

## **The Effect Of Production Costs On Net Income In Textile And Garment Companies Listed On The Indonesian Stock Exchange**

**Nur Alisa<sup>1)</sup>, Asri Jaya<sup>2)</sup>, Nurlina<sup>3)</sup>**

<sup>1,2,3)</sup> Management, Faculty of Economics and Business, Muhammadiyah University of Makassar, Indonesian

Corresponding Author :

[nuralisapkp09@gmail.com](mailto:nuralisapkp09@gmail.com)<sup>1)</sup> [asrijaya@unismuh.ac.id](mailto:asrijaya@unismuh.ac.id)<sup>2)</sup> [nurlina.ek@unismuh.ac.id](mailto:nurlina.ek@unismuh.ac.id)<sup>3)</sup>

### **Abstract**

*This research aims to determine the effect of production costs on net income in manufacturing companies in the textile and garment sub-sector listed on the Indonesia Stock Exchange. This research uses quantitative methods. The sampling method used is purposive sampling with a sample of 15 textile and garment companies. The data source used is secondary data. Data was collected using library research and documentation from financial reports published by the company. The analytical tool used is the Statistical Package for the Social Sciences (SPSS) version 25. Based on the research results, it was found that the production costs have a positive and significant effect on net profit as shown in the t-test results, the calculated t value > t table is  $2.246 > 1.997$  with a significant value of  $0.028 < 0.05$ , which means  $H_0$  is rejected and  $H_a$  is accepted. So it can be concluded that production costs partially have a positive and significant effect on net profit.*

**Keywords : Production Cost, Net Profit, IDX**

## **INTRODUCTION**

Businesses usually carry out repetitive activities that are carried out to maximize profits, or what is commonly referred to as profit. Profit, or more closely related, the profit obtained from a selected amount of revenue minus the costs incurred in producing one or more goods, or all goods to be sold by the business over the same period in the future. The profit or profit from the sale can be used to boost the company's operations. So that it can be used to increase productivity, effectiveness, and quality in certain work units.

A manufacturing company is a business that produces raw materials into finished products. The activity, manufacturers need raw materials or raw materials to be processed into finished goods that are ready to be sold into finished goods. The activity, manufacturers need raw materials or raw materials to be processed into finished goods that are ready to be sold. To optimize profit results, this company considers the costs incurred during the production process.

Production costs are costs that the company sacrifices to process something that is expected to produce an item or finished product with an output value greater than the costs that have been incurred so that the company can make a profit. Production expenses in this company consist of raw material expenses, labor expenses for long-term work, and overhead expenses. Net profit refers to the total profit margin a business earns from sales that is greater than the costs a business incurs when producing goods. In short, net profit is the ratio of the amount of money received to expenses, interest, and taxes.

The relationship between production costs and net profit is that if a business can optimize the expenses incurred to carry out its production process, the company can maximize the revenue earned from the sale of its production goods. If there is an increase in production

costs, the price of goods also rises, and the quantity of production goods offered becomes less so revenue decreases. However, if there is a decrease in production costs, the products offered will increase, followed by an increase in revenue.

Previous research on the impact of production costs on net profit has been conducted by several researchers. According to (Marlyna & Famauli, 2022) Production costs and sales volume have an impact on company profits, while promotional costs have no impact on net profit. (Perkasa & Suzan, 2021) Production costs have a significant positive impact on net profit. Meanwhile, operating costs have a significant negative impact on net profit. (Diana, Novia, Sagala, Steven, & Djokri, 2020) Operating and production costs have a significant impact on net profit, while sales have no impact on net profit. (Oktavia, Ernitwati, Indriyani, Rahmawati, & Saputra, 2019) The production cost variable has a significant positive impact on net profit. While the sales variable has no impact on net profit. Previous research on the impact of production costs on net profit has been conducted by several researchers. According to (Marlyna & Famauli, 2022) Production costs and sales volume have an impact on company profits, while promotional costs have no impact on net profit. (Perkasa & Suzan, 2021) Production costs have a significant positive impact on net profit. Meanwhile, operating costs have a significant negative impact on net profit. (Diana, Novia, Sagala, Steven, & Djokri, 2020) Operating and production costs have a significant impact on net profit, while sales have no impact on net profit. (Oktavia, Ernitwati, Indriyani, Rahmawati, & Saputra, 2019) The production cost variable has a significant positive impact on net profit. While the sales variable has no impact on net profit.

Based on the findings of previous research studies that have been described in the previous paragraph, the researcher wishes to conduct further research on the impact of production costs and net income on manufacturing companies in the textile and garment sub-industry listed on the Indonesia Stock Exchange.

## RESEARCH METHODS

In this study, researchers used a quantitative research design

### **Types and Sources of Data**

This study uses secondary data types, namely data obtained passively from summaries and summaries contained in various books, journals, and previous studies. The information obtained is sourced from the trading records of producers in the apparel and textile sector listed on the Indonesia Stock Exchange and can be accessed through the official website [www.idx.co.id](http://www.idx.co.id).

### **Data Collection Technique**

The data in this study were collected using a purposive sampling technique. According to (Sugiyono, 2015), purposive sampling is a technique where the sample is selected through a certain process. From a population of around 21 textile and apparel companies, the sample data taken in this study amounted to approximately 15 companies from 2018 to 2022.

### **Data Analysis Method**

The data analysis method used in this study is the classical assumption test, simple linear regression analysis, partial test (t test) and the coefficient of determination.

## RESULTS AND DISCUSSION

### Classical Assumption Test (Normality Test)

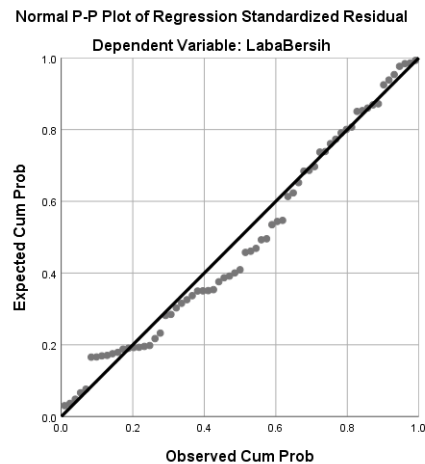


Figure 1. Normality test

The normal p-plot graph shows that from the position of the points - the points of the graph displayed are not too far from the diagonal line, it can be concluded from the results that the regression model has a normal distribution and has successfully maintained the assumption of normality.

### Classical Assumption Test (Linearity Test)

Table 1. Linearity test

ANOVA Table			Sum of Squares	df	Mean Square	F	Sig.
LabaBersih * Biaya_Produksi	Between Groups	(Combined)	14311071	4	35777678	2.296	.069
		Linearity	60090660	1	60090660	3.857	.054
		Deviation from Linearity	83020055	3	27673351	1.776	.161
			5616.541		904.135		
Within Groups			96603317	62	15581180		
			5776.709		254.463		
Total			11091438	66			
			91393.250				

The linearity test results in table 4.1 in the Deviation from Linearity Sig. column of 0.161 can be interpreted as a value of  $0.161 > 0.05$ , therefore, it can be concluded that there is a significant linear relationship between variables related to production costs and variables related to net profit.

### Classical Assumption Test (Heteroscedasticity Test)

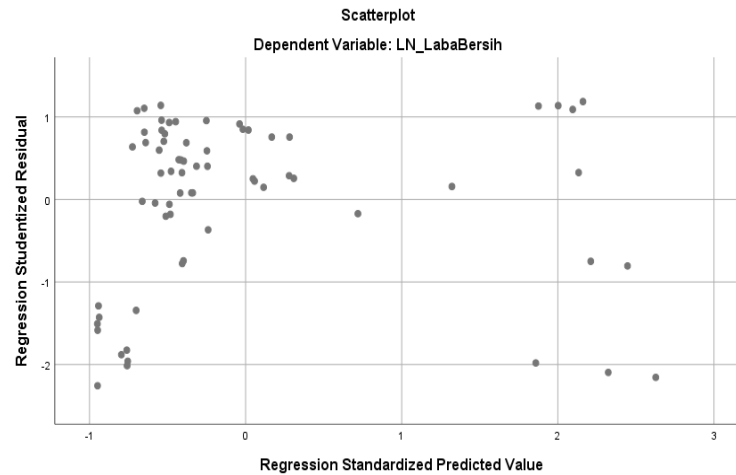


Figure 2. Heteroscedasticity Test

The scatter-plot results show that the plot with accurately displayed dots indicates a low relationship between variables 1 and 2.

### Classical Assumption Test (Autocorrelation Test)

Table 2. Autocorrelation test

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.268 <sup>a</sup>	.072	.058	125835.1552	1.783

a. Predictors: (Constant), BiayaProduksi

b. Dependent Variable: LabaBersih

The results of the autocorrelation test show the value of Durbin Watson of 1.783 which has shown that the value of  $1.783 > 0.05\%$  and the sample value (n) in this study totals 67 with the number of independent variables of 1. Then the resulting value of  $2.4262 < 1.783$ .

### Simple Linear Regression Analysis

Table 3. Simple linear regression analysis

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	120823.690	21667.588		5.576	.000
	BiayaProduksi	.035	.016	.268	2.246	.028

a. Dependent Variable: LabaBersih

The results of the simple linear regression equation can be interpreted as a constant value of 120,823.690 and a variable coefficient of production costs of 0.035.

### Partial Test (t Test)

Table 4. t test  
Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	120823.690	21667.588		5.576	.000
	BiayaProduksi	.035	.016	.268	2.246	.028

a. Dependent Variable: LabaBersih

The results of the t test show the t value of 2.246 and the t table value from the previous calculation is 1.997, which means the value of  $2.246 > 1.997$ . The coefficient of the production cost variable is 0.035 with a positive relationship direction.

### Determination Coefficient

Table 5. Determination coefficient

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.268 <sup>a</sup>	.072	.058	125835.1552	1.783

a. Predictors: (Constant), BiayaProduksi

b. Dependent Variable: LabaBersih

The coefficient of determination in the R Square column shows a value of 0.072 = 7.2%. Thus, it can be concluded that production costs have a significant effect of 7.2%.

### Discussion of Research Results

Based on the results of the studies that have been carried out, the t value is 2.246 and the t table value from the previous calculation is 1.997, which means that the value of  $2.246 > 1.997$ , which means that the production cost variable has a significant positive effect on net profit. This result is obtained from the t test results where the significant result is  $0.028 < 0.05$ . Which can be concluded that production costs in this study are seen as costs sacrificed to produce output.

The results of this study are reinforced by the theory put forward by (Mulyadi, 2012) which presents that production costs are an economic resource sacrificed by the company to produce output, the expected value of the output is greater than the value of the input issued to produce the output, so that the production activity can generate residual income or profit.

The results of this study agree with previous research conducted by (Marlyna & Famauli, 2022) which explained that production costs have an influence on the company's net profit. Production costs incurred by the company include various elements such as raw material

costs, labor costs, factory overhead costs and other costs related to operational management carried out to create products in the form of goods in accordance with the targets planned by the company.

In contrast to previous research conducted by (Prasetya, Suripto, & Puspitasari, 2022) which examined manufacturing companies in the food and beverage sub-industry, it states that if production costs increase or decrease, it has no effect on company profits, because primary consumption goods (basic needs) in the form of goods and services are not affected by fluctuations in economic growth.

### CONCLUSION

Based on the results of research conducted by researchers related to the topic "Production Costs Influence Net Income in the Textile and Garment Industry Trading on the Indonesia Stock Exchange, the authors can conclude that based on the research results shown by the t test which shows a significant value of  $0.028 < 0.05$ , it can be interpreted that  $H_0$  is rejected and  $H_a$  is accepted, which means that the production cost variable has a positive and significant effect on the net profit variable.

Based on the conclusions previously described, the researcher can provide several recommendations, the production cost variable has an influence on the net profit variable, so it is advisable for companies to optimize their production costs so that the company can generate maximum net profit. For further researchers, it is hoped that in order to be able to develop research in other fields / sectors of companies both those listed on the Indonesia Stock Exchange or those that have not been listed on the Indonesia Stock Exchange and add independent variables and dependent variables can also be done to get new variables that can have an influence on the profits generated by the company.

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