CHAPTER I

INTRODUCTION

1.1 Background

The remarkable economic growth in Indonesia, supported by a commitment to maintaining national security stability, has attracted the attention of numerous international investors eager to participate in the growing opportunities in the country. The influx of foreign capital has served as a catalyst for development across various sectors, particularly in the tourism sector. The increasing number of tourists visiting has led to a need for the provision of foreign exchange facilities, also known as currency exchange or money changer services (Jaya & Nurifanti, 2021).

Significant transformation has taken place in the currency exchange landscape in Indonesia. Alongside the evolution of the economic system, the demand for cash exchange of foreign currencies and the conversion of the Rupiah into various global currencies have been on the rise. In response to this need, the Indonesian government, through Bank Indonesia, has established regulations for the formation of Non-Bank Foreign Exchange Business Entities, known as KUPVA BB or non-bank money changers. This change marks the crucial role of non-bank entities in facilitating currency exchange, moving away from the dominance of traditional banking (Jaya & Nurifanti, 2021).

Non-bank money changer companies in Indonesia strategically leverage resources to face competition and economic uncertainties. Each company has different goals, but generally, the objective is to maximize profits while ensuring the company's sustainability (Suzan & Ayunina, 2022). In anticipating future conditions, companies rely on historical data through financial reports to aid in forecasting these conditions. Financial statements are used by companies to forecast future income using the company's income statement. The income statement presents revenue, expenses, or costs, and net profit for a specific period (Wulandari, 2017). To determine the extent of the profit earned, a financial performance assessment is conducted by comparing the profit margin reports from a specific year to those from the subsequent and previous years. Thus, the company can understand its financial issues and successfully improve financial performance by taking steps to increase company profits in the future (Pasaribu, 2017).

Net profit serves as a comprehensive metric, evaluating the overall profitability of non-bank money changers and determining whether management has obtained adequate returns from controlled assets. The profit generated by the company illustrates the industry's success in executing all company activities and can be used by investors in decision-making (Suzan & Siallagan, 2022). Therefore, non-bank money changers continue to strive to optimize profits, ensuring operational continuity and competitiveness in the industry.

In determining profit, operating expenses are costs incurred during the company's operational activities, which are included in the criteria and principles for determining income set by the company. Operating expenses include administrative and general costs as well as selling expenses (Oktapia, et al, 2017). Thus, the amount of costs incurred depends on the extent of activities and the company's operating environment. In addition to revenue and operating expenses, the margin (profit) is one of the key objectives in running a company's activities.

Company management plans strategies to achieve profit by setting profit targets for each period (Casmadi & Azis, 2019). Income and costs or expenses are factors that influence profit. Income is the result obtained during the company's operational activities. The company will achieve a profit margin if income is greater than expenses, and conversely, the company will incur a loss if income is smaller than expenses (Pasaribu, 2017). Income and costs are essential elements within the company, and cost calculations need to be carried out effectively and efficiently. Operating expenses are costs that influence and serve various functions in achieving the company's success (Wulandari, 2017).

Net profit is income from sales after deducting the costs incurred by the issuer to produce goods during a certain period of time. Earnings, as a strategy for using company funds in the future, can be used as a basis for assessing whether management effectively manages the company's finances for one semester or one year (Suzan & Siallagan, 2022). In the pursuit of profit, the inseparable relationship between income and expenses applies to non-bank money changers. Income is generated from operational activities, while expenses represent the costs incurred to generate the expected income. Monitoring incoming revenue and expenditures during operational activities is crucial for non-bank money changers to generate the desired profit and ensure business sustainability.

The operational costs of the company need to be controlled as effectively as possible. Although operations can run smoothly by making efforts to minimize operational costs, doing so may lead to an increase in operational expenses (Surtikanti, 2021). To limit extravagant spending and mitigate cost management errors, these entities must utilize expenditures efficiently and effectively. The implementation of strong planning and monitoring mechanisms for operational costs is crucial because these costs significantly impact the success of non-bank money changers in achieving their goals.

The close relationship between sales volume and increased net profit also occurs in non-bank money changers, as evident in their financial reports. Sales also play a role in influencing the level of income or revenue earned by the company. The higher the sales value that a company can achieve, the higher the income obtained, and vice versa (Kristianti, 2021). A company can be said to experience growth when there is a consistent increase in sales activities (Febriyanto, 2018). The sales activities conducted by a company aim to achieve expected and profitable sales to maximize profits for the company (Paranesa, et al, 2019).

One way to obtain optimal profit is by paying attention to sales volume and minimizing the operational costs incurred by the company. The sustainability of the company can be ensured through sales activities. The income generated from sales activities can cover all the costs incurred by the company. In addition to achieving optimal sales, maximum profit can also be obtained by emphasizing cost control (Hilendri & Nabilah, 2020). Profit materializes when currency exchange transactions exceed the related costs. Effective control of operational costs is a key factor in increasing net profit for non-bank money changers. On the contrary, any form of cost wastage, such as excessive resource utilization, can lead to a decline in net profit. For companies, sales are crucial and hold the most valuable significance in terms of profit compared to other operational activities (Yuda & Sanjaya, 2020). Based on the explanation above, for non-bank money changers, strategic resource optimization and careful management of operational costs are crucial elements in facing the competitive landscape and economic uncertainty. Commitment to continuous improvement and profit maximization ensures not only business sustainability but also a strong position in the dynamic currency exchange industry.

The research in this thesis employs two independent variables, namely operating cost and sales volume, to examine their impact on Net Profit. To optimize the relationship between these variables and mitigate the influence of unexamined factors, the researcher introduces a control variable, namely company size. This addition is made to enhance the precision of the study and isolate the effects of Sales Volume and Operational Costs on Net Profit from potential confounding variables. Notably, the consideration of company size as a control variable aligns with previous research, such as the work of (Kurniasih & Ratna, 2013).

The research study focuses on Non-Bank Money Changers licensed by Bank Indonesia in DKI Jakarta. The study covers the period from 2020 to 2022, depicting the current state of the Indonesian capital market and serving as the most recent period for research due to data completeness. The researcher also employs annual reports from money changers for the period 2020-2022.

Several previous studies have examined the Influence of Sales Volume and Operational Costs on Net Profit for companies, including research by Syafi'i (2018) discussing the effect of sales volume, production costs, and operating costs on net profit. The results show that sales volume has an impact on net profit. Similarly, by Suzan's (2022) research found that sales volume influences net profit. A similar outcome was also obtained in the study by Ernayani, et al, (2022) indicating that sales have an impact on net profit. These findings contrast with the results of a study by Fahmi, et al, (2020), which concluded that sales volume has no influence on net profit. Similarly, by Purwanto (2021) research research found that sales volume no influences net profit.

Research conducted by Nur J et al (2020) discussed the effect of operating income, operating costs, and sales volume on net profit. The results show that operational costs have an impact on net profit. The same findings were also discovered in the research conducted by Suzan (2022), which found that operational costs have an impact on net profit. A similar result was also obtained in the study by Ernayani, et al, (2022) indicating that operational costs affect net profit. This result contrasts with the findings of the research conducted by Syafi'i (2018), which concluded that operational costs have a negative impact on net profit. Shiyammurti (2023) also found that operational costs have a negative influence on net profit.

From the above-mentioned previous studies, it is evident that there are factors influencing Net Profit. However, various studies on the influence of Sales Volume and Operational Costs on licensed Bank Indonesia Non-Bank Money Changers in DKI Jakarta have only recently been conducted by researchers.

This research centers on non-bank money changers officially authorized by Bank Indonesia in the DKI Jakarta region as the primary subjects of investigation. The careful selection of licensed Bank Indonesia non-bank money changers in DKI Jakarta was motivated by the recognition of a research gap pertaining to operational costs and sales volume within these entities in DKI Jakarta.

Consequently, the researcher chose to explore these licensed non-bank money changers in DKI Jakarta, with the explicit aim of contributing valuable insights to the practical and theoretical understanding in the domain of foreign currency exchange in that specific area. Noteworthy distinctions characterize this study in comparison to previous research.

First and foremost, it specifically focuses on non-bank money changers with official permission from Bank Indonesia in the DKI Jakarta region. This deliberate focus directly contributes to understanding the practical and theoretical factors influencing net profit among licensed foreign currency exchange providers in that area.

Secondly, this research delves into comprehending the intricate relationship between sales volume and operational costs on net profit, particularly for non-bank money changers authorized by Bank Indonesia. Unlike earlier studies that discussed general factors such as sales volume and operational costs using samples from companies listed on the Indonesia Stock Exchange, this research investigates the specific impacts of these variables on money changers supervised by Bank Indonesia. This approach provides a more profound and contextual insight into the financial dynamics that may vary in the regulated foreign currency exchange industry.

Thirdly, this research adopts a more current timeframe, spanning from 2020 to 2022. This temporal consideration is essential for capturing the dynamics and changes in the money changer industry amidst global events and economic policy shifts that may have influenced financial performance in the preceding period.

By incorporating these specific variables and introducing company size as a control variable, and by focusing on non-bank money changers authorized by Bank Indonesia in DKI Jakarta, this research is expected to unveil new insights and a deeper understanding of the factors affecting net profit in this sector, which were previously untouched in research literature.

1.2 Problem Formulation

Building on the background and motivation mentioned earlier, this study addresses the following research questions :

1. Does operational costs have an impact on the net profit of non – bank money changers licensed by Bank Indonesia in DKI Jakarta (2020 – 2022) ?
2. Does sales volume have an impact on net profit of non-bank money changers licensed by Bank Indonesia in DKI Jakarta (2020-2022)

1.3 Objective of Research

Building on the problem formulation, the objectives of this research are to empirically examine :

1. The impact of operational cost on net profit of non-bank money changers licensed by Bank Indonesia in DKI Jakarta (2020-2022)
2. The impact of sales volume on net profit of non-bank money changers licensed by Bank Indonesia in DKI Jakarta (2020-2022)

1.4 Benefit of Research

Based on the research objectives, the results of this research are expected to be useful as follows:

1. For money changers

   The results of this research are expected to increase awareness regarding the importance of paying attention to operational costs and sales volume, as these factors can influence the net profit of money changers with company size as a control variable. Moreover, the results of this research can serve as a reference for the decision-making role of money changers.

2. For Academics

   The results expected to be used as a reference to understand the variables' effect of operational cost and sales volume on net profit of non-bank money changers licensed by Bank Indonesia in DKI Jakarta, with company size as a control variable.

3. For Prospective Investors

   This research results can be used as a information to understand the effect of operational cost and sales volume on net profit of non-bank money changers, with company size as a control variable. It can assist investors in making decisions regarding whether or not to invest.

4. For Government

   The results are expected to serve as a guide and reference for the government in formulating regulations and standards for regulating non – bank money changers licensed by Bank Indonesia in DKI Jakarta, with a company size as a control variable.

5. For Society

The results of this research are expected to engage society in monitoring and controlling the activities of non-bank money changers licensed by Bank Indonesia in DKI Jakarta, with a company size as a control variable.

1.5 Writing Systematic

The study is divided into five sections. The first chapter examines the background, problem formulation, research purposes, and research benefits. The second chapter discusses prior research on the effect of operational cost and sales volume on the net profit of non – bank money changers licensed by Bank Indonesia in DKI Jakarta, with a company size as a control variable. This is followed by a theoritical study, which includes theoritical frameworks and assumptions developed to conduct the research. The third chapter examines the research methodology, defining the approach employed in the research by explaining the research variables, research population and sample, data collecting sources and procedures, and data analysis tools. The fourth chapter then presents the research's findings and arguments. Finally, the fifth chapter contains conclusions, limitations, and recommendations based on this research for those who are interested.