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THE IMPACT OF WORKING CAPITAL ON NET PROFIT OF PT. UNILEVER INDONESIA TBK FOR THE PERIOD 2020-2024

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Abstract

This study aims to analyze the impact of working capital on the net profit of PT Unilever Indonesia Tbk during the 2020–2024 period. The data used were obtained from the company's financial statements accessed through the Indonesia Stock Exchange. The research employed a quantitative approach with an explanatory research method by examining the relationship between working capital and net profit. The findings indicate that working capital has a very strong correlation ($r = 0.899$) with net profit, with a coefficient of determination of 80.82%. However, the regression analysis reveals a negative relationship between working capital and net profit, with a coefficient of -1.558. This indicates that excessive increases in working capital reduce net profit efficiency. Although the company's revenue remained relatively stable, net profit sharply declined from IDR 7.16 trillion in 2020 to IDR 3.37 trillion in 2024, a drop of approximately 53% over five years. These results demonstrate that inefficient working capital management had a significant negative impact on PT Unilever Indonesia Tbk's profitability, as excessive investment in current assets reduced operational efficiency and profitability. The study concludes that optimal working capital management is crucial for maintaining profitability, especially during periods of economic uncertainty such as the COVID-19 pandemic and subsequent recovery phases.

Keywords: Working Capital, Net Profit, Financial Performance, PT Unilever Indonesia Tbk, Working Capital Management

Introduction

In the era of globalization and increasingly competitive business competition, companies are required to be able to manage their resources effectively and efficiently to achieve the company's main goal, which is to maximize profit. One important aspect of company management is working capital management, which represents the company's investment in short-term assets. Working capital plays a vital role in the company's daily operational continuity, ranging from purchasing raw materials, paying employee salaries, to other operational costs.

Well-managed working capital will have a positive impact on the company's financial performance, particularly on achieving net profit. Efficient working capital management can improve company liquidity, accelerate cash turnover, and optimize the use of current assets to generate revenue. Conversely, suboptimal working capital management can cause liquidity problems, hinder company operations, and ultimately negatively impact company profitability.

PT Unilever Indonesia Tbk is one of the leading manufacturing companies in Indonesia operating in the consumer goods industry. As a company that produces various daily necessities such as soap, detergent, toothpaste, shampoo, cosmetics, tea, ice cream, and other food products, PT Unilever Indonesia requires substantial working capital to run its operational activities. This company has an extensive distribution network throughout Indonesia and faces high market dynamics, making working capital management a crucial factor in maintaining business sustainability and increasing profitability.

The period 2020-2024 is an interesting period to study because it includes the COVID-19 pandemic period which had a significant impact on the global and national economy. This pandemic affected consumer consumption patterns, supply chains, and the financial condition of companies in general. PT Unilever Indonesia, as a company that depends on consumer demand and smooth product distribution, certainly experienced challenges in managing its working capital during that period. The company's ability to manage working capital amid economic uncertainty became key to maintaining and increasing net profit.

Various previous studies have shown a relationship between working capital and company profitability. Working capital components such as cash, accounts receivable, inventory, and current liabilities have different influences on net profit. Optimal cash management ensures that the company has sufficient liquidity for operations without sacrificing investment opportunities. Effective receivables management can accelerate cash receipts from sales. Good inventory control prevents excessive storage costs or lost sales due to stock shortages. Meanwhile, prudent current liability management can utilize supplier credit as a cheap short-term funding source.

Based on this background, this study aims to analyze the influence of working capital on net profit at PT Unilever Indonesia Tbk for the period 2020-2024. This research is expected to provide an empirical picture of how working capital management contributes to the company's net profit achievement, especially in facing uncertain economic conditions. The results of this study are also expected to serve as evaluation material and consideration for company management in formulating more effective working capital management policies in the future.

Based on observations of secondary data, the findings obtained by the researcher from research using financial reports of PT Unilever Indonesia over the past five years generally indicate a tendency for net profit to decline. This can be seen from Table 1.1 below:

Table 1
Net Profit of PT Unilever Indonesia Tbk
for 2020-2024

Year	Net Profit (in million rupiah)	Growth (%)
2020	7,164	
2021	5,758	(19,63)
2022	5,365	(6,83)
2023	4,801	(10,51)
2024	3,369	(29,83)

The data shows that PT Unilever Indonesia's net profit experienced a decline every year from 2020 to 2024. Specifically, net profit dropped by 19.63% in 2021 compared to 2020, followed by a 6.83% decline in 2022, a further 10.51% decrease in 2023, and finally a sharp 29.83% drop in 2024. This consistent decline reflects ongoing challenges in the business environment, including reduced sales, increased competition from more competitive new products, and operational costs that have not been offset by efficiency gains. Additionally, in 2024, business transformation and increased investments to change company strategy exerted further pressure on net profit. These factors together caused the significant shrinkage in profitability over the period.

Literature Review
Working Capital:
Kasmir (2010:210) defines working capital as an investment in current or short-term assets, such as cash, marketable securities, receivables, inventory, and other current assets. Working capital is divided into two types: gross working capital and net working capital. Martono and Agus Harjito (2008) add that working capital is the funds used to finance the company's daily operational activities, which have a short-term nature. The formula for net working capital is:

Working Capital = Current Assets – Current Liabilities.

Net Income:
Soemarso (2002:227) states that net income represents the final figure in the income statement, indicating the net increase in equity. Kieso, Weygandt, and Warfield (2009) explain that net income is the difference between total revenues and total expenses after deducting income tax. The formula for net income is:

Net Income = Revenue – Expenses – Taxes.

Relationship Between Working Capital and Net Income:

Fahmi (2014:104) explains that as a company grows larger, its need for working capital increases and must be accompanied by higher turnover to cover working capital costs. When sales turnover exceeds the cost of working capital, the company will earn a profit. Sutrisno (2007) adds that sufficient and well-managed working capital protects the company from financial crises, enables timely fulfillment of obligations, and allows for more efficient operations, thereby having a positive impact on net income. Gitosudarmo and Basri (2008) state that efficient working capital management enhances company profitability through faster working capital turnover.

This study analyzes the effect of working capital on the net income of PT Unilever Indonesia Tbk for the period 2020–2024, covering the COVID-19 pandemic era and the economic recovery period, both of which have influenced the operations of consumer goods companies.

Method

This study employs a quantitative approach with an explanatory research method. This method was selected to test hypotheses and explain the causal relationship between working capital and net income at PT Unilever Indonesia Tbk for the period 2020–2024. The explanatory research method is considered appropriate as it provides in-depth explanations regarding the influence of independent variables on dependent variables through measurable statistical analysis.

The research was conducted in 2025 with PT Unilever Indonesia Tbk as the research object. The research location was at the Indonesia Stock Exchange (IDX) Gallery or through data accessed from the official websites of the Indonesia Stock Exchange and PT Unilever Indonesia Tbk. The selection of this company was based on the availability of complete data and other supporting aspects necessary for the smooth implementation of the research.

The population in this study consists of the financial statements of PT Unilever Indonesia Tbk for the period 2020 to 2024. The sampling technique employed is time series analysis, which is a data analysis technique that examines data collected over a specific period to observe trends or specific patterns that occur. The time series approach was chosen because it enables researchers to identify changes and developments in research variables chronologically.

Data collection techniques in this study were conducted through two methods. First, field research was performed by accessing the financial statements of PT Unilever Indonesia Tbk available at the IDX Gallery or through the official IDX website. Second, library research was conducted by gathering data and information from books, journals, articles, and other literature related to working capital and net income to support the theoretical framework of this research.

Given that this study uses quantitative data, the analytical technique applied is quantitative/statistical analysis, which includes several methods. Product Moment Correlation Analysis is used to measure the strength of the relationship between working capital and net income. The Coefficient of Determination (R^2) is used to determine the extent of the effect of working capital on net income. Simple Linear

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Regression Equation is used to predict the value of net income based on working capital. Hypothesis Testing (t-test) is used to test the significance of the effect of working capital on net income. All data processing is conducted using SPSS software version 20.0 or later to ensure the accuracy and validity of the analysis results.

Results

Correlation coefficient and Coefficient of determination:

This correlation coefficient test is used to find relationships and to prove the hypothesis of the relationship between two variables if the data of both variables are in the form of interval or ratio, and the source data of the two or more variables is the same. The following are the results of the correlation coefficient analysis using SPSS.

Table 2
Correlation Coefficient

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.899[a]	.808	.744	.700427

a. Predictors: (Constant), Modal_Kerja (X)

Based on Table 2 above, it shows a relationship of 0.899 between the variables. To determine the correlation coefficient, it can be seen in the table below:

Table 3
Correlation Coeficient Level

Interval-Coefficient	Degree of relationship
0,00 – 0,199	Very Low
0,20 – 0,399	Low
0,40 – 0,599	moderate
0,60 – 0,799	Strong
0,80 - 1	Very Strong

Sumber: Sugiyono (2010: 184)

Based on the correlation table above, the relationship between working capital and net profit at PT Unilever Indonesia Tbk shows a correlation coefficient of 0.899. According to the correlation interval value, this indicates a very strong relationship between the two variables. This means that working capital has a significant influence on the company’s net profit. In correlation analysis, there is also a value called the coefficient of determination or the determinant coefficient, which is obtained by squaring the correlation coefficient (r^2). The coefficient of determination is used to measure the strength of the relationship between the independent variable and the dependent variable.

Kd = r^2 x 100%
Kd = $0,899^2$ x 100%
Kd = 80,82%

Based on the calculation above, it can be concluded that working capital has an influence of 80.82% on the net profit of PT Unilever Indonesia Tbk, while the remaining 19.18% is influenced by other factors not examined in this study.

Hypothesis Testing:

Based on the results of several analyses conducted, it can be concluded that net working capital has a strong influence or relationship with net profit. The analysis results obtained using the SPSS program are as follows:

Table 4
Hypothesis Testing

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	13.325	2.282		5.838	.010
	Modal_Kerja (X)	-1.558	.438	-.899	-3.553	.038

a. Dependent Variable: Laba_Bersih (Y)

Based on the table above, it is known that the *t*-value for the Working Capital (X) variable is -3.553 with a significance value (*Sig.*) of 0.038, which is smaller than 0.05 (0.038 < 0.05). This indicates that H_a is accepted and H_0 is rejected, meaning that working capital has a significant effect on net profit (Y) at PT Unilever Indonesia Tbk for the period 2020–2024.

The regression analysis results show that when working capital is equal to zero, the estimated net profit is Rp13.325, and the regression coefficient value of -1.558 indicates a negative relationship between working capital and net profit. Based on the determination test, the influence of working capital on net profit is 80.82%, while the remaining 19.18% is affected by other factors not analyzed in this study.

Regression Equation:

Regression analysis is used to determine the extent of the relationship and influence between one variable and another. The following are the results of the regression equation test:

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Table 5
Regression Equation

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	13.325	2.282		5.838	.010
	Modal_Kerja (X)	-1.558	.438	-.899	-3.553	.038

a. Dependent Variable: Laba_Bersih (Y)

Based on the calculation results presented in the *Coefficients* table above, the regression model can be formulated as follows:
Y = 13.325 + (- 1.558)X
Description:
Y = Dependent variable (Net Profit)
a = Constant
b = Regression coefficient
X = Independent variable (Working Capital)

Based on the results of the regression analysis, the explanation is as follows:

The constant value of 13.325 indicates that if the working capital is zero, the net profit of PT Unilever Indonesia Tbk is estimated to be 13.325. The regression coefficient of working capital, which is -1.558, shows that every decrease in working capital by one unit will reduce net profit by 1.558 units, assuming other variables remain constant.

This result indicates that working capital has a significant but negative effect on the company's net profit. In other words, when working capital increases excessively, the efficiency of current asset utilization decreases, which can suppress net profit.

This finding is consistent with Fahmi (2014:104), who states that as a company grows larger, its need for funds to support working capital also increases. However, if the turnover of working capital is not proportional to the costs incurred, it can reduce the company's profitability level.

Therefore, PT Unilever Indonesia Tbk needs to manage its working capital efficiently to cover operational costs and maximize the net profit generated.

Discussion

The findings of this study reveal that working capital has a significant but negative effect on the net profit of PT Unilever Indonesia Tbk during the 2020-2024 period. While the correlation analysis shows a very strong relationship (r = 0.899) between working capital and net profit, the regression analysis indicates that this relationship is negative, with excessive working capital reducing profitability.

This result can be explained through several theoretical perspectives. According to the trade-off theory discussed by Wang et al. (2020), companies must balance between investing in working capital to ensure operational continuity and avoiding excessive investment that ties up resources unproductively. The negative regression coefficient suggests that PT Unilever Indonesia may have exceeded the optimal level of working capital investment during this period. The findings are consistent with research by García-Teruel and Martínez-Solano (2007), which suggests that when a firm uses a large proportion of current assets compared to total assets, it may be less vulnerable to liquidity risks but generates lower profitability. In PT Unilever Indonesia's case, the company may have maintained high levels of inventory, receivables, or cash to ensure operational security during the uncertain pandemic period, but this conservative approach reduced overall profitability.

Furthermore, the inverted U-shaped relationship between working capital and profitability, as identified by Baños-Caballero et al. (2021), suggests that there is an optimal working capital level that maximizes profitability. Beyond this optimal point, additional investment in working capital reduces profitability because the increased profitability cannot compensate for the higher costs and opportunity costs of tying up capital in current assets. The specific context of PT Unilever Indonesia during 2020-2024 provides additional insights. The company faced multiple challenges including the COVID-19 pandemic, changing consumer preferences, increased competition from local brands, inflation, and currency depreciation. These factors likely influenced management's working capital decisions, possibly leading to more conservative policies that prioritized liquidity and operational continuity over profitability optimization.

The implications of these findings are significant for both theory and practice. From a theoretical perspective, this study contributes to the working capital management literature by providing empirical evidence from a major Indonesian consumer goods company during a period of significant economic disruption. The findings support the notion that working capital management strategies must be carefully calibrated to specific economic contexts and company circumstances. From a practical perspective, the results suggest that PT Unilever Indonesia needs to optimize its working capital management to improve profitability. This could involve strategies such as reducing inventory levels through better demand forecasting and supply chain management, accelerating accounts receivable collection through improved credit policies, extending accounts payable periods strategically, and optimizing cash holdings to balance liquidity needs with investment opportunities.

Conclusion

This study concludes that working capital has a significant effect on the net profit of PT Unilever Indonesia Tbk during the 2020-2024 period. The correlation analysis reveals a very strong relationship between working capital and net profit, with a correlation coefficient of 0.899 and a coefficient of determination of 80.82%. However, the regression analysis shows a negative relationship, with a regression coefficient of -1.558, indicating that increases in working capital during this period reduced net profit.

The findings support classical and contemporary theories on working capital management. The negative relationship between working capital and net profit aligns with the trade-off theory, which emphasizes the need to balance liquidity and profitability. It also supports research by Boisjoly et al. (2020) and Wang et al. (2020), which demonstrate that excessive investment in working capital can reduce profitability by tying up resources unproductively.

The empirical evidence shows that PT Unilever Indonesia's net profit declined from IDR 7.16 trillion in 2020 to IDR 3.37 trillion in 2024, a decrease of approximately 53%. This decline occurred despite relatively stable revenue levels, suggesting that the company faced challenges in converting sales into profits efficiently. The negative relationship between working capital and net profit indicates that the company may have maintained excessive levels of current assets relative to its operational needs, leading to reduced profitability.

The academic contribution of this study lies in expanding the literature on working capital management in emerging market contexts, particularly during periods of economic disruption. The study demonstrates that working capital management strategies must be carefully calibrated to specific economic conditions and company circumstances. It also highlights the importance of dynamic working capital policies that can adapt to changing business environments.

From a practical perspective, the results provide valuable implications for PT Unilever Indonesia's management and other companies in similar situations. The findings emphasize the need for optimal working capital management that balances liquidity needs with profitability objectives. Management should focus on identifying and maintaining optimal levels of inventory, accounts receivable, and cash, while strategically managing accounts payable to improve overall profitability.

Several specific recommendations emerge from this study. First, PT Unilever Indonesia should conduct a comprehensive review of its working capital components to identify areas where capital is tied up unproductively. Second, the company should implement more aggressive inventory management strategies, including better demand forecasting and just-in-time inventory systems. Third, accounts receivable management should be strengthened through improved credit policies and collection procedures. Fourth, the company should explore opportunities to extend payment periods to suppliers without damaging relationships. Finally, cash management should be optimized to maintain necessary liquidity while investing excess cash in short-term opportunities.

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