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## **The Effect of Production Costs on Sales at the Monas Jaya Maros Dodol UKM**

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### **Abstract**

This study aims to determine the effect of production costs on sales. The analysis method used in this research is simple linear regression, correlation coefficient, determination coefficient, t-test using SPSS version 25 calculation. This study indicates that the UKM Dodol Monas Jaya Maros from 2014 to 2018 shows that the relationship between production costs to sales is solid. It can be concluded that production costs have a significant and positive effect on sales at UKM Dodol Monas Jaya Maros.



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## **1 Introduction**

The development of a company will result in an increasingly fierce level of business competition, and consequently, management must have the ability to run the company effectively and efficiently (Rochmah, 2016). One of them is its ability to produce good quality products with reasonable selling prices and relatively low production costs. The market can accept the resulting products, and consumers can reach the price. This condition makes management have careful planning so that the resources owned can be maximized to achieve the company's goals, to get a relatively high profit. If a loss occurs, this loss can be minimized (Rustami, Kirya, & Cipta, 2014).

Based on previous research from Stoekey, (1979) found that the efficiency and effectiveness of the company can be achieved through good planning and control, especially on the production costs that are charged to the product. Production costs are costs used in the production process consisting of direct raw materials, direct

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labor, and factory overhead costs (Suparno, & Sajili, 2021). As its definition, it can be seen that the cost of goods manufactured is a sacrifice from economic sources measured in units of money that have occurred to earn income. So that information about the cost of products can be used to determine the selling price of the product and the basis for determining related policies. with company management (Suzan, 2020).

According to Dewi & Muryati, (2017) production costs are the main thing in a company's production activities without any production costs in production activities, so the company cannot operate to produce products. Production costs are costs incurred to process raw materials into finished products ready for sale (Walker & Weber, 1984). Jannah, (2018) explained in her research that in a company, determining the selling price of products and services is one of the most important types of management decision-making. For management, determining the selling price of a product is a policy in marketing or finance and a policy related to all aspects of company activities (Wei, Wang, & Lu, 2021). The selling price is determined more by the strength between the demand and supply of the product in the market (Hartanti, 2016).

Based on the results of research from Putra, (2014) explained that the correct and correct determination of the cost of production is essential for the company. Rustami, Kirya, & Cipta (2014) also view that if the production cost is too low, the company will suffer losses. Setting the production cost too high when marketing products will experience difficulties, and automatically the company's continuity will be hampered. To determine the UKM Dodol Monas Jaya's selling price, we must know the cost of making the product and how much production costs will be incurred. After that, just set the right selling price for the product to be produced so that the product can compete with other products on the market and can add to the sales value of the UKM Dodol Monas Jaya.

Monas Jaya UKM Dodol is a small and medium-sized business that produces traditional specialties, namely dodol. Monas Jaya UKM Dodol was founded because of producing an item that can meet the community's needs. UKM Dodol Monas Jaya produces and sells several types of dodol flavors such as original dodol, sesame dodol, and peanut dodol. Its marketing areas include the Maros, Camba, Maccopa, Bulu-Bulu, Pangkep areas, and Makassar's typical souvenir shops. The sales value that continues to increase is certainly a goal to be achieved at this company so that profit growth also increases. Putra (2019) believes that achieving the community's purchasing power at large companies is required to produce quality production goods. It aims to face competition between companies engaged in the same field with the same production goods. Company shareholders in the form of dividends or reinvested in the company as retained earnings to finance further operations (Jannah, 2018). If the company's profit fluctuates, it will have an impact on dividend policy and the value of the company itself (Suzan, 2020).

The phenomenon that occurs in the production activities of the Monas Jaya Dodol UKM is the mismatch of raw materials where the quality of the raw materials is not good, so that it creates risks for the company and produces less quality production goods. This problem can hinder the production process so that it requires quite a lot of costs but with a low selling price, which indirectly affects sales, resulting in the company experiencing losses. Financial management is an activity or process of recording financial statements in companies carried out by financial managers (Rustami, Kirya, & Cipta, 2014). Financial management is essential in a company because it is to determine how many assets the company owns. Financial management is related to financial management, such as budgeting, financial planning, cash, credit, investment analysis, and efforts to obtain funds (Wijaya, 2017 & Jatmiko, 2017). Understanding financial theory will make it easier for us to understand the various financial problems within the company or what we may face in life every day.

Based on research by Muktiadji & Soemantri, (2009), it is explained that the financial management function is the riskiest component for a business or company. Weng & Parlar (1999) explain that finances need to be managed and appropriately controlled by a financial manager from previous research. Financial Planning and Budgeting are all company activities related to the use of company budget funds that need to be planned properly so that activities that are not profitable. The budget can be cut or trimmed because the allocation of funds needs to be considered for things that can maximize company profits (Klein & Leffler, 1981). Control includes every activity that has been carried out, and it is necessary to carry out a financial evaluation. So that it can be a reference for carrying out further activities (Muktiadji & Soemantri, 2009).

Based on the results of preliminary observations made by Mulyana, (2020) to introduce goods to consumers, it is necessary to have promotional efforts, means of transportation, demonstration places both within the

company and outside the company, and so on. All of this can only be done if the seller has the required amount of capital. According to Putra (2019) in large companies, the sales department handled this sales problem, which certain people or experts held in the field of sales. It is different with small companies where sales problems are handled by people who also perform other functions. Because the number of workers is small, the organizational system is more straightforward, the problems and the facilities owned are not as complex as large companies. This sales problem is handled by the leader of himself and not given to others (Winahyu, Ujang, & Hari, 2019).

## 2 Research Method

The method of analysis used in this research is the quantitative descriptive analysis method using statistics. Data from the analysis results are then presented and given discussion. Data presentation can be in tables, frequency distribution tables, line and bar graphs, pie charts, and pictograms (Sugiyono, 2011). In processing the data using the help of the SPSS program.

To determine the effect of production costs on sales, obtained descriptive quantitative analysis methods are used with the Simple Linear Regression approach (D'aveni & Ravenscraft, 1994). This analysis is to determine the direction of the relationship between the independent and dependent variables, whether it has a positive or negative effect, and to predict the value of the dependent variable if the value of the independent variable has increased or decreased (Rahmanita, 2017). In this study, the authors used a simple linear regression equation and processed it using SPSS (statistical package for the social sciences) version 25.

$$Y = a + bX$$

Information:

Y = Sales

X = Production cost

a = Constant Value

b = Regression coefficient

To calculate the values of a and b, a formula is used :

$$a = \frac{(\sum Y)(\sum X^2) - (\sum X)(\sum XY)}{n(\sum X^2) - (\sum X)^2}$$

$$b = \frac{n(\sum XY) - (\sum X)(\sum Y)}{n\sum X^2 - (\sum X)^2}$$

$\beta = 0$  means that there is no influence between the independent variable X on the dependent variable Y

$\beta < 0$  means that the reversal relationship between the independent variable X and the dependent variable Y

$\beta > 0$  means a unidirectional relationship between the independent variable X and the dependent variable Y

### Hypothesis test

In this study, hypothesis testing was carried out by testing the correlation coefficient to find a relationship between two quantitative variables (Noor, 2014). Furthermore, the determination coefficient test is carried out to measure how much influence the independent variable has on the dependent variable and how much influence variable X has on variable Y. The t-test (partial test) determines whether partially the independent variable significantly affects the dependent variable (Priyanto, 2012).

### 3 Result and Discussion

#### Result

The following is a report on production costs for the 2014-2018 Monas Jaya UKM Dodol.

**Table 1. Production Costs of Monas Jaya Dodol UKM in 2014-2018**

Year	Production Cost (Rp)	Development (%)
2014	125.377.290	-
2015	162.740.250	29.8
2016	245.993.900	51.1
2017	190.545.090	-22.5
2018	200.503.400	5,2
Total	925.159.930	

Table 1 shows that the use of production costs in 2014-2018 is Rp. 925,159,930. The use of production costs at UKM Dodol Monas Jaya for less than 5 years has fluctuated, starting from 2014 to reach IDR 125,377,290. In 2015 the production cost was Rp. 162,740,250 with a development of 29.8%, then in 2016, the production cost incurred was Rp. 245,993,900 with very increasing development of 51.1%. The increase in production costs is due to the significant demand for products so that companies increase the use of raw materials, and indirectly the production costs incurred also increase (Putra, 2014).

In 2017, production costs amounted to Rp. 190,545,090 with a growth of -22.5%. there was a decrease in production costs in 2017 due to the demand for products not as much as in 2016. In 2018, production costs increased by Rp. 200,503,400, with a growth of 5.2% from 2017. There was an increase in production costs but not as much as in 2016 because the demand for products is not as much as in 2016. It shows that from 2014 to 2018, the amount of development in production costs has fluctuated due to prices of staple goods and changes in production volume, which have increased and decreased.

**Table 2. Sales of Monas Jaya UKM Dodol 2014-2018**

Year	Sales (Rp)	Development (%)
2014	509.389.021	-
2015	635.669.670	24.7
2016	909.681.141	43.1
2017	731.951.409	-19.5
2018	855.147.045	16.8
Total	3.640.848.286	

Table 2 shows the sales obtained by the Monas Jaya Dodol UKM in 2014-2018 fluctuated. In 2014 sales reached IDR 509,389,021. Then in 2015, sales amounted to Rp.635,669,670 with a growth of 24.7%. Furthermore, in 2016 sales increased by Rp. 909,681,141 with a development of 43.1%. This increase was due to increased sales in Direct Sales, Credit Sales, and Sales in Stores. After experiencing an increase in 2016, the sales of the Monas Jaya Dodol UKM decreased in 2017. In 2017 amounted to Rp.731,951,409 with a decrease rate of -19.5%, due to the demand for products not as much as in 2016. In 2018 sales experienced an increase of Rp. 855,147,045 and an increase of 16.8%. There was an increase in sales, but not as much as in 2016. Sales for 5 years fluctuated due to the erratic demand for dodol every year.

**Table 3. Results of Simple Linear Regression Calculations**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	80343375.050	101020655.386		.795	.485
	Production cost	3.502	.534	.967	6.564	.007

a. Dependent Variable: sales

Based on table 3, a simple linear regression equation can be prepared as follows :

$$Y = 8,034 + 3,502 X$$

The constant value (a) of 8,034 indicates that if there is no influence of the independent variable, namely the production cost (X) constant or  $X = 0$ , the sales variable (Y) is 3.502. The independent variable or production cost shows a coefficient value of 8,034, a positive or a unidirectional relationship. It means that every time there is an increase in sales of one unit. The production cost will decrease by 3.502. The assumption that the independent variable production costs are considered constant, or if the production cost (X) decreases by one unit, sales will increase by 3.502.

The correlation coefficient shows how much the degree of closeness of the relationship between the variable cost of production and sales.

**Table 4. Results of the Calculation of the Correlation Coefficient of Production Costs on Sales**

		Cost production	Sales
Cost production	Pearson Correlation	1	.967**
	Sig. (2-tailed)		.007
	N	5	5
Sales	Pearson Correlation	.967**	1
	Sig. (2-tailed)	.007	
	N	5	5

Based on table 3, the t-count value is 6,564, and the t-table value is 3.182 with a significant level of 0.007. In the variable production cost t-count  $6,564 \geq t\text{-table } 3,182$  with a significant level of 0.007. Because  $6,564 \geq 3,182$ , the hypothesis is accepted. Then the significant level is  $0.007 \leq 0.05$ . It can be concluded that the independent variable has a significant effect on the dependent variable. It means that production costs have a significant effect on sales at the Monas Jaya Dodol UKM.

#### 4 Conclusions

Based on the results of research on the effect of production costs on sales at UKM Dodol Monas Jaya, it can be concluded that the relationship between production costs and sales is very strong. The results of this study indicate that production costs have a significant effect on sales of the Monas Jaya Dodol UKM.

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