



THE EFFECT OF SALES, PRODUCTION COSTS, TOTAL DEBT AND WORKING CAPITAL ON NET PROFIT OF MANUFACTURING COMPANIES PHARMACEUTICAL SUB SECTOR

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Abstract

This study examined the effect of sales, production costs, total debt, and working capital on the net profit of pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2017-2020. The sample selection technique used was purposive sampling and obtained 10 pharmaceutical sub-sector manufacturing companies listed on the Stock Exchange. This study used balanced panel data with 40 observations and estimates (fixed-effect model). The results indicated that sales and working capital did not influence net income. Meanwhile, production costs positively and significantly influenced net income. The total debt negatively and significantly influenced net income in the pharmaceutical sub-sector manufacturing companies listed on the IDX in 2017-2020.

Keywords: *Net Profit, Sales, Production Costs, Total Debt, Working Capital*

1. INTRODUCTION

The company is an organization founded by a person or group of people or other entities whose activities are to produce and distribute to meet human economic needs. Production and distribution activities are generally carried out to earn a profit (Soemarso, 2009). Profit is often used to measure the financial performance of a company and to find out how much the company's profit is by comparing the profit of a particular year.

Table 1. Net Profit and Sales of Pharmaceutical Companies on the IDX in 2019 – 2020 (Millions of Rupiah)

Kode Emiten	Net Profit		Sales	
	2019	2020	2019	2020
KAEF	15.890	20.426	9.400.535	10.006.173
KLBF	2.537.602	2.799.623	22.633.476	23.112.655
INAF	7.961.966	30	1.359.175	1.715.587
DVLA	221.783	162.072	1.813.020	1.829.699
PEHA	102.310	48.660	1.105.420	980.560
SIDO	807.689	934.016	3.067.434	3.335.411
PYFA	9.342	22.104	247.115	277.398
MERK	78.257	71.902	744.635	655.847
SCPI	112.652	218.362	1.841.268	2.893.298
TSPC	834.370	595.155	10.993.842	10.968.402

Based on Table 1 above, it can be seen that a number of pharmaceutical issuers showed fluctuating performance from 2019 - 2020. PT. Kimia Farma (Persero) experienced an increase in profit in 2020 to 20,426 billion from 2019 of 15,890 billion, sales also experienced a large increase in 2020 of 10,006,173 trillion. Pharmaceutical issuer PT. Kalbe Farma (KLBF) also recorded a slightly higher net profit in 2020 of 2.799 trillion from 2019 which amounted to 2.537 trillion, sales also experienced a significant increase of Rp. 23,112 trillion.

At the Issuer PT. Indofarma recorded a decrease in net profit from 2019 by 7,961 billion decreased in the 2020 period by 30 million, but sales experienced a large increase in 2020 of 1.715 trillion. On PT. Pyridam Farma Tbk recorded an increase in net profit of 22,104 billion in 2020, and sales also experienced a large increase of 277.398 billion in 2020.

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Based on the data and phenomena above, the sales volume was not proportional to the net profit received by the company, some of which experienced an increase in sales volume but was not followed by an increase in net profit. Based on the existing theory, the higher the sales volume, the higher the net profit earned by the company. However, in reality the increased sales volume was not matched by the net profit earned.

Profit is one of the financial information that attracts the attention of investors. The ability to generate maximum profits in a company is very important because basically interested parties such as investors and creditors measure the company's success as seen from management performance in generating profits in the future (Suprihatmi, 2005: 02).

According to Jannah (2018), that the success of a company is generally judged by its ability to earn a profit, with the profits earned, the company can develop various activities. Profit is the difference in excess of income over expenses in connection with business activities, in order to obtain the desired profit, the company must prepare a good profit plan, this is determined by the company's ability to predict future business conditions and observe possible factors that are suspected can affect profits, including sales volume. Apart from the sales volume factor, based on theory and several literature studies, other factors that also affect profit are working capital factors, total debt and production costs.

1.1 Theoretical Foundation

According to Brigham and Houston (2010), a signal is an action taken by the company to provide clues to investors about how management views the company's prospects. This signal is in the form of information about what management has done to realize the owner's wishes. The information issued by the company is important, because of its influence on the investment decisions of parties outside the company. This information is important for investors and business people because the information essentially presents information, notes or descriptions, both for past, current and future conditions for the survival of the company and how it will affect the company.

Signal theory explains the reasons for companies to provide financial statement information to external parties related to the existence of information asymmetry between the company's management and outside parties. Signal theory suggests about how a company should give signals to users of financial statements. This signal is in the form of information about what management has done to realize the owner's wishes. Signals can be in the form of promotions or other information stating that the company is better than other companies (Meythi and Hartono, 2012).

1.2 Financial Statements

Financial statements are basically to provide financial information of a company for a certain period that will be used by interested parties as material for consideration in making economic decisions, so that it can also be seen that financial statements are made for certain purposes. According to PSAK No.1 (2015:3) in order to achieve these objectives, financial statements present information about entities which include: 1) Assets, 2) Liabilities, 3) Equity, 4) Income and expenses, including gains and losses, 5) Contributions from and distributions to owners in their capacity as owners and 6) Cash flow. This information, to a large extent other information contained in the notes to the financial statements, assists users of financial statements in predicting the entity's future cash flows and, in particular, with respect to the timing and certainty of the receipt of cash and cash equivalents.

According to IAI in PSAK No.1 (2015: 3) Complete financial statements include the following components: a) Statement of financial position at the end of the period, b) Statement of profit or loss and other comprehensive income during the period, c) Statement of changes in equity during the period, d) Statement of cash flows during the period, e) Notes to financial statements, containing a summary of significant accounting policies and other explanatory information.



Statement of financial position at the beginning of the nearest prior period when an entity applies an accounting policy retrospectively or makes a restatement of financial statement items, or when an entity reclassifies items in the financial statements.

1.3 Net Profit

Soemarso (2009:227) said that the last number in the income statement is net income. This amount represents the net increase in capital. On the other hand, if the company suffers a loss, the last number in the income statement is the net loss. By grouping the elements of income and expenses, different profit measurement results will be obtained, including: gross profit, operating profit, profit before tax, and net profit.

According to Kieso, et al (2011:148) in Intermediate Accounting said that: "Net income is the net result of the company's performance over a period of time". It can be concluded that net income is the net result of the company's performance over a period of time. The net result of the company's performance as deducted by various expenses including tax expense. The net result is often called net income when revenue is greater than expenses. Puspitasari (2017:03) states that net income is a net increase in capital originating from business activities, net income (net income) can also be used as a measure of company performance for a certain period.

1.4 Sales

Sales are activities carried out by sellers to sell goods or services in the hope that these transactions will generate profits. According to Moekijat (2014: 288) Selling is an activity aimed at finding buyers, influencing and giving instructions so that buyers can adjust their needs to the production offered and make offers on prices for the benefit of both parties. Sales are the lifeblood of a company, because from sales profit can be obtained as well as an effort to lure consumers to know their power so that they can find out the results of the products produced (Puspitasari, 2017: 03).

In Rahardjo's opinion (2016: 33) states that there is a close relationship between sales and an increase in the company's net profit, because profits will arise if product sales are greater than the outgoing costs. The main factor that influences the increase or decrease in profit is the income obtained from the sale of manufactured goods.

Akbar and Astuti (2017) show that sales have an effect on net income, and when sales increase, net income will also increase, if sales decline, net income will also decrease. Hendratno and Zultilisna (2018) argue that there is a significant influence between the negative direction of sales on net income.

1.5 Production Cost

Production costs are costs incurred to process raw materials into finished products that are ready to be sold (Mulyadi, 2005:14). Production costs are costs used in the production process consisting of raw material costs, direct labor and factory overhead costs (Bustami, 2009). Production costs are costs associated with the manufacture of goods and the provision of services (Hansen and Mowen, 2002:24). It can be concluded from the opinions above that production costs are the costs used in the production process which include the cost of raw materials, direct labor and factory overhead costs.

Production cost efficiency will affect the company's profit increase (Munawir, 2010:217). The importance of reducing production costs because it affects the profits earned by the company. According to Mulyadi (2013:121) in his book states that if production costs are lowered, the possibility that what will happen is that the level of net income will increase. If net income increases, the budget in the future will also increase. Based on the theory that production costs affect net income because if the production costs incurred are small, the net profit obtained will be greater.

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Research conducted by Sayyida (2014) shows that production costs have an effect on net income. The higher the cost of production, the lower the profit that will be obtained by the company, while the decrease in production costs will increase the net profit earned by the company.

1.6 Total Debt

Debt is an obligation or can be interpreted as an obligation that must be fulfilled by the company to other parties. FASB stated in Statement of Financial Accounting Concept No. 6 contained in the book of Chariri and Ghozali (2005: 157), namely debt is a sacrifice of economic benefits that may occur in the future that may arise from the present obligation of an entity to deliver assets or provide to other entities in the future as a result of past transactions.

According to Munawir (2004: 18) states that debt is all the company's financial obligations to other parties that have not been fulfilled, where this debt is a source of funds or company capital originating from creditors. It can be concluded that debt is the company's obligation to other parties that must be paid at maturity.

According to Nafarin (2013: 334) the relationship between total debt and net income is to add short-term debt and long-term debt and own capital intended for expansion, namely expanding company activities, expanding production activities, expanding marketing activities with the aim of obtaining maximum profit. With an increase in production and marketing activities (expansion) as a result of increased spending with debt and own capital, profits can increase.

Debt is one of the factors that affect the increase or decrease in profits generated by the company every year. Debt is used for operational activities or investment for the company. If the debt obtained increases, it is expected that it will have a good impact on increasing profits so that the company's survival in the future can be guaranteed.

1.7 Working Capital

According to Kasmir (2015: 249) working capital is the capital used to finance the company's operational activities, especially those that have a short period of time. As working capital, it is defined as all current assets or after deducting current liabilities. according to Harahap (2015: 288) states that working capital is current assets minus current liabilities. Working capital can also be considered as funds available to invest in non-current assets or to pay non-current debt.

According to Utari, et al. (2014: 93) says that without sufficient working capital, a company will lose the opportunity to increase the quantity and quality of the products produced. A company that lacks working capital will have an impact on the company's operations being hampered. While the company's working capital is excessive, it will result in losses because this shows the existence of funds that are not used properly.

According to Kasmir (2015: 256) the purpose of working capital management for companies is to maximize the use of current assets to increase sales and profits. Sufficient working capital will increase profits, because with sufficient working capital, all company activities can be directed at seeking higher returns through business expansion or expansion (Gitosudarmo and Basri, 2010:76).

Research conducted by Nawalani and Lestari (2015) shows that working capital has a significant effect on company profits, the greater the company's working capital, the greater the profits earned by the company.

2. IMPLEMENTATION METHOD

This study uses panel data as the type of data. This is because the data in this study is a combination of several objects (Pharmaceutical Sub-Sector Manufacturing Companies) and several time periods (2017-2020). The data collection technique used in this research is the documentation method, namely by collecting, recording and reviewing secondary data in the form of annual financial reports of Pharmaceutical Sub-Sector Manufacturing Companies listed on the IDX which



are published through the www.idx.co.id website and through the official website of the Pharmaceutical Sub-Sector Manufacturing Company.

The location of this research is on the Indonesia Stock Exchange with the website address www.idx.co.id. The object of research is the target to obtain the data and information needed for the problem under study (Sugiyono in Ghaniy (2020: 26). The object of this research is to manufacture companies in the pharmaceutical sub-sector. The objects of observation are sales data, production costs, total debt and capital work downloaded on the website www.idx.co.id pharmaceutical sub-sector manufacturing companies in 2017-2020.

In this study, the population is 11 Manufacturing Companies in the Pharmaceutical Sub-Sector which are listed on the IDX in 2017 – 2020. The sampling in this study uses the purposive sampling method, namely the sampling technique obtained from certain standards". The standards for sampling are:

1. Pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 – 2020.
2. Manufacturing companies in the pharmaceutical sub-sector that continuously publish annual reports during the 2017 – 2020 period.
3. Manufacturing companies in the pharmaceutical sub-sector listed on the IDX from 2017 – 2020.

Based on the criteria set out above, from a population of 11 pharmaceutical sub-sector manufacturing companies listed on the IDX, the number of samples used in this study were 10 pharmaceutical sub-sector manufacturing companies listed on the IDX.

Table 2 Research Sample

No	Company Name	Code Emiten
1	PT. Darya-Varia Laboratoria Tbk	DVLA
2	PT. Indofarma Rbk	INAF
3	PT. Kimia Farma Tbk	KAEF
4	PT. Kalbe Farma Tbk	KLBF
5	PT. Merck Tbk	MERK
6	PT. Phapros Tbk	PEHA
7	PT. Pyridam Farma Tbk	PYFA
8	PT. Merck Sharp Dhome Pharma Tbk	SCPI
9	PT. Industri Jamu Dan Farmasi Sido Muncul Tbk	SIDO
10	PT. Tempo Scan Pacific Tbk	TSPC

3. RESULTS AND DISCUSSION

3.1 Statistical Descriptive Analysis

The general thing that must be considered in descriptive statistical analysis is that if the standard deviation is greater than the mean, then the mean value is a poor representation of the overall data. And if the standard deviation is smaller than the mean, then the data does not fluctuate highly, so that the data distribution shows normal results.

Table 3 Descriptive Statistics

	Net Profit	Sales	Production Cost	Total Debt	Working Capital
Mean	25.5419	28.3221	26.0974	27.5073	27.0648
Median	25.6567	28.2305	26.5964	27.5386	27.3565
Maximum	28.6605	30.7714	29.5199	30.0234	31.1803
Minimum	17.2174	20.4284	21.0336	24.6493	23.4273
Std. Dev.	2.1421	1.8105	2.6063	1.3088	1.8127
Obesrvation	40	40	40	40	40

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3.2 Panel Data Regression Model Selection Technique

To see how to get a good model in panel data regression analysis, a model selection technique is needed. Panel data regression consists of 3 models, namely Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). To determine the best model and in accordance with this study, the tests carried out were the Chow test and the Hausman test. The Chow test was conducted to compare the CEM and FEM models, while the Hausman test was performed to compare the FEM and REM models.

3.2.1 Chow Test

Chow test (Chow test) is a test conducted to select the best model between the Common Effect Model (CEM) and Fixed effect model (FEM).

Table 4 Chow Test Results

<i>Effects Test</i>	<i>Statistic</i>	<i>d.f.</i>	<i>Prob.</i>
<i>Cross-section F</i>	19.5235	(9.96)	0.0000

Based on the chow test table, it shows that the probability value in the chow test is 0.0000. This value is below the standard error tolerance value in this study, which is 0.05. Therefore, based on the results of the chow test, the best model in this study is the Fixed effect model (FEM).

3.2.2 Hausman Test

The next test that will be used is the Hausman test. The Hausman test is a test that compares the Fixed effect model (FEM) and the Random Effect Model (REM).

Table 5 Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.3426	4	0.0017

Based on the Hausman test table above, it can be seen that the probability value in the Hausman test is 0.0017. This value is above the standard error tolerance value in this study, which is 0.05. Therefore, the best panel data regression model in this study is the Fixed effect model (FEM).

3.3 Classic Assumption Test

The stages of the test results in the classical assumption test are normality test, heteroscedasticity test, multicollinearity test and autocorrelation test. The classical assumption test is carried out as follows:

3.3.1 Normality Test

Normality test is conducted to test whether the dependent variable, independent variable, or both of a regression model has a normal distribution or not.

Ghazali (2012) states that a good regression model is a regression model that has a normal distribution or is close to normal, so it is feasible to do statistical testing. Testing the significance (significance), the significance used is = 5% regression coefficient. The normality test used in this study was the Jarque-Bera test.

Based on the normality test conducted with the histogram on the eviews application, the result is that the probability value is 0.9429, where the results show a probability value above the significant value of 0.05, this indicates that this data is normally distributed.

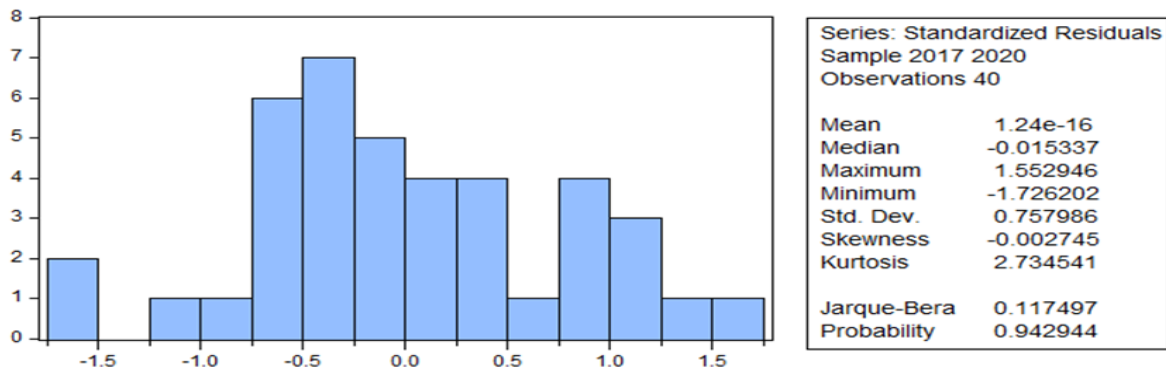


Image 1 Normality Graph (Jarque-Bera test)

3.3.2 Heteroscedasticity Test

Heteroscedasticity test is one of the classical assumption tests that aims to see whether in the regression model there is an inequality of residual variance between one another. If the residual variance from one observation to another is fixed, it is called homoscedasticity and if the variance is different it is called heteroscedasticity.

Table 6 Heteroscedasticity Test Results (Glejser)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Coefficient	-2.467941	5.496283	-0.449020	0.6571
Sales	0.009120	0.038963	0.234061	0.8168
Production Cost	0.027866	0.145169	0.191953	0.8493
Total Debt	0.090974	0.135174	0.673014	0.5069
Working Capital	-0.019810	0.049691	-0.398663	0.6934

Based on Table 6 above, it can be seen that the significance value of the independent variable is above the error tolerance value of 0.05. With details on the probability of a sale of 0.8168. The probability of production costs is 0.8493. The probability of total debt is 0.5069. The probability of working capital is 0.6934. Thus, it can be concluded that there is no heteroscedasticity problem.

3.3.3 Multicollinearity Test

Multicollinearity test aims to test whether in the regression there is a correlation between the independent variables (Independent).

Table 7 Multicollinearity Test Results

	Sales	Production Cost	Total Debt	Working Capital
Sales	1.000000	0.118876	0.687562	0.549525
Production Cost	0.118876	1.000000	0.111978	0.275416
Total Debt	0.687562	0.111978	1.000000	0.431507
Working Capital	0.549525	0.275416	0.431507	1.000000

Based on table 7 above, it shows that this study did not occur multicollinearity symptoms for all independent variables. It can be seen that all independent variables in this study have a correlation value below 0.8. so it can be concluded that the data from this research variable does not have a multiko problem.

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3.3.4 Autocorrelation Test

The purpose of the autocorrelation test is to see in a model whether or not there is a correlation between the confounding error in period t and the error in period t-1. Ghazali (2012). A good regression model is a model that does not have autocorrelation in it (Ghozali, 2016). The autocorrelation test can be seen from the Durbin Watson value. The results of the autocorrelation test obtained in this study can be seen from the Durbin Watson value in the FEM model as follows:

Table 8 Autocorrelation Test Results

R-squared	0.966505	Mean dependent var	84.40312
Adjusted R-squared	0.949758	S.D. dependent var	80.60457
S.E. of regression	0.928340	Sum squared resid	22.40720
F-statistic	57.71068	Durbin-Watson stat	1.839218

The value of Durbin Watson in this study is 1.8392. This value is between the tolerance values in the autocorrelation test, namely -2 and 2. Therefore, it can be concluded that This research is free from autocorrelation symptoms, meaning that in this research model there is no interference with the correlation between the time periods used for each variable.

3.4 Panel Data Regression Estimation

Based on the model selection above, the best model is the Fixed Effect Model (FEM). The results of panel data regression with Fixed Effect Model (FEM) for the two models in this study are as follows:

Table 9 Estimation Results of Panel Data Regression with FEM Discussion of Research Results

Variabel	coefficient	t-Statistic	Prob.
c	24.1608	2.9282	0.0070
Sales	0.0256	0.9742	0.3389
Production Cost	1.1063	4.2991	0.0002
Total Debt	-0.9502	-6.1291	0.0000
Working Capital	-0.0767	-0.8787	0.3876
R-squared	0.9665		
Adjusted R-squared	0.9497		
F-statistic	57.7106		
Prob(F-statistic)	0.0000		
Durbin-Watson stat	1.8392		

Based on the table above, the regression equation model that can be arranged in this study is as follows:

$$NP = 24.1608 + 0.0256X_1 + 1.1063X_2 - 0.9502X_3 - 0.0767X_4 + e$$

Based on the above equation, it can be seen that the constant value is 24.1608. This shows that if sales, production costs, total debt and working capital have no value, then net income will be constant at 24,1608.

Meanwhile, sales have a positive (unidirectional) effect on net income with a regression coefficient of 0.0256. it shows that if sales increase by 1% it will cause net profit to increase by 0.0256%. Furthermore, the regression coefficient value of the production cost variable is 1.1063 and shows a positive relationship (unidirectional) which means that every 1% increase in production costs causes net income to increase by 1.1063%.



Meanwhile, the results of the regression coefficient for the total debt variable are (-0.9502) which shows a negative relationship (not unidirectional) which means that every 1% increase in total debt causes net income to decrease by 0.9502%. Furthermore, the regression coefficient value of the working capital variable is (-0.0767) which shows a negative relationship (not unidirectional) which means that every 1% increase in working capital causes net income to decrease by 0.0767%.

The value of the coefficient of determination (Adjusted R Square) in the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange in this study was 0.9497 or 94.97%. This finding shows that the variables of sales, production costs, total debt and working capital are able to explain the net profit of 94.97% and the remaining 5.03% can be explained by other factors that are not included in the analysis of this study.

3.5 Hypothesis Testing Results and Discussion

This research was conducted by partial testing (t test) as hypothesis testing. The t-test was used to determine the effect of each independent variable on the dependent variable individually. The decision-making criteria are by looking at the tcount value and comparing it with the ttable which is tested at a significance level of 5%. The ttable value is calculated by $df=nk$ ($40-4=36$) of 1.68488. The partial testing in this study is as follows::

3.5.1 Effect Of Sales On Net Profit

Based on the test results using the Eviews 10 application in Table 4.6 above, it is known that the tcount value of Sales is 0.9742 with a significant 0.3389. So it can be seen that sales have a positive and insignificant effect on net income. This is indicated by the results of the tcount (0.9742) < ttable (1.68488) and the significant value is $0.3389 > 0.05$. So it can be concluded that the hypothesis is rejected, which means that the sales variable has no significant effect on net income in the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

The results of this study are in line with previous research conducted by Diana (2021) which states that sales have a positive and insignificant effect on net income. Meanwhile, the results of this study contradict the previous research conducted by Lisna and Hambali (2020) which stated that sales had a significant effect on net income in a positive direction. Thus this shows that sales have no effect on net income in the pharmaceutical sector listed on the Indonesia Stock Exchange in 2017 – 2020.

In terms of making a profit, the company also needs to improve its performance in ensuring the quality and quality of the goods to be sold. The higher the sales, the income of a company will increase, and if the income increases, the net profit will also increase with a record of low operating costs. However, if sales decline, the profit earned will also decrease in value (Wulandari, 2020). However, the results of the study show that sales have no significant effect on net income, because the increase or decrease in sales cannot determine the net profit that will be generated by the company (Pitriani, et al. 2020).

3.5.2 Effect Of Production Costs On Net Profit

Based on the test results using the Eviews 10 application in Table 4.6 above, it is known that the tcount value of production costs is 4.2991 with a significance of 0.0002. So it can be seen that production costs have a positive and significant effect on net income. This is indicated by the results of the tcount (4.2991) > ttable (1.68488) and the significant value is $0.0002 < 0.05$. So it can be concluded that the hypothesis is accepted, which means that the variable cost of production has a positive and significant effect on net income in the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

The results of this study are in line with previous research conducted by Lisna and Hambali (2020) which states that production costs have a positive and significant effect on net income. Meanwhile, the results of this study contradict the previous research conducted by Fadilah and

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Fauziyah (2020) which stated that production costs had no effect on net income in a positive direction. Thus, this shows that production costs are a factor that indicates an influence on net profit in the pharmaceutical sector listed on the Indonesia Stock Exchange in 2017 – 2020.

The increase in production costs will have an effect on the number of products produced also increasing, so that the products available for sale also increase. As a result, sales volume increased, and net profit also increased. In other words, increased production costs resulted in an increase in net profit earned by the company (Felicia and Gultom, 2018). The results of this study indicate that if there is an increase in production costs it will be followed by an increase in net profit. The level of profit earned by the company can be determined by the production costs generated by the company, the more production costs achieved, the higher the profit earned by the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2017 – 2020.

3.5.3 Effect Of Total Debt On Net Profit

Based on the test results using the Eviews 10 application in Table 4.6 above, it is known that the tcount of the total debt is -6.1291 with a significance of 0.0000. So it can be seen that production costs have a negative and significant effect on net income. This is indicated by the results of the tcount (-6.1291) < ttable (1.68488) and the significant value is 0.0002 < 0.05. So it can be concluded that the hypothesis is rejected, which means that the total debt variable has a negative and significant effect on net income in the pharmaceutical sub-sector manufacturing companies listed on the BEI. While the expected hypothesis is that total debt has a positive and significant effect on net income.

The results of this study are contrary to what was done by Damayanti (2020) which states that total debt has a positive and significant effect on net income. Meanwhile, the results of this study indicate that total debt has a negative and significant effect. Thus, the results of this study indicate that the coefficient of total debt is negative, which means that the increase in total debt will decrease the net profit of the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2017 – 2020.

According to Narafin (2013) the relationship between total debt and net income is to add short-term debt, long-term debt and own capital intended for expansion, namely expanding the company's activities, expanding production activities with the aim of obtaining as much profit as possible. With an increase in production and marketing activities as a result of increased spending with debt and own capital, profits can increase. However, negative and significant results indicate that companies with large business risk must use less debt than companies with low business risk, because the greater the business risk, the greater the use of debt will increase the interest expense, so it will make it difficult for the company's finances to increase profits. (Brealey and Myers in Asita, 2017).

3.5.4 Effect Of Working Capital On Net Profit

Based on the test results using the Eviews 10 application in Table 4.6 above, it is known that the tcount value of working capital is -0.8787 with a significant 0.3876. So it can be seen that working capital has a negative and insignificant effect on net income. This is indicated by the results of the tcount (-0.8787) < ttable (1.68488) and the significant value is 0.3876 > 0.05. So it can be concluded that the hypothesis is rejected, which means that the working capital variable has no significant effect on net income in the pharmaceutical sub-sector manufacturing companies listed on the IDX. While the expected hypothesis is that total debt has a positive and significant effect on net income.

The results of this study are in line with previous research conducted by Muhajir (2020) which stated that working capital had a negative and insignificant effect on net income. Meanwhile, the results of this study contradict the previous research conducted by Damayanti (2020) which stated that working capital had a positive and significant effect on net income. Thus, this study



shows that working capital has no effect on net income in the pharmaceutical sector listed on the Indonesia Stock Exchange in 2017 – 2020.

Working capital is the funds that must be provided by the company to finance the daily operations of the company. The working capital that has been issued by the company to finance the company's operations is expected to return. Working capital that is used effectively can increase the company's production so that it can increase the maximum profit. However, the results in this study indicate that working capital has no significant and negative effect on net income. This is because current assets in manufacturing companies in the pharmaceutical sub-sector do not really affect net income even though the company's income is large (Prasetyo, 2017). The amount of capital required to run a business varies greatly, first depending on the working capital policy adopted by the company. Second, It depends on the type of business and also depends on the size of the business. The larger the business, the greater the working capital required to run the business. This working capital will be returned to the company's treasury when the merchandise has been successfully sold. If the company makes a profit from selling merchandise, then the amount of cash that comes in will be greater than the cost of goods purchased (Yusus, 2020).

3.5.5 Effect Of Simultaneous Sales, Production Costs, Total Debt And Working Capital On Net Profit.

Based on the test results using the Eviews 10 application in Table 4.6 above, it is known that the Fhitung value is 57.7106 with a significant value of 0.0000. The value of Fcount in this study calculated by the formula $(nk-1 \text{ or } 40-3 - 1 = 36)$ is 2.87 with a significant level of 0.05%. This is indicated by the results of the Fcount (57.7106) Ftable (2.87) and the significant value is 0.00000 0.05. So it can be concluded that the hypothesis is accepted which means that the variables of sales, production costs, total debt and working capital simultaneously affect the net profit of the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017-2020.

4. CONCLUSION AND SUGGESTIONS

4.1 Conclusion

Based on the results of the research and discussion described above, the authors draw the following conclusions:

1. The sales variable has a positive and insignificant effect on net income in the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 – 2020.
2. The variable cost of production has a positive and significant effect on net income in the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 – 2020.
3. The total debt variable has a negative and significant effect on net income in the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 – 2020.
4. The working capital variable has a negative and insignificant effect on net income in the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 – 2020.
5. Variables of sales, production costs, total debt and working capital simultaneously affect the net profit of the pharmaceutical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2017 – 2020

4.2 Suggestions

The suggestions that the author can give in this research are as follows:

1. For the company, it is hoped that it can be used as information for the company regarding the effect of sales, production costs, total debt and working capital on net income. It is hoped that

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this research can be used as information for the company. And based on this research, companies should pay more attention to other financial ratios that can affect profit growth in pharmaceutical sub-sector companies..

2. For other academics, it is hoped that they will be able to explore more about the effect of sales, production costs, total debt and working capital on the company's net profit.

The next researcher is expected to try other financial ratios as independent variables, because it is very possible that other financial ratios also affect net income. And can be used as reference material for further research by developing the scope of research.

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