Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 6 Issue 2 February 2023

Article DOI: 10.47191/jefms/v6-i2-34, Impact Factor: 6.274

Page No. 901-910

Impact of Company Characteristics on Leverage of the Textile and Garment Sector in the Indonesia Stock Exchange

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ABSTRACT: A company in running its business is always directed at predetermined goals, including maximizing profitability for the welfare of shareholders and company owners. Many factors can affect the profitability of a company. This study aims to analyze the effect of the variables Profitability, Firm Size, Asset Growth and Liquidity on the Leverage of Textile and Garment companies.

The objects used in this study are all Textile and Garment companies listed on the Indonesia Stock Exchange with a total of 17 companies starting from 2018 to 2021. The sampling technique used is purposive sampling, namely by taking 14 companies as a sample of the 17 existing companies based on criteria which is determined. The analysis technique used is multiple linear regression.

Based on the results of hypothesis testing that the Profitability variable contributes to increasing Leverage in Textile and Garment Companies, Firm Size does not contribute to increasing Leverage in Textile and Garment Companies, Asset Growth contributes to increasing Leverage in Textile and Garment Companies, Liquidity contributes to increasing Leverage at the Textile and Garment Company.

KEYWORDS: Profitability, Firm Size, Asset Growth, Liquidity, and *leverage*

INTRODUCTION

In meeting the company's capital needs, it can use its own capital or borrow from other parties, which of course will bear the interest expense. In the use of own capital or loans, a leverage analysis is required. Leverage is the use of sources of funds or fixed assets for which the company must bear fixed costs or bear fixed costs. According to Sartono (2010) states that, Financial Leverage is the use of sources of funds that have a fixed burden in the hope that it will provide additional profits that are greater than the fixed costs so that the profits available to shareholders will increase.

Financial leverage shows the use of debt in financing companies which can result in financial risk, the greater the financial fixed costs added to the operating fixed costs (Operating Fixed Costs). The greater the addition of fixed costs will reduce the net profit of shareholders, and this reduction in profits means risk to common stockholders.

All funds in the form of total assets owned by the company to meet company funding can reflect the size of the company. According to Hidayati (2010), that company size is seen from the total assets owned by the company that can be used for the company's operations. Large total assets make it easier for companies to solve the problem of funding the company's needs. From a management point of view, the ease with which it controls the company will increase the value of the company. Company size is also a factor that needs to be considered by prospective investors.

The asset structure reflects the dominance of fixed assets in the composition of the company's wealth (total assets) (Yusrianti, 2013). Deviani and Sudjarni (2018) found that asset structure has a negative effect on financial leverage. Companies that have assets that can be used as collateral for loans tend to use a lot of debt (Brigham & Houston, 2011). Companies make fixed assets as collateral in order to gain the trust of debtors to obtain funds. Collateral is needed by companies to obtain loans, especially from financial institutions (banks).

Liquidity is the ability of a company to meet its financial obligations that must be fulfilled immediately, Sabir & Malik (2012) found that liquidity has a positive effect on financial leverage. Companies with a higher level of liquidity have the ability to repay bonds. This increases the desire of investors to disburse funds. This company is a group of companies that are quite large and are growing rapidly in Indonesia. Textile and Garment companies have a very tight competitive climate, seeing the conditions so many companies want to enter this sector so that the competition is very sharp. For this reason, companies must strengthen internal factors so that they can continue to develop and survive in competition.

Indah Pertiwi and Darmayanti (2018) suggests that the composition of the level of debt / leverage with the equity of a company will vary according to the characteristics of the company and economic conditions. Company characteristics are the specifications of a company that differentiate it from other companies. The existence of differences in company characteristics will cause differences in the fulfillment of company funding sources and company leverage. The higher the company's assets that can be guaranteed, the greater the possibility of issuing more debt. Likewise with the size of the company, the greater the value of sales, shows the greater the company's ability to be able to maintain profits in financing its funding needs in the future.

In this case the company tends to increase leverage because it grows bigger. Large companies can easily access the capital market. The ease of access to the capital market is due to the fact that companies have greater flexibility to obtain sources of funds in a short time from loans because companies are supported by high sales levels so that the company's leverage is higher.

Brigham and Gapenski in Soleman (2010) state that in general companies that have collateral for debt will find it easier to get loans because companies have larger assets that can be used for collateral to obtain debt.

Based on the phenomena and explanations above, this study seeks to see the effect of the variables Profitability, Company Size, Asset Growth, Liquidity on Leverage in Textile and Garment Companies on the Indonesia Stock Exchange.

LITERATURE REVIEW

Trade Off Theory

Modigliani and Miller and their followers developed the capital structure exchange theory. MM points out that debt is a useful thing because interest is a tax deduction, but debt also carries with it the costs associated with the possibility or reality of bankruptcy. The trade-off theory assumes that a company's capital structure is the result of an exchange (trade-off) of the advantages of financing through debt (profitable corporate taxes) with higher interest rates and bankruptcy costs. The fact that interest is a tax-deductible expense makes debt cheaper than common or preferred stock. The more companies use debt, the higher the value and price of their shares, according to the assumptions of Moddigliani-Miller's writings with taxes, a company's stock price will reach its maximum value if the company fully uses 100 percent debt. The main reason companies limit the use of debt is to keep costs associated with bankruptcy low (Brigham and Houston, 2011).

Profitability

According to Sartono (2010) Profitability shows the level of a company's ability to generate profits on the management of company assets, its relation to sales, total assets, and own capital. The relationship between profitability and the level of leverage is that the higher the profitability of the company, the lower the efficiency of the company to carry out debt and will create higher corporate value and can maximize shareholder wealth.

According to (Indah Pertiwi and Darmayanti, 2018 and Wiagustini, 2010) profitability is the extent to which a company is able to generate profits or a measure of the effectiveness of company management. The use of profitability ratios can be done by using components of financial statements, namely financial statements balance sheet and income statement. Measurements can be made for several periods of operation. The goal is to see the development of the company within a certain time span, either decreasing or increasing, as well as looking for the causes of these changes (Deviani and Sudjarni, 2018; Lumowa, 2013; Silaban, 2016; Nadzirah et al, 2016).

Firm Size

Firm size is a measure that shows the size of a company, including total sales, average level of sales, and total assets (Widjaja, 2009, Hidayati, 2010), that company size is seen from the total assets owned by the company that can be used for company operations. Large total assets make it easier for companies to solve the problem of funding the company's needs. From a management point of view, the ease with which it controls the company will increase the value of the company. Company size is also a factor that potential investors need to consider.

According to Nadzirah et al (2016) and Juniarti and Carolina (2005), large-scale companies are more likely to practice income smoothing than small-scale companies because large-scale companies tend to want more attention from the results of investor analysis compared to small-scale companies, and Large-scale companies are expected to want to avoid too drastic profit fluctuations because a drastic increase in profits will cause an increase in income tax and conversely a drastic decrease in profits will give the impression that the company is not doing well or is not healthy.

Asset Growth

Asset growth, reflecting the growth of resources in the form of assets owned by the company, is measured by the difference in the total asset value between the end and the beginning of the year divided by the total asset value at the beginning of the year.

Asset growth shows the collateral value of the company's assets, the higher the company's assets that can be guaranteed, the greater the secured debt that can be obtained by the company. Companies that have collateral will tend to use greater debt. Investors (creditors) will always provide loans if there is collateral (Deviani and Sudjarni, 2018). Brigham and Gapenski (1996) stated that in general companies that have collateral for debt will find it easier to get loans than companies that do not have collateral for debt.

Managers in business firms with an eye on growth prefer to invest after-tax earnings and expect better performance in the overall growth of the firm (Charitou and Vafeas, 1998). According to the residual dividend theory, companies will pay dividends if they do not have profitable investment opportunities, so it can be concluded that there is a negative relationship between growth and dividend payments.

Liquidity

According to Weston (2013) liquidity is a ratio that describes a company's ability to meet short-term obligations (debt). This means that if the company is billed, it will be able to fulfill the debt (pay), especially debt that is due. According to Rosita Dewi et al (2019) liquidity is the ability to convert assets into cash or the ability to obtain cash. The short term is conventionally considered to be a period of up to one year although this time period is associated with the normal operating cycle of a company (the time period that includes the buying-producing-selling-collection cycle). Meanwhile, according to Brigham and Houston (2010) "liquid assets are assets that are traded in an active market so that they can be converted quickly into cash at the prevailing market price, while the liquidity position of a company is related to the question, whether the company is able to pay off its debts when the debt is due in the following year. In general, the notion of liquidity refers to a company's ability to meet its short-term obligations.

Leverage

Leverage is the ratio between total liabilities and total assets. The greater the leverage ratio, the higher the value of the company's debt. As stated by Watts and Zimmerman (in Sulistyanto, 2008), in the debt covenant hypothesis that debt covenant motivation is caused by the emergence of contractual agreements between managers and companies based on managerial compensation. So it can be said that a company that has a high leverage ratio means the proportion of debt is higher than the proportion of assets will tend to manipulate in the form of earnings management.

The leverage ratio shows the company's ability to meet its financial obligations if the company is liquidated, both short term and long term financial obligations. A company is said to be solvable if the company has sufficient assets or wealth to pay all of its debts, otherwise if the total assets are insufficient or less than the amount of its debts, it means that the company is insolvent (Munawir, 2004). The greater the company's leverage, the greater the risk of company failure, and the lower the company's leverage, the better the rating given to the company.

RELATIONS BETWEEN VARIABLES

Effect of Profitability on Leverage

Profitability assumes that companies that have large profits or profits will have a good opportunity to compete with the same company. High profitability gives a signal about future growth. Part of the profitability will be reinvested in the form of investment to improve the company. The greater the retained earnings that come from company profits, the company will further reduce the use of debt. The reduced use of debt due to an increase in retained earnings reflects the company's preference for internal funds over external funds. The funding sequence is in accordance with the pecking order theory, namely retained earnings, debt, and the sale of new shares (Sartono, 2010). The tendency to use debt by companies due to insufficient internal funds and the cheaper cost of issuing long-term debt compared to the cost of issuing shares is a consideration for companies in choosing external funding sources (Lumbantobing, 2008). The study results of Moh'd et al (1998), and Myers (1984) in Masdupi (2005) and Indah Pertiwi & Darmayanti (2018) found that firm profitability has a negative and significant relationship with the debt ratio.

H1: Profitability has a positive effect on leverage in textile and garment companies on the IDX.

Effect of Firm Size on Leverage

The larger the size of the company, the greater the need for funds, one of which can come from external funding, namely debt. Large companies have activity advantages and are better known by the public compared to small companies so that the debt needs of large companies will be higher than small companies.

In addition, the larger the size of the company, the more transparent the company is in disclosing the company's performance to outsiders, thus the easier it is for the company to get loans because it is increasingly trusted by creditors.

Research conducted by Lopez and Francisco (2008) showed uniform results where firm size had a significant positive effect on the level of corporate debt.

Myers and Majluf as quoted by Moh'd et al (1998) in Masdupi (2005) the composition or guarantee of asset value will have a positive effect on debt policy. The higher the collateral value, the easier it is to get a loan from creditors. The results of the study by Moh'd et al (1998) in Masdupi (2005) and Nadzirah et al (2016) found that asset structure has a positive and significant relationship with debt policy.

H2: Firm size has a positive effect on leverage in textile and garment companies on the IDX.

Effect of Asset Growth on Leverage

Companies with high asset growth rates tend to use relatively large debt to finance this growth in the future, compared to companies with low asset growth rates (Atmaja, 2008). Therefore companies with high growth rates will maintain their profits to be reinvested in the company and at the same time the company is expected to continue to rely on funding through greater debt.

Research by Deviani and Sudjarni, (2018), Indah Pertiwi and Darmayanti (2018) found that the asset structure variable has a positive effect on financial leverage.

H3: Asset Growth has a positive effect on Leverage in Textile and Garment Companies on the IDX.

Effect of Liquidity on Leverage

Kasmir (2016) argues that the liquidity ratio is a company's ability that is used to measure how liquid a company's financial condition is. Companies that do not have enough funds to pay off their obligations are almost certain that the company will not be able to pay anymore, the ability to pay is only in the company if the power to pay is so great that it can fulfill all of its financial obligations which must be fulfilled immediately on the other hand.

Liquidity is the ability of a company to fulfill its financial obligations which must be fulfilled immediately (Rosita Dewi et al, 2019). Indah Pertiwi & Darmayanti (2018) and Sivastava (2014) found an insignificant effect between liquidity and financial leverage. Companies with a higher level of liquidity have the ability to repay bonds. This increases the desire of investors to disburse funds. Even so, if the company has good liquidity, then the company is likely to choose internal funding as an easier and cheaper source of funds as stated in the pecking order theory.

H4: Liquidity has a positive effect on leverage in Textile and Garment Companies on the IDX.

RESEARCH METHODS

In this study, the variables used as independent variables and dependent variables are as follows:

Profitability

Profitability is the company's ability to earn profits in relation to sales, total assets and own capital (Inneke 2008). This variable is measured using Return On Assets (ROA) which shows the overall ability of funds invested in assets to generate profit which is the ratio between net income and total assets. The unit of measure of this variable is percentage, so that when the data is a ratio scale. According to Kasmir (2016) to measure this variable the following formula is used:

$$ROA = \frac{\text{Net Profit}}{\text{Total Asset}}$$

Firm Size

Firm size is the size of the company can be measured by total assets / company assets by using the calculation of the logarithmic value of total assets (Nadzirah et al, 2016). To provide definite criteria regarding the size of a company, the formula is used:

Firm size = Ln. Total assets

Asset Growth

The size of asset growth is the growth of resources as measured by the difference in total asset value between the end and the beginning of the year divided by the total assets at the beginning of the year. According to (Bhaduri, 2002) asset growth can be calculated:

$$\text{Asset Growth} = \frac{\text{Total Asset(t)} - \text{Total Asset (t-1)}}{\text{Total Assets (t-1)}}$$

Liquidity

According to Fred Weston in Kasmir (2016) liquidity is a ratio that describes a company's ability to meet short-term obligations (debt). Liquidity to profitability is measured by the current ratio (current ratio). The current ratio is a ratio to measure a company's ability to pay short-term obligations or debts that are due soon when billed as a whole (Kasmir, 2016). The formula is:

$$\text{Current Rasio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Leverage

Leverage is an indication of the efficiency of a company's business activities, as well as the distribution of business risks between company owners and lenders or creditors. Leverage ratios are ratios intended to measure to what extent a company's assets are financed with debt (Riyanto, 2008). To measure the ratio of total debt to total assets, the formula is used :

$$\text{DER} = \frac{\text{Total Debt}}{\text{Equity}}$$

Population

The population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn (Sugiyono, 2014).

The population in this study are textile and garment companies listed on the Indonesia Stock Exchange until now, namely 17 companies.

Sample

According to Sugiyono (2014), the sample is part of the number and characteristics possessed by the population. In other words, the sample is part of or acts as a representative of the population so that the research results obtained from the sample can be generalized to the population.

The sampling technique used is purposive sampling method. This means that the population sampled in this study is a population that meets certain sample criteria according to what the researcher wants, Where from 17 companies only 14 textile and garment companies were taken based on the criteria used were:

1. Companies listed on the Indonesia Stock Exchange Company (IDX) in the 2018 - 2021 period.
2. Textile and garment companies on the Indonesia Stock Exchange Company (IDX) which actively provide financial reports in that period.

From the sampling technique obtained as many as 14 companies. Thus, 14 Textile and Garment companies were used as research samples, starting from 2018-2021 so that there were 56 observation data units in this study.

Methods of Analysis and Hypothesis Testing

Based on the statement above, the equation model used is:

Y= a + b1 (Profitability) + b2 (Firm Size) + b3 (Asset Growth) +b 4 (Liquidity) + e

DESCRIPTION OF RESEARCH RESULTS

Normality test

Normality is a regression model in which the dependent and independent variables or both have a normal distribution or not. Detection of normality using the Kolmogorov-Smirnov test using this test obtained the results of the analysis that the value of Asymp. Sig (significance) variable Leverage = 0.087 , Profitability = 0.065, Firm Size = 0.108 , Asset Growth = 0.537 and Liquidity = 0.094 greater than α = 0.05 (5%) means N on Significant. Thus all research variables have a normal distribution so that it can be concluded that some of the data does not meet the normal distribution assumptions. As in the following data normality table:

Table 1. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

	leverage	Profitab	FirmSize	growth b. Assets	Liquidity
N	54	54	54	54	54
Normal Parameters, b Means	76.5000	3.0478	14.4013	6.9198	181.9339
Std. Deviation	24.28972	2.70082	1.22013	12.45138	118.9016 0
Most Extreme Differences Absolute	.229	.178	.226	.109	.178
Positive	.188	.178	.226	.109	.178
Negative	-.229	-.133	-.185	-.067	-.125
Kolmogorov-SmirnovZ	1686	1,309	1657	.804	1,311
Asymp. Sig.(2-tailed)	087	.065	.108	.537	094

a. Test distribution is Normal.
b. Calculated from data.

Statistical Test F
Table 2. Statistical Test Results F
ANOVA b

Model	Sumof Squares	df	MeanSquare	F	Sig.
Regressionresidual	9865561	4	2466390	5,646	.001a
Total	21403939	49	436,815		
	31269500	53			

a. Predictors:(Constant), Liquidity, Profitab, Asset Growth , FirmSize
b. Dependent Variable :Leverage

Based on the results of the test with the F test, it shows that the significance value (Sig) = 0.002 is less than 0.05 which means non-significant, this can be concluded if the use of the regression model in this study is appropriate (correct).

Table 3 Statistical Test Results t
Coefficientsa

Model	Unstandardized Coefficients		standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	std. Error	Betas			tolerance	VIF
1 (Constant) Profitab Firm Size	67,170	39,701		1692	.097		
growth b. Assets	2,469	1.136	.275	2,174	.035	.876	1,141
Liquidity	1,121	2,962	056	.379	.707	.631	1,584
	.573	.254	.294	2,261	.028	.827	1,209
	-.101	.030	-.493	-3,338	002	.642	1,559

a. Dependent Variable: Leverage

Hypothesis testing:

1. Profitability has a significant positive effect on leverage, with a regression coefficient = 2.469 where the Sig value = 0.035 is smaller than the value of 0.05 (5%)
2. Firm Size has a Non-Significant Effect f on Leverage, with a regression coefficient = 1.121 where the Sig = 0.707 is greater than the value of 0.05 (5%)

3. Asset growth has a significant positive effect on leverage, with a regression coefficient = 0.573 where the Sig value = 0.028 is smaller than the value of 0.05 (5%)
4. Liquidity has a significant negative effect on leverage, with an regression coefficient = -0.101 where the Sig value = 0.002 is smaller than the value of 0.05 (5%)

Coefficient of Determination

Table 4. Test Results for the Coefficient of Determination Summary modelb

del		uare	usted R are	. Errorof Estimates	bin-Watson
	2a	6	0	90012	5

a. Predictors:(Constant), Liquidity, Profitab, Asset Growth, FirmSize

b. Dependent Variable : Leverage

Coefficient of Determination(R2)= 0.316 This means that Leverage is influenced by the independent variables Profitability, FirmSize, Asset Growth and Liquidity by 31.60 percent while the remaining 68.40 percent is influenced by variables other than the four independent variables in the model.

DISCUSSION

Based on the results of the data analysis presented, several conclusions can be drawn as follows:

Effect of Profitability on Leverage

The influence of Profitability on Leverage from the calculation results obtained by the value of t. count of 2.174 and sig. of 0.035 (smaller than the value of 0.05), so that profitability partially has a significant and positive effect on leverage in Textile and Garment companies on the Indonesia Stock Exchange (IDX). This shows that the managers of Textile and Garment companies on the Indonesia Stock Exchange in determining leverage are significantly influenced by the size of the company's profitability.

High profitability gives a signal regarding the company's growth in the future, this shows that if a company has a high level of profitability, the company tends to use large amounts of debt because it is easier to get debt.

The results of this study support the tradeoff theory, which states that profitability has a positive effect on firm leverage (Deviani and Sudjarni, 2018). Higher profits mean more income to be taxed. Companies with high profits have incentives to use more debt due to the tax return benefits of using debt.

The high level of profitability also leads to a lower probability of bankruptcy and a higher incentive to use the tax shield, thus causing a high level of debt. Increased income indicates the company has high quality, so it will use more debt (Brigham and Houston, 2010). High profits will increase the probability to spend on perquisites of managers within the company which further increases agency costs of equity as a result of separation of ownership and management, so that high levels of debt are required to reduce equity agency costs due to free cash flows agency problems (Jansen and Macking, 1976). The results of this study are in line with research conducted by Indah Pertiwi and Darmayanti (2018) who also found that the profitability variable has a positive effect on financial leverage. Companies that have high profits will use more debt to benefit from tax savings.

Effect of Firm Size on Leverage

The influence of company size on leverage from the calculation results obtained a t.count value of 0.379 and a sig. of 0.707 (greater than 0.05), so that company size partially has no significant and negative effect on leverage in Textile and Garment Companies on the Indonesia Stock Exchange (IDX). Basically, company size shows the company's total assets, if the value of company size is high, the greater the assets that can be used as collateral for the company to obtain debt, then there is company capital to improve company performance and profits which automatically increase company value. However, in this study it was said that company size had no effect on leverage seen from the results of the research which were not significant.

The size of the company size does not affect the level of company leverage due to several things, including the high risk of paying off debt, the company's ability to pay off debt will certainly depend on its performance. The risk is always present in the development of the company's performance, even though the company has received an injection of funds in the form of long-term debt. This long loan deadline will be very risky for the company to be able to pay off its debts if the performance is not as good as expected. This can be seen from the growth rate of assets in Textile and Garment Companies on the IDX for the 2018-2021 period which tends to decrease. Besides that, the reason why company size has no effect on the level of leverage is that debt can burden the company's finances. all types of debt is certainly a burden. This long-term debt will also be a financial burden in the future. Not only the principal of the debt, the burden of fees and interest will also burden the finances, especially if the company does not perform well. In Textile and Garment companies listed on the IDX in 2018-2021, it can be seen that the equity figures for these companies are greater than their total debt, this is because companies prefer internal funds as a source of funding compared to external funds or debt, this indicates companies that are growing use more equity than debt to fund new investments (Nadzirah et al, 2016). Growing companies use internal funds to fund new investments. If the capital is not sufficient.

Effect of Asset Growth on Leverage

The influence of asset growth on leverage from the calculation results obtained t.count value of 2.261 and sig. of 0.028 (smaller than 0.05), so that asset growth partially has a positive effect on leverage at the Indonesian Stock Exchange (IDX) Textile and Garment companies. This shows that the managers of textile and garment companies on the Indonesian Stock Exchange in determining leverage are significantly influenced by the size of asset growth. According to Dahlan (2008) Asset Growth is the growth of total current assets plus the growth of total non-current assets. Current assets are cash and which can be expected to be liquidated or exchanged for cash, sold or consumed in the next period.

This always illustrates that companies that have high growth rates always have a tendency to obtain debt easily, and almost all companies that have high growth rates choose debt as a source of funding. In accordance with the trade off theory, companies show that debt is a useful thing because interest is a tax deduction. The fact that interest is a tax-deductible expense makes debt cheaper than common or preferred stock. The more a company uses debt, the higher its value and share price.

And opposite to the Pecking Order Theory approach. In the Pecking Order Theory, managers are consistent with the main goal of the company, namely the prosperity of shareholders. Pecking Order Theory says that companies are more likely to choose funding from internal rather than external companies. The use of external funding sources by companies is carried out when internal sources are insufficient. The order put forward by this theory in terms of funding is retained earnings, debt, bonds payable and preferred stock and the last is the issuance of common stock. The selection of this data collection sequence shows that this funding is based on the level of risk of the decision to use the funding. This selection is also associated with the costs of funding sources from the cheapest to the most expensive. The results of this study are in line with research conducted by Deviani and Sudjarni. (2018) who found that company growth has a positive effect on leverage. This shows that the greater the company's growth, the more debt the company uses to meet the company's needs.

The Effect of Liquidity on Leverage

The influence of Liquidity on Leverage from the calculation results obtained t. Count at 3.338 and sig. of 0.002 (smaller than 0.05), so that liquidity partially has a significant negative effect on leverage in textile and gamet companies on the Indonesia Stock Exchange (IDX). This shows that the managers of textile and garment companies in the Indonesian Stock Exchange in determining leverage are significantly influenced by the size of liquidity. Munawir (2004) states that liquidity is showing the ability of a company to meet its financial obligations that must be fulfilled immediately, or the company's ability to meet financial obligations when billed.

The results of this study illustrate that companies that have a high level of liquidity always have a tendency to obtain debt easily. And almost all companies that have a high level of liquidity choose debt as a source of funding. Companies that have a high level of liquidity find it easy to obtain external funds and are able to convince creditors to lend their funds, so for this reason companies are increasingly adding funds sourced from external funds. The results of this study are in line with research conducted by Sabir & Malik (2012) who also found that liquidity has a positive effect on financial leverage. Companies with higher levels of liquidity have the ability to pay off bonds.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Conclusions on Textile and Garment Companies on the Indonesia Stock Exchange for the 2018-2021 period based on the analysis of the research that has been conducted can be drawn the following conclusions:

1. Profitability contributes to increasing Leverage in Textile and Garment Companies on the Indonesia Stock Exchange (IDX), because the higher the Profitability value of the Company, the more convincing the creditors are to lend their funds in view of the good profit value of the company.
2. Company size does not contribute to increasing leverage in Textile and Garment Companies on the Indonesia Stock Exchange (IDX), because it is not only seen from the size of the company, whether it is small or large, has high or low total assets, but also from several aspects such as company value, equity company and total debt held.

3. Asset growth contributes to increasing leverage for textile and garment companies on the Indonesia Stock Exchange (IDX), because the higher the company's asset growth, the higher the confidence of creditors to provide loans to companies.
4. Liquidity contributes to increasing Leverage in Textile and Garment Companies on the Indonesia Stock Exchange (IDX), because creditors feel that companies can overcome their short-term debt, so they don't hesitate to increase leverage for the company.

SUGGESTION

Based on the conclusions above, there are several suggestions that can be used as material for companies, investors and further researchers in determining future policies. As well as the conclusions mentioned above, some suggestions can be put forward as follows:

1. For the Company

From this research it can be useful for consideration as a reference for suitable funding sources for textile and garment companies in an effort to achieve and develop their business, where the company must determine the size of the ratio of the amount of the loan, the amount of debt and its own capital so that the company's leverage can reach optimal. Namely by taking into account factors such as profitability, company size, asset growth and liquidity.

2. For Investors

From this research, it is hoped that it can be taken into consideration by investors in making and deciding on investment activities to be carried out, because every investor wants even better prospects for the company in the future. And should pay attention to the company's internal and external factors related to macroeconomic conditions such as interest rates, inflation rates, exchange rates and others.

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