

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

The development of a company can be seen on how a company manage existing funds to get a profit. Size of the profit is important for a company to assess the management performance and help to estimate the ability to generate profit in long term. It is also used as a tool to communicate the financial statements or company activities to the parties. Company profit can be seen in the company's financial statements. As stated in Handayani (2018), getting an optimal profit is not an easy thing because a profit is affected by the amount of existing capital and the funds from outside parties in form of debt. The report usually used is the income statement, which provides the information of income, expenses and profit or loss of a company in a certain period. It also contains the amount of the net income obtained by the company.

Optimal profit and survival is the company's goal. In order to achieve the goals, the company needs to develop a good profit plan, a good cooperation and integrated functions in the company.

The company also needs to prepare the resources by obtaining internal capital or utilizing capital loans and determine the balance in the capital structure that used in the company so it can maintain and increase the profits. (Hendry Setyawan and Sutapa, 2006).

Jumirin (2011) stated that profit can be calculated in a various way to generate a certain profit. Profit is calculated based on a neutral concept regardless the party.

The company's capital structure is recommended to be balanced between own capital and debt capital. Some companies choose their own funds by issuing their new shares on Indonesia Stock Exchange (IDX). It is chosen because it can be the main source of external capital for companies and government. The existence of capital market makes a company easier in searching for the investors. In certain conditions the company cannot meet its funding needs only by relying on internal funding. Thus, in meeting these funding source, the companies can use external funding.

There are some components that can affect a profit in a company, such as revenue from sales and costs. A revenue is an increase in capital resulting from selling goods or rental of services. Income is proportional to the cash and receivables as the compensation for delivered goods or rented services (Arfan, 2009). Costs represent a decrease in capital caused by business production operations. Costs is equivalent to the value of the goods and services used or consumed to earn income.

A net income can describes the company's results of the operations. The results can be seen from the main activities of the company itself and from the outside activities of the company. The results of the net income illustrates that during a certain period, the company has succeeded to obtain profits from the company's activities. Then, this net income or profit will be deducted by the tax income and will get the number of net profit after tax. It is really important to be able to understand and interpret the financial condition of a company by understanding the profit and knowing what is measured by profits. The changes in profit implies that the company has a good finances which in turn will increase the value of the company itself.

One of the factors that really affects profit is capital because in building a company, it requires a lot of capital to maintain the expenses everyday for the operational activities. For some companies that have a large capital, it would not be difficult to develop their business.

Proper working capital management can be seen from the accuracy of its use. The working capital is usually used to purchase fixed assets, debt payments, share purchases, dividend payments and payment for expenses. The available working capital is the level of the company's ability to generate the available capital for meet the needs of the company by reducing current assets with current debt. (Riyanto, 2011)

There are many ways that can be taken to get a bigger profit. One way to obtain the optimal profit is to increase the optimal level of sales. Sales for every

company are very important and the sales must be the most valuable profit meaning compared to the other activities in the company. (Akbar and Astuti, 2017)

Debts are financial obligations of the company to the other parties that have not been fulfilled. This debt is source of company capital originating from creditors (Munawar, 2017). Total debt is a sum of short – term debt and long – term debt. Combination of both will increase the company’s debt but high debt can be used to lower corporate taxes and it makes profits (Julio, 2016). The enhance of debt will affect the size of company profit. It will reflect the ability of the company to fulfil all obligations because the greater use of debt will cause a bigger obligation.

Based on the data obtained from a food and beverages company listed on the IDX in 2017 – 2021, the progress can be seen as follows :

Table 1.1 Data of Capital, Sales, Debt and Net Income Listed in Indonesia Stock Exchange for the period 2017 – 2021.

COMPANIES	YEAR	CAPITAL	SALES	DEBT	NET INCOME
CEKA	2017	544.096.879.729	4.257.738.486.908	489.592.257.434	107.420.886.839
	2018	650.910.858.422	3.629.327.583.572	192.308.466.864	92.649.656.775
	2019	845.211.547.495	3.120.937.098.980	261.784.845.240	215.459.200.242
	2020	994.945.460.404	3.634.297.273.749	305.958.833.204	181.812.593.992
	2021	1.074.980.527.278	5.359.440.530.374	310.020.233.374	187.066.990.085

MYOR	2017	6.200.571.248.357	20.816.673.946.473	7.561.503.434.179	1.630.953.830.893
	2018	7.883.348.340.759	24.060.802.395.725	9.049.161.944.940	1.760.434.280.304
	2019	9.049.743.242.312	25.026.739.472.547	9.137.978.611.155	2.039.404.206.764
	2020	9.279.393.134.365	24.476.953.742.651	8.506.032.464.592	2.098.168.514.645
	2021	7.399.010.405.873	27.904.558.322.183	8.557.621.869.393	1.211.052.647.953
ICBP	2017	9.751.743.000.000	35.606.593.000.000	11.295.184.000.000	3.543.173.000.000

	2018	6.886.170.000. 000	38.413.407.00 0.000	11.660.003.0 00.000	4.658.781.000. 000
	2019	10.068.566.00 0.000	42.296.703.00 0.000	12.038.210.0 00.000	5.360.029.000. 000
	2020	11.540.059.00 0.000	46.641.048.00 0.000	53.270.272.0 00.000	7.418.574.000. 000
	2021	15.101.504.00 0.000	56.803.733.00 0.000	63.342.765.0 00.000	7.900.282.000. 000
INDF	2017	10.877.636.00 0.000	70.186.618.00 0.000	41.298.111.0 00.000	5.145.063.000. 000
	2018	2.068.516.000. 000	73.394.728.00 0.000	46.620.996.0 00.000	4.961.851.000. 000
	2019	6.716.583.000. 000	76.592.955.00 0.000	41.996.071.0 00.000	5.902.729.000. 000
	2020	10.442.363.00 0.000	81.731.469.00 0.000	83.998.472.0 00.000	8.752.066.000. 000
	2021	13.779.995.00 0.000	99.345.618.00 0.000	92.724.082.0 00.000	11.203.585.00 0.000
ROTI	2017	1.292.760.907. 779	2.491.100.179. 560	1.739.467.99 3.982	135.364.021.1 39
	2018	1.350.987.149. 189	2.766.545.866. 684	1.476.909.26 0.772	127.171.436.3 63
	2019	767.472.725.8 73	3.337.022.314. 624	1.589.486.46 5.854	236.518.557.4 20
	2020	1.145.050.058. 768	3.212.034.546. 032	1.224.495.62 4.254	168.610.282.4 78
	2021	798.844.014.6 37	3.287.623.237. 457	1.341.864.89 1.951	281.340.682.4 56

Source: Prepared by Writer (2022)

Based on the table above, we can see the working capital, sales, debt, and net income of the manufacturing companies in the food and beverages industry listed on the IDX for the period 2017 – 2021. There are 3 companies which profits have decreased but the working capital and sales increased. As seen in INDF company, the working capital in 2017 increased by 10.877.636 from 9.766.002 and the sales also increased by 70.186.618 from 66.750.315. Net income decreased by 5.145.063 from 5.226.906.

This also happened to ICBP, as seen in 2017 that working capital increased by 9.751.743 from 9.101.577 and the sales also increased by 35.606.593 from 34.466.069. Net income decreased by 3.543.173 from 3.631.301. It is caused by the

increase in debt. In 2017, the debt increased by 11.295.184 from 10.401.125. In ROTI, working capital in 2018 increased by 1.350.987.149 from 1.292.760.908 and sales increased by 2.766.545.866 from 2.491.100.179 but decreased the net income by 127.171.436 from 135.364.021.

Wulandari and Yudha (2019) stated that a profit can be affected by the more funds used as a working capital. Thus, it can be said that a capital is a required element that needed by a company because it can affect the net profit. As an investor, they will be interested in investing in the company if a company has a stability of profit. But, if the company has a significant level of fluctuating and a decrease in profits, as an investor they will not be interested because they consider that the dividends given are not as expected.

Sales is one of the marketing functions that is very important and a reference for the company to achieve the company's goal of earning profit to maintain the company (Sitohang, 2015). The higher of sales and it will affect the greater profit earned by the company.

Companies use debt as another source of capital to help the company in achieving an optimum profit. Company stock prices can be increased by the optimum profit if the debt is managed properly. Vice versa, debt will cause a problem for the company. There are two options for company in borrowing the debt which is short – term debt or long – term debt. If a company will expand the production due to meet the demand of production, then the company will be using short – term debt. On the other hand, if the company going to expand the factory, then the company will choose to use the long – term debt.

When the debt is getting higher, the company is likely to earn more profit because the debt is used as a working capital to fund the company's operational activities. However, high levels of debt can pose a high risk too. This risk can occur because debt and sales are not balanced. Therefore, the company management is required to optimize the funds that have been obtained from the debt.

Working capital is one of the important components in carrying out the company's business activities. The working capital that been used is expected to be able to be regained in a short time through sales. A good working capital management is very important for the continuity of the business. (Teratai, 2017). If the company lack of working capital to expand sales and increase the production, it can cause the loss of income and profit. But if a company has excess working capital, it means that the company has unproductive funds and cause losses for the company. Therefore, in managing the working capital, it should be very effective so the income and profit will keep growing.

Besides the efficiency in manage the working capital, the level of sales also influences the company's profit. Sales is one of the determinants for earning an optimal profit so that the continuity of the company is guaranteed by the development of the company which is expected to increase. The goals of increasing sales are expected to have an impact to the profit (Teratai, 2017). Sales influences the net profit in the food and beverages industry. The company will make sales as much as possible to be able to make a high profit in order to cover the daily operational costs.

The object of this research is using companies listed on IDX in the food and beverages industry. The reason to choose this industry is because it has the most developed progress compared to the other manufacturing companies. Based on this background, the writer decided to make research with the title **“THE EFFECT OF WORKING CAPITAL, SALES AND DEBT TOWARD NET PROFIT IN FOOD AND BEVERAGES INDUSTRY LISTED ON THE INDONESIA STOCK EXCHANGE PERIOD 2017 – 2021”**.

1.2 Problem Limitation

The writer defines the problem limitation as follows:

1. The research object is Food and Beverages Industry Companies listed on the Indonesia Stock Exchange
2. The independent variables are Working Capital, Sales, and Debt.
3. The dependent variable is Net Profit.
4. The research period is limited for the period 2017 – 2021.

1.3 Problem Formulation

Based on the background of the study mentioned above, the formulation of the research will be as follows:

1. Does Working Capital has significant affect towards Net Profit in Food and Beverages Industry listed on the Indonesia Stock Exchange for the period 2017 – 2021 partially?

2. Does Sales has significant affect towards Net Profit in Food and Beverages Industry listed on the Indonesia Stock Exchange for the period 2017 – 2021 partially?
3. Does Debt has significant affect towards Net Profit in Food and Beverages Industry listed on the Indonesia Stock Exchange for the period 2017 – 2021 partially?
4. Do Working Capital, Sales and Debt have significant effect towards Net Profit in Food and Beverages Industry listed on the Indonesia Stock Exchange for the period 2017 – 2021 simultaneously?

1.4 Objective of the Research

The objective of the research are as follows:

1. To find out the effect of Working Capital towards Net Profit in Food and Beverages Industry listed on the Indonesia Stock Exchange for the period 2017 – 2021 partially.
2. To find out the effect of Sales towards Net Profit in Food and Beverages Industry listed on the Indonesia Stock Exchange for the period 2017 – 2021 partially.
3. To find out the effect of Debt towards Net Profit in Food and Beverages Industry listed on the Indonesia Stock Exchange for the period 2017 – 2021 partially.
4. To find out whether Working Capital, Sales and Debt have significant influence towards Net Profit in Food and Beverages Industry listed on the Indonesia Stock Exchange for the period 2017 – 2021 simultaneously.

1.5 Benefit of the Research

The following are some of the benefits of performing this research:

1.5.1 Theoretical Benefit

This research is expected to help a reader to get an additional and further information regarding the effect of Working Capital, Sales and Debt towards Net Profit in Food and Beverages Industry listed on the Indonesia Stock Exchange for the period 2017 – 2021.

1.5.2 Practical Benefit

1. For Company

This research is expected to be a reference or an input to the companies to improve the management of financial statements so that the company can achieve the increase of the desired profit in the future.

2. For Investors

This research is expected to provide an additional information to investors about the financial condition of companies so that they can learn more before deciding to invest.

3. For Researcher

This research is expected to be an insight and a reference in conducting further research.