



Effect of production costs and marketing costs on the net profits of consumer goods companies in Indonesia

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ARTICLE INFO

Article history:

Received Nov 25, 2022

Revised Des 12, 2022

Accepted Des 25, 2022

Keywords:

Production Cost

Marketing Cost

Net Profit

ABSTRACT

The purpose of this study was to determine the effect of production costs and marketing costs on the net profit of PT A, PT B, and PT C for the period of 2016-2020. This research uses descriptive quantitative method with analysis using multiple linear regression. The results of this study indicate that production costs and operating costs simultaneously affect net income.

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INTRODUCTION

Every company, whether engaged in products or services, has a goal to stay alive and develop. This goal can be achieved through efforts to be able to maintain and increase the level of profit or operating profit of the company. This can be done, if the company can maintain and increase sales of products or services produced. The high number of needs in the form of goods and services by some people is an opportunity for a product to continue to grow and develop (Indriyo, 2008).

Profit is the difference between money received from customers for goods or services produced, and costs incurred for inputs used to produce goods or services (Maruta, 2019). The profit earned by the company includes gross profit and net profit. Gross profit is the profit earned before deducting the costs incurred by the company. That is, the first overall profit the company earns (Maruta, 2019). Meanwhile, net profit is profit that has been deducted by costs which are the company's expense in a certain period including taxes (Cerniati & Hasan, 2020). Net income is the net increase in capital. Net profit is very important for a company because it is used to measure the success of the company (Rahmadhani, 2019). Go public consumer goods companies listed on the Indonesia Stock Exchange (IDX) have been able to generate substantial foreign exchange for the State and are also able to absorb a large number of workers, so as to increase national income (Yulistiani & Manda, 2020). The phenomenon that occurs is that excise or tax policies on cigarettes are the biggest factors that hinder the growth of the tobacco products industry in the last five years (Sitepu, 2016). This labor-intensive

industry has experienced a setback since the roadmap for the intensive tobacco products industry was introduced in 2009 through a policy of gradual excise tax increases almost every year. With the increase in excise duty, producers are one of the parties who get into difficulties and losses. For companies or factories that process raw materials or semi-finished materials into goods of economic value, the problem of price increases is related to production costs. The industry always controls that if cigarettes are controlled, their consumption will decrease and cause a decrease in production which will then cause losses to the cigarette industry. This decline causes the state to suffer losses due to reduced state income (Rahmadhani, 2019). Researchers are interested in taking the title of this study because researchers found inconsistencies regarding the effect of production costs and marketing costs on net income.

Production costs are funds issued by companies in the process of making products (Sulistiani et al. 2021). Production costs are the accumulated expenses required by the company to be able to process raw materials into products. The calculation of the production cost itself is carried out starting from the beginning of processing until it becomes a ready-to-use or semi-finished product. The calculation of production costs itself is quite complex because many types of expenses are calculated. Marketing costs are all costs incurred by companies or entrepreneurs (small scale) in marketing, introducing, reaching many people and selling their products and developing and promoting their brand (branding) (Trulline, 2021). Net income is the last number in the income statement (Muslim, 2020). In the income statement can be obtained by subtracting between revenues and all expenses. Net profit is obtained if the total income is greater than the total expenses. For internal purposes, profit is focused on operating profit, ie profit before taking into account interest and taxes. Meanwhile, for external purposes, the calculated profit is net profit, namely profit after calculating interest and taxes (Handayani, 2017).

Researchers found several previous studies related to this study including: the first study conducted by Januarsah et al. (2019) entitled "The Effect of Production Costs and Marketing Costs on Company Profits at Pt Pp London Sumatra Indonesia" The results of the regression analysis show that simultaneously, raw material costs, direct labor wages and factory overhead have a negative effect on company profits. The second research was conducted by Fathony & Wulandari (2020) entitled "The Effect of Production Costs and Operational Costs on Net Profit at PT. Nusantara VIII Plantation". The results of this study indicate that partially Production Costs have no significant effect on Net Profit, then Operational Costs partially have a significant effect on Net Profit and Simultaneously Production Costs and Operating Costs have a significant effect on Net Profit. Thus it can be concluded that simultaneously Production Costs and Operational Costs have a significant effect on Net Profit at PT. Nusantara VIII Plantation. Subsequent research with the title "The Effect of Production Costs & Operational Costs on Net Profits at PT. Ultrajaya Milk Industry & Trading Company, Tbk." conducted by Casmadi & Azis (2019) showed that production costs had a negative and significant effect on net income, and operating costs had a positive and significant effect on net income. Simultaneously production costs and operating costs have a significant effect on net income at PT. Ultrajaya Milk Industry & Trading Company, Tbk. In this study, researchers chose PT Gudang Garam Tbk, PT Karya Dinya Mahardika (Apache), and PT Sampoerna Tbk as research sites. Based on the data exposure that has been described, the researcher presents a graph of the development of net income in sub-cigarette manufacturing companies listed on the IDX using data from 2016-2020.

RESEARCH METHOD

In this study, the researcher used a quantitative approach based on the data obtained and then processed, used to examine certain populations or samples, with data collection using research instruments (Muhammad, 2008). The population in this study is the cigarette sector companies listed on the Indonesia Stock Exchange (IDX) as many as 6 companies that dominate the market in Indonesia. While the sample of this research is 3 companies consisting of PT A, PT B, and PT C for the 2016-2020 period.

The source of this research data is primary data consisting of data on production costs and marketing costs, as well as net income of PT A, PT B, and PT C for the semester 2016-2020 obtained from direct documentation to the company. The data analysis technique used in this research is the Multiple Linear Regression Test. Researchers used the regression equation:

$$Y = a + b_1 X_1 + b_2 X_2 + e_1$$

With the following information:

Y = net profit

a = Constant

X1 = Independent variable (production cost)

X2 = Independent variable (marketing costs)

b1 = regression coefficient X1

b2 = regression coefficient X2

e1 = Interference variable/error

Based on the explanation above, in this study the framework can be described as follows:

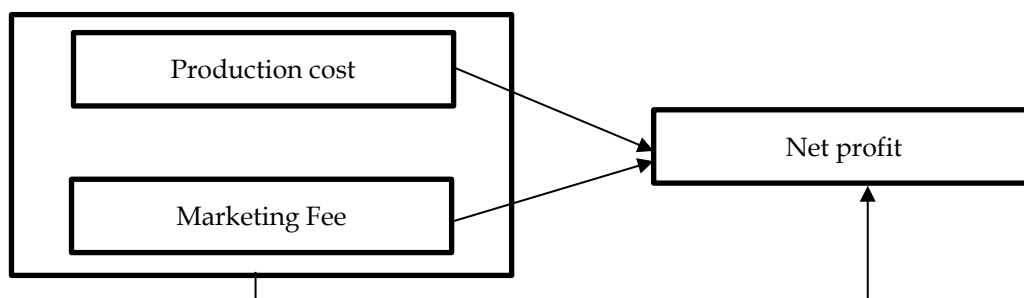


Figure 2. Research Framework

Based on the above framework, it can be explained that this study aims to see the effect of the variable production costs (X1) and marketing costs (X2) on net income (Y). The researcher sets the research hypothesis as follows:

H1 : Production costs have a significant effect on the net profit of the consumer goods sector companies for the 2016-2020 period

H2: Marketing costs have a significant effect on the net profit of the consumer goods sector companies for the 2016-2020 period.

H3 : Production Costs and Marketing Costs have a significant effect on the net profit of consumer goods sector companies for the 2016-2020 period.

RESULTS AND DISCUSSIONS

Multiple Regression Analysis

Multiple linear regression analysis was used to determine the regression equation formed in this study, it can be seen by looking at the results of the statistical test below:

Table 1. Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	T	
1 (Constant)	4.111	1.631		-2.521	.013
Biaya produksi	.182	.080	.173	2.280	.025
Biaya pemasaran	.269	.083	.255	3.263	.020

Based on table 1 above, the regression equation formed is:

$$Y = 4.111 + 0.182X_1 + 0.269X_2$$

From the above equation, it can be explained as follows:

- a. Constant Value of 4.111. This means that if the variables of production costs and marketing costs are not included in the study, then the net profit decreases by -4.111% This is because there is an influence from other variables besides the variable production costs and marketing costs that are not mentioned or not in this study.
- b. The regression coefficient on the variable cost of production (X1) of 0.182 is positive.
- c. The regression coefficient on the marketing cost variable (X2) of 0.269 is positive

T test

T test is used to determine the effect of the independent variable on the dependent variable. In this study, namely to determine individually the influence of the independent variable partially has a significant influence on the dependent variable.

Table 2. t test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.111	1.631		-2.521	.013
Production cost	.182	.080	.173	2.280	.025
Marketing costs	.269	.083	.255	3.263	.020

Based on the table above, it is known that the calculated t value of production costs is 2.280, which means it is greater than the table value of 1.660 with a sig value of 0.025. This means that t count is greater than t table and is declared significant and the hypothesis is tested. This means that the production cost indicator (X1) partially affects net income (Y). It is known that the calculated t value of marketing costs is 3.263 which means it is greater than the table value of 1.660 with a sig value of 0.020. This means that t count is greater than t table and is declared significant and the hypothesis is tested. This means that the marketing cost indicator (X2) partially affects net income (Y).

F test

The F test is used to show whether all the independent variables included in the model have a joint effect on the dependent variable.

Table 3. F test ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.234	2	.101	8.674	.000 ^a
	Residual	9.060	83	.96		
	Total	11.345	85			

a. Predictors: (Constant), biaya produksi (X1), biaya pemasaran (X2)

b. Dependent Variable: laba bersih (Y)

Based on the results of the table above, it can be seen that F count = 8674 1.443 = F table. The calculated F value is 8,674 which is greater than the F table value with a significance of 0.000, so the X1 and X2 variables together affect the Y variable.

Coefficient of Determination Test

The coefficient of determination is used to measure how far the model's ability to explain the dependent variables is. The value of the coefficient of determination is between zero and one. A small value of 2 means that the ability of the independent variables in explaining the variation of the dependent variable is very limited.

Table 4. Coefficient of Determinant Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.809 ^a	.654	.632	1.26505

a. Predictors: (Constant), biaya produksi (X1), biaya pemasaran (X2)

Based on the table above, the adjusted r square value is 0.632 or 63.2%, which means that production costs (X1) and marketing costs (X2) have an effect on net income of 63.2%.

Effect of Production Costs on Net Profit

The results of this study indicate that the production cost has a t count of 2.280, which means it is greater than the table value of 1.660 with a sig value of 0.025. This means that t count is greater than t table and is declared significant and the hypothesis is tested. This means that the production cost indicator (X1) partially affects net income (Y). High or low production costs are one of the factors that can affect the rise and fall of company profits.

This research is in line with the research conducted by Fitri Handayani with the title "Analysis of the Effect of Sales and Operational Costs on Net Profit at PT. Alam Sutera Realty Tbk.". The results of this study indicate that the independent variables (sales and operating costs) are able to explain the dependent variable (net income) of 98.8% while the remaining 1.2% is explained by other variables not included in this model. This study is also in line with Muhammad Syukriadi entitled "The Influence of Production Costs, Promotional Costs and Distribution Costs on Company Profits with Sales Volume as Moderating Variables" The results of hypothesis testing in this study indicate that production costs, promotion costs, distribution costs partially affect positive and significant to the company's profit. A similar study by Elvira Rosa entitled "The Effect of Production Costs on the Net Profit of Companies with Sales Volume as Moderating Variables in Textil and Garment Companies Listed on the Indonesia Stock Exchange in 2016-2019". The results of this study indicate that production costs have a positive and significant effect on the company's net income and sales volume shows a negative and significant effect on the company's net income, besides that it is also known that sales volume does not moderate the effect of production costs on the company's net income.

Effect of Marketing Costs on Net Profit

The results of this study indicate that marketing costs have a t count of 3.263 which means it is greater than the table value of 1.660 with a sig value of 0.020. This means that t count is greater than t table and is declared significant and the hypothesis is tested. This means that the marketing cost indicator (X2) partially affects net income (Y). High or low marketing costs are one of the factors that can affect the rise and fall of company profits.

This research is in line with research conducted by Casmadi and Irfan Azis with the title "The Effect of Production Costs & Operational Costs on Net Profits at PT. Ultrajaya Milk Industry & Trading Company, Tbk." The results show that production costs have a negative and significant effect on net income, and operating costs have a positive and significant effect on net income. Simultaneously production costs and operating costs have a significant effect on net income at PT. Ultrajaya Milk Industry & Trading Company, Tbk. The second research was conducted by Rismayanti entitled "The Effect of Operational Costs on Increasing Profit at PT. Gowa Dynasty Motor Hyundai Makassar". The results of this study conclude that operating costs have no significant effect on profits at PT. Gowa Dynasty Motor Hyundai Makassar. With a significant level of 0.595 (>

0.05). And the last one was done by Adelia entitled "The Influence of Production Costs and Operational Costs on Net Profits". The results of the production cost study indicate that there is a negative and significant effect on net income. Operating costs have a positive and significant effect on net income. Together, production costs and operating costs show a significant effect on net income.

Effect of Production Costs and Marketing Costs on Net Profit

Based on the results of the F test table, it can be seen that $F_{count} = 8674.1443 = F_{table}$. The calculated F value of 8,674 is greater than the F table value with a significance of 0.000, so the X1 and X2 variables together affect the Y variable. Net Profit At PT. Nusantara VIII Plantation". The results of this study indicate that partially Production Costs have no significant effect on Net Profit, then Operational Costs partially have a significant effect on Net Profit and Simultaneously Production Costs and Operating Costs have a significant effect on Net Profit. Furthermore, Yaya Suharya, et al. entitled "The Influence of Production Costs and Marketing Costs on Net Profit on CV. Berkah Jaya General Supplier Snack Food" The results of the regression analysis show that simultaneously, the cost of raw materials, direct labor wages and factory overhead have a negative effect on company profits. The third, Casmadi and Azis with the title "The Effect of Production Costs & Operational Costs on Net Profits at PT. Ultrajaya Milk Industry & Trading Company, Tbk." The results show that production costs have a negative and significant effect on net income, and operating costs have a positive and significant effect on net income. Simultaneously production costs and operating costs have a significant effect on net income at PT. Ultrajaya Milk Industry & Trading Company, Tbk.

CONCLUSION

The results in this study indicate that production costs have a positive and significant effect on net income. This means that the high production costs of a company greatly affect the net profit to be obtained, the high production costs incurred will increase the cost of goods sold. Marketing costs have a positive and significant effect on net income. This means that the higher the marketing costs, the higher the net profit. Simultaneously, the results of this study show that Production Costs and Promotional Costs have an effect on Net Profit at PT A, PT B, and PT C for the 2016-2020 period.

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