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# The Determination of Leverage in Trading Companies on Indonesia Stock Exchange (IDX)

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**Abstract: The purpose of this study is to examine the determinants of leverage in companies listed on the Indonesia Stock Exchange (IDX). The type of research is explanatory research. The study population is large trading sub-sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024. The dependent variable is debt/leverage and the independent variables are profitability, asset structure, company size, company growth and business risk. The data analysis method uses multiple linear regression. The results show that profitability has a positive effect on leverage. Asset structure does not affect leverage. Company size has a negative effect on leverage. Company growth has a significant effect on leverage. Business risk does not affect leverage.**

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## I. INTRODUCTION

Companies use funding from various capital sources, including retained earnings, debt, bonds, and stock issuance. According to (Buntoro, 2020), managers obtain additional company capital from third parties or company owners, known as debt, as the funding source carries the lowest risk compared to bonds and stock issuance. The company's funding selection sequence begins with internal funding sources and then external funds. However, companies prefer to use their own capital rather than external capital if the company's funds are insufficient for operational needs. Therefore, management considers the cost of capital when implementing the capital structure. Financial managers consider the use of their own capital first compared to external capital. If internal funding sources obtained from retained earnings are insufficient to meet the company's capital needs, debt will be chosen as an alternative.

A company's growth and progress are driven by its use of capital, both equity and external capital (long-term debt). If internal funding sources cannot be optimized, debt is the best financing alternative for the company, potentially preventing bankruptcy. Conversely, poorly managed debt can disrupt the company's survival. Efficient capital use can improve a company's profitability, including for companies listed on the Indonesia Stock Exchange. Companies' tendency to prefer using debt in running their businesses stems from the belief that equity is less profitable than debt, as it lowers financing costs and increases shareholder returns.

Funding management is the financial balance in establishing a company's assets. Every company decision in determining its funding needs impacts its capital structure, which is the composition of funds used to finance its investments (Riyanto, 2018). Companies must analyze the accumulated combination of the company's funding sources. Weston and Brigham (2020) explain that revenue structure is influenced by lender attitudes, asset structure, management structure, sales growth, and sales stability.

A company's profitability, one of its goals, can be increased through managerial decisions regarding its funding structure. The right decisions can lead to increased shareholder prosperity and increased company value, as measured by its stock price. This serves as the basis for analysis in managers' financing decision-making processes. Decisions about how to use capital for activities aimed at achieving profit.

The use of company funding sources based on Pecking Order Theory is selected using a hierarchy of retained earnings, debt, bond issuance, and stock issuance. The importance of selecting a capital structure in each company has led to the development of many theories regarding capital structure. The theory examined in this study is the pecking order theory, which states that the use of internal funds takes precedence over the use of funds from external sources. However, when funds from retained earnings are still insufficient, the company will seek external funding, namely in the form of debt and the last alternative is to issue shares.

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Leverage or debt can increase company profits if allocated correctly and according to needs. Debt measured by ratios such as debt to total assets, long-term to total assets, and others can increase profits (Delcoure, 2016). Chen (2014) also states that debt can increase profitability.

Several studies have been conducted related to debt policy and corporate profitability. Profitability and company size compared to debt in manufacturing companies in Jordan. The results showed that profitability and company size influence leverage. Wikan (2015) stated that profitability and dividend policy significantly influence leverage policy, while firm size and growth do not. The high profitability can increase firm value and leverage. Meanwhile, Hussain et al. (2015) stated that profitability has no effect on leverage. The purpose of this study is to examine the determination of debt (leverage) in trading companies in Indonesia.

Various previous studies on leverage/debt have been conducted, including those by Susanti and Agustin (2015), who found that sales growth had a negative and significant effect on capital structure, while asset growth, profitability, and company size had a positive and significant effect on capital structure. Wikan (2015) showed that company size and company growth had no significant effect on leverage, while profitability and dividend policy had a significant effect on leverage.Suffah and Riduwan (2016) found that(1) Leverage has a positive effect on company value. High leverage is used to control free cash flow; (2) Profitability has a positive effect on company value. High profitability can increase company value; (3) Dividend policy has a positive effect on company value, investors' capital will be returned with high dividends; and (4) company size does not affect company value.Aniela et al (2017) found thatThe influence with a positive and significant sign on company value, this provides an illustration that the increase in ROE value in manufacturing companies in the goods and consumption sub-sector tends to increase the company value.Based on previous research, it can be explained that the similarity between this research and previous research is that both research the leverage variable, while the differences are the research object, independent variables, research period and *proxy* used in the research variables. Based on the differences and similarities in the research, this study used an empirical basis in selecting variables in the form of profitability, asset structure, company size, growth, and business risk to influence the leverage variable. The purpose of study wasto examine the determination of leverage in companies trading on the Indonesia Stock Exchange (IDX).

## II. LITERATURE REVIEW

➢ *The Effect of Profitability on Debt/Leverage*

*Profitability*can increase debt usage. If a company's ability to generate profits is greater, there is a tendency for the company to minimize debt usage due to the availability of internal capital from the profits generated. This means that the higher the profitability, the stronger the company's desire to reduce debt. In other words, profitability has a negative effect on debt. This is supported by research by Wikan (2015), Suffah and Riduwan (2016), and Susanti and Agustin (2015), which found a negative and significant effect of profitability on debt. This indicates that greater profitability results in reduced funding through debt. The proposed hypotheses include:

- H1: Profitability has a negative effect on debt/leverage

➢ *The Effect of Asset Structure on Debt/Leverage*

Debt is also influenced by the composition of the company's assets, in this case the asset structure. Companies with large assets...Companies with long-term fixed assets and confidence in high demand for goods tend to utilize long-term mortgage debt. Conversely, companies with predominantly current assets will utilize short-term debt. The greater the ratio of long-term fixed assets to short-term fixed assets, the more likely the company is to utilize long-term debt (Brigham and Houston, 2020). This is because larger long-term fixed assets can be used as collateral. Larger fixed assets can be used as collateral for debt (Sartono, 2018). Susanti and Agustin (2015) found that asset structure has a significant positive influence on the existence of capital structure. A high fixed asset structure can be used as a guarantee to lenders/creditors in obtaining debt for the company. Dorin et al. (2018) found different results, where asset structure is negatively related to leverage. This is due to information asymmetry and the role of asset structure in pecking order theory. Based on these different research results, the hypothesis in this study is as follows:

- H2\: Asset structure has a positive effect on debt/leverage

➢ *The Effect of Company Size on Debt/Leverage*

The size of a company will impact the decision to use debt in the capital structure, especially in obtaining loans.Susanti and Agustin (2015)found that company size had a positive effect on debt. Tariq (2015) found different results, finding that company size had a negative effect on debt use. Large companies have a more varied structure compared to small companies, making the information obtained more credible, ultimately leading companies to choose to issue new shares rather than use debt. Based on these different research results, the hypothesis in this study is as follows:

- H3: Company size has a positive effect on debt/leverage

➢ *The Effect of Company Growth on Debt/Leverage*

A company's growth positively impacts its debt. Companies with positive growth projections will use almost all of their debt to expand their investments.Wikan (2015) and Susanti and Agustin (2015) found that company growth positively influences debt. Other researchers reported different results, stating that debt use was not affected by company growth (Steven and Lina, 2011). Trading companies with high growth rates tend to use external financing. This is due to the high cost of issuing shares compared to bonds, especially for large trading sub-sector companies that require external funding for expansion. The proposed hypotheses include:

- H4: Company growth has a positive effect on debt/leverage

ISSN No: -2456-2165 https://doi.org/10.38124/ijisrt/26mar242

➢ *The Impact of Business Risk on Debt/Leverage*

According toWeston and Copeland (2018) define business risk as a company's ability to maintain its overall economic condition while facing competition with other companies. The amount of profit earned regularly and the increase in that profit will ensure a company's survival. Meanwhile, companies with business risk that shows a significant number tend to experience declining profits, requiring immediate corrective action to maintain the company's sustainability. Business risk is defined as changes in sales levels in annual financial statements. Business risk, reflected by operating leverage, and financial risk, reflected by financial leverage, will generate company risk, which will be reflected in profitability variability. Based on these different research results, the hypothesis in this study is as follows:

- H5: Business risk has a negative effect on debt/leverage

## III. METHOD

The research model used is explanatory research, which explains the cause and effect that occurs in the research variables using hypothesis testing procedures. Hypothesis testing is conducted to analyze the effect of independent variables on the dependent variable. The independent variables in this study are company size, profitability, company growth, asset structure, and business risk, while the dependent variable is debt/leverage. The research was conducted on wholesale trading sub-sector companies listed on the Indonesia Stock Exchange for the 2020-2024 period.The data used in this study were sourced from the company's annual financial reports obtained from the IDX Fact Book for 2020-2024 and from the websites of companies in the wholesale trade sub-sector. The sample selection technique used a purposive sampling method, using a sample of companies during the study period, using specific criteria. The criteria used to obtain the sample were:

➢ A large trading company that has published financial reports for 5 consecutive years from 2020-2024.
➢ The completeness of data from the company includes profitability, asset structure, company size, company growth and business risks.
➢ Companies that have net profits during 2020-2024.
➢ Companies that have debt during 2020-2024.

The selected sample size was 25 companies, resulting in 125 observations (25 x 5). Based on the sampling criteria, 25 sample companies were selected. The study used secondary data, including company financial report data for the 2020-2024 period sourced from the IDX Fact Book for the 2020-2024 period and the 2020-2024 Financial Report. The study used dependent variables (bound variables) and independent variables (free variables). The independent variables were debt/leverage, while the independent variables were profitability, asset structure, company size, company growth, and business risk, as explained below.

- *Leverage*

*Leverage*is the level of debt used to finance company assets (Mas'ud, 2018). Leverage is measured by the Debt to Asset Ratio (DTA). DTA is the ratio of total debt to total assets, which is formulated as:

$$\text{DTA} = \frac{Debt}{Total\ Aset}$$

- *Profitability*

Profitability is a company's ability to generate profits within a specific period (Riyanto, 2011). Profitability is measured by return on assets (ROA), which is the company's management's ability to generate profits on the funds invested in its total assets. Sen and Eda (2018) define ROA as:

$$\text{ROA} = \frac{Earning\ After\ Tax}{Total\ Assets}$$

With:

*Earnings After Tax (EAT)* : Profit after Tax

*Total Assets*: Total Assets

- *Asset Structure*

Riyanto (2020) defines asset structure as the ratio of a company's fixed assets to its total assets. Asset structure is measured by dividing fixed assets by total assets. Asset structure is calculated using the following formula (Mas'ud, 2018):

$$\text{Struktur Aset} = \frac{Fixed\ Asset}{Total\ Assets}$$

With:

*Fixed Asset*: is a fixed asset, and

*Total Assets*: is the total assets

- *Company Size*

Company size is used to determine the size of a company, measured by the natural logarithm of total assets. Fraser, in Mas'ud (2018), states that company size indicates the amount of wealth a company owns, with the formula:

Company Size = Ln Total assets

- *Company Growth*

A company's growth is measured by comparing sales in year t with sales in year t-1. This allows us to determine the increase or decrease in sales for the company each year. Company growth is measured using the following formula. Mas'ud (2018):

$$Growth = \frac{Sales\ tahun\ t - (Sales\ tahun\ t-1)}{Sales\ tahun\ t}$$

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- *Business Risk (RISK)*

According to Benito (2003), business risk is the uncertainty in a company's estimates of its future returns (profits) or equity. Business risk is calculated based on the standard deviation of the EBIT-to-sales ratio over the past three years (Sawir, 2020).

$$\text{RISK} = \text{Standard deviation}\left\{\frac{EBIT}{Penjualan}t\right\}$$

Business Risk is calculated as a percentage (%) annually for the 2020-2024 period. Each calculated year includes one research year and the two previous years. The data analysis method uses multiple linear regression. The purpose of this test is to determine the effect of independent variables on the dependent variable to form a regression model. The multiple linear regression analysis method in this study is used to determine whether the independent variables have a significant influence on debt in large trading sub-sector companies on the IDX. These independent variables consist of: company size, profitability, company growth, asset structure, and business risk. The general multiple regression model is described in the equation (Gujarati, 2023).

$$DTA = \alpha + \beta1\ ROA + \beta2\ ASSETS + \beta3\ Size + \beta4\ Growth + \beta5\ RISK + \square$$

Where :

A = constant

β1, β2, β3, β4 and β5 = regression coefficients

DTA =*Debt to Total Assets/leverage*

ROA = profitability

ASSET = asset structure

*Size* = company size

*Growth* = company growth

RISK = business risk

□ =*error*

The hypothesis test used in this study was only a partial regression test (t-test). The partial test was conducted to determine whether the independent variables contained in the regression equation individually influence the value of the independent variable. The following steps are as follows:

## IV. RESULTS AND DISCUSSION

The research results consist of descriptive statistical tests and inferential tests. Table 4.1 presents a statistical summary of the research variables. The statistical summary displayed is the minimum value, maximum value, average, and standard deviation of each research variable. The descriptive results explain that the average value of Profitability (ROA) is 13.20%. The minimum value of ROA is 0.01% and the maximum value is 90.03%. The standard deviation value of 14% means that the profitability value is approaching the average with a smaller data spread size. The average value of the asset structure variable is 23.8%. The minimum value of the asset structure variable is 0.10% and the maximum value is 90.3%. The standard deviation value is 21.1%. The standard deviation value of 21.1% means that the asset structure variable value is approaching the average value with a smaller data spread size. The sample companies have a relatively low asset structure. The average value of company size is 7,317,184 (in millions of rupiah). The lowest value of company size is 153,521,000 (in millions of rupiah) and the highest value of company size is 17,009 (in millions of rupiah). The standard deviation value of 20,442,106 (in millions of rupiah) means that the value of the company size variable shows a fairly large spread of data, this is supported by the standard deviation value which is increasingly far from the average value. The average value of company growth is 18.6%. The lowest value of the company growth variable is 44.2% and the highest value is 80.1%. The standard deviation value of 20.2% means that the company's growth value is approaching the average with a smaller size of data spread. The average value of business risk is 1.3%. The lowest value of the business risk variable is 0.3% and the highest value is 9.2%. The standard deviation value of 1.4% means that the business risk value is approaching the average with a smaller size of data spread. The average value of leverage is 34.3%. The lowest value was 7.6% and the highest was 78.2%. The standard deviation of 20.3% indicates that the leverage data is skewed away from the average, with increasing variation.

This study uses multiple linear regression as a tool to accommodate the influence of independent and dependent variables. The independent variables are profitability (ROA), business risk, company size, company growth, and asset structure. The dependent variable is debt/leverage. The results of the regression equation are shown in Table 1.

Table 1 Results of Multiple Linear Regression Analysis

| Information | *Unstandardized Coefficients* | | *Standardized Coefficients* | *t* | *Sig.* | Test Results |
|---|---|---|---|---|---|---|
| | *B* | *Std. Error* | *Beta* | | | |
| (Constant) | 5,262 | 2,040 | - | 2,580 | 0.011 | - |
| ROA | 0.629 | 0.060 | 0.629 | 9,165 | 0,000 | Significant positive |
| Asset Structure | 0.076 | 0.069 | 0.076 | 1,137 | 0.258 | Positive and Insignificant |
| Ln Company Size | -0.181 | 0.304 | -0.181 | -2,661 | 0.009 | Significant Negative |
| Company Growth | 0.183 | 0.450 | 0.183 | 0.558 | 0.246 | Positive and Insignificant |
| Business Risk | -0.069 | 0.069 | -0.065 | -0.970 | 0.334 | Negative and Insignificant |

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Based on the results of the analysis in the regression equation, it can be explained as below:

$$Y= 5.262+0.629X1 + 0.076X2 – 0.181X3 + 0.183X4 – 0.069X5 + e$$

Based on Table 1, the results of the regression model equation are explained. The ROA regression coefficient has a significant positive coefficient where when the variables of asset structure, company size, company growth and business risk are constant, ROA has a positive effect on leverage. The asset structure regression coefficient has a positive and insignificant coefficient, meaning the asset structure has no effect on leverage. The company size regression coefficient has a significant negative coefficient, meaning the asset structure has an effect on leverage. The company growth regression coefficient has a positive and insignificant coefficient, meaning the company growth has a positive effect on leverage. The business risk regression coefficient has a negative and insignificant coefficient, meaning the business risk has a positive effect on leverage.

Hypothesis testing uses one-way testing so that the output generated from the significance value is divided by two first and then compared with a significance level of 0.05. Based on the results of the hypothesis testing, it is explained that the level of profitability significance is 0.000 with an estimated coefficient value of 0.548. This value of the calculated t significance (p-value) of 0.000 is less than α (= 0.05), Partially based on the test results, profitability has a positive effect on leverage. The H1 hypothesis which states that profitability has a negative effect on leverage is not proven. The asset structure has a significance level of 0.129 (0.258:2) This value of the calculated t significance (p-value) of 0.129 is more than α (= 0.05) with an estimated coefficient value of 0.078, meaning that the asset structure partially has no effect on leverage. The second hypothesis (H2) which states that the asset structure has a positive effect on leverage is not proven. Company size has a significance level with a value of 0.0045 (0.009:2) with an estimated coefficient value of -0.810. This value of significance t count (p-value) of 0.0045 is less than α (=0.05), Partially based on the test results company size has an effect on leverage. Hypothesis H3 company size has a positive effect on leverage is not proven. Company growth has a significance level of 0.123 (0.246:2) with an estimated coefficient value of 0.251. This value of significance t count (p-value) of 0.123 is more than α (= 0.05), Partially based on the test results company growth does not affect leverage. Hypothesis H4 which states company growth has a positive effect on leverage is not proven. Business risk has a significance level of 0.167 (0.334:2) with an estimated coefficient value of -0.067. This value of significance t count (p-value) of 0.167 is more than α (= 0.05), Partially based on the test results, business risk has no effect on leverage. Hypothesis H5 which states that business risk has a negative effect on leverage is not proven.

According to the results of the data analysis, the influence of profitability (ROA), asset structure, company size, company growth and business risk on debt/leverage is explained as follows.

- *The Effect of Profitability on Debt/Leverage*

The results of the regression analysis indicate that profitability has a significant positive effect on leverage. This means that if a company's profit-generating ability increases, its debt will also increase due to business expansion, which requires greater funding sources. This also indicates that profitability is a company's ability to generate net profit after tax. Investors will be attracted to invest their capital if a company has high profitability. Therefore, to maintain investor confidence, management tends to use debt as a funding source to secure their position or position within the company. With a stable level of profitability, investors will be more confident and will invest their capital due to the ability to generate large profits. The results of this study are consistent with Hardiningsih and Oktaviani (2020), who found a positive effect of profitability on debt use. Increasing profitability will increase a company's debt use. Tucker and Zarrowin (2019) revealed that profitability has an impact on increasing debt. These results are inconsistent with research by Wikan (2015) and Susanti and Agustin (2015), which found that profitability has a negative and significant effect on debt, meaning that the greater the profitability, the less debt financing is used.

This is consistent with the Pecking Order Theory, where the higher a company's profitability, the lower its use of debt as a source of business development. Profitability has a positive effect on debt, indicating that the higher the profitability, the higher the use of debt. Profits earned by a company can be used as funds for investment or distributed to shareholders. Companies that generate substantial profits will naturally encourage shareholders to propose dividend distribution. Dividend distribution will certainly reduce the funds available for investment, requiring additional funds to finance investments and operational activities. Companies with increasing profits will perceive a significant opportunity to further expand their business. Meeting these large investment needs requires additional funds from debt. This is in accordance with the trade-off theory, which suggests that companies prefer to use higher debt. This theory explains that companies with higher profitability can use high debt to achieve higher profitability, as companies tend to rely on external funding components. Companies with high profitability use high amounts of debt because they want to achieve high profits in the future.

- *The Influence of Asset Structure on Debt/Leverage*

Based on the results of the regression analysis, it was found that asset structure has a positive but insignificant effect on leverage. This insignificant effect of asset structure on corporate debt stems from the maturity stage, when sales growth declines, resulting in a corresponding decrease in the need for fixed asset financing. Management's focus on asset structure, in relation to debt usage and use, is not particularly significant.The results of this study prove thatAsset structure has a positive but insignificant effect on leverage.Therefore, it is necessary to conduct a mean difference test to be able to conclude the influence.asset structureon leverage by dividing the leverage company data based on the ratioasset structureThe asset structure data was divided into two groups by sorting them first, identifying companies with low asset

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structure proxies and companies with high asset structure proxies. The mean difference was then tested. The independent t-test showed a value of 0.120, which is greater than the alpha value of 5%. Therefore, this study proves that the asset structure variable does not significantly influence leverage, justifying the assumption that asset structure is not a determinant of changes in corporate leverage.

The second hypothesis proposed was that asset structure does not have a significant positive effect on leverage. The results of this study did not align with this hypothesis. This research is consistent with research by Sudiyatno and Sari (2013), Steven and Lina (2011), and Hardiningsih and Oktaviani (2012), which found that asset structure, measured by comparing fixed assets to total assets, positively impacts debt levels. Companies with substantial fixed assets naturally have high solvency. A company with substantial fixed assets will easily obtain bank loans, assuming these assets serve as collateral/security for the debt. Research by Ilat and Pontoh (2014) found that tangibility (the ratio of fixed assets to total assets) has no significant impact on debt.

This study is inconsistent with the research of Lacatus et al. (2018) which found that asset structure was negatively correlated with leverage. This is due to the pecking order theory, which indicates the existence of asymmetric information, coupled with the asset structure variable as a determining factor in the magnitude of this problem.because companies that have a higher proportion of fixed assets compared to current assets will reduce the use of external funds or tend not to use debt, because the company considers internal funding sources to have relatively small risks and these assets are also capable of meeting its funding needs.

- *The Effect of Company Size on Debt/Leverage*

The test results indicate that company size has a significant negative effect on leverage. Increasing company assets can reduce debt because as company assets increase, company funds can be managed from managed assets, especially from assets that generate profits as a source of internal funds. Large companies naturally have better cash flow compared to smaller companies. Companies with large sales turnover tend to have a diverse product portfolio across multiple divisions. This research is consistent with Tariq's (2015) study, which found that company size negatively affects debt use. Large companies have a more varied information structure than small companies, making the information obtained more credible, ultimately leading companies to choose to issue new shares rather than use debt. This research is inconsistent with Suffah and Riduwan's (2016) findings that found a positive effect of company size on debt. This suggests that larger company size means a company has more stable cash flow, a lower risk of bankruptcy, and easy access to credit. Based on the trade-off theory, companies with tangible and secure assets and large taxable income should operate with high debt levels. The size of a company will affect its funding structure. The larger the company, the greater the funds the company will need to make investments.

- *The Influence of Company Growth on Debt/Leverage*

The test results indicate that company growth has a positive but insignificant effect on leverage. This means that the growth rate of trading companies has an insignificant effect on leverage. This insignificant effect is due to companies with low growth tending to use retained earnings as external funding is too risky for the continued operation of trading companies. The presence of retained earnings and increased sales growth in a company will impact asset growth. Furthermore, additional assets can also be obtained from debt as long as the debt value does not exceed the asset value.

The results of this study prove thatCompany growth has a positive but insignificant effect on leverage. Therefore, it is necessary to conduct a mean difference test to be able to conclude the influence. company growthon leverage by dividing the leverage company data based oncompany growth. Datacompany growthdivided into two by sorting them first, so that the company will be found with the proxycompany growthlow and high asset structure proxies. After that, the average difference was tested. The result of the independent t-test was 0.080. This result is greater than the alpha value of 5%. Thus, the results of this study prove that the variablecompany growthdoes not have a significant effect on leverage, it is concluded thatcompany growthnot as a determinant of changes in company leverage.

The results prove that the fourth hypothesis proposed iscompany growthdoes not have a significant positive effect on leverage. The results of this study do not align with the proposed hypothesis. Companies with strong growth will more easily obtain funding. According to the pecking order theory, greater growth will reduce short-term debt due to the availability of internal funds. Leverage is the ratio of total debt to a company's equity. The leverage ratio reveals how much of a company's capital is leveraged. In reality, when determining funding sources, companies naturally choose funding sources with lower risk, which is expected to improve company management and ultimately lead to greater profits. The results of this study are consistent with those of Ilat and Pontoh (2014), who found that borrowing/debt policy was not influenced by company growth. Steven and Lina (2018) found that company growth did not affect debt policy.

- *The Impact of Business Risk on Debt/Leverage*

Regression analysis shows that business risk has a negative but insignificant effect on leverage. This indicates that the business risk experienced by the company does not affect leverage because the decision to source funds from debt must take into account the risks that the company will experience. Therefore, if the business risk increases, the company tends to reduce debt to avoid losses. Well-managed business risk will not affect the use of debt. Based on the analysis results, the company's leverage is not significantly affected by business risk. Based on the results of the leverage test which obtained a significance value of 0.334 (>0.05), indicating that Hypothesis five (H5) with the hypothesis that business risk has a negative effect on leverage for large trading sub-sector companies listed on the Indonesia Stock Exchange, is not supported.

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The results of this study prove thatbusiness risk has a positive but insignificant effect on leverage. To prove these results, a mean difference test was carried out to conclude the influence.business riskson leverage by dividing the leverage company data based onbusiness risks. Databusiness risksdivided into two by sorting them first, so that the company will be found with the proxybusiness riskslow and high business risk proxies. After that, the average difference was tested. The result of the independent t-test was 0.060. This result is greater than the alpha value of 5%. The results of this study prove that the variablebusiness risksdoes not have a significant effect on leverage, it is concluded thatbusiness risksnot as a determinant of changes in company leverage.The results prove that the sixth hypothesis proposed isbusiness risksdoes not have a significant positive effect on leverage.Business risk does not affect corporate debt. This is because corporate debt tends to reduce uncertainty in predicting future business. The presence of business risk makes companies more likely to utilize alternative funding sources when experiencing financial difficulties, such as issuing debt securities. According to the pecking order theory, external funding needs are met by issuing securities, either bonds or debentures.

## V. CONCLUSION

Based on the data analysis results as stated above, the following conclusions can be drawn: 1) Profitability has a significant positive effect on leverage. This means that the higher the profitability, the higher the use of debt; 2) Asset structure does not have a significant effect on leverage. This result indicates that a decrease or increase in asset structure does not cause changes in leverage; 3) Company size has a significant negative effect on leverage. This means that the larger the company size, the lower the use of debt; 4) Company growth has a positive but insignificant effect on leverage. An increase or decrease in company growth does not affect the company's use of debt; 5) Business risk has a negative but insignificant effect on leverage. This means that business risk does not affect the use of debt.

Suggestions that can be put forward include: 1) Companies should be careful in making funding decisions to increase profitability; 2) Extending the research period to obtain more accurate research results in the long term. Because the longer the research period, the more generalized the results will be with a consistency of research time that differs from previous research.

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