

The Effect of Financial Ratios on Stock Prices Through Financial Distress as a Mediating Variable

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Abstract

The Indonesian textile and garment sector has experienced persistent declines in stock prices, reflecting weakened corporate fundamentals and increasing risks of financial distress. Although previous studies have examined the relationships among financial ratios, financial distress, and stock prices, limited evidence explains the mediating role of financial distress in linking corporate financial performance to market valuation. Grounded in signaling theory, this study investigates the effects of Net Profit Margin (NPM), Total Asset Turnover (TATO), and Current Ratio (CR) on stock prices through financial distress measured using the Altman Z-Score. A quantitative explanatory approach was employed using secondary data from 14 textile and garment companies listed on the Indonesia Stock Exchange during the 2021–2024 period, yielding 56 firm-year observations selected through purposive sampling. The data were analyzed using multiple linear regression, path analysis, and the Sobel test. The results indicate that NPM, TATO, and CR simultaneously affect financial distress, while only CR demonstrates a significant positive partial effect, indicating that stronger liquidity contributes to improved financial health. Furthermore, only financial distress significantly influences stock prices, whereas NPM, TATO, and CR do not have direct significant effects. The Sobel test result ($Z = 2.624$; $p = 0.0087$) confirms that financial distress fully mediates the relationship between CR and stock prices. These findings support signaling theory by demonstrating that investors respond more strongly to firms' overall financial health than to individual liquidity ratios. The findings provide practical insights for managers seeking to strengthen financial stability and enhance investor confidence.

INTRODUCTION

In the modern economic mechanism, the capital market performs a vital function as an intermediary that channels capital from investors to support the growth of issuers. Within this ecosystem, stock prices serve as key indicators that reflect how the market perceives companies' fundamental conditions and future prospects (Harton, 2022). From the perspective of signaling theory, fundamental information disclosed by companies is considered a signal that reduces information asymmetry between management and investors, thereby influencing market expectations regarding companies' prospects. The more credible the signals conveyed, the greater the likelihood that investors will respond through changes in stock valuations (Bafera & Kleinert, 2023). When a company is able to maintain strong performance, investor confidence tends to increase and drive stock prices upward; conversely, declining fundamentals may trigger risk perceptions that directly suppress the market value of issuers.

Various operational and financial pressures accumulated over recent periods have significantly affected the performance trends of issuers in the textile and garment subsectors

listed on the Indonesia Stock Exchange (IDX). The industry's labor-intensive characteristics, intense competition, and high dependence on working capital efficiency make it vulnerable to financial shocks. This phenomenon is reflected in the stock price movements of textile and garment issuers during the 2021–2024 period, which were characterized by a significant downward trend. Among the 14 companies included in this study, 11 experienced declines in stock prices during the observation period, with several issuers recording decreases of more than 50%. This condition indicates that fundamental pressures are not limited to individual companies but represent a broader phenomenon reflecting the high vulnerability of the textile and garment subsectors to financial distress risk. As presented in Table 1, issuers such as PT Eratex Djaja Tbk (ERTX), PT Indo Rama Synthetics Tbk (INDR), and PT Trisula Textile Industries Tbk (BELL) experienced share price declines of 78.08%, 50.97%, and 59.46%, respectively.

Table 1. Share Prices of Textile and Garment Issuers in 2021–2024

Code	Company	2021 (Rp)	2022 (Rp)	2023 (Rp)	2024 (Rp)	Change (%)
ADM	Polychem Indonesia Tbk	151	151	137	109	-27,81%
G						
ARG	Argo Pantes Tbk	1.225	1.225	935	980	-20,00%
O						
BELL	Trisula Textile Industries Tbk	148	148	79	60	-59,46%
ERTX	Eratex Djaja Tbk	470	470	236	103	-78,08%
ESTI	Ever Shine Tex Tbk	53	53	50	40	-24,53%
INDR	Indo Rama Synthetics Tbk	5.650	5.650	3.050	2.770	-50,97%
MYT	Asia Pacific Investama Tbk	50	50	50	50	0,00%
X						
POLU	Golden Flower Tbk	428	286	825	1.915	+347,43%
POLY	Asia Pacific Fibers Tbk	33	33	33	33	0,00%
RICY	Ricky Putra Globalindo Tbk	110	110	90	75	-31,82%
SSTM	Sunson Textile Manufacturer Tbk	300	300	250	200	-33,33%
TRIS	Trisula International Tbk	256	256	200	180	-29,69%
UCID	Uni-Charm Indonesia Tbk	8.000	8.000	7.200	6.500	-18,75%
ZONE	Mega Perintis Tbk	600	600	550	500	-16,67%

Source: idx.co.id, data processed by researchers (2026)

The significant decline in market valuation indicates fundamental deterioration that may increase the risk of financial distress. This phenomenon becomes more severe when a company experiences liquidity shocks, causing it to become unable to meet its financial obligations. If the condition continues to worsen without appropriate mitigation, financial distress may progress into more severe stages, including debt restructuring, delisting, and bankruptcy (Altman & Hotchkiss, 2010). These fundamental risks are further confirmed by the liquidity conditions of issuers presented in Table 2.

Table 2. Liquidity Conditions of Textile and Garment Sector Companies in 2021–2024

Code	Company	Current Ratio (CR)	Liquidity Conditions	Indications of Financial Distress
ADMG	Polychem Indonesia Tbk	1,582 – 3,457	Highly liquid	Relatively stable
ARGO	Argo Pantes Tbk	0,073 – 0,440	Very low	High risk of distress
BELL	Trisula Textile Industries Tbk	1,385 – 1,582	Quite liquid	Moderate pressure
ERTX	Eratex Djaja Tbk	1,086 – 1,278	Low	Financial pressure
ESTI	Ever Shine Tex Tbk	1,072 – 1,198	Low	Financial pressure
INDR	Indo Rama Synthetics Tbk	1,011 – 1,387	Quite low	Moderate pressure
MYTX	Asia Pacific Investama Tbk	0,284 – 0,371	Very low	High risk of distress
POLU	Golden Flower Tbk	1,997 – 5,541	Highly liquid	Relatively healthy
POLY	Asia Pacific Fibers Tbk	0,042 – 0,112	Critical	Distress is very high
RICY	Ricky Putra Globalindo Tbk	0,867 – 2,694	Fluctuating	Risk moderate
SSTM	Sunson Textile Manufacturer Tbk	1,425 – 2,292	Quite liquid	Moderate pressure
TRIS	Trisula International Tbk	1,985 – 2,096	Liquid	Relatively healthy
UCID	Uni-Charm Indonesia Tbk	2,015 – 2,259	Highly liquid	Relatively healthy
ZONE	Mega Perintis Tbk	1,697 – 1,877	Liquid	Relatively stable

Source: idx.co.id, data processed by researchers (2026)

Based on Table 2, several issuers, such as ARGO, MYTX, and POLY, are in critical condition, with Current Ratio (CR) values below 1. This suggests that their current assets are insufficient to cover short-term liabilities. Theoretically, in addition to liquidity factors represented by CR, the financial health of issuers is also influenced by their ability to generate profits, as proxied by Net Profit Margin (NPM), as well as their asset utilization efficiency, as measured by Total Asset Turnover (TATO). This fundamental fragility in the textile and garment sector is consistent with empirical findings indicating that the national textile industry has experienced substantial post-pandemic financial distress due to declining liquidity and persistent operational barriers (Fatmayuni & Ambarwati, 2023). The importance of liquidity and profitability ratios as early detection indicators of financial distress among manufacturing issuers in the textile subsector has also been confirmed by research demonstrating that companies unable to maintain adequate current asset availability have a significantly higher probability of bankruptcy (Khotimah et al., 2025).

From the perspective of signaling theory, financial ratios represent signals regarding a company's condition and prospects that investors use to reduce information asymmetry in investment decision-making (Bafera & Kleinert, 2023). Financial ratios demonstrating strong performance indicate lower financial distress risk and therefore tend to receive positive market responses through increased stock demand. This relationship is further supported by the findings of Dewi and Dewi (2022), which demonstrate that financial distress conditions measured using the Altman Z-Score model serve as important indicators considered by investors when assessing a company's prospects.

Although previous studies have examined the effects of financial ratios on financial distress and stock prices, the findings remain inconsistent, making the mechanism underlying the relationship between these variables difficult to explain comprehensively (Baghaskara & Retnani, 2023; Faqiha & Sidik, 2023). Furthermore, existing research on financial distress has primarily focused on identifying its determinants or predicting bankruptcy, while its role as a mediating variable in explaining market responses to corporate fundamental information remains relatively underexplored (Fakhar et al., 2023). Therefore, this study contributes novelty by positioning financial distress as a mediating variable in the relationship between financial ratios and stock prices.

Based on these research gaps, this study aims to examine the effects of Net Profit Margin (NPM), Total Asset Turnover (TATO), and Current Ratio (CR) on stock prices through financial distress among textile and garment companies listed on the Indonesia Stock Exchange. This research is expected to strengthen empirical evidence regarding the application of signaling theory in explaining the relationship between financial ratios, financial distress, and stock prices, while also providing valuable insights for investors and management in evaluating corporate financial conditions.

METHODS

Types of Research

This study employed a quantitative explanatory research design to investigate the causal relationships between fundamental ratios and stock valuations, with financial distress positioned as a mediating variable among textile and garment issuers listed on the Indonesia Stock Exchange (IDX). The quantitative approach was selected to examine the relationships between variables through statistical testing using numerical data (Sugiyono, 2018).

Population and Sample

The scope of population includes all business entities in the textile and garment sub-sectors listed on the IDX during the 2021–2024 period. Sample withdrawal is executed through a purposive sampling technique, which requires specific criteria (Sugiyono, 2018). The criteria for purposive sampling. First, issuers are recorded persistently throughout the observation period. Second, the issuer publishes complete financial statements. Third, issuers provide complete data on research variables. Extraction based on these criteria resulted in 14 companies observed for four consecutive years, thus accumulating 56 observation units

Data Collection Techniques

The study purely leveraged secondary data sources that recorded published historical traces (Bougie & Sekaran, 2019). The database of financial statements is accessed directly from the IDX's official portal, while macroeconomic statistics are collected from authoritative releases from Bank Indonesia (BI) and the Central Statistics Agency (BPS).

Data Analysis Techniques

Data evaluation is operationalized through path analysis which is constructed into two sub-structures. As stated by (Ghozali, 2018) this technique, it is applied to identify the amount of direct and indirect influence between hypothesized variables. The estimation process is carried out utilizing multiple linear regression with the help of SPSS software which is described in two equation models:

Sub-Structure 1

$$Z = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_1$$

Sub-Structure 2

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \varepsilon_2$$

Variable Description:

- X_1, X_2, X_3 = Macroeconomic Indicators and Fundamental Ratios
- Z = Financial Distress
- Y = Stock Valuation
- α = Konstanta
- $\beta_1 - \beta_4$ = Regression Coefficient
- $\varepsilon_1, \varepsilon_2$ = Error / Interference Variable

Hypothesis validation relies on partial tests (t-test), simultaneous tests (F-tests), and interpretation of the determination coefficient (R^2) with a significance limit of 5 percent. Furthermore, the mediation mechanism is mathematically proven through R^2 the Sobel test to evaluate the extent to which financial distress is able to bridge the interaction between financial ratios and stock price dynamics (Ghozali, 2018b).

RESULTS AND DISCUSSION

Classic Assumption Test

Multicollinearity Test

The concept formulated by the multicollinearity test is basically aimed at sniffing out the existence or absence of acute linear correlations or overly strong attachment relationships between independent variables in a regression model. This test is based on the Sekaran & Bougie (2016) Tolerance and Variance Inflation Factor (VIF) measurement values, where a regression model is declared free from multicollinearity if it has a Tolerance value of > 0.10 and a VIF value of < 10 . (Ghozali, 2018b)

Table 3. Sub-Structural Multicollinearity Test Results 1 and 2

Variable	Sub-Structural 1		Sub-Structural 2		Remarks
	Tolerance	LIVE	Tolerance	LIVE	
Net Profit Margin (NPM)	0,889	1,124	0,862	1,160	Multicollinearity Free
Total Asset Turnover (TATO)	0,893	1,119	0,881	1,136	Multicollinearity Free
Current Ratio (CR)	0,995	1,005	0,827	1,209	Multicollinearity Free
Financial Distress (Z)	-	-	0,800	1,250	Multicollinearity Free

Source: SPSS data processed, 2026

Based on Table 3, it is known that all independent variables in Sub-Structural 1 have a Tolerance value greater than 0.10 (ranging from 0.889 to 0.995) and a VIF value less than 10 (ranging from 1.005 to 1.124). These results show that there are no symptoms of multicollinearity in the sub-structural regression model 1 so independent variables can be used in further analysis. Furthermore, in Sub-Structural 2, all independent variables and mediating variables also consistently had a Tolerance value above 0.10 (the lowest of 0.800) and a VIF value of below 10 (the highest of 1.250). Thus, it can be concluded that the sub-structural regression model 2 is free from the problem of multicollinearity so that the relationships between independent variables do not cause interference with the model's estimation.

Hypothesis Test

Coefficient of Determination Test (R^2)

According to this test, it is carried out to measure how much percentage of variation in dependent variables can be described by a combination of independent variables. For ease of comparison, the summary of test results for sub-structure 1 and sub-structure 2 is brought together in the following table: Ghozali (2018)

Table 4. Recapitulation of Model 1 and Model 2 Determination Coefficient Test

Regression Modeling			R	R Square	Adjusted R Square	Std. Error of the Estimate
Sub-Struktur 1 (Dependen: Financial Distress)		a	.447	.200	.154	929.86440
Sub-Structure 2 (Dependent: Ln Stock Price)		b	.580	.336	.284	1361.84163

Source: SPSS data processed, 2026

Based on the comparison of the data in Table 4, the Adjusted R Square figure for the first sub-structure model is at the level of 0.154. This statistical fact indicates that the movement of NPM, TATO, and CR variables only plays a role of 15.4% in shaping the Financial Distress conditions of textile and garment issuers. Beyond these percentages, the remaining much larger fluctuations of 84.6% were driven by various other determinants that were not involved in this modeling.

Moving on to the second sub-structure model, the Adjusted R Square value has increased to 0.284. This pattern shows that the integration of fundamental performance (NPM, TATO, CR) combined with the status of Financial Distress as an intermediate variable, has a power of 28.4% in dictating stock price variations. Meanwhile, the remaining portion of 71.6% was explained by other external factors beyond the limits of the research study.

Simultaneous Test (F Test)

The F-test was undertaken to review whether all the independent variables tested together (simultaneously) had a significant impact on the target variable, while validating the feasibility of the estimated model developed. The results of the variance analysis (ANOVA) for both models are integrated into the structure of the table below: Ghozali (2018)

Table 5. Variance Analysis Recapitulation (ANOVA)

Structure Model	Variant Source	Sum of Squares	df	Mean Square	F	Say.
Sub-Structure 1 (Dependen: Financial Distress)	Regression	11226829.126	3	3742276.375	4.328	.008th
	Residual	44961685.856	52	864647.805		
	Total	56188514.982	55			
Sub-Structure 2 (Dependent: Ln Stock Price)	Regression	47925978.051	4	11981494.513	6.460	.000b
	Residual	94585243.788	51	1854612.623		
	Total	142511221.839	55			

Source: SPSS data processed, 2026

Referring to the exposure of comparative ANOVA data in Table 5, the first sub-structure model produced an F-count of 4.328 with a significance level of 0.008. Because the probability is below the feasibility threshold of 0.05, scientific confirmation is obtained that

the variables NPM, TATO, and CR collectively exert a real influence on Financial Distress. These results also verify the validity (goodness of fit) of the specifications of the first model.

On the other hand, the statistical portrait for the second sub-structure model gives rise to an F-count achievement that touches the figure of 6.460 accompanied by an absolute significance level at the level of 0.000. Since the significance value is much smaller than , this empirical fact proves that the simultaneous interaction of the NPM, TATO, CR, and $\alpha = 5\%$ Financial Distress variables is proven to legitimately dictate stock price dynamics. Consequently, the formulation of regression in the second sub-structure is declared to be very feasible to step into the next stage of interpretation.

Partial Test (t-test)

Table 6. Sub-Structural t-test 1

Table 1: Sub-Structural Test 1						
Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients		
		Std.				
Model		B	Error	Beta	t	Sig.
1	(Constant)	-210.439	338.502		-.622	.537
	NPM	.927	.720	.169	1.287	.204
	THIS	-.234	.269	-.114	-.867	.390
	CR	.407	.125	.404	3.248	.002
a. Dependent Variable: Financial Distress						

a. Dependent Variable: Financial Distress

Source: SPSS data processed, 2026

Partial proof through the details of Table 6 reveals that NPM and TATO score significance probabilities of 0.204 and 0.390, respectively. Given that these two figures exceed the alpha limit of 0.05, it can be ascertained that profit margins and asset turnover individually do not have a significant contribution to the worsening or improvement of Financial Distress.

In contrast to these findings, the liquidity indicator (CR) scored a coefficient of 0.407 with a t-value of 3.248 and a very solid significance level of 0.002 (<0.05). This fact unequivocally confirms that current asset readiness (CR) has a positive and significant impact. This means that any strengthening of the liquidity posture will encourage an escalation of the value of the Altman Z-Score; This means that issuers are becoming more financially healthy and moving away from the abyss of financial crisis.

Table 7. Sub-Structural t-test 2

Table 7: Sub-Structural t-test 2					
Coefficients ^a					
Model	Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4986.354	497.596		10.021	.000
NPM	-2.080	1.071	-.239	-1.941	.058
THIS	.394	.398	.121	.991	.326
CR	.049	.201	.030	.241	.810
Financial Distress	.900	.203	.565	4.432	.000
a. Dependent Variable: Stock Price					

a. Dependent Variable: Stock Price

Source: SPSS data processed, 2026

In the evaluation of the second sub-structure in Table 7, the three primary fundamental variables, namely NPM (sig. 0.058), TATO (sig. 0.326), and CR (sig. 0.810) conclusively failed to prove their partial influence on stock price movements, because the entire probability of error was perched above 0.05.

However, the positive signal actually comes from the Financial Distress instrument which positions itself as the only significant determinant with a coefficient of 0.900, a calculated t parameter of 4.432, and a probability level of 0.000 (<0.05). This empirical evidence suggests a strong unidirectional relationship; If the issuer's Altman Z-Score is increasing (representing guaranteed operational stability), the market will respond aggressively through higher stock price appreciation.

Mediation Test (Sobel Test)

The evaluation of the mediation effect was carried out to identify the capacity of Financial Distress in bridging the impact of the Current Ratio (CR) on stock price movements. This analysis procedure is executed through the Sobel Test, relying on the estimation of the path coefficient from CR to Financial Distress along with the path from Financial Distress to the stock price.

Rumus Sobel Test:

$$Z = \frac{ab}{\sqrt{b^2 S_a^2 + a^2 S_b^2}}$$

Value substitution:

$$\begin{aligned} Z &= \frac{(0,407)(0,900)}{\sqrt{(0,900)^2(0,125)^2 + (0,407)^2(0,203)^2}} \\ &= \frac{0,3663}{\sqrt{0,012656 + 0,006824}} \\ &= \frac{0,3663}{0,1396} \\ &= 2,624 \end{aligned}$$

Table 8. Sobel Test Results

Remarks	Value
Pathway coefficient a (CR for Financial Distress)	0,407
Standard Error a	0,125
Coefficient of line b (Financial Distress on Stock Prices)	0,900
Standard Error b	0,203
Indirect Effect (a × b)	0,366
Sobel Z-Statistic	2,624
Probability	0,0087

Source: Data processed, 2026

The Sobel Z-Statistic value recorded a number of 2.624 accompanied by a probability level of 0.0087. The magnitude of the probability is below the significance limit of 0.05, so it can be confirmed that the indirect effect of CR on stock valuation through the Financial

Distress intermediary is proven to be significant. This fact legitimizes the role of Financial Distress as a mediator variable in the interaction between liquidity and stock prices.

The Effect of NPM on Financial Distress

The calculation results indicate that NPM does not affect the fluctuations in Financial Distress. This indicates that the profit earning of textile and garment issuers has not been able to guarantee the health of their financial condition. These findings are in line with research that proves that the size of profit margins is often distorted by high company operating expenses, so that it is not always reflected in the availability of adequate real cash to withstand the risk (Damajanti et al., 2021) of distress. In the context of emerging markets, profitability indicators are also found to be less sensitive than liquidity and leverage in detecting short-term financial pressures (Sayari & Mugan, 2017).

The Effect of TATO on Financial Distress

The calculation results indicate that TATO does not affect fluctuations in Financial Distress. This means that the efficiency of asset utilization to print sales does not have an impact on financial restructuring if it does not generate cash inflows. The findings regarding the insignificance of asset turnover reinforce the argument, which highlights that high operational activity on paper will not be able to mitigate the risk of Nasution (2019) distress if the asset is difficult to convert into liquid cash.

The Effect of CR on Financial Distress

The results of the calculation of liquidity easing represented by CR recorded a positive and significant influence on the improvement of Financial Distress status. Because financial distress is measured using the Altman Z-Score, increased liquidity encourages an increase in the Z score (healthier finances). These findings are consistent with research, which confirms that the capacity available of funds to pay off short-term liabilities is the most crucial fundamental line of defense for issuers in avoiding the abyss of bankruptcy. High liquidity reflects the company's ability to meet short-term liabilities, thereby reducing the risk of distress. These findings are consistent with empirical results that liquidity ratio is an important predictor of financial distress. (Apriwandi, 2025) (Sari et al., 2025)

The Effect of NPM on Stock Price

The profitability ratio (NPM) does not seem to have a significant contribution in determining the movement of the issuer's share price. The inability of profits to move stock prices is triggered by investor pessimism about the current high fundamental burden of the textile industry. This condition strengthens the conclusion, where the capital market often ignores the achievement of profit performance when an industrial sector is dealing with a pressing macroeconomic trend. Ecih & Syahputra (2026)

The Effect of TATO on Stock Prices

The test results showed that TATO had no significant effect on the stock price. This shows that the productivity of assets in generating income is not the main focus of investor valuation. These findings are in line with the investigation, which proves that investors on the stock exchange tend to prioritize balance sheet stability over asset turnover figures that do not necessarily guarantee dividend distribution. Asset efficiency is not the main focus of investors in making investment decisions. Investors tend to consider other fundamental indicators more such as risk and financial stability Faradhila Siliwangi et al., (2025) (Yoyo, 2024) .

The Effect of CR on Stock Prices

Individual current asset (CR) capacity was also confirmed not to contribute a significant direct influence on stock valuation dynamics. Investors do not respond to the amount of current assets in a raw way in making buying decisions. These results confirm the findings, which underline that high liquidity figures do not have a direct impact on stock price movements without any certainty that such liquidity truly guarantees the survival of the issuer. Liquidity does not always translate directly to the market unless it has an impact on reducing the risk of bankruptcy Nur & Suria Manda (2021) (Yoyo, 2024) .

The Effect of Financial Distress on Stock Prices

Financial Distress indicators quantified via the Altman Z-Score consistently provide a positive and significant boost to stock price fluctuations. The healthier the issuer's Z score, the higher the share price. In line with the postulate of signaling theory in modern financial management, the stock market responds to the probability of bankruptcy very sensitively. The high (Brigham & Houston, 2021) Altman Z-Score was captured by investors as a signal of safe and minimal risk, which naturally catalyzed buying sentiment and boosted the valuation of issuers on the stock exchange floor. (Altman & Hotchkiss, 2010)

Mediation Test (Sobel Test)

Proof through the Sobel Test scored a statistical achievement of 2.624 (>1.96) with a significance level of 0.0087 (<0.05), which validly confirms the effectiveness of Financial Distress in mediating the relationship between CR and stock prices. This empirical reality proves the existence of a rational market valuation mechanism; Investors do not solely appreciate the amount of the current asset ratio rawly, but only convert it into an increase in the value of the shares if the availability of liquidity is mathematically proven to be successful in keeping the issuer away from.

CONCLUSION

Referring to observations of textile and garment companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period, it can be concluded that liquidity indicators, particularly the Current Ratio (CR), served as the most critical determinant in mitigating the risk of financial distress. Financial distress ultimately functioned as a full mediator that translated liquidity fundamentals into signals influencing stock prices. These findings have implications for corporate management, particularly in highly labor-intensive sectors vulnerable to economic shocks, emphasizing the importance of maintaining sufficient current assets to meet short-term liabilities. This is because capital market investors were shown to respond more comprehensively to overall financial health conditions rather than evaluating individual financial ratios separately. However, these conclusions should be interpreted while considering several research limitations, including the limited scope of independent variables, which consisted of only three financial ratios; the observation scope, which was restricted to a single sector and therefore limits direct generalization to other industries; and the four-year research period, which may not fully capture long-term dynamics in issuers' financial cycles.

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