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Turnaround success for textile and garment companies in the COVID-19 pandemic era

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Abstract: This research aims to analyze the firm size, asset retrenchment, debt restructuring, and operational restructuring on turnaround success. The selected variables have taken into account that the garment industry is a labor-intensive industry and there is little formal training so that the efficiency that can be done is related to both operational and debt restructuring. These factors are important to consider to add depth to existing turnaround scenarios. The research was quantitative. Moreover, the population was Textile and Garment companies listed on the Indonesia Stock Exchange from 2017 up to 2020. The data collection technique used purposive sampling, in which the sample was based on the criteria given. In line with that, there were 44 data as the sample. Furthermore, the Altman Z-score model was used to determine the company's turnaround status. The data analysis technique used logistic regression. The research results concluded that debt restructuring affected the probability of turnaround success. In contrast, firm size, asset retrenchment, and operational restructuring did not affect the probability of turnaround success in the textile industry. Related to the fact that the textile industry is labor intensive, a reduction in labor is synonymous with quite large severance payments, making it increasingly burdensome for a corporation. The results of this research show the need for regulatory support that favors the textile industry, especially during the pandemic, so that it can lay off employees without demands for severance pay.

Keywords: Turnaround, Altman Z-score, financial distress, restructuring.

1. Introduction

A company must be aware of the global financial crisis because it can threaten the company. If the company experiences business failure, it can be said that the company is bankrupt. Therefore, bankruptcy analysis must be carried out from the start. Bankruptcy can also be described as financial difficulties or a lack of resources that prevent a company from producing goods and generating profits. (Sudarsanam & Lai, 2001). Financial difficulties can be seen in the profit generated from a company's performance. Every company can

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experience financial difficulties, including companies that produce some of the needs of the community, one of which is textiles and garments.

The textile and garment industry is included in the manufacturing industry sector which has a significant export role, but in the 2013-2017 period textile and garment companies listed on the IDX experienced losses for 5 consecutive years. Several companies in the textile and garment sector have experienced difficulties and even bankruptcy, especially since the COVID-19 pandemic. The giant in the textile industry Sritex, for example, reported a net loss of up to US$ 1.08 billion or the equivalent of IDR 15.66 trillion (assuming an exchange rate of IDR 14,500 per USD) throughout 2021. This loss was partly driven by the company's recorded revenue dropping to US$ 847.52 million, from the original amount of US$ 1.28 billion (Sandi, 2022).

PT Ricky Putra Globalindo (Ricy) experienced a decline in performance in the last three years due to a decrease in economic activity due to the lockdown. As of the first quarter of 2023, Ricy posted a negative profit balance of IDR 92 billion. This value was very bad for the company, considering that the highest annual net profit achieved by Ricy occurred in 2019, valued at IDR19 billion (Taufani, 2023).

The Indonesian Fiber and Filament Yarn Producers Association (APSyFI) projects a 10% drop in Indonesia's textile and garment exports, from US$ 12 billion in 2022 to about US$ 11 billion this year (ID, 2023).

A Bank Indonesia survey shows that clothing retail sales experienced the deepest hit compared to other groups during the February-December 2020 period, reflected in the Retail Sales Index (IPR) (Iswara, 2021). In 2018 the medium and large scale textile industry in Indonesia was able to generate an added value of IDR 130.42 trillion. However, since the 2020 pandemic, this value continued to shrink, reaching IDR 95.76 trillion in 2022 (Figure 1).

This resulted in the textile and garment sub-sector companies experiencing difficulties and even bankruptcy. However, in 2014 textile and garment companies in Indonesia were ranked third in the ten industrial product groups with the largest export value where this industrial sector contributed 10.84% of state revenue. Textile products are one of Indonesia's leading non-oil and gas export commodities which are exported to several countries, two of which are America and Europe. In 2008-2009 there was a global financial crisis that caused demands from destination countries to decrease, and in 2010 there was an increase in textile raw materials, namely cotton, which made companies have to increase capital or increase production volume to fulfill agreed orders (Muhani et al., 2022).

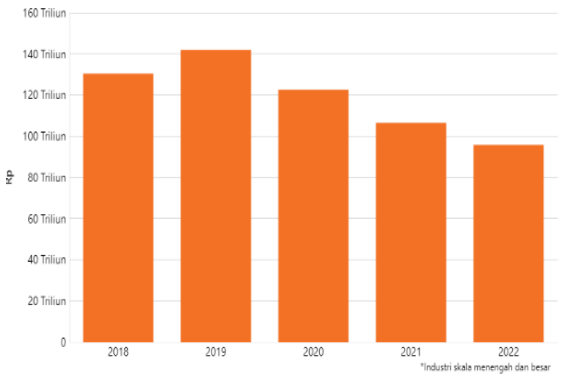

Figure 1: Added value of the Indonesian textile industry (2018-2022)
Source: Kusnandar (2022).

Deputy Chairman of the Indonesian Textile Association (API) Anne Patricia Susanto, argued in 2019 from 2 January to 30 September, 10 issues out of nineteen shares experienced negative results and even dropped by up to 50%. This is because imports of Chinese products are increasingly superior to local products due to very competitive prices and Indonesia's export performance has been exceeded by Vietnam where Vietnam has reached US$ 48 billion while Indonesia is around US$ 13 billion. This resulted in a loss of confidence in the business prospects of companies that chose to withdraw their funds and several issuers experienced defaults which led to company closures (Smith & Graves, 2005). This condition has triggered Indonesia to produce various quality textile and garment products to be able to compete with foreign countries, thus making the domestic textile and garment industry face a big challenge to deal with the threat of soaring import flows from abroad.

Textile and garment companies that are listed on the Indonesia Stock Exchange (ISX) that go public will utilize the capital market as a

means of obtaining sources of funds or alternative investments to obtain sources of corporate funds to obtain more benefits, namely capital, at a relatively low cost.

Experiencing financial difficulties is tantamount to a loss in investing in a company because investors are unable to read the early signs of business difficulties (Kusumaatmaja & Fidiana, 2021). Therefore, to overcome this, companies need to predict bankruptcy by analyzing financial statements. Financial statement analysis is not only important for one party but also important for all parties related to the company. Calculation of financial statements can be done by analyzing financial ratios, namely, the size of the company, which can be used as a benchmark for whether the company is in a state of financial difficulties or not.

Financial distress and turnaround are two interrelated things, where when financial distress occurs, turnaround must be carried out immediately to improve the company's condition. The success of the turnaround is determined by the company's response in overcoming problems that put the company in a state of financial distress (Kusumaatmaja & Fidiana, 2021).

Turnaround is a complex process that is influenced by several factors, including environmental factors and company strategies that are relevant at various stages of performance decline together with internal resources, which will result in increased company performance. One of the factors that influence turnaround success is asset retrenchment. Asset retrenchment is part of the dimension of the turnaround process which is oriented towards company efficiency by selling assets, reducing employees and several other resources that will affect the successful performance of companies experiencing financial distress. These matters are still being debated. Asset retrenchment is the act of selling assets that are less effective in the hope that it will increase productivity in the short term which is the difference in total assets this year minus the total assets of the previous year. The more assets that are sold, it is hoped that the chances of a company performing a turnaround will increase. Retrenchment is an efficiency strategy by reducing resources that are deemed less effective for the company. Cutting costs, increasing efficiency and investment, and increasing company profitability have a very important role in the success of a turnaround (Schweizer & Nienhaus, 2017).

If the company is in a state of high financial distress and requires a reduction of assets and costs which will trigger additional costs as a result of retrenchment policies and trigger conflicts of trust between staff and management, work strikes, employee turnover, sabotage, additional services of low quality that need to be repaired, which could outweigh the cost and asset cuts being made. These actions could also trigger conflicts of trust between staff and management, leading to work strikes, employee turnover, sabotage, and low-quality services that require costly repair. These negative outcomes could outweigh the benefits of the cost and asset reductions. This will keep the company even further from a successful turnaround. Based on research, Schweizer and Nienhaus (2017) state that asset retrenchment has a positive effect on turnaround. Based on the description above, the hypothesis can be proposed that asset retrenchment has a positive effect on turnaround success.

Company size is one of the factors that can affect turnaround results. Company size has an important role that positively influences turnaround success because company size is a real resource (Goh & Simanjuntak, 2018; Kusumaatmaja & Fidiana, 2021; Sudarsanam & Lai, 2001). Large companies have broader resources and more choices to determine the turnaround strategy. Large companies are considered to have considerable assets. This means they can fulfill their obligations which prevents the company from experiencing financial distress. So a large company has a great opportunity to achieve a successful turnaround. Based on the description above, it can be hypothesized that company size has a positive effect on turnaround success.

A turnaround success factor is debt restructuring which is a strategy to avoid bankruptcy by converting debt into capital (Krasoff & O'Neill, 2006). Acceptance of debt restructuring is fully determined by creditors. When many creditors and individuals are not important to consider, voting rules are considered important because the problems faced by a company may be acute. When the number of creditors and individuals involved is

not significant, voting rules become crucial because the problems faced by the company may be severe. When the number of creditors and individuals involved is not significant, voting rules become crucial because the problems faced by the company may be severe. Debt restructuring is an action that needs to be taken when the company is unable to fulfill agreements with previous creditors, so the company fails to make payments. Creditors who know that the company is in a state of financial distress, should not provide loans because it will pose a risk unless management has prepared the right strategy to overcome financial distress. Debt restructuring from the perspective of the debtor (borrower) is an action that must be taken because the company cannot fulfill its commitments to creditors which results in default (Kusumaatmaja & Fidiana, 2021). By doing debt restructuring the company can overcome the problems that led to bankruptcy. Based on the description above, this hypothesis can be proposed that debt restructuring has a positive effect on turnaround success.

Several companies have succeeded in restructuring their debt and avoiding bankruptcy. In November, 2020, Tailored Brands, Inc. reported that a financial restructuring process had been successfully completed and that the plan of reorganization had been implemented, as acknowledged by the U.S. Bankruptcy Court (Randall, 2020).

Another factor to overcome financial distress that can be implemented by many companies is to carry out operational restructuring, namely in the form of reducing the number of employees (employee efficiency). Companies with poor performance will likely follow through with reducing the number of employees. Reducing the number of employees has several impacts. It can result in reducing research, advertising and product development; so changes in the number of employees can be used as a representative proxy for management actions in carrying out a turnaround (Schweizer & Nienhaus, 2017). Operational restructuring is carried out to maximize the performance of a company so the company's performance becomes healthier and so the company can continue to grow or adapt to the conditions it is facing. Management actions in the form of reducing the number of employees are often used to respond to financial distress. Companies with poor performance will likely respond by reducing the number of employees. Reducing the number of employees is positively related to reducing product research and development.

The meaning of a positive relationship is that a large reduction in employees indicates the probability that the company will experience greater changes. Conversely, companies with small employee reductions indicate a small probability of change. Reducing employees is highly favored by all companies in response to financial distress (Santana et al., 2017). This is in line with the research which says that reducing the number of employees (employee efficiency) has a positive effect on turnaround success (Santana et al., 2017). Based on the description above, it can be hypothesized that operational restructuring has a positive effect on turnaround success.

Turnaround success is associated with the efficient use of strategies, such as reducing unnecessary costs in the hope of increasing performance and profitability. The success of the turnaround is very important, given the economic crisis that Indonesia has experienced which resulted in exports and imports of textile and garment companies experiencing declines and losses. This event is an important lesson for every textile and garment company to improve the factors that influence turnaround success, so as not to go bankrupt when something similar happens (Muhani et al., 2022).

Knowing the factors that can help a company to successfully make a turnaround and get out of the financial distress experienced by a company is a very important topic to study and can be used as a consideration in making a turnaround decision. Based on the description and explanation of the background, the researcher formulates the problem as follows: (1) Does company size affect turnaround success? (2) Does asset retrenchment affect turnaround success? (3) Does debt restructuring affect turnaround success? (4) Does operational restructuring affect the success of the turnaround?

2. Method

This research uses the quantitative approach. This study includes 4 variables: company size, asset retrenchment, debt restructuring, and operational restructuring on turnaround success. The data sources to be analyzed come from the official website of the ISX during the 2017-2020 period for textile and garment companies. From the existing population, a certain amount of data will be taken to be used as a research sample.

This study uses the purposive sampling method. The samples were 11 textile and garment companies for the 2017-2020 period (Table 1). Forty-four firm years are adequate as an observation sample because they represent all of the textile and garment companies in Indonesia that meet the criteria. The 2017-2020 range was chosen taking into account that after 2020 the number of sample companies shrank, because many garment companies were liquidated and delisted from the stock exchange.

This research variable uses two types of variables, namely the dependent variable (y) and the independent variable (x). Variables are the main objects used to obtain the information needed by researchers. Following are the definitions, formulas, and measuring scales of each variable used (Table 2).

Table 1: Sampling procedure

No.	Criteria	Number
1	Textile and garment companies that have been listed on the IDX during the 2017-2020 period	21
2	Textile and garment companies that do not use the rupiah currency in their 2017-2020 financial statements	(10)
3	Researchers did not find financial reports of textile and garment companies that publish financial reports	(0)
4	The number of samples that fit the criteria	11
5	The number of samples for 4 years	44

Source: The authors.

Table 2: Variable definitions and operationalization

No.	Variables	Definition	Formulas	References
1	Turnarounds	The entity's ability to recover from financial difficulties	Z = 6.56X 1 + 3.26X 2 + 6.72X 3 + 1.05X 4	Kusumaatmaja and Fidiana, (2021), Schweizer & Nienhaus (2017)
2	Firm size	Total Asset Logs	lnTA	Krauß et al. (2015)
3	Asset retrenchment	Asset efficiency	AR $=\frac{TA_t - TA_{t-1}}{TA_{t-1}}$	Schweizer and Nienhaus (2017)
4	Debt restructuring	Improvement of the debt structure	WACC = (Wd x Kd (1-t)) + (We x Ke)	Kusumaatmaja and Fidiana (2021)
5	Operational restructuring	Employee efficiency	VACA = VA/CE	Kusumaatmaja and Fidiana (2021)

Source: The authors.

This research examines the data using statistical logistic tools. These tools are not only tested logically but also evaluated to determine the degree of determination of the entire model. The criterion for acceptance or rejection of the regression equation is based on an alpha value of less than 0.05.

The results of the goodness of fit test of this model are measured by the Chi-Square value in the Hosmer and Lemeshow test section with the condition that the value is significant. The Chi-Square test measures the difference between the observed value and the predicted value of the dependent variable. The HL (Hosmer-Lemeshow) test is a frequently employed GOF (global goodness-of-fit) test that evaluates a logistic regression model's overall fit quality. A good fitting model is indicated by the Hosmer and Lemeshow goodness of fit test when its value is greater than 0.05 because it indicates

that the model's estimates fit the data at an acceptable level and fails to reject the null hypothesis, which states that there is no difference between the observed and predicted values. Hosmer and Lemeshow's Goodness of Fit Test tests Hypothesis 0 that the empirical data fits or fits the model or there is no difference between the model and the data so that the model can be said to be acceptable.

As for the criteria in the F test, if the Hosmer and Lemeshow's Goodness of Fit Test Statistics value is equal to or less than 0.05, then Hypothesis 0 is rejected, which means that Hypothesis 0 has a significant difference between the model and the observed value so it can be said that the goodness of fit is not suitable or the model is not able to predict the value of his observations with the data. If the value of Hosmer and Lemeshow's Goodness of Fit Statistics is greater than 0.05, then Hypothesis 0 cannot be rejected and this model is able to predict the observed value or it can be said that the model is acceptable because it matches the observation data (Ghozali, 2018).

The Cox and Snell' R Square test is a test that adapts the R square test to multiple regression which is based on a likelihood estimation technique with a maximum value of less than 1 (one) so it is difficult to apply. In order to obtain the coefficient of determination results that can be applied as well as the R2 value in multiple regression, Nagelkereke's R square is used. Nagelkereke's R square is a modified coefficient of the Cox and Snell R square which aims to ensure that the results vary from 0 to 1. This can be done by dividing the Cox and Snell R square value by the maximum value (Ghozali, 2018).

3. Results and discussion

The descriptive statistical analysis studied consisted of independent variables, namely company size, asset retrenchment, debt restructuring, and operational restructuring and the dependent variable was turnaround success by processing data using SPSS. The descriptive statistical analysis focused on the independent variables - company size, asset retrenchment, debt restructuring, and operational restructuring - and the dependent variable, turnaround success, with the data processed using SPSS. Descriptive statistics can be presented in Table 3.

Table 3: Descriptive tabulation

Variables	Amount	Lowest	Highest	Average	Deviation
UP	44	26.365	29.749	27.51934	1.001499
AR	44	-855	1.135	.03932	.280790
RESTUT	44	-154	.155	.03534	.067226
RESTOP	44	-2.090	7.747	.67918	1.696790
Valid N (listwise)	44				

Source: The authors.

The results of the descriptive statistical test in Table 1, show that the variables used above are a total sample of 44 textile and garment companies listed on the IDX for the 2017-2020 period. The results provide information on the presentation of each variable. It can be concluded as follows: (1) The variable of firm size has a minimum value of 26.365 and a maximum value of 29.749 with an average value of 27.51934, and a standard deviation of 1.001499, so it can be said the distribution of data is quite large and the size of the company is said to be a large company. (2) The variable of asset retrenchment has a minimum value of -0.855 and a maximum asset retrenchment value of 1.135 with an average value of 0.03932, and a standard deviation of 0.280790, so it can be said that the data distribution is quite small and the asset retrenchment is said to be in large numbers. (3) The variable of debt restructuring proxied by weighted average cost of capital (WACC) has a minimum value of -0.154 and a maximum debt restructuring value of 0.155 with an average value of 0.03534, and a standard deviation of 0.067226, so it can be said that the distribution of data is quite small and debt restructuring is low level. (4) The variable of operational restructuring or reducing the number of employees (value added capital employed - VACA) has a minimum value of -

2.090 and a maximum value of operational restructuring (VACA) of 7.747 with an average value of 0.67918, and a standard deviation of 1.696790, so it can be said that the distribution of data is quite small and the restructuring operational or employee reduction is said to be in large numbers.

The feasibility of the regression model (good of fit test) is used to assess whether the regression model is hypothesized to fit or not with the data. From the display of the Hosmer and Lemeshow table, a value of 14.207 is obtained with a significant probability indicating a value of 0.077 which is greater than 0.05, so the null hypothesis is accepted. This shows that the regression model is suitable for further analysis because there is no significant difference between the predicted classification and the observed classification as follows:

Table 4: Testing the feasibility

Step	Chi-Square	Df	Sig
1	14.207	8	0.77

Source: The authors.

This regression model is used to assess the suitability between the model hypothesized to be fit or not with the assessed data, based on a comparison of -2log-likelihood (-2LL) block number = 0 at the beginning and -2log likelihood (-2LL) at the end of the block number =1. If there is a decrease in value between the initial -2LL and the final -2LL, it means that the model fits the data.

This coefficient of determination test is useful for measuring the independent variable in explaining the dependent variable (turnaround success) as seen from the Cox & Snell R Square and Nagelkerke R Square values.

Table 5: Overall fit model testing

Iterations		-2 log-likelihoods	Coefficients Constant
Step 0	1	57.682	.545
	2	57.682	.560
	3	57.682	.560
a. Constant is included in the model			
b. Initial -2 Log-Likelihoods: 57.684			
c. Estimation terminated at iteration number 2 because parameter estimates changed by less than .001			

Source: The authors.

Tables 4 and 5, show that the value is -2LL at the beginning (Block Number = 0), where the model only includes a constant of 57,582, while the value is -2LL at the time (Block Number = 1). However, where the model includes constants and independent variables the value becomes 44,898. This indicates a decrease in the value of -2LL, which means that the regression model is good or fits with the data.

This coefficient of determination test is useful for measuring independent variables, namely company size, asset retrenchment, debt restructuring proxied by WACC, and operational restructuring or reducing the number of employees (VACA).

The Cox & Snell R Square value is 0.252 and the Nagelkerke R Square 0.345. From the results obtained it can be concluded that the dependent variable (turnaround success) can be explained by the independent variable of 34.5% and the remaining 65.5% is explained by other variables outside the study.

Table 6: Model summary

Step	-2 log-likelihoods	Cox & Snell R Square	Nagelkerke R Square
1	44.898[a]	.252	.345
Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.			

Source: The authors.

This classification table serves to predict whether the calculation is right or wrong in describing the probability of a company successfully carrying out a turnaround. There are two predictions, namely turnaround (1) and non-turnaround (0). Based on Table 4, the prediction of the overall regression model is 86.4%. This shows that there were 16 companies (68.8%) that failed to make a turnaround out of a total of 44 companies during the 2017-2020 period. The following is a classification table expressed in percentage form (Table 7).

Meanwhile, the predictive power of companies that successfully perform turnarounds is 96.4%. This shows that with the regression model, 28 companies completed a turnaround out of a total of 44 companies during the 2017-2020 period.

This model test aims to examine the significance level of the independent variables (company size, asset retrenchment, debt restructuring, and operational restructuring). The result of the omnibus test of a model coefficient is 12,784 with a significance level of 0.012 less than 0.05.

This model test aims to examine the significance level of the independent variables (company size, asset retrenchment, debt restructuring, and operational restructuring). The result of the omnibus test of a model coefficient is 12,784 with a significance level of 0.012 less than 0.05.

Table 7: Summary of classification

Step	Observed		Prediction		
			Turnaround		Percentage correct
			0	1	
1	Turnaround	0	11	5	68.8
		1	1	27	96.4
Overall percentage					86.4
a. The cut value is .500					

Source: The authors.

This means that company size, asset retrenchment, debt restructuring, and operational restructuring simultaneously affect the success of the turnaround process. The results of the model test can be shown in Table 8. This Wald test aims to determine the significance level of each independent (free) variable on the dependent (dependent) variable which can be seen in the table of variables in the equation with logistic regression testing using a significance level of α = 0.05. The regression coefficient can be determined using the Wald statistic and the probability value (sig).

Table 8: Summary of model tests

		Chi-Square	Df	Sig
Step 1	Step	12.784	4	0.12
	Blocks	12.784	4	0.12
	Model	12.784	4	0.12

Source: The authors.

Table 9: Wald test results

		B	SE	Wald	Df	Sig
Step 1[a]	UP	.209	.385	.296	1	.586
	AR	.775	1,326	.341	1	.559
	RESTUT	18.786	7.782	5.828	1	.016
	RESTOP	.338	.326	1.079	1	.299
	Constanta	-.042	10.677	.320	1	.571
Variable(s) entered on step 1: UP, AR, RESTUT, RESTOP						

Source: The authors.

Based on the model above, it can be stated that the interpretation seen in the display of the variable output in the equation model analysis is as follows:

$$\text{Ln } \frac{p}{1-p} = -0.042 + 18.786 \text{ RESTUT} + 0.775 \text{ AR} + 0.338 \text{ RESTOP} + 0.209 \text{ UP} \quad (1)$$

From the logistic regression equation above it can be explained that the independent variables: (1) company size obtained a Wald value of 0.296 with a significance level of 0.586 greater than 0.05 and the regression coefficient is positive at 0.209, so it is concluded that company size does not affect the success of the turnaround process; (2) asset retrenchment obtained a Wald value of 0.341 with a significance level of 0.559 greater than 0.05 and a positive regression coefficient of 0.775, so it is concluded that asset retrenchment does not affect the success of the turnaround process; (3) debt restructuring proxied by WACC obtained a Wald value of 5.828 with a significance level of 0.016 less than 0.05 and a positive regression coefficient of 18.786, so it can be concluded that debt restructuring affects the success of the turnaround process; (4) restructuring proxied by

VACA obtained a Wald value of 1.079 with a significance level of 0.299 greater than 0.05 and a positive regression coefficient of 0.338, so it was concluded that operational restructuring did not affect the success of the turnaround process.

Based on the results of the logistic regression test, it can be seen that firm size has a positive regression coefficient value of 0.209 with a sig. 0.586 greater than 0.05 (α). This means that company size does not affect turnaround success, so the hypothesis that states that company size does not affect the probability of a company doing a turnaround or, the hypothesis is rejected.

A large company certainly has extensive resources and more choices for determining a turnaround strategy, so large companies find it easier to obtain additional funds from investors and creditors when the company experiences financial distress. Large companies find it easier to recover by using their assets. However, these findings indicate that the size of the company does not affect the success of the turnaround, because large companies tend to have a slower response to problems because they have convoluted internal procedures and these are considered to lead to a lack of efficient oversight of operational activities and strategies by management, as well as various working relationships so the detection of a decrease in performance is not visible. During the pandemic, the textile and garment companies experienced a decline in performance due to reduced company income, which put the companies under real threat. So the size of a company does not affect the success or failure of the company in carrying out turnaround actions to save the company.

The results of this study support previous research which stated that company size did not affect the success of the turnaround process (Goh & Simanjuntak, 2018; Sudarsanam & Lai, 2001). It can be said that whether the company is of large or small size does not affect the success of the turnaround process.

Based on the results of the logistic regression test, it can be seen that asset retrenchment has a positive regression coefficient value of 0.775 with a sig. 0.559 which is greater than 0.05 (α). This means that asset retrenchment has a positive but not significant effect on the probability of turnaround success. So changes in asset value retrenchment of the company do not affect the probability of the company successfully performing a turnaround or the hypothesis being rejected.

In this study, it was found that asset retrenchment must be high so the company can guard against internal or external problems that affect company performance. To increase company efficiency, asset reduction provides a quick source of funds for companies experiencing financial distress, which results in the company selling its assets in response to a decline in financial performance, so the company succeeds in carrying out a turnaround. However, in hypothesis testing, excessive reduction in assets and not following the company's conditions will be detrimental to the company, because asset retrenchment will result in reduced wealth owned by the company to support the sustainability of the company's operational activities; so asset retrenchment must be carried out optimally.

If asset retrenchment has been carried out but still cannot help the company get back on its feet, then assets can be maintained, namely through borrowing. Borrowing assets will be maintained and cash flow will be helped, so little by little the company can start again. Under certain conditions, maintaining assets is better than having to retrench assets (selling assets) for reasons of being efficient (Morrow et al., 2004). This shows that the size of the asset retrenchment is not able to influence the success of the turnaround process in textile and germ garment companies.

The results of this study support previous research conducted by Kusumaatmaja and Fidiana (2021), Morrow et al. (2004), Schweizer and Nienhaus (2017)), which did not find that asset retrenchment would help turnaround success. The results of this study with previous studies have the same results. So it can be concluded that asset retrenchment does not affect turnaround success. Asset retrenchment cannot be a determinant of turnaround success because it is not necessarily in line with the number of assets owned.

Based on the results of the logistic regression test, it can be seen that debt restructuring has a positive regression coefficient value of 18.786 with a sig. 0.016 which is smaller than 0.05 (α). This means that debt restructuring has a positive effect on the probability of a successful turnaround or, the hypothesis is accepted. Debt restructuring is carried out when the company is unable to fulfill agreements with creditors to fulfill long-term and short-term obligations. So the company has failed to pay. Debt restructuring is an act of negotiation carried out

by debtors and creditors. Debt restructuring is calculated using the WACC, which has several economic elements, namely the market value of the company's debt, the market value of the company's equity, the cost of debt, the cost of equity, and the marginal tax rate. Financial stability is the main goal for every firm (Nguyen et al., 2022). The results of this study have proven that the greater the effort made by a company by carrying out a debt restructuring strategy related to long-term and short-term liabilities, the greater the company's success in increasing financial performance or turnaround.

Management can carry out debt restructuring by trying to ask creditors for an extension of time for debt repayment until the company has sufficient cash to pay off the debt. With the existence of a special conception given by creditors to debtors, debt restructuring can be a debt payment with easier conditions than the terms of debt repayment before debt restructuring. Debt restructuring is the activity or decision taken by a business to reorganize its debts with creditors in an effort to escape financial troubles. The business won't go into default or even declare bankruptcy. If the corporation is eventually able to pay off its debts, creditors won't suffer damages from default. The company's debt greatly affects the success of the turnaround. During the pandemic, textile and garment companies experienced threats because they could not pay off their obligations, so during the pandemic the government paid attention by establishing a debt relief policy for debtors who had debts of less than one billion, provided that the debt was supported by collateral in the form of land and buildings. The government also helped by providing relief in the form of reductions in principal, interest, and fees or other costs and if the company was finding it very difficult to pay bills or interest on debt, then there was the possibility of creditors diverting the company's debt into capital or shares. This study also has the same results which state that debt restructuring affects the success of the turnaround success process (Krasoff & O'Neill, 2006; Kusumaatmaja & Fidiana, 2021).

Based on the results of the logistic regression test, it can be seen that operational restructuring has a positive coefficient value of 0.338 with a sig. 0.299 which is greater than 0.05 (α). This means that operational restructuring has a positive but not significant effect on the probability of turnaround success. So the reduction of company employees does not affect the probability of the company to successfully carry out a turnaround or, the hypothesis is rejected.

Operational restructuring by reducing the number of employees proxied by the calculation of VACA. Reducing a large number of employees when a company experiences a decline in performance is a common thing that companies do because this action is included in operational efficiency by using resources productively and economically so the company can be expected to be successful in carrying out the turnaround process. However, in the hypothesis test, it was found that the size of the employee reduction did not affect the success of a company's turnaround process. Reductions in employees have a significant effect, especially in terms of funds, because companies must pay pensions or severance pay and other benefits to employees who have been laid off. In addition, the reduction of employees in large numbers causes production activities to decrease. This will be burdensome for a company that is experiencing financial distress, which can then be fatal. Companies in Indonesia use a lot of human labor (labor-intensive), so if there is a large reduction in employees, it will kill the company's business when there is a decline in performance and the company will not succeed in recovery or turnaround. The results of this study support previous research which states that operational restructuring by reducing employees does not help turnaround success (Schweizer & Nienhaus, 2017). It can be concluded that operational restructuring does not affect turnaround success.

4. Conclusion

This study aims to present empirical evidence regarding the prediction of the probability of successful turnaround for textile and garment companies listed on the IDX for the period 2017-2020 using independent variables that are predicted to affect the success of a company's turnaround, namely company size, asset retrenchment, debt restructuring, and operational restructuring. The following are the conclusions drawn from the results of testing all hypotheses: (1) The variable firm size does not

affect the success of the turnaround process. (2) The asset retrenchment variable does not affect the success of the turnaround process. (3) The debt restructuring variable proxied by WACC influences the success of the turnaround process. (4) The operational restructuring variable with employee reduction proxied by VACA does not affect turnaround success. The number of companies that managed to turnaround was 7 (64%) companies, while companies that failed to turn around were 4 (36%) companies.

In future research, it is recommended to incorporate average operating income as a control or moderating variable. This will allow for a more nuanced analysis of the effects of financial distress, whether stemming from poor company performance or declining operating income, and provide a clearer understanding of the impact of management efforts on turnaround probability. Additionally, future studies should expand their scope to include various industries such as mining, telecommunications, manufacturing, and others to enhance the generalizability of the findings.

This study has several limitations that must be taken into consideration for future researchers: The small sample size and the specific industry focus could limit the generalizability of the findings. Suggesting how future research could address these limitations would be beneficial. We suggest future research for incorporating average operating income as a control variable and expanding the industry scope.

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