Impact of Net Working Capital and Net Sales on Profitability of PT XYZ

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Abstract. This study aims to analyze the effect of net working capital and net sales on net profit at PT Mayora Indah Tbk during the 2014–2024 period. Methodology/approach – This study uses a quantitative method with annual financial report data for eleven years and is analyzed using multiple linear regression, t-test, F-test, and coefficient of determination with the help of SPSS software version 25. Findings – The results of the study show that net working capital has a significant positive effect on net profit, net sales have no significant effect, and simultaneously both have a significant effect with a determination value of 80.8%. Novelty/value – The novelty of this research lies in the long analysis period covering the COVID-19 pandemic and the finding that efficient working capital management plays a greater role in increasing profits than increasing sales.

Keywords: Net Working Capital; Net Sales; Net Profit;

A. INTRODUCTION

The development of the economic industry in the current era of globalization exhibits extremely rapid and complex dynamics. The instability of global economic conditions poses a significant challenge for global businesses to survive and thrive amidst increasingly fierce competition. Every company is required to maintain optimal financial performance while maintaining business continuity. Profitability is a crucial indicator in assessing this performance because it reflects a company's ability to generate profits from its operational activities (Hery, 2017). To achieve the desired level of profitability, companies must be able to manage factors that influence profit, including net working capital and net sales. Net working capital demonstrates a company's ability to efficiently manage current assets and short-term liabilities, while net sales reflect the effectiveness of marketing strategies that contribute to increased

revenue and profit (Mulyadi & Suharsi, 2018).

Several previous studies have explained the relationship between net working capital, net sales, and net profit, but the results remain inconsistent. Nurjanah and Nurmaynti (2019) found that working capital significantly impacted net profit at PT Mayora Indah Tbk, while Anggraeni and Kusmawati (2024) found that net working capital had no significant effect on net profit at PT Indofood Sukses Makmur Tbk. Meanwhile, Jawad (2018) and Agustina, Prayogo, and Faturahman (2022) found that net sales significantly impacted net profit. However, these results differ from the research by Hasibuan and Kusjono (2022), which showed that sales had no significant effect on net profit at PT Fast Food Indonesia Tbk. These differences indicate that the influence of net working capital and net sales on net profit is not yet conclusive and requires further study in different industry contexts and time periods.

This study extends the time horizon to 11 years (2014–2024) and considers the impact of the COVID-19 pandemic on company financial performance. The research focuses on PT Mayora Indah Tbk, a food and beverage company with fluctuating performance but able to survive periods of global economic downturn. Drawing on the financial management theory of Brigham and Houston (2018), which emphasizes the importance of efficient working capital management in increasing profitability, and the marketing theory of Kotler and Keller (2016), which highlights the influence of sales effectiveness on profit growth, this research is expected to provide theoretical and practical contributions to the development of corporate financial management.

This research aims to analyze the effect of net working capital and net sales on net profit at PT Mayora Indah Tbk for the period 2014–2024. The novelty of this research lies in the long analysis period, encompassing the pandemic, and the focus on the food and beverage sector. This is expected to enrich the empirical literature and provide a practical reference for corporate financial decision-making.

B. LITERATURE REVIEW

Management according to Hasibuan (2016) includes the activities of planning, organizing, directing and supervising so that work can be carried out well and organizational goals are achieved. According to Afandi (2018:1), "management is the process of collaboration between employees to achieve predetermined organizational goals with the help of organizational resources—human, financial, physical, technological, method, and market—efficiently and effectively". According to Aditama (2020), management functions include planning, organizing, implementing, and controlling which aim to regulate and direct all resources so that organizational activities run effectively according to predetermined plans.

According to Dra. Erwin Dyah Astawinetu, MM (2020), in his book "Financial Management," financial management is the management of financial functions, namely how to raise funds and how to use funds (allocation of funds). According to Sujai (2022), in his book "Financial Management," it can be concluded that financial management is the activity of planning, organizing, directing, and supervising organizational resources in the form of money in order to achieve company goals. According to Kasmir (2017:22), he stated his opinion that: "Financial management is the art and science of managing money, which encompasses the processes, institutions, markets, and instruments involved in the transfer of money between individuals, businesses, and governments". Based on the definition above, finance is the activity of planning, managing storage, and allocating funds in various forms of investment efficiently and effectively, as well as efforts to collect funds for financing investment or learning efficiently.

Financial statements are the final result of the accounting process, presenting information about a company's financial condition, business performance, and cash flow over a specific period. These documents serve as the basis for decision-making by both internal and external parties, such as management, investors, creditors, and other stakeholders. According to Munawir (2019), financial reports consist of five main elements that complement

each other to provide a comprehensive picture of the company's financial condition, namely the balance sheet that shows the company's financial position at a certain time, the income statement that describes the company's financial performance and profitability, the statement of changes in equity that explains changes in capital or owner's wealth, the cash flow statement that shows cash inflows and outflows from various activities, and notes to the financial statements that provide detailed explanations regarding the items and accounting policies used.

The main functions of financial management according to Sudana (2021), include financial planning to prepare plans for the use of funds, financial budgeting to regulate income and expenses according to plans, financial control to ensure budget implementation runs according to targets, and fund management to optimize capital use and increase company value. This is important for calculating financial ratios such as Net Working Capital, Net Sales and Profitability.

Financial ratios are tools used to assess the performance of company management through various aspects, such as activity ratios, liquidity ratios, solvency ratios, and profitability ratios.

Focus on this research, used Net Working Capital according to Kasmir (2019), is the difference between a company's total current assets and total current liabilities. Net working capital serves to finance the company's daily operations, ensuring smooth operation and ensuring short-term liquidity. According to Sofyan and Wicaksono (2021), net working capital is a crucial financial resource for maintaining a company's operational continuity, particularly in the face of fluctuations in sales or purchasing activity. It can be concluded that net working capital is the difference between current assets and current liabilities, indicating a company's ability to meet its short-term obligations and support smooth day-to-day operations. Adequate net working capital reflects a healthy financial condition, maintains liquidity, and ensures the continuity of a company's operational activities, particularly when fluctuations in sales or purchasing activity occur. Based on these theories, the more efficient the management of net working capital, the smoother the operational activities and the greater the company's ability to generate profits.

According to Abdullah (2017:23), "Sales are complementary or supplementary activities to purchasing, enabling transactions to occur. Therefore, purchasing and selling activities are integrated to facilitate the transfer of rights and transactions". According to Harahap (2021), sales are a company's primary source of revenue, influencing the size of the net profit earned after deducting all costs and expenses. In conclusion, net sales are the process of exchanging goods or services that serves as a company's primary source of revenue and also determines the size of net profit after deducting costs and expenses. Sales are also closely related to the net working capital position because high sales can increase cash and accounts receivable, thereby strengthening the company's current assets. Based on this theory, an increase in net sales will directly increase net profit, as long as cost control is effective.

According to Hery (2018), net profit is profit before income tax is deducted from income tax. According to Hery (2017:40), net profit is defined as "derived from revenue, expense, gain, and loss transactions. These transactions are summarized in the income statement. Profit results from the difference in resources spent during a specific period". Therefore, it can be concluded that net profit reflects the final results of all company activities after deducting income tax and is the primary measure of a company's performance and ability to generate profits.

Based on the conceptual framework of this study, it illustrates the relationship between Net Working Capital, Net Sales as independent variables, and Net Profit as dependent variables. Therefore, the hypothesis proposed in this study is as follows:

H_1 : It is suspected that there is a partial influence of the Net Working Capital on the Net Profit.

H_2 : It is suspected that there is a partial influence of Net Sales on the Net Profit.

H_3 : It is suspected that there is a simultaneous influence of Net Working Capital and Net Sales on the Net Profit.

C. RESEARCH METHODOLOGY

This study uses a quantitative explanatory approach to examine the effect of Net Working Capital and Net Sales on Net Profit at PT Mayora Indah Tbk, both partially and simultaneously. This study utilizes secondary data obtained from PT Mayora Indah Tbk's annual financial statements for the 2014–2024 period, accessed through the company's official website (www.mayoraindah.co.id) and other relevant supporting sources.

The population used in this study is PT Mayora Indah Tbk's annual financial statements for the study period, including the audited balance sheet and income statement. The sample size for this study was 11 years, drawn using purposive sampling based on data availability and completeness.

To ensure clarity and accuracy of measurement, each variable in this study is operationally defined. Net working capital is the difference between total current assets and total current liabilities, reflecting the company's ability to meet its short-term obligations with its assets. Net sales represent the company's actual revenue from sales activities after deducting sales returns, allowances, and discounts, thus representing the net result of sales operating activities. Meanwhile, net profit is the final result of all company activities after deducting income tax expenses, and is used as the primary measure of a company's performance in generating profits over a specific period.

The analytical method used is multiple linear regression to measure the influence of Net Working Capital (X_1) and Net Sales (X_2) on Net Profit (Y). To minimize potential bias and ensure the results, this study first conducted rigorous classical assumption tests, including tests for normality (using the Kolmogorov-Smirnov method), multicollinearity, heteroscedasticity (using the Scatterplot method), and autocorrelation (using the Durbin-Watson method). This step aims to ensure that the regression model meets the required statistical requirements so that the results can be interpreted validly and contextually to the conditions of PT Mayora Indah Tbk.

Descriptive statistical analysis is used to provide an overview of the research data. Hypothesis testing was conducted using the t-test to test partial effects, the F-test to test simultaneous effects, and the coefficient of determination (R^2) test to determine the contribution of the independent variables to the dependent variable with a significance level of 5% ($\alpha = 0.05$). The entire data analysis process was conducted using SPSS version 25 software.

D. RESULTS AND DISCUSSION

According to Ghozali (2018), descriptive statistics is the initial stage in quantitative data analysis, aiming to provide a comprehensive overview of the characteristics of research data. Descriptive statistics are used to display and summarize sample data using measures of central tendency such as the mean, median, and mode, as well as measures of dispersion such as variance, standard deviation, minimum, maximum, and range.

Descriptive Statistics

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Net Working Capital	11	3.394.431	12.217.804	7.684.419,45	2.770.461,874
Net Sales	11	14.169.088	36.072.949	24.350.079	6.960.203,346
Net Profit	11	409.619	3.244.872	1.824.649,73	815.149,421
Valid N (listwise)	11				

Source: Data processed by SPSS version 25

The results of descriptive statistics show that the Net Working Capital variable (X1) has a minimum value of 3,394,431, a maximum value of 12,217,804, with an average value (mean) of 7,684,419.45, and a standard deviation of 2,770,461.874. The average value indicates that during the study period, the average net working capital of PT Mayora Indah Tbk is relatively high and tends to experience a stable increase from year to year. Meanwhile, the fairly large standard deviation value indicates significant fluctuations in the amount of net working capital during the observation period. These fluctuations can be caused by changes in working capital requirements due to business expansion, variations in raw material prices, and changes in the company's current assets and current liabilities.

The Net Sales variable (X2) has a minimum value of 14,169,088, a maximum value of 36,072,949, with a mean value of 24,350,079, and a standard deviation of 6,960,203.346. This mean value indicates that PT Mayora Indah Tbk was able to maintain strong sales levels during the study period (2014–2024). Meanwhile, the relatively high standard deviation indicates a significant difference between years with low and high sales levels. This condition reflects the company's sales dynamics, which are influenced by factors such as national economic conditions, consumer market trends, and the company's global distribution and expansion strategies.

The descriptive statistics result shows that the Net Profit (Y) variable has a minimum value of 409,619, a maximum value of 3,244,872, with an average value (mean) of 1,824,649.73, and a standard deviation of 815,149.421. This average value indicates that in general PT Mayora Indah Tbk is able to maintain a good level of profitability during the research period. Meanwhile, the fairly large standard deviation value indicates fluctuations in net profit from year to year. This variation can be caused by changes in sales levels, production cost policies, and management efficiency in controlling operational expenses and the company's business strategy.

Multiple Linear Regression Analysis

This analysis was conducted to determine the extent of influence of the independent variables on the dependent variables, namely Net Working Capital and Net Sales, on Net Profit at PT Mayora Indah Tbk.

Table 2. Multiple Linear Regression Analysis

Model	Unstandardized B	Std. Error	t-value	Sig.
(Constant)	9248.015	449257.184	0.021	0.984
Net Working Capital	0.365	0.125	2.929	0.019
Net Sales	-0.041	0.050	-0.819	0.436
a. Dependent Variable: Net Profit				

Source: Data processed by SPSS version 25

Based on the results of the multiple linear regression analysis shown in the table above, the following regression equation was obtained:

$$Y = 9248,015 + 0,365\ X_1 - 0,041\ X_2 + e$$

The results of the regression analysis show that the constant has a positive value of 9248.015, which means that when the independent variable is zero, the net profit is 9248.015. The Net Working Capital variable has a positive effect of 0.365, which indicates that every one unit increase in net working capital will increase net profit by 0.365. Meanwhile, the Net Sales variable has a negative coefficient of -0.041, which indicates that a 1% increase in sales actually decreases net profit by 0.041, assuming other variables remain constant.

The result of the article contains the data analysis written descriptively using Calibri 12. Tables and figures in each article is three (3) at most, B&W, not colorful.

Discussion presents each of the findings compared to relevant theories or previous studies, actual facts, comments, and reasonable analysis from researchers.

Hypothesis Testing

t-test

The purpose of this test is to determine whether the independent variable has an independent effect on the dependent variable. In this study, to determine the t-table value, the value was set at a 5% significance level (α = 0.05), with df = n – k – 1.

Table 3. t-test

Model	t-value	t-table (a=0,05)	Sig.
(Constant)	0.021	2.306	0.984
Net Working Capital	2.929	2.306	0.019
Net Sales	-0.819	2.306	0.436
a. Dependent Variable: Net Profit			

Source: Data processed by SPSS version 25

The t-test shows that Net Working Capital has a positive and statistically significant effect on Net Profit, as indicated by the calculated t-value of 2.929 > t-table 2.306 with a significance level of 0.019 < 0.05. On the other hand, Net Sales does not have a significant effect on Net Profit, with a calculated t-value of -0.819 < t-table 2.306 and a significance level of 0.436 > 0.05. These results indicate that increasing the efficiency of working capital management is able to encourage an increase in the company's net profit, while an increase in sales is not always followed by an increase in profits due to the possibility of an increase in production costs, distribution costs, or other external factors that affect profit margins.

F Test

The F test aims to determine whether the independent variables (X), namely Net Working Capital and Net Sales, simultaneously influence the dependent variable (Y), namely Net Profit. The significance level for this F test is 5%, meaning the confidence level is 95% (100% - 5%).

Table 4. F Test

Model	Df	Mean Square	F	Sig.
Regression	2	2.811E+12	21.991	0.001[b]
Residual	8	1.278E=11		
Total	10			
a. Dependent Variable: Net Profit				
b. Predictors: Net Sales, Net Working Capital				

Source: Data processed by SPSS version 25

The F test above, which evaluates the simultaneous influence between Net Working Capital and Net Sales, yields significant results, with an F value of 21.991 and a significance level of 0.001. It is proven that both variables, when considered simultaneously, significantly affect the company's profitability, indicating that the effectiveness of working capital management and sales performance collectively play a crucial role in determining the level of net profit of PT Mayora Indah Tbk.

Coefficient of Determination (R^2) Test

Based on the number of independent variables used in the study, the coefficient of determination test is listed in the Adjusted R Square table and is displayed as a percentage (%). The goal is to determine and understand the degree to which the dependent variable or related variable can be simultaneously affected by the magnitude of the independent variables.

A relatively low coefficient of determination indicates that the independent variables are inadequate or limited in their ability to describe fluctuations in the dependent variable.

Table 5. Coefficient of Determination (R^2) Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.920[a]	0.846	0.808	357530.692

a. Predictors: (Constant): Net Working Capital, Net Sales
b. Dependent Variable: Net Profit

Source: Data processed by SPSS version 25

Based on the table above, the Adjusted R Square (R2) coefficient is 0.808, or 80.8%. Therefore, the influence of the independent variables, namely Net Working Capital and Net Sales, on the dependent variable, namely Net Profit, is 80.8%, while the remaining 19.2% is influenced by other variables not examined in this study.

E. CONCLUSIONS AND SUGGESTIONS

This study aimed to understand the partial and simultaneous influence of Net Working Capital and Sales on Net Profit at PT Mayora Indah Tbk during the 2014-2024 period. First, Net Working Capital partially had a positive and significant effect on Net Profit at PT Mayora Indah Tbk during the 2014-2024 period. This is evident from the calculated t-value of 2.929 > t-table 2.306 with a significance value of 0.019 < 0.05. This means that the more efficient the management of net working capital, the greater the company's ability to increase its profitability.

Second, Net Sales partially had a negative but insignificant effect on Net Profit, as evidenced by the calculated t-value of -0.819 > t-table 2.306 with a significance value of 0.436 < 0.05. This means that increased sales are not always accompanied by increased profits, possibly due to increased operating costs, cost of goods sold, or suboptimal efficiency factors. Third, Net Working Capital and Net Sales simultaneously had a positive and significant effect on Net Profit, as evidenced by the calculated f value > f table (21.991 > 4.46) and a significance value of 0.001 < 0.05, contributing 80.8% of the influence. The remaining 19.2% was explained by factors outside the research variables, such as cost structure, managerial strategy, and macroeconomic conditions. These results confirm that effective working capital management plays a crucial role in maintaining financial stability and increasing company profits. High sales need to be balanced with cost efficiency to optimally contribute to profitability.

These results can serve as a reference for companies in strengthening their financial and operational management strategies. Companies can place greater emphasis on controlling net working capital, such as accelerating accounts receivable turnover, optimizing inventory, and maintaining a balance between current assets and short-term liabilities, to ensure smooth operational activities without creating liquidity pressures. Furthermore, companies need to focus on sales efficiency by reducing operational costs, improving product quality, and expanding market share so that revenue can truly contribute to increasing net profit.

For future researchers, the results of this study can serve as a basis for developing similar research by adding other variables that could potentially influence net income, such as operating costs, capital structure, company size, and macroeconomic conditions. The addition of these variables is expected to provide a more comprehensive understanding of the various factors that influence a company's financial performance, particularly in the context of profitability.

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