

The Role of Working Capital Utilisation and Profit Margin Control on Net Income at PT Perkebunan Nusantara III (Persero)

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Abstract

Working capital plays an important role in sustaining company operations or activities, because without working capital, the operational activities of a company cannot run smoothly. Working capital is closely related to company profits or profits. Because the higher the working capital, the profit earned by the company will also be greater because with large working capital it will also generate large profits for the company. The purpose of this study was to determine how much the role of the use of working capital and profit margin control on the acquisition of net profit at PT Perkebunan Nusantara (Persero) III from 2019 to 2022. This research is a type of quantitative descriptive research, data analysis techniques in this study using simple correlation and multiple correlation using the spss V25 programme. The results of this study are the relationship of working capital to net income is unidirectional and has a moderate role, the relationship of profit margin to net income is unidirectional and has a strong role, while the relationship of working capital and profit margin to net income is unidirectional and has a moderate role.

Keywords: Working Capital, Profit Margin, Net Income



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INTRODUCTION

The development of companies in Indonesia is influenced by the state of the world economy and intense competition. In the increasingly competitive business changes, companies are required to be wiser in carrying out their activities in improving company performance. Each company is required to be able to process and carry out company management properly and more professionally. The definition of working capital according to (Maming, 2018) that working capital is current assets minus current debt. This working capital is a measure of the security of short-term creditor interests or funds available to invest in current or non-current assets to pay non-current debt. (Radyatul et al., 2019) Working capital turnover is a ratio used to measure the effectiveness of working capital (current assets) owned by the company in generating sales. One of the management functions in the company is to control the company's activities carried out to obtain profits. Thus the profit that has been planned, must be followed by control. Because without control, the plan becomes meaningless. Besides that, it is also necessary to manage working capital properly so that sufficient capital is available in carrying out increased operational activities, such as adding labour and others.

In this case, what is used to carry out its daily operational activities is called working capital. Working capital is a basic problem and an important topic that is often faced by companies, because almost all attention is paid to managing working capital and current assets are a fairly large part of assets. Companies really need working capital to support operational activities when there is an increase in sales. According to (Sunaryo & Author, 2019), gross profit margin is a ratio used to measure the percentage of gross profit on net sales. This ratio is calculated by dividing gross profit against net sales. Gross profit itself is calculated as a result of the reduction between net sales and cost of goods sold. What is meant by net sales here are

sales (cash or credit) minus returns and selling price adjustments and sales discounts. According to (Nariswari & Nugraha, 2020) Operating Profit Margin (OPM) is a ratio used to measure the percentage of operating profit on net sales. This ratio is calculated by dividing operating profit by net sales. Operating profit itself is calculated as a result of the reduction between gross profit and operating expenses. Operating expenses here consist of selling expenses and general and administrative expenses. If the company lacks working capital to improve its quality, the company will experience difficulties in carrying out its daily operations, unable to pay the company's obligations. In managing working capital, the company is required to always maintain a profitable amount of capital so that the company can operate continuously. Working capital plays an important role in sustaining the company's operations or activities, because without working capital, the operational activities of a company cannot run smoothly.

According to (Salman et al., 2019) writes that revenue is "an increase or increase in assets and a decrease or reduction in the company's liabilities which is a result of operating activities or the provision of goods and services to the public or consumers in particular. According to Sochib (Prihatminingtyas, 2019) revenue is an inflow of assets arising from the delivery of goods / services carried out by a business unit during a certain period. For the company, the revenue earned on basic operations will increase the value of the company's assets which will basically also increase the company's capital. However, for accounting purposes, additional capital as a result of the delivery of goods or services to other parties is recorded separately under the revenue account. Working capital is closely related to profit or called profit because the higher the working capital, the greater the profit obtained by the company because with large working capital it will also generate large profits for the company. The achievement of optimal profits will increase the value of the company and will show the growth of the company from time to time. To obtain certain profits the company is required to be as effective as possible in managing working capital. Thus, working capital and profit are a unity to be needed in achieving company goals because without working capital the company will not be able to carry out its daily operations with the aim of generating profits. The determination of working capital in sales plays a very important role, because it is one of the factors that can affect the success of the company which is closely related to the achievement of company profits.

According to V. Wiratna Sujarweni (Salman et al., 2019) Net profit is the last figure of the profit and loss calculation where to find it: operating profit plus other income minus other expenses. Meanwhile, according to (Handayani & Winarningsih, 2020) net profit is profit that has been reduced by costs which are the company's expenses in a certain period, including taxes. PT Perkebunan Nusantara III abbreviated as PTPN III (Persero) is a state-owned plantation company located on Jalan Sei Batang Hari No. 2 Simpang Tanjung, Medan Sunggal, Simpang Tj., kec. Medan Sunggal, Medan city, North Sumatra. The company is engaged in plantation business, processing and marketing of plantation products. The commodities cultivated are oil palm, rubber, sugar cane, tea, coffee, cocoa, tobacco, various woods, fruits and various other plants. This company requires working capital effectively. The existence of sufficient working capital is very important for a company because with sufficient working capital it is possible for the company to operate as economically as possible and the company will not experience difficulties or face dangers that may arise due to a financial crisis or chaos.

RESEARCH METHODS

The type of research used in this research is descriptive quantitative. According to (Adawiyah et al., 2019) "Quantitative descriptive research analysis is used to analyse data by describing or describing the collected data as it is without intending to make general conclusions or generalisations". In this study the authors used a quantitative descriptive method which is explanatory in nature, namely highlighting the influence between research

variables and testing previously formulated hypotheses. This research was conducted in July 2023. The location of this research was conducted at PT Perkebunan Nusantara III Medan which is located at Jl Sei Batang Hari No 2 Medan. The object of this research is the role of working capital and profit margin on net profit. The independent variables in this study are working capital and profit margin, while the dependent variable is net profit. The research method used in this research is an empirical study research method using descriptive research methods with a quantitative approach, because this research emphasises numeric data (numbers). The simple correlation test was conducted to determine the linear relationship between the independent variable (X) and the dependent variable (Y). to determine the relationship between the two variables, it is sufficient to see the value of the correlation coefficient. The correlation coefficient is an index or number used to measure the closeness of the relationship between variables. The most commonly used linear correlation measure is the person product moment correlation. The double correlation test was conducted to assess the strength of the relationship between the two independent variables (X1) and (X2) simultaneously with the dependent variable (Y). the formula for the double correlation is as follows:

$$r_{x_1x_2y} = \sqrt{\frac{r^2_{x_1y} + r^2_{x_2y} - 2 \cdot r_{x_1y} \cdot r_{x_2y} \cdot r_{x_1x_2}}{1 - r^2_{x_1x_2}}}$$

With:

$R_{X_1X_2Y}$ = multiple correlation between X1 and X2 together with Y

R_{X_1Y} = product moment correlation between X1 and Y

R_{X_2Y} = product moment correlation between X2 and Y

$R_{X_1X_2}$ = product moment correlation between X1 and X2

RESEARCH RESULTS AND DISCUSSION

Working capital is the capital used to carry out the company's operating activities, where working capital is defined as investment invested in the form of current assets or short-term assets such as cash or cash equivalents, securities, accounts receivable, inventory, and other current assets. it can be said that working capital is an important financial analysis tool to find out how the company manages or uses the working capital owned by the company. The results of the data on Working Capital obtained at PT Perkebunan Nusantara III (Persero) Medan are as follows:

Table. 1 Working Capital 2019-2022 Period

YEAR	WORKING CAPITAL
2019	34.059.887.000.000
2020	40.216.132.000.000
2021	40.216.132.000.000
2022	40.216.132.000.000

Data Source: PT Perkebunan Nusantara III (Persero) Medan

From the table above, it can be seen that the working capital obtained at PT Perkebunan Nusantara III (Persero) in 2019 was 34,059,887,000,000, while in 2020 to 2022 it has increased from the previous year. The calculation of Net Profit Margin at PT Perkebunan Nusantara III (Persero) is as follows:

Table. 2 Net Profit Margin

YEAR	NET PROFIT	NET SALES	NPM
2019	1.031.784.592.834	5.677.612.465.894	18,17%
2020	1.182.945.859.042	6.752.338.803.203	17,52%
2021	2.401.623.337.514	10.440.394.474.376	23,00%
2022	2.227.424.439.324	12.423.327.448.654	17,93%

Data Source: PT Perkebunan Nusantara III (Persero) Medan

From the results of the table above, it can be seen that the calculation of Net Profit Margin at PT Perkebunan Nusantara III (Persero) has fluctuated from year to year. In 2019 the Net Profit Margin was 18.17% while in 2020 the Net Profit Margin of 17.52% decreased by 0.65%. in 2021 the Net Profit Margin of 23.00% increased by 5.48% while in 2022 the Net Profit Margin of 17.93% decreased by 5.07%. The net profit obtained from PT Perkebunan Nusantara III (Persero) is as follows:

Table. 3 Net Income for the 2019-2022 Period

YEAR	NET PROFIT
2019	1.031.784.592.834
2020	1.182.945.859.042
2021	2.401.623.337.514
2022	2.227.424.439.324

Data Source: PT Perkebunan Nusantara III (Persero) Medan

Based on the table above, it can be seen that the net profit at PT Perkebunan Nusantara III (Persero) in 2019 was 1,031,784,592,834 and in 2020 the net profit at PT Perkebunan Nusantara III (Persero) increased by 1,182,945,859,042 and in 2021 the net profit obtained at PT Perkebunan Nusantara III (Persero) further increased by 2,401,623,337,514 and in 2022 the net profit at PT Perkebunan Nusantara III (Persero) decreased by 2,227,424,439,324.

Table. 4 Simple Correlation of Working Capital

Correlations				
		Modal Kerja(X1)	Margin Laba(X2)	Laba Bersih(Y)
Modal Kerja(X)	Pearson Correlation	1	,060	,501
	Sig. (2-tailed)		,595	,074
	N	4	4	4

Source: SPSS V25 output results, processed 2023

From the table above, it is known that the correlation value of pearson correlation between the profit margin variable and the net profit variable has a value of 0.753, this means that the correlation between profit margin and net profit is strong. This is evidenced by the value of 0.753 which is at the amount of 0.75 which means strong.

Table 5. Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,741 ^a	,549	,055	2,70742

Source: SPSS V25 output results, processed 2023

From table 5 above, it can be seen that the R square value for the working capital and profit margin variables on net profit is 0.549. This means that 54.9 per cent of net profit is influenced by working capital and profit margin at PT Perkebunan Nusantara III (Persero).

Discussion

Based on the role of working capital above, with high working capital, it illustrates that the effectiveness of the use of working capital or the role of working capital is higher, the turnover of working capital will contribute to increasing net profit, and conversely a decrease in the level of working capital turnover will result in a decrease in the company's net profit. The amount of working capital will determine the amount of sales and profits of the company. The greater the working capital, the greater the number of products produced. Thus, the number of products sold will also be greater, which in turn will be followed by the greater profit earned by the company. The greater the amount of working capital used by the company, the greater the profit earned so that the company's growth increases. But on the contrary, if the amount of working capital used by the company is small, the profit earned will also be small and the company will not experience growth.

Working capital is needed by every company to finance its daily operations, where the working capital that has been issued is expected to be able to return to the company in a short time through the sale of its production. The importance of working capital for the company is that first, it protects the company from crisis, due to the decline in the value of current assets. Second, the possibility of paying current debts on time. Third, service to consumers. And the fourth is the readiness of the company to operate smoothly (Salman et al., 2019). Based on the company's financial statements, the amount of working capital of PT Perkebunan Nusantara III fluctuated from 2019 - 2022. The same thing with working capital from 2019 - 2022 the company's net profit also fluctuated from year to year and experienced an increase in net profit in 2022. This indicates that fluctuations or ups and downs in working capital will have an impact on the company's net profit. This means that the company's financial management must be able to manage working capital and be able to manage the money coming into the company and the money issued properly, so as to avoid unstable financial risks for the company.

The role of profit margin in the company can reduce the cost of goods sold because it can increase the net profit margin. In addition, the cost of goods sold also affects the company's net profit. When the cost of goods sold is reduced, the higher the net profit the company can generate. The importance of profit margin can also be read in advance, namely as an investor consideration and loan application requirements. But in the calculation process, of course, detailed data is needed. Based on the company's financial statements, the profit margin of PT Perkebunan Nusantara III (Persero) has increased from 2019 - 2022. While the company's net profit fluctuates from year to year and has an increase in net profit in 2022. This indicates that the greater the profit margin value, the greater the impact on the company's net profit. This means that the company's financial management must be able to manage profit margins and be able to manage the money coming into the company and the money spent properly, resulting in the risk of loss for the company. The increase in the amount of profit margin will affect the company's finances because it will affect the company's cash flow (Prihatminingtyas, 2019). Furthermore, from the R square value of 0.549 where this value has a moderate role, which is above or greater than the value of 0.5. This can be interpreted that working capital and profit margin have a moderate role or are neither weak nor strong, and are at a moderate value to play a role in net profit at PT Perkebunan Nusantara III (Persero).

CONCLUSION

Based on the results of the research and discussion that has been previously stated, it can be concluded from the research on the role of the use of working capital and profit margin control on net profit at PT Perkebunan Nusantara III (Persero) in 2019-2022, the authors conclude as follows. The relationship between working capital and net profit at PT Perkebunan Nusantara III (Persero) has a positive or unidirectional relationship, while the role between

working capital and net profit with a pearson correlation of 0.0501 is at the amount of 0.5 has a moderate or moderate role. The relationship between profit margin and net profit at PT Perkebunan Nusantara III (Persero) has a positive or unidirectional relationship, while the role of profit margin on net profit with a pearson correlation of 0.753 is at a magnitude of 0.75 has a strong role. The relationship between working capital and profit margin on net profit at PT. Perkebunan Nusantara III (Persero) has a unidirectional or positive relationship, while the role of working capital and profit margin on net profit with a pearson correlation of 0.549 is at a magnitude of 0.5 has a moderate or moderate role.

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