ABSTRACT

The Textile and Textile Product Industry is one of the processing industry groups which is categorized as a strategic industry and National priority in accordance with the National Industrial Development Master Plan. The development of the textile industry in the past 2 years has continued to improve in both domestic and global markets. In fact, this industry is part of the third largest manufacturing sector in Indonesia and is one of the sectors that absorb the most labor. However, the company suffered losses. This shows a decrease in the level of the company's ability to make a profit. In this regard, it is necessary to conduct research on profitability so that companies can pay attention to the company's financial performance and also not harm investors.

Through this research, we will measure the level of leverage using the debt to equity ratio (DER), the level of liquidity by using the current ratio (CR), and the level of profitability by using return on equity (ROE). In addition, this study evaluates the effect of leverage and liquidity on profitability.

The method of data collection is done by documentation, which is to obtain data from 18 annual reports of textile and garment companies obtained from the Indonesia Stock Exchange and the company's official website. Of the 18 companies, based on the research criteria there were 7 companies which were the research samples. Processing data using Microsoft Excel 2010 and Eviews 9 applications.

Based on the results of data processing and testing, it can be seen that there are companies that have a low level of profitability and also there are companies that have a fairly good level of profitability. As for evaluating the effect of leverage and liquidity on profitability, simultaneously the leverage and liquidity variables significantly influence profitability. Partially, leverage has a negative and significant effect on profitability, while for liquidity variables, it has no significant effect on profitability.

Based on the results of the study, companies need to pay attention to financial performance, especially on the debt to equity ratio. Because of the higher value of the ratio, potential investors will likely think again to invest because of the many debts or obligations that the company has. If a company has a lot of debt or liabilities, the ability to earn profits gets worse because it can be detrimental to investors.

Keywords: Profitability; Leverage; Liqudity