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Solvency and Liquidity of Textile and Garment Industry on Company Value Through Profitability

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ABSTRACT

The purpose of this study is to analyze whether solvency and liquidity affect company value through profitability. The population used is manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange for 2020 to 2022. Data analysis techniques using Structural Equation Modeling assisted by Smart-PLS. The results of the study indicate that Solvency has no significant effect on profitability. Liquidity has a negative but not significant effect on profitability. Solvency has a positive but not significant effect on firm value. Liquidity has a positive but not significant effect on firm value. Profitability has a significant positive effect on firm value. Solvency has a negative but not significant effect on firm value with profitability as an intermediary. Liquidity has a negative but not significant effect on firm value with profitability as an intermediary. The R Square value between solvency and liquidity on profitability is 0.032 or 3.2%, while the R2 value between solvency, liquidity and profitability which affects the company value is 0.307 or 30.7%. The researcher provides suggestions for manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange to consider the ability to make solvency decisions through evaluating company growth and fixed assets. In addition, companies are also advised to consider the ability to make liquidity decisions through evaluating the company's sales growth to be used in paying financial obligations.

Keywords : Solvency, Liquidity, Firm Value, and Profitability

1. INTRODUCTION

In recent decades, the textile and garment industry in Indonesia has developed into one of the main pillars of the manufacturing sector. The textile and garment industry contributes significantly to economic growth, in addition to creating considerable employment opportunities, this industry also encourages increased domestic and foreign investment (Zakina & Ady, 2023). The company's ability to identify market needs and commitment to producing quality products have made the textile and garment industry create well-known brands not only in Indonesia but also in other countries. This shows that the textile and garment industry is very advanced in its sector. The following is data on the gross domestic product of the textile and garment industry from 2020 to 2022, namely:

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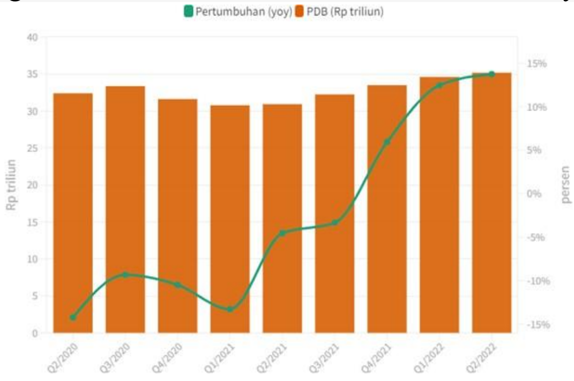
Figure 1 GDP of Textile and Garment Industry



Source : dataindonesia.id

Based on data from the Central Bureau of Statistics (2023), it can be seen that there is an increase in the total value of goods and services (Gross Domestic Product) every year. The gross domestic product (GDP) at constant prices (ADHK) of the textile and apparel industry amounted to IDR 139.33 trillion in 2022. This value is 9.34% higher than in the previous year which amounted to Rp.127.43 trillion.

Companies listed on the stock exchange or that have gone public have an obligation to submit annual reports to the stock exchange, shareholders and the public. With the existence of financial reports every year as a source of information, increasing people's purchasing power becomes an opportunity for investors to invest in companies by taking into account the information available on the company to be addressed (Ady et al., 2022). Therefore it is important for companies to submit annual financial reports to the Indonesia Stock Exchange.

Financial statements are a source of various kinds of information for shareholders as a basis for consideration in making investment decisions in the capital market. In an efficient capital market, stock prices reflect all relevant information and the market will react if there is new information (Alamsyah, 2019). Based on the financial statements of company value data represented by price book value that has been processed from www.idx.co.id, it can be seen that there is an increase in the average amount of PBV. The company value through the PBV ratio of the textile and garment industry amounted to 2.773 in 2022. This value is higher than in the previous year which amounted to 1.352. The following is data on the Textile and garment industry from 2020 to 2022, namely:

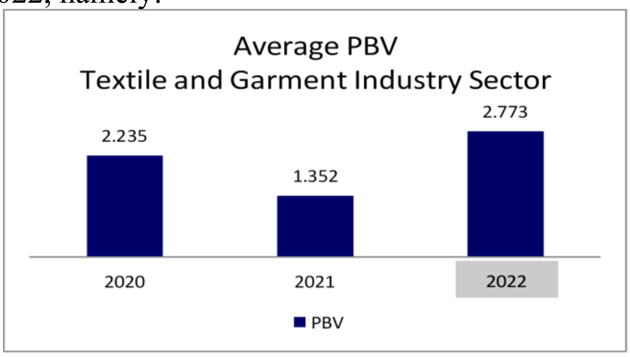


Figure 1 Average PBV

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Fama & French (1998), states that optimizing firm value which is the company's goal can be achieved by increasing profitability and carrying out financial management functions. The company's value through the PBV ratio of the textile and garment industry was 2.773 in 2022. This value is higher than the previous year which was 1.352. Company value is the price that must be paid by prospective buyers if the company is sold, because the company value can provide a maximum price difference for shareholders if the stock price increases. The higher the company value, the more it will affect the prosperity of the owner or shareholder (Mayogi & Fidiana, 2016). One of the factors that greatly influences a company's value is profitability.

Profitability is the ability of profit generated by the company. Financial managers who use pecking order theory with retained earnings as the first choice in meeting funding needs and debt as the second choice and issuing shares as the third choice will always increase profitability. Profitability is highly considered by potential investors and shareholders because it is related to the share price that will be received. (Mayogi & Fidiana, 2016). In this case Febriani (2020), and Octaviany et al., (2019), which states that the greater the net profit earned by the company, the greater the company's ability to distribute dividends to shareholders. But not with research from Indira & Rahmanto (2022), who suspects that the profitability owned by the company is mostly used for production while sales in the field are declining, thus causing no effect of profitability on firm value.

Financial managers must know what affects profitability so that the company can maximize profits and continue to operate. By knowing the influence of each factor on profitability, companies can take action to overcome problems and reduce their negative impact (Prijantoro et al., 2022). One of the factors that can affect efforts to achieve profit or profit targets is the company's liquidity and solvency.

Solvency or leverage is a ratio used to measure the extent to which the company's assets are financed with debt. This means how much debt burden the company bears compared to its assets (Kasmir, 2017). The use of debt can increase the value of the company to the extent that the use of debt provides benefits and is not above the optimal value. The company's management decision in using debt is a signal given to investors to assess the company's prospects. Companies with good prospects will choose to use debt as a funding alternative compared to funding with outside equity. The results of this study are in line with Octaviany et al., (2019) and Zuliyanti et al., (2021) but inversely proportional to the research results of Virdayanti et al., (2022).

Liquidity is the company's ability to pay the company's short-term obligations. Companies that have good liquidity will be considered to have good performance by investors (Pramita et al., 2022). Same with Febriani (2020) said that liquidity shows the extent to which current assets cover current liabilities. The greater the ratio of current assets and current liabilities, the higher the company's ability to cover its short-term obligations. In this case in line with Virdayanti et al., (2022) which states that liquidity affects the company and has the ability to survive liquidity fluctuations. However, it is rejected by Zuliyanti et al., (2021) because the results of their research show that liquidity affects the company and has the ability to survive liquidity fluctuations. because the results of his research show that liquidity has no effect and is not significant to firm value.

Based on the explanation and description above, it can be concluded that the development of the textile and garment industry has led to the emergence of business opportunities for investors to invest. In making an investment, investors need to pay attention to the financial condition of the company to be invested in by looking at the company's financial statements issued by the IDX. Some factors that must be considered are the value of the company where the higher the value of the company will increase investor confidence (Ady, 2015).

Relevant studies include research by Putra (2023), Sari et al., (2020), and Febriani (2020) which have a negative and significant effect on profitability. This is different from the research by Virdayanti et al., (2022) on insurance companies listed on the Indonesia Stock Exchange and Dewi (2016) on manufacturing companies which prove that solvency has a significant effect on profitability. Research by Febriani (2020), Indira & Rahmanto (2022), and Sari et al., (2020) stated that liquidity partially has a negative and significant effect on profitability in manufacturing companies listed on the Indonesia Stock Exchange. This is different from Prijantoro et al., (2022) who stated that liquidity has a partial and significant effect on profitability. Research by Putri et al., (2023) which states that solvency (DER) has a positive and insignificant impact on stock prices. However, this result is different from Octaviany et al., (2019), which states that leverage has a significant effect on company value. Research by Sudiani & Darmayanti (2016) also proves that liquidity has a positive but insignificant effect on the value of companies in the consumer goods industry sector on the Indonesia Stock Exchange for the 2012-2014 period. This is different from the results of research by Putra (2023), which states that liquidity (CR) has a significant positive effect on company value.

Judging from several previous studies above, there are differences in research results (research gap) which is an interesting theme to be re-examined, namely regarding the effect of solvency and liquidity on company value. Based on these findings, the author intends to conduct a study entitled The Effect of Solvency and Liquidity on Company Value with Profitability as an Intervening Variable in Textile and Garment Manufacturing Companies Listed on the Indonesia Stock Exchange in 2020-2022.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS FORMULATION

Company Value

According to Sari & Aulia (2023), company value is the selling value of a company as an operating business. One of the company's goals is to be able to achieve company value every year and this company value will affect the welfare of investors or shareholders. This can make other investors interested in investing in the company. Firm value is the investor's perception of the company's success, high firm value will make the market believe in the company's performance and management performance in managing the company Husnan & Pudjiastuti (2018). Therefore, maximizing company value is very important for a company, because maximizing company value means also maximizing the company's main objectives. Increasing company value is an achievement in accordance with the wishes of the owners, because with the increase in company value, the welfare of the owners will also increase. Measured using the formula:

Price Book Value is a ratio used by investors and analysts to determine the fair value of shares.

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$$\text{PBV} = \frac{\text{Equity Market Value}}{\text{Book Value Equitas}}$$

Profitability

Profitability is the company's ability to generate profits during a certain period as measured by the company's success and the ability to use its assets productively by comparing the profit earned in a period with the total assets or total capital of the company (Setyabudi, 2022).

According to Fahmi (2017), profitability measures overall management effectiveness as indicated by the size of the profit level with sales and investment. There are four types of ratios in profitability that can be used such as Net Profit Margin, Return On Asset, Return On Equity, and Earning Per Share. In this study, the profitability ratio is proxied using Return on Assets (ROA) which is formulated as follows:

$$\text{ROE} = \frac{\text{Income After Tax}}{\text{Total Equity}} \times 100\%$$

Solvency

Solvency is the company's ability to meet its financial obligations if the company is liquidated, both short-term and long-term obligations (Sugiono, 2019).

This ratio measures how much the company is financed with debt. The use of debt that is too high will endanger the company because the company will fall into the category of extreme debt (extreme leverage), namely the company is trapped in a high level of debt and it is difficult to release the debt burden. Therefore, the company should balance how much debt is worth taking and from which sources can be used to pay the debt (Fahmi, 2016). Usually the use of solvency or leverage ratios is adjusted to the company's objectives. The smaller the solvency ratio, the better the company's value in the eyes of investors. The types of solvency ratios are Debt to Equity Ratio, Debt to Total Assets, and Long Term Debt Equity Ratio.

In this study, solvency is calculated using the Debt to Assets Ratio, which is a ratio to measure the amount of assets financed by debt.

$$\text{DAR} = \frac{Total\ Debt}{Total\ Assets} \times 100\%$$

Liquidity

Liquidity is a ratio to measure the ability to meet short-term obligations when billed by a company. In other words, it can pay back the disbursement of its deposit funds when billed and can fulfill the credit requests that have been submitted (Kasmir, 2017).

This ratio shows the extent to which current assets with current debt cover current obligations. The greater the ratio of current assets to current debt, the higher the company's ability to cover its short-term obligations. This ratio can be made in the form of a presentation. If the current ratio is 1: 1 or 100% then current assets can cover all current debt, the current ratio is safer if it is above 100% (Priyadi et al., 2018).

These obligations are short-term. short-term obligations are such as paying electricity bills, employee salaries, or overdue debts. but sometimes there are some

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companies that are unable to pay these debts at a predetermined time, with the reason that the company does not have sufficient funds to cover the overdue debt. The case will disrupt the relationship between the company and creditors, as well as distributors. in the long run the case will have an impact on customers. meaning that in the end the company will experience an economic crisis. This is because the company does not gain the trust of customers. In this study, the liquidity ratio is proxied by the Current ratio which has very important benefits for measuring the company's ability. Current ratio is measured by the formula:

$$\text{Current Ratio} = \frac{Current\ Assets}{Current\ Debt}$$

Framework of Thought

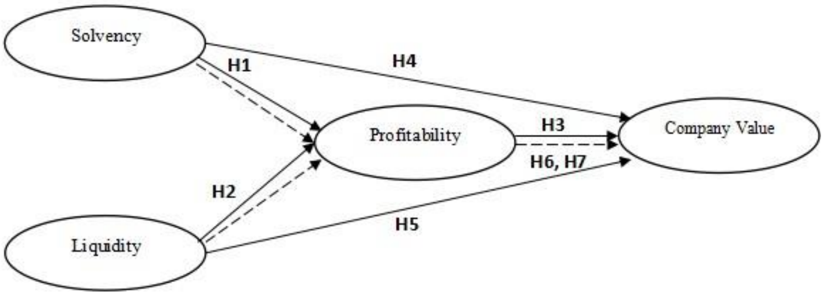

Figure 2 Conceptual Framework

Hypothetical

1. The Influence of Solvency on Profitability

   The results of the study by Virdayanti et al., (2022) that solvency has a significant effect on profitability, while the results according to Febriani (2020) and Dewi (2016) have a negative and significant effect on profitability.

   H_1: Solvency has an effect on profitability in manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange in 2020-2022

2. The Influence of Liquidity on Profitability

   The results of the study by Virdayanti et al., (2022) liquidity has a significant effect on profitability, this is also supported by research conducted by Prijantoro et al., (2022) liquidity has a partial and significant effect on profitability.

   H_2: Liquidity has an effect on profitability in manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange in 2020-2022

3. The Influence of Profitability on Company Value

   The results of Khasanah's et al., research (2020), profitability has an effect on price to book value, profitability has a positive effect on company value. Meanwhile, according to Octaviany et al., (2019), profitability does not affect company value.

   H_3: Profitability affects company value in manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange in 2020-2022

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4. The Influence of Solvency on Company Value

The results of Abrori's research (2019), Solvency has a positive effect on company value. This is supported by research conducted by Rinofah et al., (2022) which states that solvency has a significant effect on company value. This indicates that the greater the company's solvency, the higher the company's value.

H_4: Solvency has an effect on company value in manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange in 2020-2022.

5. The Influence of Liquidity on Company Value

Research results from Febriani (2020), liquidity has a negative and significant effect on company value.

H_5: Liquidity has an effect on company value in manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange in 2020-2022

6. The Influence of Solvency on Company Value through Profitability

According to the results of Febriani's (2020) test, the results of this study contradict the trade of theory which states that there is a positive relationship between debt and company value. However, the results of the study are in line with the signal theory which considers the large amount of company debt to be a bad signal for investors because it risks bankruptcy. This is because the greater the use of debt, the greater the obligations.

H_6: Solvency affects company value with profitability as an intervening variable in manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange in 2020-2022

7. The Influence of Liquidity on Company Value through Profitability

According to the results of Febriani's (2020) test, the liquidity hypothesis on company value was rejected because liquidity was proven to have a negative and significant effect on company value. This result is because the higher the company's liquidity above the optimal point will actually reduce the company's value, due to the existence of idle assets/cash that are not utilized by the company by management in its operational activities.

H_7: Liquidity affects company value through profitability in manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange in 2020-2022.

3. RESEARCH METHOD

This type of research is quantitative research by analyzing secondary data from textile and garment industry manufacturing companies listed on the Indonesia Stock Exchange (IDX). The data used is annual financial report data for the period 2020 - 2022, the data in this study were taken from the Indonesia Stock Exchange through its official website www.idx.co.id. The population used is all textile and garment industry manufacturing companies that publish their financial reports and are listed on the Indonesia Stock Exchange. The sampling technique in this study is purposive sampling, which is a type of non-random sample selection whose information is obtained using certain considerations and is generally adjusted to the objectives or problems of the study (Indriyanto & Supomo, 2018). The requirements used to select samples are as follows:

1. Manufacturing companies in the textile and garment industry sector that have gone public and are listed on the Indonesia Stock Exchange for the period 2020-2022
2. Companies publish financial reports and annual reports for the period 2020-2022.

In this study, data processing and presentation were carried out using SmartPLS software version 3.3.5.

4. RESULTS AND DISCUSSION Outer Model

Outer Model is often called (*outer relation* or *measurement model*) specifying the relationship between the variable under study and its indicators. Here are some indicators included in the outer model.

Table 1

Construct Reliability Test Results

	Cronbach Alpha	***Composite Reliability***
Solvency (X1)	1,000	1,000
Liquidity (X2)	1,000	1,000
Profitability (Z)	1,000	1,000
Company Value (Y)	1,000	1,000

Source: Data Processed

Based on table 1 above, it can be explained that the *Cronbach alpha* and *composite reliability values* of all variables have values above 0.60 so that the above variables can be used in research because all variables have sufficient internal consistency in measuring latent variables / constructs.

Table 2

Test Results *Convergent Validity*

Variables	**Original Sample**	**Description**
Solvency (X1)	1,000	Valid
Liquidity (X2)	1,000	
Profitability (Z)	1,000	
Company Value (Y)	1,000	

Source: Data Processed

Table 2 explains that all indicators, namely solvency, liquidity, profitability, and firm value, can be seen that all measurements on each variable are declared valid as a measuring tool for the construct, overall the indicator items have a convergent validity value > 0.5. Apart from being seen from the outer loading, the convergent validity test can also be seen from the results of the average variance extracted (AVE). Based on table 3, it is obtained that the AVE value for all variables has an AVE value greater than 0.5 so that it means that all indicators on each construct have converged with other *items*.

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Table 3

Average Variance Extracted (AVE) Test Results

***Average Variance Extracted* (AVE)**	
Solvency (X1)	1,000
Liquidity (X2)	1,000
Profitability (Z)	1,000
Company Value (Y)	1,000

Source: Data Processed

Table 4

Cross Loading Result

	Solvency (X1)	**Liquidity (X2)**	**Profitability (Z)**	**Company Value (Y)**
X1	1,000	-0,055	-0,157	0,032
X2	-0,055	1,000	-0,077	0,025
Z	-0,157	-0,077	1,000	0,536
Y	0,032	0,025	0,536	1,000

Source: Data Processed

Based on Table 4 above, the results of the discriminant validity output are obtained, where all of the forming constructs are declared to have good discriminant. Where the correlation value of the indicator against its construct must be greater than the correlation value between the indicator and other constructs.

Table 5 is a test of the formative model will use the Variance Inflation Factor (VIF) value to determine the presence of multicollinearity. The VIF value must be less than 5, because if it is more than 5, it indicates that there is collinearity between constructs (Sarstedt et al., 2017). So based on the VIF value in the table below, there is no VIF value > 5, so there is no multicollinearity problem.

Tabel 5

Variance Inflation Factor Testing (VIF)

	Solvency (X1)	Liquidity (X2)	Profitability (Z)	Company Value (Y)
Solvency (X1)			**1,003**	**1,030**
Liquidity (X2)			**1,003**	**1,011**
Profitability (Z)				**1,033**
Company Value (Y)				

Source: Data Processed

Inner Model

PLS inner model testing is a test of the research hypothesis. The following are the results of testing the PLS inner model:

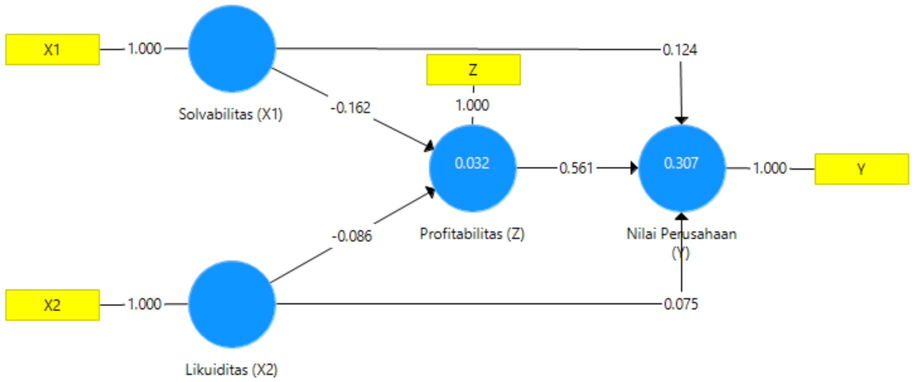

Figure 3 *Partial Least Squares* Structural Model

Based on the figure above, it is known that it is shown in the equation below:

$$\mathbf{Z = -0.162\ X1 - 0.086\ X2}$$

$$\mathbf{Y = 0.124\ X1 + 0.075\ X2 + 0.561\ Z}$$

In assessing the model with PLS, it starts by looking at the *R*-Square for each dependent latent variable. Changes in the *R-Square* value can be used to assess the effect of certain independent latent variables on the dependent latent variable whether it has a substantive effect.

Table 6

	R-Square
Profitability (Z)	0,032
Company Value (Y)	0,307

Source: Data Processed

Based on Table 6, the solvency (X1) and liquidity (X2) variables that affect profitability (Z) have an R2 value of 0.032 which indicates that solvency (X1) and liquidity (X2) in influencing profitability (Z) have a value of 3.2% which is included in the weak category. While the solvency (X1), liquidity (X2) and profitability (Z) variables that affect firm value (Y) have an R2 value of 0.307 which indicates that solvency (X1), liquidity (X2) and profitability (Z) in influencing firm value (Y) have a value of 30.7% which is included in the weak category.

Predictive relevance is a test conducted in showing how well the observation value is generated by using the blindfolding procedure by looking at the Q square value. The predictive relevance q value2 shows 0.02 weak, 0.15 moderate, and 0.35 strong (Latan & Ghozali, 2020). The following are the results of testing predictive relevance, namely:

$Q^2 = 1 - [(1- R_1) (1 - R_2) \quad (1 - R_n)]$

$Q^2 = 1 - [(1- 0.032) (1 - 0.307)]$

$Q^2 = 1 - [(0.968) (0.693)]$

$Q^2 = 1 - 0.670$

$Q^2 = 0.330$

So it can be concluded that the Q^2 value of predictive relevance shows a moderate value because it is greater than 0.15.

Hypothesis Test

Table 6

Relationship Between Construct

Variable Relationship	**Original Sample (O)**	**T Statistics (|O/STDEV|)**	**P Values**	**Description**
Solvency (X1) -> Profitability (Z)	-0,162	0,775	0,439	**Not Significant**
Liquidity (X2) -> Profitability (Z)	-0,086	0,837	0,403	**Not Significant**
Solvency (X1) -> Company Value (Y)	0,124	0,856	0,392	**Not Significant**
Liquidity (X2) -> Company Value (Y)	0,075	0,986	0,324	**Not Significant**
Profitability (Z) -> Company Value (Y)	0,561	2,739	0,006	**Significant**
Solvency (X1) -> Profitability (Z) -> Firm Value (Y)	-0,091	0,846	0,398	**Not Significant**
Liquidity (X2) -> Profitability (Z) -> Firm Value (Y)	-0,048	0,769	0,442	**Not Significant**

Source: Data Processed

1. Liquidity Solvency does not have a significant influence on Profitability, because it has a T-statistic value of $0.775 < 1.96$ and a p value of $0.439 > 0.05$.
2. Liquidity has a significant influence on Profitability, because it has a T-statistic value of $0.837 < 1.96$ with a P value of $0.403 > 0.005$.
3. Solvency does not have a significant influence on Company Value, because it has a Tstatistic value of $0.856 < 1.96$ and a P value of $0.392 > 0.05$.
4. Liquidity does not have a significant influence on Company Value, because it has a Tstatistic value of $0.986 < 1.96$ and a p value of $0.324 > 0.05$.
5. Profitability has a significant influence on Company Value, because it has a T-statistic value of $2.739 > 1.96$ and a p value of $0.006 < 0.05$.

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6. Solvency does not have a significant influence on Company Value through Profitability, because it has a T-statistic value of 0.846 < 1.96 and a p value of 0.398 > 0.05.
7. Liquidity does not have a significant effect on Firm Value through Profitability, because it has a T-statistic value of 0.769 < 1.96 and p value of 0.442 > 0.05

Discussion

Effect of Solvency on Profitability

Solvency is the company's ability to meet its financial obligations if the company is liquidated, both short-term and long-term obligations (Munawir, 2002). Solvency or leverage arises because the company in its operations uses assets and sources of funds that cause fixed costs for the company. With good solvency where the company can meet financial obligations in the short and long term will have an impact on the level of profitability, because the company is more concerned with solvency so the company puts aside profits. Therefore, to increase the company's profitability, it is advisable to pay attention to the level of solvency through evaluating company growth and fixed assets.

The results of the study prove that solvency has no significant negative effect on profitability. These results are in line with Putra (2023), Sari et al., (2020), and Febriani (2020) have a negative and significant effect on profitability. In contrast to the research of Virdayanti et al., (2022) and Dewi (2016) in manufacturing companies which prove that solvency has an effect and is significant to profitability.

Effect of Liquidity on Profitability

Liquidity is the company's ability to settle its obligations in the short term. The company's liquidity level can be calculated through the current ratio by means of current assets divided by current debt. However, placing too much funds on the asset side has two different effects. On the one hand, the company's liquidity is getting better. But on the other hand, the company loses the opportunity to get additional profits, because the funds that should be used for investments that benefit the company, are reserved to fulfill liquidity. This is presumably because most of the current capital is unproductive, causing liquidity to have no effect on profitability. So to increase the profitability of the company, it is advisable to pay attention to the level of liquidity through the evaluation of the company's sales growth to be used in the payment of financial obligations.

The results of the study prove that liquidity has no significant negative effect on profitability. The results of the study are in line with Febriani (2020), Indira & Rahmanto (2022), and Sari et al., (2020) which state that liquidity partially has a negative and significant effect, while Prijantoro et al., (2022) which states that liquidity has a partial and significant effect on profitability.

Effect of Solvency on Firm Value

The use of debt that is too high will endanger the company because the company will fall into the category of extreme debt (extreme leverage), namely the company is trapped in a high level of debt and it is difficult to release the debt burden. Therefore, the company should balance how much debt is worth taking and from which sources can be used to pay the debt (Fahmi, 2016). With good stock solvency from the company will improve the company's image. So to increase company value, it is advisable to pay attention to solvency through evaluating the total use of debt and the company's sales ability.

The results of the study prove that solvency has a positive insignificant effect on firm value. The results in this study support the research of Lestari & Pabulo (2023) which states that solvency has no effect on firm value. In addition, it is also supported by research by Putri et al., (2023) which states that solvency (DER) has a positive and insignificant impact on stock prices. but these results are different from Octaviany et al., (2019) which states that leverage has a significant effect on firm value.

Effect of Liquidity on Firm Value

This liquidity ratio is often used by companies and investors to determine the level of the company's ability to fulfill its obligations (Kasmir, 2017). These obligations are short-term. Short-term obligations such as paying electricity bills, employee salaries, or overdue debt. but sometimes there are some companies that are unable to pay these debts at a predetermined time, on the grounds that the company does not have sufficient funds to cover the overdue debt. So to increase the value of the company, it is advisable to pay attention to Liquidity through evaluating financial income and cash ratios to pay current obligations.

The results prove that liquidity has a positive insignificant effect on firm value. The results in this study support the research of Wijaya & Fitriati (2022) which proves that liquidity has a negative effect on firm value partially. In addition, Sudiani & Darmayanti's research (2016) also proves that liquidity has a positive but insignificant effect on firm value. In contrast to the research results from Putra (2023), that liquidity (CR) has a significant positive effect on firm value in textile and garment companies listed on Indonesia Stock Exchange.

Effect of Profitability on Company Value

Profitability is a ratio to assess the company's ability to seek profit. This ratio also provides a measure of the effectiveness of a company's management. This is indicated by the profit generated from sales and investment income (Kasmir, 2017). With good profitability for the company to seek profits, it will have a good impact on the company's value. So to increase the company's value, it is advisable to pay attention to profitability through evaluating the results on the company's total assets.

The results prove that profitability has a significant positive effect on firm value. The results in this study support the research of Khasanah et al., (2020) which proves profitability has an effect on firm value. Then the research of Virdayanti et al., (2022) also proves that profitability has an effect on firm value. This is also in line with Abrori (2019) and Sianipar et al., (2018), which state that profitability as measured by return on assets has a significant positive effect on firm value.

Effect of Solvency on Firm Value through Profitability

The results prove that solvency has a negative insignificant effect on firm value through profitability. The results in the study are in line with Pramudya et al., (2023) which proves solvency has an insignificant effect on firm value through profitability. This is in

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line with signal theory which considers the large amount of corporate debt to be a bad signal for investors because it risks causing bankruptcy. This is because the greater the use of debt, the greater the obligation.

Effect of Liquidity on Firm Value through Profitability

The results prove that liquidity has a negative insignificant effect on firm value through profitability. The results in the study are in line with research Febriani (2020) which proves liquidity has no significant negative effect on firm value. However, it is inversely proportional to the research results from Zuliyanti et al., (2021) profitability intervenes the effect of liquidity on firm value.

5. CONCLUSIONS AND SUGGESTIONS

Based on the results of data analysis and discussion above, it can be concluded that research on manufacturing companies in the textile and garment industry sector listed on the Indonesia Stock Exchange in 2020-2022 is Solvency and Liquidity have a negative insignificant effect on Profitability, Solvency and Liquidity have a positive insignificant effect on Firm value in contrast to Profitability which has a significant positive effect on Firm value. Solvency and Liquidity have an insignificant negative effect on firm value through profitability as an intervening variable.

From the research, discussion and conclusions that have been described in the previous chapter, it produces the following suggestions:

1. Suggestions for textile and garment manufacturing companies listed on the Indonesia Stock Exchange to consider the ability to make solvency decisions through evaluation of company growth and fixed assets. In addition, companies can consider the ability to make liquidity decisions through evaluation of company sales growth to be used in paying financial obligations. Companies must increase profitability growth through evaluation of the results of the company's total assets.
2. Suggestions for further research to use research variables that affect profitability and firm value such as company size.
3. Suggestions for further research to use more than one indicator for each variable if using research tools such as PLS or using SPSS if each variable only has one indicator.

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