

The Influence of Operating Revenues and Operating Costs on Net Income of Pharmaceutical Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study aims to determine the effect of operating income and operating costs on net profit in pharmaceutical companies listed on the Indonesia Stock Exchange. The independent variables in this study are operating income and operating expenses, while the dependent variable is net profit. The population in this study is the financial statements of pharmaceutical sector manufacturing companies that have been listed on the Indonesia Stock Exchange for 2018-2021 of 10 companies. The data analysis technique used is multiple linear regression analysis using SPSS 25.00 for windows. From the test results of multiple linear regression analysis, the following formula can be obtained: $Y = Y = -0.845 + 0.425x_1 + 0.582x_2 + e$. Meanwhile, the coefficient of determination = 0.933 means that the operating income and operational costs variables have an effect of 93.3% on net income. While the rest is influenced by other variables not examined in this study. Partial test results for X1 obtained $T_{count} > T_{table}$ ($2,847 > 2.052$) with a significance of 0.007 then H1 is accepted and H0 is rejected. Partial test results for X2 obtained $T_{count} > T_{table}$ ($3,833 > 2.052$) with a significance of 0.000, H2 is accepted and H0 is rejected. the value of operational costs, the profit earned will be smaller and vice versa if operational costs can be minimized, the profit generated will also be maximized.

Keywords: Business Income; Operating Costs; Net Income

INTRODUCTION

Pharmaceutical companies are business institutions that have special permits from the Ministry of Health to produce medicines and medical devices (Chow, 2017; Kravchenko & Yusupova, 2019; Kulkov, 2021). Pharmaceutical companies also produce and distribute their processed products directly to pharmaceutical traders such as hospital installations, pharmacies, clinics, and drug stores which comply with laws and regulations (Chahal et al., 2021; Erlangga et al., 2020; LaVan et al., 2021). The existence of the Covid - 19 pandemic has had a positive influence on the acquisition of shares from pharmaceutical companies. Several pharmaceutical companies have participated in the Indonesia Stock Exchange. The existence of the Indonesia Stock Exchange (IDX) is expected to attract investors to invest funds in their companies. With

the emergence of investors, it can make it easier for companies to obtain additional funds so that they can make the company's performance better in the future and increase the net profit obtained by the company.

The main point in setting up a company is to make a profit. To assess the success or failure of management in a company usually comes from the profits that the company earns. If the total revenue is greater than the total costs, the company is said to be in a profit condition (Pudpong et al., 2019).

Revenue is the addition of total assets as a result of gross operations of the company. Revenue is obtained due to the delivery/sale of goods or services in one period (Cerase, 2005; Circle et al., 2012; Ohemeng & Owusu, 2015). Revenue is an important element in the financial statements, especially to generate net income, because if the value of income is less than expenses, the company will experience a loss. Conversely, if a company's income is greater than expenses, it will certainly generate profits for the company.

However, the field conditions found that the increase in operating income was not accompanied by an increase in net profit. As quoted by JAKARTA, KOMPAS.com - PT Kimia Farma (Persero) Tbk reported a decline in net profit in the first 9 months of this year. In fact, at the same time sales revenue has actually increased. If seen from Kimia Farma's financial reports, the decrease in net profit was mainly due to a significant increase in financial expenses to Rp 447.76 billion, from previously only Rp 357.07 billion. The main cost of running also increased to IDR 4.41 trillion from the previous IDR 4.36 trillion. Then, operating expenses rose slightly from Rp 2.21 trillion previously to Rp 2.23 trillion.

Apart from income, costs are a very important factor in every company, be it a company engaged in services or manufacturing, and the calculations must be as efficient and effective as possible. Business/operational costs arise in connection with the sale or marketing of goods or services and the administration and general functions of the company concerned (Jumingan, 2017).

The more development or size of a company, the more activities carried out by the company. The increasing activity of the company will consequently increase the costs incurred for the company's operations. So that there is no waste and misappropriation of costs incurred must be used as efficiently and effectively as possible to reduce costs.

This study used several previous journals which were used as references by the authors, namely research conducted by (Yasinskaya, 2020) entitled Operating Revenues and Operating Expenses on Net Profits in Food and Beverage Companies. It can be concluded that partially operating income has a positive effect on net income. While operating expenses have no effect on net income. Simultaneously, it shows that operating income and operating expenses variables affect net income.

As for previous research conducted by (Kollmann et al., 2019) entitled Effect of Sales Volume and Operational Costs on Company Net Profit (Empirical Study of Manufacturing Companies in the Food and Beverage Sub-Sector Listed on the Indonesia Stock Exchange in 2012-2016) that partially and simultaneously operational costs have a significant effect on the net profit of manufacturing companies in the basic and chemical industry sector for the 2012-2016 period.

With the existence of problems and phenomena supported by data from companies, the authors are interested in conducting research with the title "The Influence of Operating Income and Operating Costs on Net Income in Pharmaceutical Companies Listed on the Indonesia Stock Exchange.

METHOD

The type of research used is qualitative research. The method used in this research is a quantitative method. As for the definition of quantitative methods according to Sugiyono, (2019: 49), namely "Research methods based on the philosophy of positivism, are used to examine certain populations or samples, collect data using research instruments, data analysis is quantitative or statistical with the aim of testing predetermined hypotheses".

In this study the population used is the financial statements for 2018-2021 for pharmaceutical sector manufacturing companies listed on the Indonesia Stock Exchange which are related to operating income, operational costs, and net profit.

The sample technique in non-probability sampling used in this study is using purposive sampling. According to (Creswell & Creswell, 2017) "Purposive sampling is a sampling technique with certain considerations". So based on the criteria, the number of samples in this study was 10. Data collection techniques are methods used by researchers to obtain data in their research. So that the data collection techniques used in this research are library research, documentation, and internet research.

RESULT AND DISCUSSION

Result

1. Multiple Linear Regression Analysis

Table 1
Multiple Linear Regression Analysis

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.845	.421		-2.007	.052
	Income	.425	.149	.416	2.847	.007
	Operating costs	.582	.152	.560	3.833	.000

a. Dependent Variable: Net profit

The SPSS output coefficient table shows the interpretation of the multiple linear regression analysis as follows

$$Y = a + b_1X_1 + b_2X_2 + e$$

$$Y = -0.845 + 0.425x_1 + 0.582x_2 + e$$

Based on the discussion of multiple regression analysis, the equation $Y = -0.845 + 0.425x_1 + 0.582x_2 + e$. A constant of -0.845 indicates that if there is no influence of the variables X_1 and X_2 in the sense that each is considered zero, then Y is worth 0.845.

- a) $X_1 = 0.425$, meaning that the income variable has a positive effect on net income and if the income variable increases by one unit, then the net income will increase by 0.425 units assuming other variables are constant.

- b) $X_2 = 0.582$ which means that operational costs have a positive effect on net income. This indicates that the receipt of net income will increase by 0.582 units, assuming that the other variables are constant

2. t-test

The following are the results of the partial t test, The table above shows that the results of testing the research hypothesis are described as follows:

a. H1

The results of the significance test on the value of the correlation coefficient for income (X1) shows a coefficient value of 0.007 which is positive and a probability value > 0.005 means that the independent variable X1 (income) has no effect on receiving net income. So it can be concluded that H1 is rejected and H0 is accepted.

b. H2

Based on the results of the significance test on the correlation coefficient value for operational costs (X2) it shows a coefficient value of 0.000 which is positive and a probability value < 0.005 means that the independent variable of operational costs (X2) has an effect on net income. So it can be concluded that H0 is rejected and H2 is accepted.

3. F-test

Based on the regression results, it can be seen that income (X1) and operating costs have an effect on the dependent variable (net income) simultaneously as evidenced by the probability value (sig) of 0.000. Because the significance value (Sig) < 0.005 , the regression model can be said that the variable income and operational costs together or simultaneously have a positive and significant effect on the receipt of the company's net profit.

4. Determination Coefficient Test

Adjusted R Square test results, it can be seen that the value of $R = 0.933$. To find out the magnitude of the variation in the influence of operational costs and income at this writing, the Adjusted R Square value obtained is 0.933. this shows that the receipt of net profit is influenced by operational costs and income variables of 93.3%, while the remaining 6.7 is influenced by other factors outside of this writing

Discussion

Based on the results of the regression data analysis, it can be seen that income (X1) and operational costs simultaneously have an influence on the receipt of the company's net profit. Costs and revenues are very important factors in every company, be it a company engaged in services, trading or manufacturing companies, and the calculations must be carried out as efficiently and effectively as possible. (Alshawaaf & Lee, 2021; Rengifurwarin et al., 2018a, 2018b) Operational costs can be used as a tool to increase the profitability pursued by the company. Operational costs are expected to be used and allocate the available resources effectively and efficiently.

The acquisition of net profit is largely determined by the income earned and the costs that must be incurred to obtain this income. The maximum profit is obtained by management by controlling the cost component because the quantity component of service sales which will affect revenue, the amount is very dependent on consumers. Net profit is a measure of the overall profitability of a company that can be used to evaluate whether management has received adequate returns from the use of the assets under its control.

In this study it was found that income has no influence on the receipt of the company's net profit. This is according to Efilia's opinion (Yasinskaya, 2020) expenses are cash flows or other uses of assets or incurring liabilities (a combination of both) from the delivery or production of goods, rendering of services, or carrying out other activities which are the main business being carried out that entity. This research is supported by research conducted by (Alshawaaf & Lee, 2021) that income has no effect on net income.

Based on the results of the t test, it was found that operational costs had an effect on net profit in pharmaceutical companies for the 2018-2021 period. The company will show the size of the company's profit if it can reduce its operational costs. According to (Adebayo et al., 2021; Awasthi et al., 2020; Zhu et al., 2021) in calculating profit and loss, the size of these costs will reduce profits or increase company losses. So, the greater the value of operational costs, the smaller the profit earned and vice versa if the operational costs can be minimized, the profit generated will also be maximized.

CONCLUSION

Operating income has no effect on net income for pharmaceutical companies listed on the Indonesia Stock Exchange. Operational costs affect the net profit of pharmaceutical companies listed on the Indonesia Stock Exchange. Operating income and operational costs affect the net income of pharmaceutical companies listed on the Indonesia Stock Exchange.

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