

## Abstract

Apparel and textile manufacturer companies in Indonesia have high average DER which is above 1. A glimpse illustration of companies' average DER, ROA and asset structure shows discrepancy from debt policy theory (Myers and Brealy, 1991) and Bhaduri's research result in 2002. This discrepancy causes research gap between reality and theory. In the other hand, researches of Hovakimian, et al. (2001), Hall, et al. (2004), Chui, et al. (2002) suggest that this discrepancy is due to happen because there are other factors hold bigger effects on DER than companies' fundamental aspects. Both theory-reality research gap and research-to-research gap, drive this research to test and analyse the effects of ROA, asset structure, growth, size and age, and also TIE on DER. The research is then continued by testing and analysing TIE and DER effects on PER.

This research is conducted onto Apparel and textile manufacturer companies in Indonesia which are listed in Bursa Efek Jakarta from 2000 until 2005. This research uses secondary data and 18 samples of Apparel and textile manufacturer incorporated companies in Indonesia which always release company's annual public financial statement. These companies should also be listed in BEJ and are not being suspended during period of research. From the secondary data, 93 samples are acquired free from extreme value. This research is conducted using SEM (Structural Equation Modeling) by LISREL 8.8 program.

As data used for this research are continuous data, data fit test indicates abnormal data distribution that the data should be normalized prior used by PRELIS. After normalized, data fit test indicates data distribution normal, not against classic assumption, so the data are now acceptable. Further, model fit test indicates the model is fit and acceptable. This research output are as follows: ROA, size and age have significant effects on DER, meanwhile in PER structural equation DER does not have significant effect on PER. It's TIE which has significant effect on PER. Independent variables of this research's explanatory abilities upon DER and PER are 22% and 18%. Other percentage of explanatory abilities of 78% and 82% are hold by other factors which are not included in this research model.

**Keywords :** ROA, asset structure, growth, size, age, TIE, DER, PER