The Consequent of Leverage on Corporate Worths
With Profitability as Intervening Variables in Textile
and Garment Production Corporation Which are
Registered in Indonesia Stock Exchange (Idx)

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ABSTRACT

This research intends to examine and analyze the Consequent of Leverage on Enterprise
erating with Return as an Intervening Variable in Production Corporation in the Textile and
Garment Area Registered on the Indonesia Stock Exchange. The sample in this research is
the monetary declarations of production corporation in the textile and garment Area during
the term 2015 - 2017 as many as 54 data production corporations in the textile and garment
Area are Registered on the Indonesia Stock Exchange. The analysis of this research was
carried out applying structural equation analysis with the statistical application program
SPSS version 23.0 for data processing. The outputs of this research realow that leverage
has a negative and not significant consequent directly on profitability, while leverage has a
negative and significant consequent directly on enterprise worth and indirectly leverage has
a negative and not significant consequent on profitability, and profitability has a significant
consequent on enterprise worth.

Keywords: Leverage, Profitability, Enterprise Worth

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INTRODUCTION

Background

Raising the worth of the enterprise is examined more suitable as an enterprise’s objective because raising the worth of the enterprise means raising the allow worth of all returns to be admirable by shareholders in the time to come (Priarso, Diatmono & Mariam, 2018; Ramli & Yudhistira, 2018). The worth of the enterprise is painted in the stable stock charge, which in the long run experiences an enhance, the supreme the stock charge, the supreme the worth of the enterprise (Ramli, 2017a; Sudana, 2009; Ramli, 2019a; Chandra, Takaya & Ramli, 2019). Another view elucidates that the enterprise’s worth is the trade worth of an enterprise’s equity plus the trade worth of the indebtedness (Takaya, Ramli & Lukito, 2019; Ramli, 2019b). Thus, the adjunct of the enterprise’s equity to the enterprise’s indebtedness can depict the worth of the enterprise (Ramli, 2017b; Mariam, 2019; Ramli & Maniagasi, 2018).

Indebtedness or leverage ratio in this research is proxied to DAR (Indebtedness/Debt to Goodwills Ratio), which is a comparison of the number of long-range loans owned by the enterprise with the quantity of its goodwill. DAR is one of the monetary ratios that gauges how much the enterprise’s goodwills are habilitated by total indebtedness (Sambora et al. 2014). Another view elucidates the Indebtedness proportion is a ratio that gauges the proportion of funds sourced from indebtedness to finance enterprise goodwills (Sudana, 2009: 23). The lower the DAR level, the more likely the worth of the enterprise will be, and the enterprise will gain the trust of stockholders.

The outputs of previous studies elucidate that leverage has a positive and not significant consequent on the worth of Nourishment and Beverages corporation Registered on the IDX (Sambora et al. 2014), but the outputs of this research have been denied by researcher Prasetyorini, (2013), that partially leverage has a negative consequent and is not significant to the worth of the enterprise’s Basic Industries and Chemicals.

In adjunct to goodwill structure factors, the level of gain is one of the factors that can impress the worth of the enterprise (Analysis, 2011). Gain is the competence of an enterprise to produce returns for a specific term. Gain proportions are the competence of an enterprise to make returns in connection to income, total goodwills and own asset (Mariam & Ramli, 2019; Sartono, 2010; Ramli, 2017a), another view elucidates that gain
is the end output of a quantity of expediency and decisions conducted by the enterprise (Ramli, 2018a; Puteri & Ramli, 2017; Ramli, 2018b; Imran & Ramli, 2019; Sambora et al., 2014).

**LITERATURE REVIEW**

*Theoretical Review*

**Signaling Theory**

According to Fahmi (2012), a sign or alert is a stride taken by an enterprise to give instructions to stockholders about how direction views the enterprise's potentials. This alert is in the form of an explanation about what has been done by direction to be aware of the proprietor's wishes. Explanation released by the enterprise is notable because it impresses decisions to put the capital of actors beyond the enterprise. This explanation is notable for stockholders and venture community because the explanation by nature allows information, files, or pictures, both for long-ago, currently, and tomorrow conditions for the viability of the enterprise and how it impresses the enterprise.

1. **Leverage**

   According to Harahap (2013), leverage is a proportion that delineates the connection of an enterprise's indebtedness to goodwill; this proportion can see how far the enterprise is habilitated by indebtedness or beyond actors with the competence of the enterprise that is delineated by goodwill. Meanwhile, according to Fahmi (2012) leverage is a gauge utilized in analyzing monetary declarations to reveal the quantity of assurance accessible to creditors.

2. **Enterprise Worth**

   According to Harmono (2009: 233), the worth of the enterprise is the enterprise's performance, which is painted by the stock charge formed by request and allow of the goodwill trade that depicts the public's appraisement of the enterprise's performance. Another view elucidates that the worth of the enterprise is the selling worth of an enterprise as a venture that is working (Sartono, 2010: 487).

Gaugement of enterprise worth can be done applying the following formula:

\[
PBV = \frac{\text{market \ price \ per \ share}}{\text{book \ value \ per \ share}}
\]
3. **Profitability**

Profitability is the enterprise's competence to earn returns in connection to income, total capitals, and own goodwill (Sartono, 2010). Profitability ratios are proportions to appraise an enterprise's competence to find returns. This proportion also allows a gauge of the potency of an enterprise's management (Mariam & Ramli, 2017). This is allowed by the return produced from income and investment return. The way is the utilize of this proportion reveals the usefulness of the enterprise (Kasmir, 2015).

Systematically calculation of Return on Goodwills (ROA), namely:

\[
ROA = \frac{\text{Net profit after tax}}{\text{Asset}}
\]

**Hypothesis**

H1: Leverage Has a Significantly Positive Consequent on Profitability.

H2: Leverage Has a Significant Positive Consequent on Enterprise Entity.

H3: Profitability Has a Significant Positive Phased in Corporate value.

H4: Leverage Has a Significant Positive Consequent on the value of Companies through Profitability.

**RESEARCH METHODS**

*Research Approach*

This research utilizes a quantitative research formulation, this classify of investigation is causal survey intents, examining the presence or absence of the midst of a connection the independent variable and the non-independent variable.

*Population and Samples*

1. The population of this research is 18 textile and garment production corporation Registered on the Indonesia Stock Exchange.
2. Samples The sampling technique in this research utilizes a non-probability sampling approach. Because the population is limited, this sampling technique utilizes total sampling. The number of observations in this research was 18 corporations with
observation times during the year 2015-2017 so that the quantity of observations quantity to 54.

3. Operational Definition and Variable Measurement.

Table 1: Operational Definition and Variable Measurement

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
<th>Proxy</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage</td>
<td>a gauge utilized in analyzing monetary declarations to reveal the quantity of assurance accessible to creditors.</td>
<td>DAR = ( \frac{\text{Total Amount of debt}}{\text{Total Asset}} )</td>
<td>Ratio</td>
</tr>
<tr>
<td>Company Value (Y1)</td>
<td>stockholder perceptions of enterprise success rates are often associated with stock charges.</td>
<td>PBV = ( \frac{\text{Market Price per Share}}{\text{Book Value per Share}} )</td>
<td>Ratio</td>
</tr>
<tr>
<td>Profitability (Y2)</td>
<td>the proportion utilized by the corporation to calculate the enterprise's competence to produce returns.</td>
<td>ROA = ( \frac{\text{Net return x 100}}{\text{Total Goodwill}} )</td>
<td>Ratio</td>
</tr>
</tbody>
</table>

Source: Modified 2019

RESEARCH RESULTS AND DISCUSSION

Research Results

Hypothesis Examining Outputs

a. The Consequent of Leverage (X) on Gain (Y1) Partially (t-Examine*)

T examine utilized to determine the consequences of partially independent variables on the non-independent variable by comparing the worth of t-count with t-table if the t-count is greater than t-table, then H0 is refused, and Ha is admitted, then the hypothesis is admitted while the significance level is 0.05*.

Table 2: Model-t* (Partial) #Examine Outputs 1

<table>
<thead>
<tr>
<th><code>Coefficients</code>(^a)</th>
<th><code>Model</code> Unstandardized~Coeff <code>~Standardized Coefficients</code></th>
<th>T*</th>
<th>Signifcn.</th>
</tr>
</thead>
</table>

Source: Modified 2019
Based on the examine outputs in Table 02 above, it may be concluded that the Leverage (X) against Gain (Y1) partial outputs in this research are: T-count worth with t-table worth df\(= (n-k-1) = (36-1-1) = 34\), then t-table can be found in MsExcel with the count formula (= TINV (5%, 34) then enter), so we get a t-table worth of 2.032. In the table above reveals the outputs that the Leverage variable (X) with a t~count\(^*\) is minor than t~table\(^*\) (-1.177 < 2.032), then H\(a\) is refused, and H\(0\) is admitted, the significant level is greater than 0.05 (0.247 > 0.05).

b. Consequent of Leverage (X) Through Gain (Y1) on Enterprise Worth Partially
(t Examine)

Table 3: T-Examine Outputs (Partial) Model 2

<table>
<thead>
<tr>
<th><code>Model</code></th>
<th><code>Unstandardized~Coefficients</code></th>
<th><code>Standardized Coefficient</code></th>
<th><code>t</code></th>
<th><code>Signfic.</code></th>
</tr>
</thead>
<tbody>
<tr>
<td><code>(Contnt)</code></td>
<td><code>.1007</code></td>
<td><code>.115</code></td>
<td><code>8.766</code></td>
<td><code>.000*</code></td>
</tr>
<tr>
<td><code>1</code></td>
<td><code>.223</code></td>
<td><code>.075</code></td>
<td><code>-2.977</code></td>
<td><code>.005</code></td>
</tr>
<tr>
<td>Return</td>
<td><code>-0.045</code></td>
<td><code>.015</code></td>
<td><code>-2.945</code></td>
<td><code>.006</code></td>
</tr>
</tbody>
</table>

Based on the examine outputs in table `03` above, it may be concluded that the partial examine outputs in this research are:

1) Leverage (X) to Enterprise Worth (Y2)

T-count worth with t-table worth df = n-k-2 = 36-1-2 = 33, then t-table can be searched in MsExcel with the calculation formula (= TINV (5%, 33) then enter), so we get a t-table worth of 2.035. The table above reveals the
outputs that the variable Leverage (X) with a t-count worth is minor than t-table (-2.977 < 2.035), a significant level is less than 0.05 (0.005 > 0.05), then Ha is admitted and H0 is refused.

2) Profitability (Y1) to Enterprise Worth (Y2)
   T-count worth with t-table worth df = n-k-2 = 36-1-2 = 33, then t-table can be searched in MsExcel with the calculation formula (= TINV (5%, 33) then enter), so we get a t-table worth of 2.035. In the table above reveals the outputs that the gain variable (Y1) with a t-count is minor than t-table (-2.945 < 2.035), a significant level is less than 0.05 (0.006 > 0.05), then Ha is admitted and H0 is refused.

CONCLUSION

Based on the outputs of the analysis and debate, this research intends to examine the consequences of leverage on enterprise worth with profitability as an intervening variable on textile and garment production corporation Registered on the Indonesia Stock Exchange (IDX), the sample in this research is textile and garment production corporation Registered in the Indonesia Stock Exchange (BEI) as many as 18 corporation during 2015-2017 observation so that in this observation quantity to 54 but the quantity of data that can be processed in this research as many as 36 due to the existence of outlier data (released) because the data were damaged as many as 6 corporations namely ADMG, ARGO, BELL, CNTX, MYTX, and SSTM. From the outputs of the elucidation and discussion of the proposed hypothesis model, the following conclusions can attract:

1. **Determination Coefficient Outputs (R2)**
   Revealing the adjusted worth (R2) of 0.307, this means that the variable Leverage (X) through Leverage (Y1) has a contribution of 30.7% to the non-independent variable (Y2), which is the enterprise worth. The remaining 69.3% is influenced by other unknown factors, namely Dividend Policy, Liquidity, and Stock Return.

2. **Outputs of the Consequent of Leverage (X) on Leverage (Y1)**
   The outputs of this research state that leverage has a negative and not significant consequent directly on gain, from the above analysis, the worth of t-count with
t~table worth df = nk-1 = 36-1-1 = 34, then t-table can be found in MsExcel with the calculation formula (= TINV (5%, 34) then enter), so a t-table worth of 2,032 is obtained. In the table above reveals the outputs that the Leverage variable (X) with a t-count worth is minor than t table (-1.177 <2.032), a significant level is greater than 0.05 (0.247> 0.05), then Ha is refused and H0 is admitted,

3. **Consequent of Leverage (X) on Enterprise Value (Y2)**
The outputs of this research state that leverage has a direct negative and significant consequent on enterprise value from the above analysis, the worth of t-count with t~table worth df = nk-2 = 36-1-2 = 33, then t-table can be found in MsExcel with the calculation formula (= TINV (5%, 33) then enter), so a t-table worth of 2,035 is obtained. The table above reveals the outputs that the variable Leverage (X) with a t-count worth is minor then the t table (-2.977 <2.035), a significant level is less than 0.05 (0.005> 0.05), then Ha is admitted and H0 is refused.

4. **Consequent of Gain (Y1) on Enterprise Value (Y2)**
The outputs of this research state that gain has a negative and significant consequent directly on enterprise value from the above analysis, the worth of t-count with t-table worth df = nk-2 = 36-1-2 = 33, then t-table can be found in MsExcel with the calculation formula (= TINV(5%, 33) then enter), so a t-table worth of 2,035 is obtained. In the table above reveals the outputs that the gain variable (Y1) with a t-count is minor than t-table (-2,945 <2,035), a significant level is less than 0.05 (0.006> 0.05), then Ha is admitted and H0 is refused.

5. **Consequent of Leverage (X) Through Gain (Y1) Against Enterprise Worth (Y2)**
From the analysis, it was found that the direct consequent gave leverage (X) on the worth of the enterprise (Y2) of -0.440. While the indirect consequence of leverage (X) through gain (Y1) on enterprise worth (Y2) is the multiplication midst the worth of Beta leverage (X) on gain (Y1) with the worth of Beta gain (Y1) on enterprise worth (Y2), namely: - 0.198 x -0.435 = 0.087. Then the total influence that is given leverage (X) to the worth of the enterprise (Y2) is the
direct consequent coupled with the indirect consequent, namely: 0.440 - 0.087 = 0.353. Based on the above calculation, it is notable that the worth of the direct consequent of -0.440 and the indirect consequent of 0.087, which means that the worth of the indirect consequent is greater than the worth of the direct consequent.

**Suggestions**

There are several suggestions from researchers related to this research, including:

**For Direction**

Based on the outputs of partial examining reveals that the variable Gain (Y1) cannot be an intervening variable on the govern of leverage (X) on enterprise worth (Y2), because the consequences of leverage (X) on Gain (Y1) has not been proven to be significant. Which means leverage applying the proportion of Indebtedness to Goodwill Proportion (DAR) to what extent the enterprise is habilitated by indebtedness or beyond with the competence of the enterprise; therefore it is recommended for textile production corporation to pay attention to goodwill and return direction, both goodwill activity investment activities, and activities funding.

**For Next Researchers**

a. Time to come studies should analyze factors that impress gain not only from the internal side of the enterprise but also from beyond the production enterprise such as macroeconomic factors so that the output analysis can be more thorough and balanced.

b. The independent variables utilized are only able to elucidate the non-independent variables of 30.7%. That is, there are still 69.3% of factors beyond the model included, so for the sake of accuracy of the outputs of the research, it is better to do the adjunct of the independent variable or utilize other variables beyond the independent variable in this research.

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