ABSTRACT

Financial performance is one of the important measuring tools in assessing the health of a company before making financial decisions. Lack of good management of company operations can hinder the improvement of financial performance. This can even trigger extreme cases of decreased financial performance in the company.Therefore, this study aims to examine the effect of financial leverage and liquidity on the financial performance of companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange for the period 2020-2023. There are several theories that are implied in this study, namely pecking order theory, trade-off theory, and working capital management theory.

The data used is secondary data, the data is obtained through the documentation of the annual financial statements of companies in the Consumer Non-Cyclicals sector for the period 2020-2023. The sampling method used is purposive sampling method. The number of samples in this study were 288 out of 422 populations listed on the Indonesia Stock Exchange list. This study applies an analysis method in the form of multiple linear regression analysis.

The results of research conducted through t-test hypothesis testing financial leverage has a significant negative effect on the company's financial performance. This is in line with the hypothesis on the quick ratio which has a significant positive effect on the company's financial performance. Meanwhile, the current ratio and cash ratio variables proved to have no effect on the company's financial performance.

Keywords: financial leverage, liquidity, and company's financial performance.