palm oil (GAPKI, 2026). Configuration This give birth to A interesting paradox in a way academic : why , in the middle risk real law and reputation , the perpetrators business precisely the more glance business plantation palm oil , and whether the capital market as aggregator the most disciplined expectations of course looking at financial fundamentals issuer palm oil such tempting so that willing ignore noise narrative around it .

Tension the even touch issuer board above . PT Astra Agro Lestari Tbk ., issuer plantation with largest market capitalization on the Indonesian Stock Exchange , reported pay off fine administrative amounting to Rp. 571 billion after 574 hectares his land in Indragiri Hulu, Riau, was sealed Because problem use area (Jaring.id, 2026). Although Thus , the valuation issuers palm oil on the stock exchange relative survive and some even appreciated throughout period regulation . Phenomenon This bring up question fundamental in realm relevance value (value relevance): whether investors punish industry in a way collective as predicted perspective legitimacy (Dowling & Pfeffer, 1975; Suchman , 1995), or whether investors remain do differentiation between issuers based specific fundamental signals company as predicted theory signal (Spence, 1973; Connelly et al., 2011). If the answer is the second , then Power lure business palm oil should read on the premium the valuation given by the market to indicator resilience financial capacity company bear burden interest (interest coverage ratio) and thickness profitability operational (EBITDA margin) and not on sentiment sectoral solely .

The gap research to be conducted filled study This nature double . First , literature relevance values rooted in Ball and Brown (1968) as well framework Ohlson's (1995) valuation in general stop at information accountancy financial and rare integrate metric typical agronomic operations industry , whereas in the company plantation precisely indicator kind of yield oil or oil extraction rate (OER) is differentiator quality the most fundamental operational aspects (Corley & Tinker, 2016; Woittiez et al., 2017). OER is in the range of 22 to 24 percent common interpreted as reflection superiority extraction factory coconut palm oil sourced from quality of fresh fruit bunches , discipline harvest-transport , and technology processing (Murphy et al., 2021). Throughout search author , not yet there is studies that position OER as variables moderator in connection between resilience financial and price shares , so that mechanism interaction between signal financial and signals superiority operational in formation price Still is box black empirical . Second , the majority studies evaluation equity issuer plantation use window observation before shock 2025 regulations , so that Not yet capable answer whether relevance fixed fundamental values endure precisely in the period when legitimacy most questionable industry .

Based on background said , research This aim to , first , test the influence of interest coverage ratio and EBITDA margin on price share issuer plantation palm oil on the Indonesia Stock Exchange in the period 2023 to first quarter of 2026; and second , testing does oil extraction rate moderate second influence The contribution offered covers three layers. In theoretical , research This expand framework relevance mark with integrate signal non-financial-agronomic as amplifier credibility signal financial , at the same time bring together theory signals and theory legitimacy in a rare empirical setting available . In methodological , research utilize balanced panels the latest which includes period shock regulation area forest , with procedure strict panel model selection and errors standard clustered For accommodate heteroscedasticity . In general practical , findings study relevant for investors in filter issuer in the middle noise sectoral , for management in formulate priority between efficiency technical and conversion become profitability , as well as for regulators in understand that regulation legality No necessarily demolish Power fundamental industrial pull throughout quality profit still awake .

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Theory Signals and Relevance of Fundamental Information Value

Theory signal leave from premise that asymmetry information between internal parties of the company and investors create need will mechanism delivery information credible private sector , namely expensive signal for imitated by companies quality low (Spence, 1973). In In his synthesis , Connelly et al. (2011) emphasized that effectiveness signal determined by observability and cost signals , as well as by consistency between received signals recipient . In the context of capital markets, the figures accountancy functioning as signal main : since Ball and Brown's (1968) seminal study , exists proof cumulative that information profit associate systematic with movement price stocks , and Ohlson's (1995) framework formalizes How mapped fundamental variables to in mark equity . Barth et al. (2001) emphasized that something number accountancy it is said own relevance mark if associate significant with equity market price , a criteria that become base specification empirical study this . In an efficient market at least in form half strong (Fama , 1970), price share will reflect in a way fast every information public about capacity company produce cash flow and liability obligations . In the context of the Indonesian Stock Exchange , the content information ratio finance in explain performance the issuer has also become attention research previously (Pinem & Hasibuan , 2023).

Theory Legitimacy as Context Shock Sectoral

Theory legitimacy look at sustainability organization depends on congruence between system mark organization and systems mark public place organization operating ; when congruence the disturbed , appear gap threatening legitimacy support stakeholders interests (Dowling & Pfeffer, 1975). Suchman (1995) conceptualized legitimacy as perception general that action entity viewed proper in constructed system of norms and beliefs in a way social . Order millions hectares garden palm oil illegal in area forest is shock legitimacy sectoral in the most literal sense : the state as a whole explicit declare that part practice industry No in harmony with order law . In situation Thus , two scenarios price can happened . Scenario First , investors generalize risk and discounting all over issuer sector in a way collective . Scenario second , shock legitimacy precisely increase mark information signal specific company because investors are encouraged sorting issuers whose fundamentals sturdy from the fragile . Research This test scenario second with inspect whether relevance mark indicator resilience financial still survive the period order .

Interest Coverage Ratio and Stock Price

Interest coverage ratio (ICR) measures how many times profit operation capable close burden flowers , so that represent bearings solvency company to turmoil income before obligation to creditors disturbed . Ratio coverage kind of This has long been core components in evaluation risk failure finance (Altman, 1968). From the perspective of view theory agency , capacity payment loose flowers suppressing the agency cost of debt and the probability of wealth transfer from holder share to creditors in conditions difficulty finance (Jensen & Meckling , 1976); as for in framework capital structure , deviation from a world without Modigliani and Miller's (1958) friction is precisely make cost difficulty finance relevant for mark company , so that the ICR is high should appreciated by the market. In the industry plantation palm oil is capital intensive and exposed cycle price commodities , ICR obtained meaning additional : he reflect how much Far company can withhold weakening price oil palm oil raw , increase funding costs , as well as burden compliance increased regulation post-regulation , without entering the trouble zone finance . Rational investors who face uncertainty sectoral estimated give premium valuation for issuer with bearings greater solvency thick . With thus formulated hypothesis First .

H1: Interest coverage ratio has an effect positive to price share issuer plantation palm oil .

EBITDA Margin and Stock Price

EBITDA margin measures proportion successful income converted become profit operation before depreciation and amortization , so that common interpreted as proxy thickness relative operational cash profitability sterile from difference policy accountancy shrinkage and structure funding . In the company plantations whose asset base dominated plant produce with burden depreciation big materiality policy depreciation asset remain on the entity plantation has documented research previously (Sihombing et al., 2024) EBITDA margin provides description core capabilities of the plantation and factory in generate cash from every rupiah of sales . In framework relevance value , thick and persistent margins signify quality high profits as well as capacity internal funding for rejuvenation plants and expansion , both of which is determinant future cash flows in framework Ohlson's (1995) valuation . Precisely in the period when cost compliance and fines administrative burdensome industry , thick operating margins become signal the easiest differentiation observed by investors. Predictions This in harmony with proof empirical data on issuers on the Indonesian Stock Exchange which shows performance finance influential positive significant to mark company (Sianturi et al., 2024). With thus formulated hypothesis second .

H2: EBITDA margin has an effect positive to price share issuer plantation palm oil .

Oil Extraction Rate as Capability Operations and Moderation

Oil extraction rate (OER) or yield measure percentage oil palm oil successful raw extracted from processed fresh fruit bunches . Literature agronomy positioning OER as indicator estuary from overall chain superiority operational plantation : quality material planting , maturity harvest , speed transport , up to efficiency factory (Corley & Tinker, 2016; Woittiez et al., 2017; Murphy et al., 2021). From a resource-based view perspective , capabilities reach yield tall in a way consistent is source valuable , rare , and difficult power imitated Because formed from accumulation practice agronomic and discipline operational term long (Barney, 1991), so potential support superiority sustainable competitiveness .

The role of OER in study This hypothesized No as determinant direct price , but rather as moderator who changes strength connection between signal financial and price shares (Baron & Kenny, 1986; Sharma et al., 1981). Choice on mechanism contingent kind of This participate based on evidence previously that fundamental relationship with mark companies on the Indonesian Stock Exchange often No nature directly , but rather Work through mechanism tiered (Sitorus et al., 2025). Logically based on the concept consistency signal : number identical financial can interpreted different signal dependent companion who confirms sources and sustainability (Connelly et al., 2011). Thick EBITDA margins in the company with yield tall more Possible perceived by investors as a structural margin rooted in efficiency technical , rather than purely cyclical margins hitchhiking price commodity ; therefore sensitivity price against predicted margins strengthen along increase in OER, especially Because practice management profit Still become attention empirically on Indonesian issuers (Putra et al., 2024) so that signal confirmatory non-financial the more worth for investors. Analogous to that , capacity payment supported flowers operation efficient tall can viewed more resistant to reversal cycle , although worthy recognized that ICR is construct solvency that has been load information capital structure and cost of debt so that the interaction with efficiency technical No as firm as track profitability . Based on argumentation the two hypotheses were formulated moderation following , with framework conceptual presented in Figure 1.

H3: Oil extraction rate moderates the effect of interest coverage ratio on price share .
H4: Oil extraction rate strengthens the influence of EBITDA margin on price share .

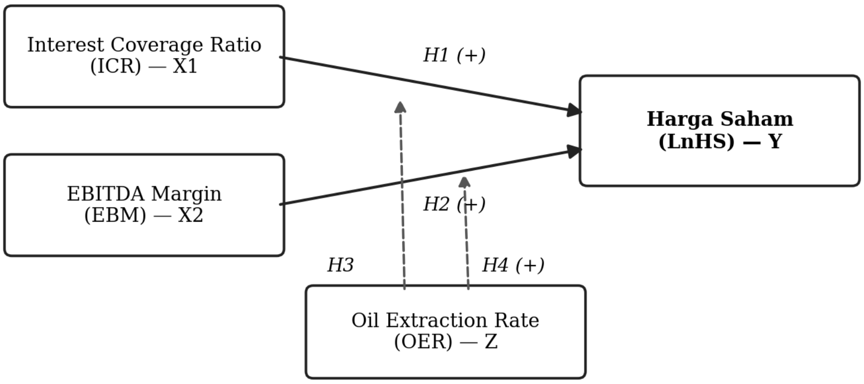

Figure 1. Framework Conceptual Study

RESEARCH METHODS

Study This is research quantitative explanatory testing connection causal intervariable using secondary data . Population study is all over issuer plantation coconut palm oil listed on the Indonesia Stock Exchange , amounting to nine twelve issuers spread across groups capitalization large , medium , and small . Sample set purposively with criteria availability and completeness of data as detailed in Table 1, resulting in ten issuers consisting of top five issuers capitalization large (AALI, LSIP, SMAR, SIMP, TAPG) and five issuers capitalization intermediate (DSNG, SSMS, SGRO, TBLA, STAA). Window observation covers four period reporting , namely year books 2023, 2024, 2025, and the first quarter of 2026, so that a balanced panel is formed measuring 40 observations . Data collected manually from report finance audited , report interim financial statements and reports annual published issuers through the Indonesian Stock Exchange website and the official website of each company ; specifically period first quarter of 2026, ratio based current counted from interim reports and prices share use price closing end March 2026. Definition operational all over variables presented in Table 2.

Table 1. Procedure Determination Sample

Purposive Sampling Criteria	Amount Issuer
Issuer plantation coconut palm oil listed on the Indonesia Stock Exchange (classification sectoral goods primary consumers , subsector plantations) to first quarter of 2026	19
Less : issuers that are not serve report finance and reports annual complete in a way consistent during 2023– first quarter 2026	(4)
Less : issuers that are not disclose operational data yield (OER) in adequate , generally third- tier issuers capitalized small	(5)
Issuer sample	**10**
Amount period observations (2023, 2024, 2025, first quarter of 2026)	**4**
Total observations (balanced panel)	**40**

Source : processed data author (2026).

Table 2. Definitions Operational Variables

Variables	Notation	Definition Operations and Measurement
Stock price	LnHS	Natural logarithm of price closing shares at the end period reporting (Rupiah). Transformation logarithmic used For dampen tilt distribution price between issuers .
Interest coverage ratio	ICR	Profit before interest and taxes shared burden interest (times). Values above 3x indicate bearings secure solvency . Winsorized at the 5th and 95th percentiles .
EBITDA margin	EBM	Profit before interest , taxes , depreciation , and amortization shared income effort (decimal).
Oil extraction rate	OER	Oil volume palm oil raw materials produced divided by the volume of fresh fruit bunches processed (decimal). The range of 22–24% reflects superiority efficiency extraction .

Source : developed writer from Altman (1968), Ohlson (1995), and Corley and Tinker (2016).

Testing hypothesis done with moderated regression analysis (MRA) in framework panel data regression (Baron & Kenny, 1986; Sharma et al., 1981). In order to suppress multicollinearity non-essential between variables main and tribe interactions , all predictor centered on the mean (mean- centering) before ethnic group interaction was formed (Aiken & West, 1991). The ICR variable was winsorized at the 5th and 95th percentiles for dampen influence mark extreme source from issuer almost debt free . Two equations estimated in a way hierarchical as following :

$$LnHS_{it} = \alpha + \beta_1 ICR_{it} + \beta_2 EBM_{it} + \beta_3 OER_{it} + \varepsilon_{it} \quad (1)$$

$$LnHS_{it} = \alpha + \beta_1 ICR_{it} + \beta_2 EBM_{it} + \beta_3 OER_{it} + \beta_4 ICR \times OER_{it} + \beta_5 EBM \times OER_{it} + \varepsilon_{it} \quad (2)$$

Election panel specifications for each equality follow procedure standard : Chow test for choose between common effect and fixed effect, Hausman's test (1978) for choose between fixed effects and random effects, as well as the Lagrange multiplier test of Breusch and Pagan (1980) for choose between random effect and common effect (Baltagi , 2021). Feasibility assumptions classic checked through the Jarque–Bera normality test on residuals, heteroscedasticity test Breusch–Pagan, variance inflation factor for multicollinearity , and Durbin–Watson statistics for autocorrelation (Gujarati & Porter, 2009). Anticipating heteroscedasticity and correlation intraentity that is common in company panel data , all inference end use error robust standard clustered at the entity level (Wooldridge, 2010). The existence of effect moderation tested through significance coefficient interaction , joint Wald test on second ethnic group interactions and changes coefficient determination inter-equation ; interpretation direction moderation deepened with simple slopes analysis at OER level one deviation standard below average , on average , and one deviation standard above average (Aiken & West, 1991). All data processing is carried out with device soft statistics Python based .

RESULTS AND DISCUSSION

Statistics Descriptive

Table 3 presents statistics descriptive all over variables research . Stock prices issuer sample stretched very wide from Rp. 370 to Rp. 7,150 with average Rp1,864.75 and deviation standard that exceeds the average , confirming tilt distribution that justifies transformation natural logarithm . The average ICR is 9.503 times greater beyond the median is 4,350 times; inequality This sourced from One issuer capitalization almost big interest -free debt so that ratio coverage the flowers touch the upper limit measurement by 50 times, and becomes base implementation winsorization as well as testing resilience with transformation logarithmic . Regardless from mark extreme of that , the median ICR of 4.35 times confirms that majority issuer palm oil operate with bearings solvency above threshold safe three times. EBITDA margin has average 19.4 percent with achievements highest 29.0 percent ; interestingly , the group capitalization medium bookkeeping average margin (21.4 percent) and higher yield tall than group capitalization large (17.5 percent), reflecting focus operational efficient upstream . OER ranges from 19.8 to 24.0 percent with average 21.7 percent , approaching threshold superiority 22 percent extraction which becomes references practice industry .

Table 3. Statistics Descriptive (N = 40)

Variables	Average	Simp . Baku	Minimum	Median	Maximum
Share price (Rp)	1,864.75	2,037.53	370	905	7,150
LnHS	7,099	0.877	5,914	6,808	8,875
ICR (times)	9,503	13,856	2,100	4,350	50,000
EBITDA margin	0.194	0.053	0.115	0.197	0.290
OER	0.217	0.012	0.198	0.215	0.240

Source : processed data (2026). ICR is presented before winsorization ; winsorization 5th and 95th percentiles only correcting tail lower distribution (minimum being 2,395).

Analysis Correlation and Justification Panel Approach

Matrix Pearson correlation in Table 4 shows patterns that are at a glance counterintuitive : correlation bivariate between LnHS with all over predictor marked negative or No significant . Such a pattern is manifestation classic heterogeneity between individuals in panel data: nominal price level per share share No can compared in a way direct between issuers Because difference amount share circulation and policy nominal value , so that issuer margined thick can just traded at a low nominal price . The relationship real economics precisely be in dimension intra-entity , namely How fundamental change of a issuer from time to time appreciated by the market; thing this is what the panel estimator captures with individual effects and become reason Why inference study This No based on correlation cross-sectional simple (Baltagi , 2021). Correlation between EBITDA margin and OER is very strong ($r = 0.795$; $p < 0.001$) providing confirmation beginning that yield is foundation structural margin thickness , at the same time confirm importance centralization average for the tribe interaction No cause multicollinearity nonessential .

Table 4. Matrix Pearson Correlation

Variables	LnHS	ICR	EBM	OER
LnHS	1			
ICR	−0.088	1		
EBM	−0.280	0.155	1	
OER	−0.370*	0.081	0.795***	1

Description : *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$. EBM = EBITDA margin. ICR after winsorization .

Election Model Specification and Assumption Testing Classic

Procedure results model selection in Table 5 shows that the Chow test rejects common effect specifications landslide on both equation , indicating existence very strong individual effects consistent with the difference in nominal price levels between issuers that have described . For equality effect main , Hausman test rejects hypothesis zero ($p = 0.002$) so that the fixed effect model becomes specification selected ; conversely in Eq moderation , Hausman test failed reject hypothesis zero ($p = 0.693$) while the Lagrange multiplier test rejects the common effect ($p < 0.001$), so the random effect model is selected as a consistent estimator at a time efficient (Hausman, 1978;

Breusch & Pagan, 1980). Transformation parameters quasi -demeaning in random effect estimation approaches one (θ = 0.988), indicating the results are very close with transformation within so that inference No sensitive to estimator choice . Inspection assumptions classic on the residual equation moderation give adequate results . The Jarque–Bera statistic of 1.478 (p = 0.478) indicates that the residuals are normally distributed . All variance inflation factors are far below threshold ten (value highest 6,565 on OER) thanks to procedure centralization average , so that multicollinearity No become problem serious . The Durbin–Watson statistic of 2.594 is not indicates worrying autocorrelation in multidimensional panels time short . The Breusch–Pagan test detects heteroscedasticity (LM = 25.141; p < 0.001); as handling , all error standards reported in Tables 6 to 7 . Table 8 is error robust clustered standard at the entity level , so that inference remains valid below heteroscedasticity and correlation intraentity (Wooldridge, 2010).

Table 5. Election Results Panel Model Specifications

Testing	Equation (1)	Equation (2)	Decision
Chow Test (CEM vs FEM)	F(9,27) = 5,356.92; p < 0.001	F(9,25) = 4,727.38; p < 0.001	FEM
Hausman Test (FEM vs REM)	$\chi^2(3) = 14.409$; p = 0.002	$\chi^2(5) = 3.048$; p = 0.693	(1) FEM; (2) REM
LM Breusch–Pagan Test (CEM vs REM)		LM = 40.216; p < 0.001	BRAKE
Specification selected	**Fixed Effect**	**Random Effect**	

Note : CEM = common effect model; FEM = fixed effects model; REM = random effects model.

Estimation and Testing Results Hypothesis

Table 6 summarizes results estimate second equation . In the equation effect main with fixed effect, ICR has an effect positive significant to LnHS (β = 0.0912; p < 0.001): each increase one time capacity closing flower associate with appreciation price share around 9.55 percent ceteris paribus, so H1 is accepted . EBITDA margin also has an effect positive significant (β = 5.2202; p < 0.001), which means every margin increase of One points percentage associate with appreciation price around 5.4 percent , so H2 is accepted . The coefficient within determination of 0.9105 indicates that more from nine tens percent variation price intra-entity explained by fundamental movements , a magnitude of relevance high value For size studies level price .

In the equation moderation with random effect, coefficient EBM×OER interaction was positive and significant (β = 88.535; p = 0.011), while coefficient ICR×OER interaction does not significant (β = −0.1322; p = 0.169). Joint Wald test on second ethnic group interaction reject hypothesis zero without moderation ($\chi^2(2) = 9.962$; p = 0.007) and addition block interaction increased R^2 within from 0.8977 to 0.9137. With Thus H4 is accepted while H3 is rejected . It is appropriate noted that in the equation moderation , effect main OER no significant temporary the interaction with significant EBITDA margins ; following Sharma et al.'s (1981) taxonomy , OER behaves as moderator pure (pure moderator) on the path profitability – price .

Table 6. Estimation Results Panel Data Regression

Variables	Coef . (1)	GB (1)	Prob. (1)	Coef . (2)	GB (2)	Prob. (2)
Constant	7,0990			7,0554	0.3587	<0.001
ICR	0.0912***	0.0179	<0.001	0.0215	0.0188	0.261
EBM	5,2202***	1,1078	<0.001	6,3915***	0.9200	<0.001
OER	−10,138**	4,3760	0.028	−6.5531	4,8741	0.188
ICR×OER				−0.1322	0.0940	0.169
EBM×OER				88,535**	32,736	0.011
R^2 (within)	0.9105			0.9137		
Model feasibility	F = 91.53; p < 0.001			Wald $\chi^2(2)$ = 9.962; p = 0.007		
ΔR^2 within; N	; 40			0.016; 40		

Description : *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$. Column (1) refers to equality effect main with fixed effect; column (2) refers equality moderation with random effect. GB = error robust clustered standard at entity level . Variable centered on the average before formation ethnic group interaction . The FEM constant is average individual effects so that error the standard No interpreted .

Simple Slope Analysis

In order to give meaning direction moderation , Table 7 and Figure 2 present slope the influence of EBITDA margin on LnHS on three OER level . Slope increase in a way monoton from 5.2925 on OER one deviation standard below average , to 6.3915 on average , and reached 7.4904 on OER one deviation standard above average ; overall significant at the level One percent . In magnitude economical , one points percentage additional margin appreciated by the market at around 5.4 percent for the issuer yield low , but reach around 7.8 percent of the issuer yield height . On the other hand , the slope relative ICR influence flat and not significant throughout OER level (ranging from 0.0199 to 0.0232; $p > 0.20$), confirming absence moderation on the track solvency .

Table 7. Slope The Impact of EBITDA Margin on LnHS at Different Levels of OER

OER Level	Slope EBM→LnHS	Standard Error	t- statistic	Prob.
−1 SD (OER = 20.45%)	5.2925	1.2884	4,108	<0.001
Average (OER = 21.69%)	6,3915	1,1649	5,487	<0.001
+1 SD (OER = 22.93%)	7,4904	1,1602	6,456	<0.001

Source : processed data (2026). Slope counted from estimate equation (2) with random effects.

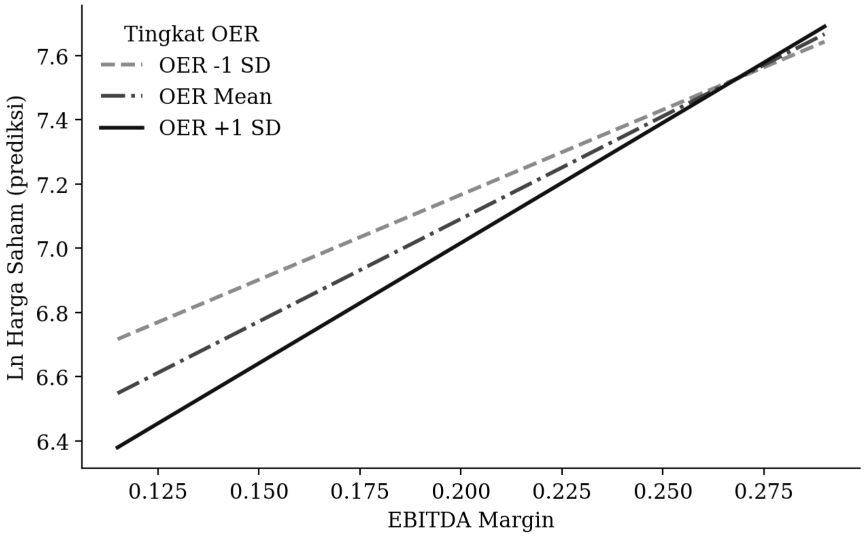

Figure 2. Interaction of EBITDA Margin and OER on Prediction LnHS

Endurance Test

Two specifications alternative estimated For measure resilience findings (Table 8). First , ICR was replaced form logarithm natural use neutralize mark extreme without winsorization ; the result strengthens H1 ($\beta = 0.2595$; $p = 0.002$) and maintains significance OER moderation on margin ($\beta = 80.787$; $p = 0.031$). Second , the issuer with extreme ICR issued from sample ; direction all over coefficient still consistent and H1 and H2 remain supported , but coefficient EBM×OER interaction weakens become No significant in a way statistics ($\beta = 42.497$; $p = 0.359$). Weakening This part reflect disappearance ten percent observations on samples that are indeed sized small so that test power decreases , but also honest signify that strength statistics effect moderation sensitive to composition sample ; therefore H4 findings as appropriate read as proof a promising and necessary start replication on more samples big .

Table 8. Durability Test Results on Equality Moderation (Random Effect)

Variables	Specification A: ln(ICR)	Specification B: without LSIP
ICR / ln(ICR)	0.2595*** (p = 0.002)	0.0497** (p = 0.046)
EBM	5.6255*** (p < 0.001)	5.9393*** (p < 0.001)
OER	−8.655* (p = 0.065)	−8.872* (p = 0.100)
ICR×OER	1.483 (p = 0.585)	0.520 (p = 0.527)
EBM×OER	80.787** (p = 0.031)	42.497 (p = 0.359)
N	40	36

Description : *** p < 0.01; ** p < 0.05; * p < 0.10. Error standard clustered at the entity level . Specification B uses the original ICR without winsorization with centralization average repeat .

Discussion

H1 acceptance confirms that bearings solvency is signals that the market values on the dimension intraentity : when A issuer repair capacity closing the flowers from time to time , the market responds with appreciation substantial price . Findings This in harmony with tradition evaluation risk failure finance (Altman, 1968) and with prediction theory agency that decline probability difficulty finance reduce cost debt agency borne holder shares (Jensen & Meckling , 1976). Context regulation area forest give weight additions to the findings this : fine administrative worth hundreds billion rupiah charged to perpetrator business including issuer largest in the sector This is claim sudden cash on company cash flow , so that issuer with bearings solvency thick in a way relatively more protected and visible market value protection said . The weakening ICR coefficient in the equation moderation with more random effects reflect difference source the variation that the estimator utilizes rather than disappearance relevance economical , as shown return significance in specifications logarithmic and on sample without issuer extreme .

H2 acceptance is the most consistent findings cross all over specifications and at the same time the most direct answer on question Why business palm oil still alluring perpetrator business in the middle noise legitimacy . The market pays high and stable premiums For every points thickness profitability operational : appreciation of 5.4 to 6.6 percent per one points margin percentage is elasticity difficult valuation found its equivalent in the sector by a thin margin. With average EBITDA margin of the sample by 19.4 percent and a number of issuer capitalization medium penetrated 29 percent structure economy industry This of course offer thickness rare profits , supported price oil world palm oil is high and in demand Guaranteed domestic biodiesel policy mandatory (GAPKI, 2026). Findings This consistent with framework relevance values (Ball & Brown, 1968; Ohlson, 1995; Barth et al., 2001) and coherence with proof previously that performance finance influential positive significant to mark companies on the Indonesia Stock Exchange (Sianturi et al., 2024): information profitability still become anchor main formation price even or precisely especially during the period when noise narrative sectoral peak . Rejection of H3 provides lesson conceptual that is not lost important . Solvency it seems assessed by investors as construct financial standing alone and have load all over relevant information about capital structure , cost of debt, and policy funding ; efficiency technical factory No add and reduce credibility signal In other words , investors do not need confirmation agronomist For believe number coverage flowers , different with margin figures that source its sustainability of course need verified . Absence moderation This consistent throughout specification resilience , so that No artifacts measurement .

H4 acceptance is contribution empirical main study this . Yield proven amplify relevance mark profitability : identical margin valued more expensive if recorded by the company with efficiency superior extraction . The most sensible mechanism reason is credibility and persistence signals (Connelly et al., 2011): margins rooted in capabilities technical perceived more structural and more Possible endure pass cycle price commodities compared to mere margins hitchhiking price sales , and capabilities kind of That in resource-based view framework is difficult imitated competitors in term short Because formed from accumulation quality plants , discipline harvest and technology processing (Barney, 1991; Corley & Tinker, 2016; Woittiez et al., 2017). It is also interesting that effect main OER in the equation effect main precisely marked negative : increase yield that is not converted to be margin no appreciated by the market, even can read as indication pressure other costs that accompany it . This pattern in line with findings previously that signal non- financial standing Alone No necessarily significant to mark company without support performance finance (Sianturi et al., 2024), as well as confirm role signal confirmatory in the middle attention to quality profit issuers (Putra et al., 2024). The implications firm for management : yield is not objective a valuable end in itself alone , but rather catalyst whose value new come true when superiority technical the flow become thickness profit . In a way overall , configuration findings support scenario differentiation fundamentally based instead of punishment collective . In the period when the state takes control return millions hectares garden illegal and wearing fine trillions of rupiah, variations price share intra-issuer still explained almost completely by the movements of ICR, EBITDA margin and their interactions with OER. Market, with so , no blinding self to risk legitimacy , but rather distribute it become increasingly narrow selection sharp on fundamental qualities of a behavior that is actually strengthen Power lure industry for perpetrator capable business fulfil standard legality at a time superiority operational . At the point here it is theory legitimacy and theory signal meet : legitimacy determine eligibility playing in the arena, while fundamental signals determine who wins the market in that arena .

CONCLUSION

Study This measure Power fundamental business appeal plantation palm oil in the period crisis legitimacy 2023 to first quarter of 2026 and produce four Conclusion . First , the interest coverage ratio has an effect positive significant to price stock , indicating the market is appreciating bearings protective solvency cash flow from claim sudden like fine administrative regulation area . Second , EBITDA margin matters positive significant and is the most consistent signal , confirming that thickness profitability operational is root rational from Power pull business This for perpetrator effort . Third , the oil extraction rate is not moderate connection solvency with price shares . Fourth , the oil extraction rate strengthens connection profitability with price stocks and behavior as moderator pure : sensitivity price against increasing margins from around 5.4 percent become around 7.8 percent per point margin percentage when yield shift from One deviation standard below average to One deviation standard on top of it .

Implications theoretical study lies in the expansion framework relevance mark with signal non-financial-agronomists who work as amplifier credibility , as well as on demonstrations that relevance fundamental values can endure even sharpened at the moment legitimacy sectoral shaken . Implications practical for investors is importance filter issuer palm oil based on combination of margin and yield , not margin alone ; for management , priorities strategic as it should be directed at conversion superiority technical become thickness profit , because efficiency that is not flow to the margin no appreciated by the market; for regulators, the findings that the market remains respecting the fundamentals indicates that regulation legality No need worried collapse the capital market sector this , in fact certainty legality become prerequisite sustainability the fundamental premium .

Study This own a number of limitations that open up further agendas . Size small sample (ten issuer , four period , four tens observation) limits test power , and endurance test show significance effect moderation sensitive to composition sample ; replication on a larger panel length and width are highly recommended before generalization . Use inter-issuer level prices , although has mitigated with transformation logarithmic and individual effects , fixed leaving heterogeneity scale ; study advanced can test specification reward results . Observed OER is number company -level aggregates so that Not yet catch variation interfactory , and variables exposure legality for example wide affected land regulation or mark fine Not yet modeled in a way explicit . Enter exposure regulation as moderator rival , as well as test role disclosure sustainability in the same framework , is direction promising research For deepen understanding about interaction legitimacy and fundamentals in the Indonesian capital market.

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