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The Effect of Inflation, Interest Rates, Exchange Rates, Net Profit Margin, Total Assets Turnover, and Current Ratio on Stock Prices through Financial Distress as a Mediation Variable (Empirical Study on Textile and Garment Companies Listed on the Indonesia Stock Exchange for the 2021–2024 Period)

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Inflation; Interest Rate; Exchange Rate; Net Profit Margin; Total Asset Turnover; Current Ratio; Financial Distress; Stock Price.

Abstract

The textile and garment industry in Indonesia faced significant economic pressure due to macroeconomic fluctuations and deteriorating financial performance during the 2021–2024 period, as reflected in declining stock prices among most issuers and increasing risks of financial distress in several companies. This study aimed to examine the effects of inflation, interest rates, exchange rates, Net Profit Margin (NPM), Total Asset Turnover (TATO), and Current Ratio (CR) on financial distress and stock prices, as well as the mediating role of financial distress in textile and garment companies listed on the Indonesia Stock Exchange (IDX). This study employed a quantitative method with descriptive and verificative approaches using secondary data analyzed through panel data regression with the Random Effect Model (REM) for 15 companies during the 2021–2024 period. The findings showed that the Current Ratio had a significant effect on both financial distress and stock prices, while inflation had a significant effect only on stock prices. Meanwhile, interest rates, exchange rates, Net Profit Margin, Total Asset Turnover, and financial distress did not have significant effects on stock prices. Furthermore, financial distress did not mediate the relationship between macroeconomic variables, financial ratios, and stock prices. These findings indicated that corporate liquidity was the most consistent factor influencing both financial condition and market valuation. Therefore, the results provided valuable insights for investors in making investment decisions and for corporate management in maintaining liquidity to strengthen market confidence.

INTRODUCTION

The capital market plays a strategic role in the economy because it serves as a source of long-term financing while reflecting corporate health conditions and economic stability (Ahmad, 2025; Celestin, 2022; Essel, 2026; Novak et al., 2022; Ramos, 2024; Sofiyan, 2024; Yulfajar et al., 2025). One of the primary indicators considered by investors is stock price, which is influenced by various external and internal factors. External factors include inflation, interest rates, and exchange rates, while internal factors are reflected in the company's financial performance. Changes in these factors can affect investor expectations regarding corporate prospects and subsequently influence stock price movements in the capital market. Therefore, understanding the relationship between macroeconomic conditions, financial performance, and stock prices is essential for investment decision-making (Dwitayanti et al., 2023; Idawati &

Bambang, 2023; Keswani et al., 2024; Liu, 2024; Musfidah et al., 2022; Sari et al., 2022; Usman et al., 2024; Valipour et al., 2025).

The textile and garment sector is one of the industries that is highly sensitive to changes in economic conditions. This industry relies heavily on imported raw materials and is vulnerable to exchange rate fluctuations, while rising interest rates increase financing costs and inflation can reduce consumer purchasing power. These conditions caused many textile and garment companies listed on the Indonesia Stock Exchange (IDX) to experience declining stock price trends during the 2021–2024 period. Several companies recorded significant decreases in stock prices, while only a few companies were able to maintain or increase their market value (Bifulco et al., 2023; Rahmawati & Hadian, 2022; Sizan et al., 2023; Sudirjo, 2023; Trencher et al., 2024). This phenomenon indicates that the textile sector has faced considerable pressure compared with the overall condition of the capital market.

The decline in stock prices was accompanied by a deterioration in corporate fundamentals, reflected in the increasing risk of financial distress. Many textile companies experienced losses, declining equity, high leverage levels, and weakening liquidity, with some facing debt restructuring, delisting risks, and bankruptcy threats. The cases of PT Sri Rejeki Isman Tbk (SRIL), PT Century Textile Industry Tbk (CNTX), and several other companies demonstrate that financial distress has become not only a potential risk but also an actual condition threatening business sustainability. However, several companies have remained capable of maintaining relatively healthy financial conditions through positive profitability and stronger capital structures. These differences indicate variations in companies' abilities to withstand economic pressure.

In addition to external factors, financial distress is also influenced by internal corporate conditions reflected through financial ratios, such as Net Profit Margin (NPM), Total Asset Turnover (TATO), and Current Ratio (CR). During the observation period, the average NPM of textile companies remained negative, TATO showed relatively limited improvement, and the Current Ratio demonstrated a declining trend. These conditions indicate that profitability, asset utilization efficiency, and the ability to meet short-term obligations remained suboptimal. Consequently, companies became more vulnerable to financial pressure, which could affect investor perceptions and contribute to declining stock prices in the capital market.

The development of Indonesia's macroeconomic conditions in recent years has also created significant pressure on the textile and garment sector. Increases in Bank Indonesia's benchmark interest rate raised corporate borrowing costs, while rupiah depreciation against the United States dollar increased the cost of imported raw materials. Meanwhile, inflation fluctuations affected consumer purchasing power and increased operational costs. The combination of these factors created a more challenging business environment and potentially increased the risk of financial distress, particularly for companies with high leverage and dependence on debt financing.

Macroeconomic conditions affect not only corporate operational activities but also investor perceptions of corporate risk levels. During periods of economic uncertainty, investors tend to adjust stock valuations, causing companies perceived as having higher financial risks to experience declining stock prices. Therefore, financial distress can serve as a mechanism explaining how changes in macroeconomic conditions are transmitted into changes in corporate market value. Accordingly, the relationship between macroeconomic factors, financial distress,

and stock prices requires further examination through an integrated approach.

Previous studies have generally examined the effects of macroeconomic factors or financial ratios on financial distress and stock prices separately. Some studies have focused primarily on internal corporate factors, whereas others have emphasized the direct effects of macroeconomic conditions on stock prices. Research integrating macroeconomic factors, financial ratios, financial distress, and stock prices within a single analytical model remains relatively limited. This condition indicates the existence of a research gap and provides an opportunity to develop a more comprehensive analytical framework.

Previous studies have demonstrated various relationships among the variables examined in this research. Ningsih et al. (2021) and Kurniawan and Yuniati (2019) found that inflation, interest rates, and exchange rates affected stock prices, while Saleh (2025) and Rahayu (2025) showed that financial ratios, such as profitability and leverage, influenced financial distress in textile companies. Tinoco and Wilson (2013) developed a financial distress prediction model by integrating accounting, market, and macroeconomic variables; however, the study did not examine the mediating role of financial distress on stock prices. Darmansyah (2024) identified factors contributing to PT Sritex's bankruptcy but did not integrate macroeconomic variables, financial ratios, financial distress, and stock prices into a single model. Therefore, studies that comprehensively examine these relationships remain limited.

A bibliographic analysis of international publications over the past five years indicates that research on macroeconomics, financial distress, and stock prices continues to develop across various research domains. Studies on financial distress are commonly associated with corporate governance, capital structure, and bankruptcy prediction, whereas stock price studies often focus on machine learning approaches and market forecasting. These trends indicate that research directly examining the relationship between macroeconomic conditions, financial distress, and stock prices remains limited, highlighting the need for empirical models capable of explaining these relationships more comprehensively.

The novelty of this study lies in integrating macroeconomic variables (inflation, interest rates, and exchange rates) and financial ratios (NPM, TATO, and CR) into a model that incorporates financial distress as a mediating variable affecting stock prices in Indonesia's textile and garment sector. This study also examines the simultaneous mediating role of financial distress across all independent variables, providing a more comprehensive understanding of the transmission mechanism between economic conditions, financial performance, and market valuation. Furthermore, the use of panel data covering the 2021–2024 period, which represents the post-pandemic economic recovery period and significant macroeconomic pressures, provides additional novelty in terms of temporal context and industry dynamics. Therefore, this research contributes through both an integrated analytical model and a specific empirical context within Indonesia's textile and garment industry.

Based on the empirical phenomena and identified research gaps, this study examined whether inflation, interest rates, exchange rates, Net Profit Margin (NPM), Total Asset Turnover (TATO), and Current Ratio (CR) affected financial distress and stock prices of companies in the textile and garment sector. In addition, this study examined the role of financial distress as a mediating variable explaining the mechanism through which these factors influenced stock prices. Therefore, this study aimed to analyze the effects of inflation, interest rates, exchange rates, Net Profit Margin (NPM), Total Asset Turnover (TATO), and Current

Ratio (CR) on financial distress and stock prices, as well as examine the mediating role of financial distress. The findings are expected to provide theoretical contributions by enriching the literature on the relationship between macroeconomic factors, financial performance, financial distress, and stock prices within a comprehensive analytical framework. Practically, this research is expected to serve as a reference for investors, corporate management, academics, and stakeholders in understanding the effects of macroeconomic dynamics on corporate financial conditions and their implications for stock price movements in the textile and garment sector.

METHOD

Types and Approaches to Research

This study employed a quantitative approach that emphasized theory testing through numerical measurement of variables and statistical analysis to examine empirical relationships among variables. The research applied descriptive and verificative approaches. The descriptive approach was used to describe the conditions of inflation, interest rates, exchange rates, Net Profit Margin (NPM), Total Asset Turnover (TATO), Current Ratio (CR), financial distress, and stock prices among textile and garment companies listed on the Indonesia Stock Exchange (IDX). The verificative approach was applied to test causal relationships among variables through hypothesis testing using empirical data from the 2021–2024 period. An explanatory research approach was also applied to examine the relationships between independent variables (inflation, interest rates, exchange rates, NPM, TATO, and CR), the mediating variable (financial distress), and the dependent variable (stock prices), including direct and indirect effects through financial distress.

The study utilized secondary data in the form of panel data, combining cross-sectional data from textile and garment companies with time-series data during the 2021–2024 period. This approach enabled a more comprehensive analysis of variations across companies and over time. The data were analyzed using EViews 13 through panel data regression. The best regression model was selected using the Chow test, Hausman test, and Lagrange Multiplier test, followed by classical assumption tests, coefficient of determination (R^2) analysis, simultaneous testing (F-test), partial testing (t-test), and mediation testing using the Sobel test to evaluate the role of financial distress. Overall, this research aimed to provide a comprehensive understanding of the effects of macroeconomic factors and financial ratios on stock prices, both directly and indirectly through financial distress among textile and garment companies listed on the IDX.

Data Types and Sources

The data used in this study is quantitative data in the form of numbers that can be measured objectively and analyzed with statistical techniques to test hypotheses and identify relationships between variables systematically. Based on the source, this study utilizes secondary data, namely data that has been collected and published by other parties (official institutions) for purposes other than this research, but it is still relevant and has a high level of reliability. Data sources include: (1) macroeconomic data (inflation from BPS; benchmark interest rate and Rupiah–USD exchange rate from Bank Indonesia); (2) the company's financial data from the annual financial statements of the issuers of the textile and garment sector published on the IDX website or the website of each company; and (3) historical stock price

data from the IDX or other capital market sources. The use of secondary data from this credible source is expected to produce an accurate and scientifically accountable analysis in examining the relationship between macroeconomic factors, financial distress, and stock prices.

Population and Sample

The population in this study is all textile and garment sector companies listed on the Indonesia Stock Exchange (IDX), which totals 22 issuers. This sector was chosen because it has a high sensitivity to macroeconomic conditions (inflation, interest rates, exchange rates), and shows fluctuating performance dynamics and a relatively high level of financial vulnerability, making it relevant to examine the relationship between macroeconomic variables, financial distress, and stock prices.

The sampling technique used purposive sampling with the following criteria: (1) registered on the IDX during the research period; (2) publish complete and consistent annual financial statements; (3) audited financial statements as of December 31; (4) the availability of complete stock price data; (5) not undergoing delisting; (6) not experiencing prolonged suspension; and (7) completeness of data for all research variables. Based on these criteria, from the 22 selected populations, 14-15 companies are eligible after screening issuers with incomplete reports, delisting, suspension, or variable data are not available.

The final sample of the study consisted of 15 companies in the textile and garment sector, namely ADMG, ARGO, BELL, ERTX, ESTI, INDR, MYTX, POLU, POLY, RICY, SSTM, TRIS, UCID, and ZONE (with slight variation depending on the final screening results). The unit of analysis is the annual financial statements and data on the company's stock price during the observation period, so the data used is in the form of panel data that combines the time dimension (time series) and individual companies (cross section).

Data Collection Techniques

The data collection technique in this study was carried out using the documentation study method. According to Sekaran and Bougie (2016), documentation study is a data collection technique that is carried out by collecting, recording, and reviewing data that has been available in the form of documents, reports, and archives that are relevant to the research.

This method was chosen because the research uses secondary data, so that all the data needed are obtained from official sources that have been published. The data collection process is carried out by searching and downloading documents related to research variables from various credible sources. The steps in the data collection technique in this study are as follows:

1. Identify and access relevant data sources, such as official publications from the Central Statistics Agency (BPS), Bank Indonesia (BI), and the Indonesia Stock Exchange (IDX).
2. Collecting macroeconomic data including inflation, benchmark interest rates, and exchange rates from official publications of BPS and Bank Indonesia.
3. Download the annual financial statements of textile and garment sector companies through the official website of the Indonesia Stock Exchange (IDX) and related company websites.
4. Collect historical stock price data of companies from available capital market data sources.
5. Perform initial recording and processing of data to ensure completeness, consistency, and suitability of data with research needs.

Through the documentation study technique, the data obtained is expected to have a high level of accuracy and reliability, so that it can support the empirical analysis in this study.

Data Analysis Techniques

The data analysis techniques in this study were systematically compiled to test the relationship between variables, both descriptively and verifiablely, as well as to test the role of mediating variables. The analysis was carried out using a panel data regression approach, which combines time series and cross section data. The analysis stage begins with descriptive statistics to provide an overview of inflation variables, interest rates, exchange rates, financial distress, and stock prices, using mean measures, standard deviations, and minimum and maximum values. Furthermore, a verifiable analysis was carried out to test the hypothesis and causal relationship between variables through the selection of panel data regression models (CEM, FEM, REM) which were determined in stages using the Chow Test, Hausman Test, and Lagrange Multiplier Test. After the best model is obtained, classical assumption tests are carried out including multicollinearity tests (VIF and Tolerance), heteroscedasticity tests (Glejser Test), and autocorrelation tests (Durbin–Watson) to ensure that the model meets BLUE requirements.

After the regression model of the panel data that is feasible is obtained, this study continues with path analysis through two substructures of the equation: substructure I tests the influence of independent variables on financial distress, while substructure II tests the influence of independent variables and financial distress on stock prices. Hypothesis testing was performed by partial test (t-test), simultaneous test (F-test), and coefficient of determination (R^2) to assess the significance and extent to which independent variables explain the variation in dependent variables. To test the role of financial distress mediation, the Sobel Test was used which calculates the value of Z based on the path coefficient and standard error, so that it can be concluded whether financial distress plays a significant role as an intermediate variable between macroeconomic variables and the ratio of financial to stock prices in textile and garment sector companies.

RESULTS AND DISCUSSION

Hypothesis Testing

Substructural Hypothesis Testing I

Hypothesis testing on substructural I was carried out to determine the influence of independent variables consisting of Inflation (X1), Interest Rate (X2), Exchange Rate (X3), Net Profit Margin (X4), Total Asset Turnover (X5), and Current Ratio (X6) on Financial Distress (Z). The test was carried out using a partial test (t-test), a simultaneous test (F-test), and a determination coefficient (R^2) based on the results of the Random Effect Model (REM) estimate.

1. Partial Test (t-test)

The t-test is used to determine the influence of each independent variable on individual Financial Distress . The test was carried out by comparing the probability value (Prob.) with a significance level of 5 percent ($\alpha = 0.05$).

Table 1. Substructural t-test results I

Dependent Variable: Z
Method: Panel EGLS (Cross-section random effects)
Date: 06/04/26 **Time:** 23:44
Sample: 2021 2024
Periods included: 4
Cross-sections included: 14
Total panel (balanced) observations: 56
Estimator: Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-76.05199	51.51128	-1.476414	0.1462
X1	-83.41513	61.73623	-1.351154	0.1829
X2	-131.0396	260.1786	-0.503652	0.6168
X3	5.469448	4.197709	1.302960	0.1987
X4	7.617099	7.063223	1.078417	0.2861
X5	-2.425334	2.876879	-0.843043	0.4033
X6	3.301429	1.593105	2.072323	0.0435

Source: EViews 12 (2026)

Based on the results of the partial test in Table 1, it is known that only the Current Ratio (CR) variable has a probability value of 0.0435 or less than the significance level of 0.05. Thus, the Current Ratio has a significant effect on Financial Distress.

Meanwhile, the variables Inflation, Interest Rate, Exchange Rate, Net Profit Margin (NPM), and Total Asset Turnover (TATO) have a probability value greater than 0.05 so that it partially does not have a significant effect on Financial Distress in textile and garment sector companies listed on the Indonesia Stock Exchange during the research period.

2. Simultaneous Test (F Test)

The F test is used to find out whether all independent variables together have an effect on Financial Distress.

Table 2. Substructural F Test Results I

R-squared	0.151136
Adjusted R-squared	0.047194
S.E. of regression	7.189596
F-statistic	1.454039
Prob(F-statistic)	0.213704

Source: EViews 12 (2026)

Based on the test results in Table 2, an F-statistic value of 1.454039 with a probability value of 0.213704 was obtained. The probability value is greater than the significance level of 5 percent (0.05).

Thus, H0 is accepted and Ha is rejected. This shows that simultaneously the variables of Inflation, Interest Rate, Exchange Rate, Net Profit Margin (NPM), Total Asset Turnover (TATO), and Current Ratio (CR) do not have a significant effect on Financial Distress in textile and garment sector companies listed on the Indonesia Stock Exchange.

3. Coefficient of Determination (R^2)

The determination coefficient is used to measure the ability of independent variables to explain the variation of dependent variables in a research model.

Table 3. Substructural Determination Coefficient I

R-squared	0.151136
Adjusted R-squared	0.047194
S.E. of regression	7.189596
F-statistic	1.454039
Prob(F-statistic)	0.213704

Source: EViews 12 (2026)

Based on the results of the Random Effect Model estimate, the R-squared value was obtained at 0.151136 or 15.11 percent. These results show that the variation in Financial Distress can be explained by the variables of Inflation, Interest Rate, Exchange Rate, Net Profit Margin (NPM), Total Asset Turnover (TATO), and Current Ratio (CR) of 15.11 percent.

Meanwhile, the remaining 84.89 percent was explained by other factors outside the research model that were not included in the regression equation, such as the company's capital structure, company size, sales growth, operational efficiency, corporate governance, industry conditions, as well as other internal and external factors that have the potential to affect the company's financial distress level.

Substructural Hypothesis Testing II

Hypothesis testing on substructural II was carried out to determine the influence of independent variables consisting of Inflation (X1), Interest Rate (X2), Exchange Rate (X3), Net Profit Margin (X4), Total Asset Turnover (X5), Current Ratio (X6) and Financial Distress (Z) on Stock Price (Y). The test was carried out using a partial test (t-test), a simultaneous test (F-test), and a determination coefficient (R^2) based on the results of the Random Effect Model (REM) estimate.

1. Partial Test (t-test)

The t-test is used to determine the influence of each independent variable on the Stock Price individually. The test was carried out by comparing the probability value (Prob.) with a significance level of 5 percent ($\alpha = 0.05$).

Table 4. Substructural t-test results II

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 06/04/26 **Time:** 23:42
Sample: 2021 2024
Periods included: 4
Cross-sections included: 14
Total panel (balanced) observations: 56
Estimator: Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8351.427	2214.802	3.770734	0.0004
X1	5863.631	2621.047	2.237133	0.0300
X2	-11738.16	10866.10	-1.080255	0.2854

X3	-127.1935	178.0352	-0.714429	0.4784
X4	150.7518	335.2514	0.449668	0.6550
X5	158.3135	144.1818	1.098012	0.2777
X6	-293.0025	91.86580	-3.189462	0.0025
Z	12.33021	6.783516	1.817672	0.0754

Source: EViews 12 (2026)

Based on the results of the partial test in Table 4, it can be seen that there are two variables that have a probability value of less than the significance level of 5 percent, namely Inflation (X1) of 0.0300 and Current Ratio (X6) of 0.0025. These results show that these two variables have a significant effect on the Stock Price.

Meanwhile, the variables Interest Rate (X2), Exchange Rate (X3), Net Profit Margin (X4), Total Asset Turnover (X5), and Financial Distress (Z) have a probability value greater than 0.05 so that they do not have a significant effect on the Stock Price of textile and garment sector companies listed on the Indonesia Stock Exchange during the research period.

Thus, based on the results of partial testing, it can be concluded that only the variables Inflation and Current Ratio have been proven to have a significant influence on the Stock Price, while the other variables have not been able to show a statistically significant influence.

2. Simultaneous Test (F Test)

The F test is used to find out whether all independent variables together have an effect on the Stock Price. The test was carried out by comparing the F-statistic probability value with a significance level of 5 percent ($\alpha = 0.05$).

Table 5. Substructural F Test Results II

R-squared	**0.249331**
Adjusted R-squared	0.139858
S.E. of regression	345.4101
F-statistic	2.277567
Prob(F-statistic)	0.043654

Source: EViews 12 (2026)

Based on the test results, an F-statistic value of 2.277567 with a probability value of 0.043654 was obtained. The probability value is smaller than the significance level of 0.05.

Thus, H_0 is rejected and H_a is accepted. These results show that simultaneously the variables of Inflation, Interest Rate, Exchange Rate, Net Profit Margin (NPM), Total Asset Turnover (TATO), Current Ratio (CR), and Financial Distress (Z) have a significant effect on the Stock Price of textile and garment sector companies listed on the Indonesia Stock Exchange during the study period.

3. Coefficient of Determination (R^2)

The determination coefficient is used to measure the ability of independent variables to explain the variation of dependent variables in a research model.

Table 6. Substructural Determination Coefficient II

R-squared	0.249331
Adjusted R-squared	0.139858
S.E. of regression	345.4101
F-statistic	2.277567
Prob(F-statistic)	0.043654

Source: EViews 12 (2026)

Based on the results of the Random Effect Model estimate, an R-squared value of 0.249331 or 24.93 percent was obtained. These results show that the variation in Stock Price can be explained by the variables of Inflation, Interest Rate, Exchange Rate, Net Profit Margin (NPM), Total Asset Turnover (TATO), Current Ratio (CR), and Financial Distress (Z) of 24.93 percent.

Meanwhile, the remaining 75.07 percent is explained by other factors outside the research model that are not included in the regression equation, such as capital market conditions, investor sentiment, company policies, company size, capital structure, company growth, industry conditions, and other external factors that can affect stock price movements.

Mediation Test (Sobel Test)

The Sobel test is used to test the significance of the indirect effect of independent variables on dependent variables through mediation variables. In this study, the Sobel test was used to determine whether Financial Distress (Z) was able to mediate the influence of macroeconomic variables and financial ratios on Stock Price (Y).

According to Baron and Kenny (1986), a variable can be said to mediate the relationship between independent variables and dependent variables if the indirect influence formed through the mediation variable is proven to be statistically significant. The test was carried out using the Sobel formula as follows:

$$Z = \frac{ab}{\sqrt{b^2sa^2 + a^2sb^2 + sa^2sb^2}}$$

Description:

- a= the regression coefficient of the independent variable to the mediating variable
- b= the regression coefficient of the mediating variable against the dependent variable
- sa= standard error coefficient a
- sb= standard error coefficient b

The decision-making criteria are as follows:

1. If the value of Z is calculated > 1.96, then the mediation variable has a significant effect on the significance level of 5 percent.
2. If the value of Z is calculated < 1.96, then the mediation variable has no significant effect on the significance level of 5 percent.

Table 7. Sobel Test Results

Components	Value
Line Coefficient $X_6 \rightarrow Z$ (a)	3,301429

Components	Value
Standard Error a	1,593105
Z → Y Line Coefficients (b)	12,33021
Standard Error b	6,783516
Sobel Test Statistic (Z)	1,492

Source: Sobel Test Calculation Results, data processed (2026)

Based on the calculation results, the Sobel Test Statistic (Z) score was 1.492. This value is smaller than the critical value of 1.96 at a significance level of 5 percent.

Thus, it can be concluded that Financial Distress was not able to significantly mediate the relationship between Current Ratio and Stock Price in textile and garment sector companies listed on the Indonesia Stock Exchange during the study period.

These results show that although the Current Ratio has been shown to have a significant effect on Financial Distress in substructural I and also has a significant effect on the stock price in substructural II, the indirect influence path through Financial Distress is not strong enough to produce a significant mediating effect. In addition, the Financial Distress variable itself has a probability value of 0.0754 in the substructural model II, so it has not been able to explain the significant change in the Stock Price at a significance level of 5 percent.

Based on these results, Financial Distress in this study did not play a significant role as a mediating variable in bridging the relationship between independent variables and Stock Prices. Therefore, the influence of independent variables on the Stock Price tends to occur through direct effects rather than through the Financial Distress mediation mechanism.

The Effect of Inflation on Financial Distress

The Inflation variable has a coefficient of -83.41513 with a probability value of 0.1829. The probability value is greater than 0.05, indicating that inflation does not have a significant effect on Financial Distress in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_1 is rejected. These results show that changes in the inflation rate during the study period have not been able to explain the change in the financial distress conditions of companies significantly. Although inflation can theoretically increase production costs and operating costs for companies, textile and garment companies tend to be able to make adjustments to price changes through operational efficiency strategies, cost control, and product selling price adjustments. This condition causes inflation fluctuations not to directly affect the level of financial health of the company as measured using the Altman Z-Score.

The Effect of Interest Rates on Financial Distress

The Interest Rate variable has a coefficient of -131.0396 with a probability value of 0.6168. The probability value is greater than 0.05, indicating that interest rates do not have a significant effect on Financial Distress in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_2 is rejected. These results show that changes in interest rates have not been able to significantly affect the company's financial distress conditions. These conditions indicate that the funding structure of textile and garment companies during the study period is not very sensitive to changes in interest rates or that companies have the ability to manage the funding burden arising from changes in interest rate policy. Therefore, changes in

interest rates are not the main factor that determines the level of financial distress of a company.

The Effect of Exchange Rates on Financial Distress

The Exchange Rate variable has a coefficient of 5.469448 with a probability value of 0.1987. The probability value is greater than 0.05, indicating that the exchange rate does not have a significant effect on Financial Distress in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_3 is rejected. These results show that the change in the exchange rate of the Rupiah against the United States Dollar has not been able to explain the change in the company's financial distress conditions significantly. Although the textile and garment industry is linked to raw material import activities and international trade, the company seems to be able to adjust to exchange rate fluctuations through cost management strategies and supply source diversification. As a result, changes in the exchange rate do not directly increase the risk of financial distress of the company.

The Effect of Net Profit Margin (NPM) on Financial Distress

The Net Profit Margin variable has a coefficient of 7.617099 with a probability value of 0.2861. The probability value is greater than 0.05, indicating that NPM does not have a significant effect on Financial Distress in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_4 is rejected. These results show that the level of company profitability measured using Net Profit Margin has not been able to explain the significant change in financial distress conditions. Although profit is one of the important indicators in assessing a company's health, financial distress is not only influenced by the ability to generate profits, but also by other factors such as liquidity, capital structure, and the company's ability to meet its financial obligations.

The Effect of Total Asset Turnover (TATO) on Financial Distress

The Total Asset Turnover variable has a coefficient of -2.425334 with a probability value of 0.4033. The probability value is greater than 0.05, indicating that TATO does not have a significant effect on Financial Distress.

Thus, H_0 is accepted and H_5 is rejected. These results show that the efficiency of asset use in generating sales has not been able to explain the significant change in financial distress conditions. Companies with a high asset turnover rate do not necessarily have healthier financial conditions if they are not followed by the ability to generate profits and maintain company liquidity.

The Effect of Current Ratio (CR) on Financial Distress

The Current Ratio variable has a coefficient of 3.301429 with a probability value of 0.0435. The probability value is less than 0.05, indicating that the Current Ratio has a significant effect on Financial Distress in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is rejected and H_6 is accepted. These results show that the company's ability to meet short-term obligations is a factor that plays an important role in determining the company's financial distress condition. The better the company's liquidity level, the greater the company's ability to maintain financial stability and reduce the risk of financial difficulties. These findings also show that compared to other macroeconomic variables and financial ratios, liquidity was the most dominant factor in explaining the financial distress conditions in textile

and garment companies during the study period.

The Effect of Inflation on Stock Prices

The Inflation variable has a coefficient of 5863.631 with a probability value of 0.0300. The probability value is less than 0.05, indicating that inflation has a significant effect on the Stock Price of textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is rejected and H_7 is accepted. These results show that changes in the inflation rate are able to significantly affect the stock price movements of textile and garment companies. The positive coefficient indicates that the increase in inflation in the study period was followed by an increase in stock prices. This condition can occur because the company is able to adjust the selling price of its products so that the impact of rising costs due to inflation can be passed on to consumers and still maintain investor expectations for the company's prospects.

The Effect of Interest Rates on Stock Prices

The variable interest rate has a coefficient of -11,738.16 with a probability value of 0.2854. The probability value is greater than 0.05, indicating that the interest rate does not have a significant effect on the share price of textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_8 is rejected. These results show that changes in interest rates during the study period have not been able to explain the change in stock prices significantly. Although in theory interest rate hikes can increase capital costs and decrease investor interest in stocks, the effect is not noticeable in the textile and garment sectors so investors' investment decisions seem to be more influenced by the company's fundamental factors.

The Effect of Exchange Rates on Stock Prices

The Exchange Rate variable has a coefficient of -127.1935 with a probability value of 0.4784. The probability value is greater than 0.05, indicating that the exchange rate does not have a significant effect on the Stock Price of textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_9 is rejected. These results show that the change in the exchange rate of the Rupiah against the United States Dollar has not been able to explain the change in the company's share price significantly. This condition indicates that the exchange rate fluctuations that occurred during the research period have not had a significant impact on investor perception and company performance as reflected in the stock price.

The Effect of Net Profit Margin (NPM) on Stock Price

The Net Profit Margin variable has a coefficient of 150.7518 with a probability value of 0.6550. The probability value is greater than 0.05, indicating that NPM has no significant effect on the Stock Price of textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_{10} is rejected. These results show that the level of profitability measured using Net Profit Margin has not been able to significantly affect the stock price. Investors in the textile and garment sector seem to not only consider the company's ability to generate net profit, but also pay attention to other factors such as company growth, industry conditions, and long-term business prospects.

The Effect of Total Asset Turnover (TATO) on Stock Price

The Total Asset Turnover variable has a coefficient of 158.3135 with a probability value of 0.2777. The probability value is greater than 0.05, thus showing that TATO has no significant effect on the Stock Price of textile and garment companies listed on the Indonesia

Stock Exchange.

Thus, H_0 is accepted and H_{11} is rejected. These results show that the efficiency of using assets in generating sales has not been able to significantly affect stock prices. High asset turnover is not always followed by an increase in the company's value in the eyes of investors if it is not accompanied by an increase in profitability and overall financial performance.

The Effect of Current Ratio (CR) on Stock Price

The Current Ratio variable has a coefficient of -293.0025 with a probability value of 0.0025. The probability value is less than 0.05, which shows that the Current Ratio has a significant effect on the Stock Price of textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is rejected and H_{12} is accepted. These results show that a company's liquidity has an influence on the stock price. A negative coefficient indicates that an increase in the Current Ratio is followed by a decrease in the stock price. This condition can occur because too high a level of liquidity can reflect the existence of idle assets that have not been optimally utilized to generate profits, thereby lowering investors' assessment of the efficiency of the company's asset management.

The Effect of Financial Distress on Stock Prices

The Financial Distress variable has a coefficient of 12.33021 with a probability value of 0.0754. The probability value is greater than 0.05, indicating that Financial Distress does not have a significant effect on the Stock Price of textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_{13} is rejected. These results show that financial distress conditions measured using the Altman Z-Score have not been able to significantly affect stock prices. This indicates that investors in the textile and garment sectors do not make the level of financial distress the main factor in investment decision-making, but rather consider other factors such as the company's growth prospects, industry conditions, and market sentiment.

The Role of Financial Distress in Mediating the Influence of Inflation on Stock Prices

The results of the Sobel Test showed a Sobel statistical value of -1.261 which was smaller than the critical value of 1.96 at a significance level of 5 percent. These results show that Financial Distress is unable to mediate the effect of Inflation on Stock Prices in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_{14} is rejected. These results show that the effect of Inflation on Stock Prices occurs directly (direct effect) without going through the Financial Distress mechanism as a mediating variable. This condition indicates that changes in inflation are responded to more quickly by investors through changes in market perception than through changes in the financial health condition of companies.

The Role of Financial Distress in Mediating the Effect of Interest Rates on Stock Prices

The results of the Sobel Test showed a Sobel statistical value of -0.497 which was smaller than the critical value of 1.96 at a significance level of 5 percent. These results show that Financial Distress is unable to mediate the effect of Interest Rates on Stock Prices in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_{15} is rejected. These results show that changes in interest rates do not affect the Stock Price through changes in Financial Distress conditions. In other words, the mechanism of indirect effects through Financial Distress is not statistically proven so that

the influence of interest rates on stock prices is more influenced by other factors outside the research model.

The Role of Financial Distress in Mediating the Effect of Exchange Rates on Stock Prices

The results of the Sobel Test showed a Sobel statistical value of 1.102 which was smaller than the critical value of 1.96 at a significance level of 5 percent. These results show that Financial Distress is unable to mediate the effect of Exchange Rates on Stock Prices in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_{16} is rejected. This result shows that changes in Exchange Rate/Exchange Rate do not affect the Stock Price through Financial Distress conditions. Exchange rate fluctuations that occurred during the study period have not been able to create changes in the company's financial condition that are strong enough to then affect investors' investment decisions in the capital market.

The Role of Financial Distress in Mediating the Effect of Net Profit Margin (NPM) on Stock Prices

The results of the Sobel Test showed a Sobel statistical value of 0.867 which was smaller than the critical value of 1.96 at a significance level of 5 percent. These results show that Financial Distress is unable to mediate the effect of Net Profit Margin (NPM) on Stock Prices in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_{17} is rejected. These results show that the relationship between profitability measured using NPM and Stock Price does not occur through the Financial Distress mechanism. Investors seem to consider profitability information directly rather than the condition of the company's financial difficulties in assessing the company's shares.

The Role of Financial Distress in Mediating the Effect of Total Asset Turnover (TATO) on Stock Prices

The results of the Sobel Test showed a Sobel statistical value of -0.798 which was smaller than the critical value of 1.96 at a significance level of 5 percent. These results show that Financial Distress is unable to mediate the effect of Total Asset Turnover (TATO) on Stock Prices in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_{18} is rejected. These results show that the efficiency of asset use in generating sales does not affect the Stock Price through Financial Distress. This condition indicates that changes in asset efficiency levels are not strong enough to affect the company's financial difficulties or shape investors' perception of the company's value.

The Role of Financial Distress in Mediating the Influence of Current Ratio (CR) on Stock Prices

The results of the Sobel Test showed a Sobel statistical value of 1.492 which was smaller than the critical value of 1.96 at a significance level of 5 percent. These results show that Financial Distress is unable to mediate the influence of Current Ratio (CR) on Stock Prices in textile and garment companies listed on the Indonesia Stock Exchange.

Thus, H_0 is accepted and H_{19} is rejected. These results show that although the Current Ratio has a significant effect on Financial Distress and Stock Price directly, the indirect effect through Financial Distress has not been proven to be significant. In other words, Financial Distress does not act as a mediating variable in the relationship between Current Ratio and Stock Price in textile and garment companies listed on the Indonesia Stock Exchange.

CONCLUSION

This study employed a quantitative approach that emphasized theory testing through numerical measurement of variables and statistical analysis to examine empirical relationships among variables. The research applied descriptive and verificative approaches. The descriptive approach was used to describe the conditions of inflation, interest rates, exchange rates, Net Profit Margin (NPM), Total Asset Turnover (TATO), Current Ratio (CR), financial distress, and stock prices among textile and garment companies listed on the Indonesia Stock Exchange (IDX). The verificative approach was applied to test causal relationships among variables through hypothesis testing using empirical data from the 2021–2024 period. An explanatory research approach was also applied to examine the relationships between independent variables (inflation, interest rates, exchange rates, NPM, TATO, and CR), the mediating variable (financial distress), and the dependent variable (stock prices), including direct and indirect effects through financial distress.

The study utilized secondary data in the form of panel data, combining cross-sectional data from textile and garment companies with time-series data during the 2021–2024 period. This approach enabled a more comprehensive analysis of variations across companies and over time. The data were analyzed using EViews 13 through panel data regression. The best regression model was selected using the Chow test, Hausman test, and Lagrange Multiplier test, followed by classical assumption tests, coefficient of determination (R^2) analysis, simultaneous testing (F-test), partial testing (t-test), and mediation testing using the Sobel test to evaluate the role of financial distress. Overall, this research aimed to provide a comprehensive understanding of the effects of macroeconomic factors and financial ratios on stock prices, both directly and indirectly through financial distress among textile and garment companies listed on the IDX.

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