Influence of Income, Business Expenses, and Business Capital on Net Profit of Business

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Abstract. The motivation behind this study is to decide how much income, operating expenses and operating capital have an effect either simultaneously or partially on net operating income. This study utilizes auxiliary information acquired by the Indonesian Stock Trade Corner and yearly reports. The perception time frame utilized is the period from 2019 to 2020. The example in this review comprised of 30 assembling organizations recorded on the Indonesia Stock Trade (IDX). The technique used to investigate the information is to utilize various direct relapse and to test the proposed speculation with the assistance of SPSS software. The consequences of the concurrent impact examination show that working pay, working costs and working capital together fundamentally affect working benefit. This should be visible from the huge worth of 0.000 which is lower than 0.05. While to some degree working pay essentially affects working benefit, this should be visible from the critical worth of 0.000 which is lower than 0.05. Working costs essentially affect working benefit, this should be visible from the huge worth of 0.000 which is lower than 0.05 and working capital altogether affects working benefit, this should be visible from the critical worth of 0.000 which is lower than 0.05.

Keywords: Income · Business Expenses · Business Capital and Net Profit of Business

1 Introduction

The principal objective of the organization, is to expand the worth of the organization. The increment or lessening in benefit will be viewed as in the decision making of the organization’s administration. Profit as a component of the budget summaries that don’t present established truths about the monetary state of the organization can be of far-fetched quality. Income that doesn’t show genuine data about administration’s presentation can misdirect the clients of the report. Assuming that this sort of benefit is utilized by financial backers to frame the market worth of the organization, then, at the point, the benefit can’t make sense of the genuine market worth of the organization [1]. Income quality is income that accurately and precisely portray the organization’s functional benefit. The ongoing year’s income have great quality on the off chance that
the benefit is a decent mark of future profit, or is emphatically connected with future working incomes [2].

An increase in sales or operating income is the main target of every company which is expected to be a predictor of increasing operating profit, but because of the organization’s business scope, the organization’s operating income will also have an impact on the complexity of business operations that require greater financing. So in this case the amount of operating income requires every company management to operate optimally and efficiently, so that the amount of operating income obtained can have an impact on increasing net income received.

Another factor considered to have a direct impact on operating profit is operating expenses. Based on this, it can be said that profit is operating profit generated by the company from each level of sales. Meanwhile, in an all inclusive income statement, all elements of income and expenses are reported, so that unusual elements are also reported. However, in this study, it is assumed that profit is analyzed by the two largest elements in the income statement, namely operating income and operating expenses which generate operating profit. Other elements are considered not examined because they are in accordance with the research problem, namely the existence of fluctuating operating expenses but not followed by a proportional increase in deals and the motivation behind the review is to determine the organization’s ability to earn profits from the organization’s functional exercises, namely deals.

Every company basically will also carry out different exercises to accomplish the objectives that have been set. Each movement did by the organization generally requires reserves, both to fund everyday functional exercises and to back long haul speculations. Reserves used to complete day to day functional exercises are called working capital. Working capital is required by each organization to back its day to day tasks, where the functioning capital that has been given is supposed to have the option to get back to the organization in a brief time frame through the business of its creation. Working capital got from the offer of these items will before long be given in the future to fund further functional exercises. This functioning capital will keep on turning each period in the organization.

1.1 The Problem’s Formulation

a. Do operating income, operating expenses, and capital simultaneously essentially affect the net benefit of assembling organizations on the IDX?
b. Do operating income, operating expenses, and capital simultaneously essentially affect the net benefit of assembling organizations on theIDX?
c. Among the variables of operating income, operating expenses and capital, which one has a dominant influence on the net profit of assembling organizations on the IDX?

1.2 Analytical Framework

(See Fig. 1).
1.3 Hypothesis

H1 = Operating income, operating expenses and operating capital simultaneously essentially affect operating profit in assembling organizations recorded on the IDX.
H2 = Operating income, operating expenses, and operating capital partially fundamentally affect operating profit in assembling organizations recorded on the IDX.
H3 = Operating income has a dominant influence on operating profit in assembling Organizations recorded on the IDX.

2 Methodology

2.1 Data Type

The sort of information utilized in this study is the yearly monetary report information of assembling organizations recorded on the Indonesia Stock Trade (IDX) which is a verifiable record of the organization’s monetary condition and execution. Then quantitative information incorporates Approaches and Guidelines connecting with the Accommodation of Budget reports of assembling organizations recorded on the Indonesia Stock Trade.

2.2 Information Source

The wellspring of information in this study is auxiliary information got by the creator by implication from the object of examination through middle person media. Optional information are by and large as proof or notes that are imperative for writers in research. Evidence or records such as: the company’s annual financial statements.
2.3 Research Sample

The conditions used to choose the example are as per the following:

a. Companies recorded on the Indonesia Stock Trade (IDX) consecutively for the period 2019 to 2020;
b. The company has published annual financial reports for time frame 2019 to 2020; in view of the testing standards, the quantity of exploration samples taken were 30 manufacturing companies.

2.4 Analysis Method

Different Direct Relapse Method

\[ Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \]  

Information:

- \( Y \) = Operating Benefit (Rp)
- \( \alpha \) = Constant
- \( \beta \) = Independent variable relapse coefficient
- \( X_1 \) = Operating Income (Rp)
- \( X_2 \) = Operating Expenses (Rp)
- \( X_3 \) = Business Capital (Rp)
- \( \varepsilon \) = Residual

Classical Assumption Test. Classical assumption testing needs to be done to guarantee that the relapse model utilized in this study is liberated from heteroscedasticity side effects, multicollinearity side effects, and autocorrelation side effects and to guarantee that the information utilized are regularly dispersed. The traditional supposition tests completed are:

Multicollinearity Test. Expects to test whether the relapse model tracked down a relationship between’s the free factors (autonomous). A decent relapse model shouldn’t have a connection between’s the free factors. Multicollinearity should be visible from the worth of Resistance and Variance Expansion Element (VIF), with the reason for pursuing choices as follows: On the off chance that the resilience esteem is above 0.10 and the VIF esteem is under 10, then, at that point, there is no multicollinearity issue, implying that the relapse model is great. Assuming that the resilience esteem is under 0.10 and the VIF esteem is over 10, then there is a multicollinearity issue, implying that the relapse model isn’t great [3].

Heteroscedasticity Test. The heteroscedasticity test expects to test whether in the relapse model there is an imbalance of change from the residuals of one perception to another perception. A decent relapse model is that there is no heteroscedasticity. The method for distinguishing the presence or nonattendance of heteroscedasticity in this review is
Table 1. Summary of Various Relapse Examination Results.

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Independent variable</th>
<th>Regression coefficient</th>
<th>$t_{hitung}$</th>
<th>sig</th>
<th>$t_{table}$</th>
<th>Signifikan /tidak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Dividend (Y)</td>
<td>Operating Income (X1)</td>
<td>0.338</td>
<td>10.257</td>
<td>0.000</td>
<td></td>
<td>Signifikan</td>
</tr>
<tr>
<td></td>
<td>Operating Expenses (X2)</td>
<td>-0.084</td>
<td>-4.030</td>
<td>0.000</td>
<td>2.001</td>
<td>Signifikan</td>
</tr>
<tr>
<td></td>
<td>Business Capital (X3)</td>
<td>0.276</td>
<td>5.861</td>
<td>0.000</td>
<td></td>
<td>Signifikan</td>
</tr>
<tr>
<td>Konstanta</td>
<td></td>
<td>= 206052818635,48</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R</td>
<td></td>
<td>= 0,970</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R Square (R2)</td>
<td></td>
<td>= 0,942</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R2</td>
<td></td>
<td>= 0,938</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Handled Information (2022)

to utilize the Glejser test. The Glejser test is completed by relapsing the outright worth of the remaining on the free factor. In the event that the importance likelihood esteem is above 0.05, the relapse model is liberated from heteroscedasticity side effects, running against the norm on the off chance that the importance likelihood esteem is underneath 0.05, heteroscedasticity happens in the relapse model [3].

Autocorrelation Test. This concentrate on utilizes the Durbin-Watson test (DW test) to test the supposition of autocorrelation. This tests expects to tests whether in a straight relapse model there is a relationship between’s the jumbling mistake in the t-1 period (past). A decent relapse model is a relapse that is liberated from autocorrelation. Dynamic whether autocorrelation exists, namely:

\[
0 < d < d_l = \text{there is a positive relationship} \\
\text{d}_l d u = \text{cannot be concluded} \\
4 - d_l < d < 4 = \text{there is a negative connection} \\
4 - \text{d} u d - d_l = \text{inconclusive} \\
du < d < 4 - du = \text{no autocorrelation}
\]

3  Result and Discussion

Table 1 of the model summary shows the analysis model information, each of which is meaningful as follows:

The size of the connection between the free factor and the reliant variable is demonstrated by a $R$ worth of 0.970 or 97%, the value indicates a very strong relationship, because the greater the value of $R$ can be in view of the understanding of the information, it tends to be found in the accompanying table: Tabulation of the interpretation of the value of $r$. 
The variety of the free factor (X) adds to the impact of the reliant variable as shown by the R Square worth of 0.942 or 94.2%, where it implies that the variety of the autonomous variable that is excluded from this study is 5.8%.

The degree of development of the reliant variable (Y) brought about by the autonomous variable (X) is demonstrated by the Change R Square worth of 0.938 or 93.8%.

3.1 Research Hypothesis Test

Simultaneous Effect Test. The main speculation testing is to break down at the same time, in particular the F test is completed to decide the concurrent impact of the autonomous variable on the reliant variable. From the ANOVA test or F test, the F count is 301,079 with a Sig number. 0.000. The F table worth should be visible in the df segment, where the numerator is 3 and the denominator is 56, so the F table worth is 2.761.

From the correlation of F count with F table, it tends to be seen that F count is more noteworthy than F table (301,079 > 2,761), subsequently it is obvious that all free factors (X) essentially affect the reliant variable (Y). It is additionally seen in view of the worth of sig. F of 0.000 is underneath 0.05 (0.000 < 0.05).

Partial Effect Test. Fractional testing is a trial of the impact of every free factor on the reliant variable, specifically the relapse condition equation in this review is as per the following: \[ Y = 206052818635.48 + 0.338.X1 - 0.084.X2 + 0.276.X3. \]

The steady worth of 18.105 demonstrates that if the Operating Income (X1), Operating Expenses (X2), and Business Capital (X3) don’t change in that frame of mind of an increment or decline (fixed) then, at that point, the degree of Net Operating Income (Y) is 206052818635.48. The magnitude of the regression coefficient will show the value of adding or subtracting to the constant value or Net Operating Income (Y) with multiples there of:

If there is an increase in Operating Income (X1) by 1% from the previous, the Net Operating Income will increase by 33.8%.
If there is an increase in Operating Expenses (X1) by 1% from the previous, the Net Operating Income will decrease by 8.4%.
If there is an increase in Operating Capital (X1) by 1% from the previous, the Net Operating Profit will increase by 27.6%.

To partially answer the research hypothesis, it is described as follows:

Effect of Operating Income (X1) on Net Operating Income (Y). The value of t count on Operating Income (X1) is 10.257 while the t table value is 2,001. By contrasting the worth of t count and the worth of t table, and seeing the size of the critical worth, one might say that Operating Income (X1) altogether affects Net Operating Income (Y). This is on the grounds that the worth of t count is more prominent than the worth of t table (10.257 > 2.001), and the critical worth is 0.000 (lower than 0.05).
Table 2. Multicollinearity Test Results.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tolerance</th>
<th>Variance inflation factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (X1)</td>
<td>0.264</td>
<td>3.793</td>
</tr>
<tr>
<td>Operating Expenses (X2)</td>
<td>0.279</td>
<td>3.590</td>
</tr>
<tr>
<td>Business Capital (X3)</td>
<td>0.125</td>
<td>7.977</td>
</tr>
</tbody>
</table>

Source: Handled Information (2022)

Effect of Operating Expenses (X2) on Net Operating Income (Y). The value of $t$ count on Operating Expenses (X2) is 4.030 while the t-table value is 2.001. By contrasting the worth of $t$ count and the worth of $t$ table, and seeing the extent of the huge worth, one might say that Operating Expenses (X2) essentially affect Net Operating Income (Y). This is on the grounds that the worth of $t$ count is more prominent than the worth of $t$ table (4.030 > 2.001), and the huge worth is 0.000 (lower than 0.05). The resulting negative value (-) indicates that the effect of operating costs is to reduce operating net income, so that increasing operating costs will automatically reduce operating profits.

Effect of Business Capital (X3) on Net Operating Income (Y). The value of $t$ count for operating capital (X3) is 5.861 while the t table value is 2.001. By contrasting the worth of $t$ count and the worth of $t$ table, and seeing the greatness of the huge worth, one might say that Business Capital (X3) fundamentally affects Net Operating Income (Y). This is on the grounds that the worth of $t$ count is more prominent than the worth of $t$ table (5.861 > 2.001), and the huge worth is 0.000 (lower than 0.05).

3.2 Classical Assumption Test

Multicollinearity Test. This multi collinearity test is utilized to decide if there is different collinearity (high relationship) between’s the free factors utilized in the model. To decide if there is multicollinearity between factors, you can see the Variable Expansion Component (VIF) and Resistance, where the VIF esteem isn’t more than 10, and the Resilience esteem is more than 0.1. For additional subtleties should be visible in the accompanying table:

In view of the Table 2, it shows that this study doesn’t have side effects of multicollinearity. Since every one of the contemplations and examination necessities of the multicollinearity test have been met.

Heteroscedasticity Test. One of the exemplary presumptions in numerous straight relapse models is assuming the perplexing variable has a similar difference from another perception (Homooscedasticity). In the interim, assuming the difference is not quite the same as one perception to another, it is known as the heteroscedasticity side effect. Heteroscedasticity test is completed by leading an icy mass test, in particular by playing out without a doubt the lingering on the worth of the reliant variable, which will then be done a relapse test, which is as per the following: Multicollinearity Test (Table 3).
In light of the huge worth of the free factor, it very well may be seen that the worth is more noteworthy than the 0.05 degree of importance. So in this review, there were no side effects of heteroscedasticity.

**Autocorrelation Test.** The autocorrelation test expects to test whether in a relapse model there is a connection between's puzzling blunders (because of residuals) in period t and period t-1. Autocorrelation emerges on the grounds that successive perceptions after some time are connected with one another. A decent relapse model is a relapse that is liberated from autocorrelation.

To see if the relapse condition contains a sequential connection or not between puzzling factors. To decide the presence of autocorrelation, the Durbin-Watson test was utilized which should be visible from the relapse test and traditionally which can be said to have satisfied the autocorrelation supposition assuming that the Durbin-Watson test esteem was near number 2. And according to Santoso (2004), in general it can be taken as a benchmark that [4].

- D-W numbers underneath -2, it intends that there is a positive autocorrelation.
- The D-W number is between -2 to +2, truly intending that there is no autocorrelation.
- D-W numbers over +2, it intends that there is a negative autocorrelation.

The value of Durbin - Watson in this study should be visible in the accompanying table:

<table>
<thead>
<tr>
<th>Model</th>
<th>Durbin - Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.898</td>
</tr>
</tbody>
</table>

Source: Processed Data (2022)

Based on the table above, it very well may be resolved that the Durbin Watson esteem in the relapse model of 1.898 is between -2 to +2, meaning that there is no autocorrelation.
3.3 Discussion

The outcomes showed that there was a massive impact of operating income, operating expenses and operating capital on the organization’s operating profit, so the three elements were thought about for the organization to build the organization’s operating profit. The management of operating income, operating expenses and working capital involves all aspects related to these three things.

Operating income. Management of operating income and its projection on operating profit is carried out by the company in several ways, among others, by increasing sales volume with optimal marketing policies, and developing and expanding the company in the marketing area sector.

This is in line with the theory put forward by Donald, Jerry, and Terry (2008), which suggests that income is an inflow of assets or other increases in an entity’s resources or the settlement of its commitments (or a blend of both) during a period, brought about by conveyance or production [5]. Products, providing services, or other activities that are part of the company’s main or central operations.

Operating expenses. Operating expenses which are the contribution and consequence of the organization’s exercises to back all the organization’s business operations are the most basic thing in managing the source and use of company funds. The higher the operating expenses, it is hoped that it can support the company’s marketing activities which are oriented to operating profit as much as possible.

This is in line with the theory put forward by Jusuf (2004) which makes sense of that in the event that the organization can diminish working expenses, the organization will actually want to increment net gain [6]. The other way around, in the event that there is a misuse of costs will bring about diminished benefits.

Business capital. Business capital is a factor that supports all business activities, with optimal business capital, the company can run its business operations to achieve the goal of getting optimal profit. Based on this, working capital management needs to be implemented effectively by the company so that it can predict and project business activities funded by the organization’s venture to create ideal benefits.

This is in accordance with the hypothesis set forward by Munawir (2004), which recommends that the more noteworthy how much working capital supported or got from the venture of the proprietor of the organization, the better for the organization in light of the fact that the more prominent the organization’s capacity to get credit, and the more noteworthy the assurance [7]. Transient leasers. Aside from the venture of the proprietors of the organization, super durable working capital requirements can likewise be supported from the offer of bonds or different sorts of long haul obligation, however for this situation the organization should consider the development of this drawn out obligation as well as additionally considering the interest cost that should be paid by the organization.
4 Conclusion

In light of the consequences of the concurrent impact examination, the outcomes show that operating income, operating expenses and operating capital together fundamentally affect working benefit. This should be visible from the huge worth of 0.000 which is lower than 0.05.

In light of the consequences of the halfway impact examination, the outcomes show the accompanying impacts: Operating income altogether affects operating profit, this should be visible from the critical worth of 0.000 which is lower than 0.05. In view of this, the increment or reduction in working pay will straightforwardly influence the increment or abatement in the organization’s operating profit. Operating expenses fundamentally affect working benefit, this should be visible from the huge worth of 0.000 which is lower than 0.05. In view of this, the increment or decline in operating expenses will straightforwardly influence the increment or lessening in the organization’s operating profit. Business capital altogether affects operating profit, this should be visible from the critical worth of 0.000 which is lower than 0.05. In light of this, the increment or decline in operating capital will straightforwardly influence the increment or reduction in the organization’s operating profit.

The business income factor has the most dominant influence compared to the operating expense factor and the business capital factor. This is seen in view of the t-count worth of the working pay variable of 10.257 which is more prominent than the t-count of the operating expense factor of 4.030 and the working capital factor of 5.861.

References

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