
Determining the Trade Value of Indonesian Lobster Exports to Destination Countries in 2018–2023

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Abstract:

This study aims to analyze the effect of financial management on profitability in small and medium enterprises (SMEs) producing woven bags in Sukowiyono Village, Ngawi. Financial management variables are measured using Break Even Point (BEP) and profit margin, while profitability is proxied by Return on Assets (ROA), gross profit, and net profit. The research method employs a quantitative approach with multiple linear regression analysis processed through SPSS. The results show that simultaneously, BEP and profit margin have no significant effect on ROA profitability; however, partial tests indicate that BEP has a significant negative effect, while profit margin has a significant positive effect. These findings suggest that BEP functions as a cost planning tool, whereas profit margin is the dominant factor in increasing profit. Analysis of net profit also reveals that profit margin contributes more significantly than BEP to improving profitability. Although the research model is able to explain almost all variations in profitability, there are external factors not included in the analysis. The limitations of this study include the use of only one SME as the research object and a relatively short data period. Therefore, future research is expected to cover more SMEs and include additional variables to produce more representative results.

Keywords: *Financial Management, Profitability, SMEs, Break Even Point (BEP), Profit Margin, Return on Assets (ROA)*

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1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are a vital pillar of Indonesia's economic development, defined in Law No. 20 of 2008 as productive businesses owned and managed by individuals or individual business entities that meet specific asset and revenue criteria. Micro enterprises are individual or sole-proprietor ventures fulfilling micro-level standards; small enterprises are independently operated, productive economic activities not owned, controlled, or affiliated with medium or large businesses; and medium enterprises are independently managed, productive ventures with net assets or annual sales regulated by law. MSMEs in Indonesia have

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grown rapidly (Ariadin & Safitri, 2021), increasing in number each year (Reni, 2018); in 2019, the Ministry of Cooperatives and SMEs recorded 65.4 million MSMEs employing about 123.3 thousand workers, underscoring their crucial role in reducing unemployment and alleviating poverty through job creation (Ariadin & Safitri, 2021). Despite their importance as key drivers of employment and production, government support and regulatory frameworks remain suboptimal (Niode, 2019), and many MSMEs face persistent challenges, particularly weak financial performance. This is largely due to entrepreneurs' limited awareness of proper financial management, which is essential to sustaining and expanding their businesses while avoiding bankruptcy (Hidayaty et al., 2022). Financial management encompasses all activities related to obtaining funds, allocating resources effectively, and investing strategically to achieve the enterprise's goals (Palulun et al., 2024).

One of the SMEs in Sukowiyono Village, Padas, Ngawi produces woven handbags made from plastic and glass, providing employment opportunities for many housewives as both a source of income and a recreational activity. Although this type of weaving is considered traditional, the products remain competitive in modern markets due to their consistent quality and adaptability to consumer demand, with sales reaching beyond Ngawi Regency. The primary motivation for establishing a business is to enhance shareholder wealth (Dianningsih & Kristianto, 2024), and likewise, SME owners aim to improve profitability. However, they face intense market competition and must manage available resources effectively to survive and grow. Sound business management, as highlighted by Dianningsih and Kristianto (2024), is therefore essential for sustaining and expanding SME operations while ensuring profitability.

Financial management is a crucial driver of business growth, as inefficient practices can erode profitability and disrupt cash flow in MSMEs. Conversely, sound financial management strengthens profitability and supports business expansion (Suras et al., 2023). Effective cash flow management is particularly vital, since errors in this area can hinder business development. Accurate financial record-keeping enables MSME owners to make informed decisions about managing their enterprises (Palulun et al., 2024). Therefore, maintaining optimal financial performance is essential for companies to achieve their overall objectives (Inna Lutfi Yakiya & Dwi Lestari, 2025).

Hidayaty et al. (2022) highlight that well-structured financial management, aligned with the stages of MSME financial practices and supported by the entrepreneurs' financial knowledge in Waringinkarya Village, enabled MSMEs to sustain their businesses during the pandemic crisis, enhance profitability, and expand market reach. Similarly, Wuryaningsih and Rosita (2018) emphasize that fundamental financial ratio analysis reflects the investors' position and a company's income, serving to reveal both the strengths and weaknesses of a firm's financial condition. Building on these insights, this study seeks to further examine how effective financial management can improve the profitability of micro, small, and medium enterprises (MSMEs) producing woven bags in Sukowiyono Village.

2. Theoretical Background

Financial Management: Financial management encompasses all activities related to acquiring, financing, and managing assets with the primary aim of enhancing a company's value while minimizing costs and optimizing profitability. It involves planning, budgeting, raising and allocating investment funds, managing cash flows, controlling risks, and handling debt and receivables effectively (Baihu, 2021; Mustika, 2022). Transparent and accountable financial reporting is essential for business owners to achieve their goals and make sound decisions (Sholikah & Praptiestrini, 2021). However, many micro, small, and medium enterprises (MSMEs) still apply simple, unstructured financial practices often relying on manual records or none at all while failing to separate personal and business finances. Limited access to formal funding sources, particularly due to inadequate financial statements, further constrains their growth. As a result, MSME owners often lack a clear understanding of their profits and may unexpectedly face cash shortages because business funds are used for personal needs (Supriadi A, 2023). Robust financial management is therefore vital for safeguarding and growing assets, ensuring long-term business sustainability, and supporting strategic decision-making.

Financial Management Process: According to Supriadi A (2023), financial management involves four key processes: financial planning, recording, controlling, and reporting. Financial planning requires careful attention, including setting objectives, establishing priorities, translating goals into measurable operational targets, analyzing alternative ways to achieve them through cost-effectiveness evaluation, and selecting the most appropriate recommendations. Financial recording encompasses both the administrative authority to set revenue and expenditure policies and the practical tasks of receiving, storing, and disbursing funds; it includes maintaining records such as vatebooks, invoices, cash books, checks, journals, ledgers, payment and receivable cash books, and trial balances. Financial control ensures that fund management aligns with the established plan by monitoring cash inflows and outflows and identifying potential errors. Finally, financial reporting entails preparing periodic accountability reports monthly, quarterly, or annually for internal and external stakeholders, covering the entire process from expenditure and budget allocation to calculation, reconciliation, and any variance analysis.

Profitability: Profitability refers to a company's ability to generate profit over a specific period and is commonly assessed through profitability ratios, which measure how effectively normal business activities produce earnings (Sudjiman & Sudjiman, 2022). Higher profitability reduces the need for debt financing, as retained earnings can be reinvested as internal capital to strengthen the firm's capital structure (Monica, 2020). This metric enables investors and creditors to evaluate both the potential return on investment and the company's capacity to meet its debt obligations by utilizing its assets and resources efficiently. A high level of profitability reflects management's effectiveness in deploying resources to create consistent value and greater internal funding, thereby minimizing reliance on external financing (Inayah, 2022). Key profitability ratios include Gross Profit Margin (GPM), which measures the efficiency

of operations by comparing gross profit to sales; Net Profit Margin (NPM), which calculates the proportion of net income after interest and tax to total sales and indicates cost control effectiveness; and Return on Assets (ROA), which evaluates how efficiently total assets generate net income and reflects the firm's ability to convert asset investments into profits (Seto et al., 2023).

Micro, Small, and Medium Enterprises (MSMEs) Woven Bags :Micro, Small, and Medium Enterprises (MSMEs) are defined in Indonesia's Law No. 20 of 2008 as productive economic activities managed by individuals or legal entities that meet specific criteria, ranging from micro to medium scale. MSMEs play a crucial role in enhancing community welfare and driving sustainable national economic growth (Yolanda & Hasanah 2024). One notable example is the woven-bag MSME, which transforms synthetic plastic or rattan into economically valuable products such as bags, baskets, and household items. This sector not only creates jobs and strengthens weaving skills especially among rural housewives with ample spare time—but also contributes to poverty reduction and local economic development by efficiently utilizing resources to produce competitive, high-quality goods. To sustain profitability and market demand, woven-bag businesses must embrace creativity and innovation, leveraging social media and digital technology to design unique, appealing products that can increase rural incomes (Maida W et al., 2022).

3. Methodology

This study employs a quantitative descriptive design with a case study approach to provide a systematic and factual overview of the financial practices of woven-bag MSMEs in Sukowiyono Village, Ngawi, focusing specifically on the enterprise owned by Mr. Wito (Fatimah & Nuryaningsih, 2018). Primary data were collected through questionnaires completed by the business owner, in-depth interviews with the owner and community members, direct field observations, and analysis of financial records (Rukhmana, 2021). Data collection covered structured interviews on financial management and profitability, observation of transaction recording, capital management, and production processes, and documentation of bookkeeping records, financial statements, raw material purchase receipts, and sales records to ensure a valid and comprehensive analysis. The dependent variable, profitability, reflects a company's ability to generate earnings within a specific period and is commonly evaluated through indicators such as return on assets, gross profit, and net profit, which collectively describe the firm's efficiency and capacity to generate future cash flows (Sudjiman & Sudjiman, 2022; Garum et al., 2022; Adolph, 2024; Pasien & Studi, 2024). The independent variable, financial management, refers to planning, organizing, staffing, directing, and controlling financial resources to maximize firm value, reduce costs, and effectively allocate funds for investment and growth (Baihu, 2021), and in this study it is assessed through measures such as break-even analysis and profit margin (Jakaria et al., 2024; Widjojo et al., 2024; Silfiah et al., 2020; Mawikere & Tangkuman, 2025). Data analysis included validity and reliability testing to ensure the accuracy and consistency of measurement instruments, followed by classical assumption checks normality, multicollinearity, heteroscedasticity, and

linearity to confirm the suitability of the multiple linear regression model (Ono, 2020; Budiman et al., 2021). Hypothesis testing used F-tests to evaluate the overall significance of the model and t-tests to examine the partial effects of each independent variable, while the coefficient of determination (R^2) assessed the extent to which the independent variables collectively explained the variation in profitability (Ramadhani & Sarwono, 2025).

4. Empirical Findings/Result

Overview of Research Location

The study was conducted in Sukowiyono Village, Padas Subdistrict, Ngawi Regency, East Java, a rural area with geographical conditions that support craft- and agriculture-based economic activities. The community maintains strong traditions of mutual cooperation and a well-preserved local culture, creating a socially cohesive environment for the growth of micro, small, and medium enterprises (MSMEs). Residents engage in various livelihoods, including farming, trading, and handicraft production, with woven bag MSMEs emerging as a particularly dynamic sector. Managed individually or within family groups, these businesses rely on easily accessible raw materials and are produced manually through inherited skills. Their presence generates employment and supplemental income, thereby enhancing the village's economic well-being, while local government programs—such as village bazaars and the establishment of local cooperatives provide marketing platforms and strengthen institutional support for the woven bag industry.

Data Description

The research data are derived from the financial statements of the woven bag MSME in Sukowiyono Village, Ngawi, covering the 2021–2024 period. These statements, compiled by the business owner to record financial performance over time, consist of a balance sheet and an income statement. The balance sheet outlines the MSME's assets, liabilities, and equity, while the income statement details revenue, production costs, operating expenses, and net profit.

Table 1.
Balance Sheet of Woven Bag MSME 2W as of December 31, 2021

Assets	2021
Cash	45.000.000
Accounts Receivable	22.000.000
Raw Materials Inventory	30.000.000
Finished Goods Inventory	5.000.000
Land	18.000.000
Buildings	10.000.000
Machinery and Equipment	8.000.000
Accumulated Depreciation	2.900.000
Total Assets	140.900.000
Liabilities and Equity	

Assets	2021
Accounts Payable	3.800.000
Bank Loans	20.000.000
Taxes Payable	1.200.000
Total Liabilities	25.000.000
Long-Term Debt	7.000.000
Paid-in Capital	5.000.000
Retained Earnings	3.000.000
Total Equity	15.000.000
Total Liabilities and Equity	40.000.000

Source: Balance Sheet of 2W Woven Bag MSME as of December 31, 2021

The following is the 2021 profit and loss report of the woven bag MSME in Sukowiyono Village, Ngawi.

Table 2.
Profit and Loss Report of the 2W Woven Bag MSME as of December 31, 2021

Account Name	2021
Sales	
Small woven bags sold	120.000.000
Medium woven bags sold	150.000.000
Large woven bags sold	72.000.000
Total Sales	342.000.000
Cost of goods sold	
Raw Materials	135.000.000
Direct Labor Cost	132.000.000
Total COGS	267.000.000
Gross Profit	75.000.000
Operating Expenses	
Selling Costs	5.400.000
General and Administrative Expenses	1.080.000
Marketing Expenses	1.800.000
Transportation Costs	3.600.000
Total Operating Expenses	11.880.000
Gross Operating Profit	63.120.000
Depreciation	3.700.000
Net Operating Profit	59.420.000
Other Income	1.000.000
EBIT	60.420.000
Interest Expense	2.200.000
Interest on Bank Loans	4.000.000

Account Name	2021
Interest on Long-Term Debt	6.000.000
EBT	48.220.000
Income Taxes	1.710.000
EAT	46.510.000

Source: Profit and Loss Report of 2W Woven Bag MSME as of December 31, 2021
The complete financial statements for 2022–2024, presented in Appendix 1, provide a comprehensive overview of the woven-bag MSME's financial condition, encompassing both its asset position and business performance. These statements serve as the primary basis for assessing financial management, evaluating profitability, and identifying key factors driving profit growth in the Sukowiyono Village enterprise.

Data Calculation Analysis Break Event Point (BEP)

Table 3.
Results of BEP Unit Calculation

Year	Bag Type	Selling Price per Unit (IDR)	Prod Qty (Units)	% of Total Sales	Variable Cost Allocation (IDR)	Variable Cost per Unit (IDR)	Fixed Cost (IDR)	BEP Unit
2021	Small	8.000	15.000	35,09%	94.947.368,42	6.329,82	8.484.210,53	5.080
	Medium	10.000	15.000	43,86%	118.684.210,50	7.912,28	10.605.263,16	5.080
	Large	12.000	6.000	21,05%	56.968.421,05	9.494,74	5.090.526,32	2.032
	Total		36.000	100%	270.600.000,00		24.180.000,00	
2022	Small	8.000	16.000	34,41%	95.070.967,74	5.941,94	11.877.849,46	5.771
	Medium	10.000	16.000	43,01%	118.838.709,70	7.427,42	14.847.311,83	5.771
	Large	12.000	7.000	22,58%	62.390.322,58	8.912,90	7.794.838,71	2.525
	Total		39.000	100%	276.300.000,00		34.520.000,00	
2023	Small	8.000	18.750	37,17%	111.892.193,30	5.967,58	14.881.040,89	7.322
	Medium	10.000	18.750	46,47%	139.865.241,60	7.459,48	18.601.301,12	7.322
	Large	12.000	5.500	16,36%	49.232.565,06	8.951,38	6.547.657,99	2.148
	Total		43.000	100%	301.000.000,00		40.030.000,00	
2024	Small	8.000	20.000	35,09%	112.736.842,10	5.636,84	17.256.140,35	7.302
	Medium	10.000	20.000	43,86%	140.921.052,60	7.046,05	21.570.175,44	7.302
	Large	12.000	8.000	21,05%	67.642.105,26	8.455,26	10.353.684,21	2.921
	Total		48.000	100%	321.300.000,00		49.180.000,00	

The calculation results show that the break-even point (BEP) for small bags rose from 5,080 units in 2021 to 5,771 units in 2022, climbed further to 7,321 units in 2023, and

slightly eased to 7,302 units in 2024, indicating that the UMKM must continually increase production to reach break-even as unit production costs rise along with fixed expenses. Medium bags follow a similar trend BEP climbed from 5,080 units in 2021 to 5,771 units in 2022, then to 7,321 units in 2023, and remained high at 7,302 units in 2024 showing that despite their higher selling price, medium-sized products require greater production volume to cover costs. In contrast, large bags consistently recorded much lower BEP levels, starting at 2,032 units in 2021, increasing to 2,525 units in 2022, slightly dropping to 2,148 units in 2023, and rising again to 2,921 units in 2024, reflecting a faster break-even due to a wider margin between selling price and variable cost per unit despite lower production volume. Overall, these findings confirm that the Sukowiyono Village woven-bag UMKM successfully surpassed the break-even point for all product categories each year, demonstrating effective management of both fixed and variable costs and ensuring that every product type generates profit after reaching its respective BEP.

Profit margin

Table 4.
Profit Margin Calculation Results

Year	Income (IDR)	Net profit (IDR)	Profit Margin
2021	342.000.000	46.510.000	14%
2022	372.000.000	60.545.000	16%
2023	403.500.000	62.037.500	15%
2024	456.000.000	84.890.000	19%

Table 4 reveals that the profit margin of woven-bag MSMEs fluctuated between 2021 and 2024, rising from 14% in 2021 to 16% in 2022, dipping slightly to 15% in 2023, and then climbing to 19% in 2024. Overall, this trend reflects improved operational efficiency and cost management, with the sharp increase in 2024 indicating better expense control and enhanced production capacity that strengthened the enterprises' profitability.

Profitability Analysis

Return on Assets (ROA)

Table 5.
ROA Calculation Results

Year	Net profit after tax (IDR)	Total Assets (IDR)	ROA
2021	46.510.000	140.900.000	33%
2022	60.545.000	183.975.000	33%
2023	62.037.500	204.050.000	30%
2024	84.890.000	253.975.000	33%

Table 5 shows that the ROA of woven-bag MSMEs in Sukowiyono Village remained relatively stable at 33% in 2021–2022, dipped slightly to 30% in 2023, and rebounded to 33% in 2024. This trend indicates that although total assets kept rising each year, asset management consistently maintained a balanced net profit. The temporary drop

in 2023 suggests cost pressures or asset growth not yet matched by profit expansion, while the 2024 recovery reflects improved efficiency in utilizing assets to generate earnings.

Gross Profit

Table 6.
Gross Profit Calculation Results

Year	Total Sales (IDR)	Total COGS (IDR)	Gross Profit (IDR)
2021	342.000.000	267.000.000	75.000.000
2022	372.000.000	271.980.000	100.020.000
2023	403.500.000	296.550.000	106.950.000
2024	456.000.000	316.620.000	139.380.000

Based on the calculations in Table 6, the woven bag MSME consistently achieved gross profit growth throughout the observation period, rising from IDR 75,000,000 in 2021 to IDR 100,020,000 in 2022, IDR 106,950,000 in 2023, and peaking at IDR 139,380,000 in 2024. This sustained upward trend reflects the entrepreneur's ability to optimize sales strategies while maintaining operational cost efficiency, with the shaIDRest increase in 2024 demonstrating the effectiveness of the business strategy. These results confirm that the woven bag MSME not only remains competitive in the market but also successfully expands its business capacity, offering strong potential for long-term profitability growth.

Net profit

Table 7.
Net Profit Calculation Results

Year	GP (IDR)	OC (IDR)	Tax Fee (IDR)	IC (IDR)	OI (IDR)	NP (IDR)
2021	75.000.000	15.580.000	0	12.200.000	1.000.000	46.510.000
2022	100.020.000	22.640.000	1.710.000	0	0	60.545.000
2023	106.950.000	25.420.000	1.860.000	16.200.000	1.225.000	62.037.500
2024	139.380.000	28.660.000	2.017.500	19.050.000	1.575.000	84.890.000
	0	0	2.280.000	0	0	0

Information : GP(Gross Profit), OC(Operating Costs), IC (Interest Cost), OI (Other Income), NP (Net Profit)

Table 7 shows that the net profit of the woven-bag MSME in Sukowiyono Village recorded steady growth throughout the study period. Net profit rose from IDR 46,510,000 in 2021 to IDR 60,545,000 in 2022, continued to IDR 62,037,500 in 2023 though at a slower pace and then climbed shaIDRly to IDR 84,890,000 in 2024. This sustained upward trend demonstrates the entrepreneur's ability to maintain

profitability despite rising operating expenses and loan interest, reflecting sound financial management that supports both business continuity and long-term profitability.

Classical Assumption Test

The normality test was carried out using the Normal Probability Plot (P–P Plot) of Regression Standardized Residuals to examine whether the residuals of the regression model followed a normal distribution. The plots for the relationships between financial management indicators BEP and profit margin and profitability indicators (ROA, gross profit, and net profit) consistently show data points clustering around and following the diagonal line. This pattern indicates that the residuals are normally distributed, confirming that the normality assumption is satisfied and allowing the regression analysis to proceed to the next stage of classical assumption testing.

Multicollinearity was tested using the Tolerance and Variance Inflation Factor (VIF) values, which produced Tolerance of 0.492 (>0.10) and VIF of 2.034 (<10) for both BEP and profit margin, indicating no multicollinearity issues. Heteroskedasticity was assessed using the Glejser test, which yielded a significance level of 1.000 (>0.05). This result confirms that the residuals exhibit homoscedasticity, meaning the variance of the errors is constant across observations. Therefore, the regression models for profitability indicators (ROA, gross profit, and net profit) meet the classical assumptions and are suitable for further regression analysis.

Multiple Linear Regression Test

Table 8.
Results of Multiple Linear Regression Test on Profitability (ROA)

Variable	B (Coef.)	Std. Error	t	Sig. (P- Value)	F count	Sig. F	R2
Constant	0,306	0,0075	40,689	0,016	113,367	0,066	0,996
BEP	-8,229E- 06	0,0000006	-14,319	0,044			
Profit Margin	0,884	0,0656	13,476	0,047			

Source: SPSS Output, 2025

Based on Table 8, the multiple linear regression equation for the dependent variable ROA indicator profitability can be written as follows:

$$\text{Profitability (ROA)} = 0,306 - 8,229 \times 10^{-6} (\text{BEP}) + 0,884 (\text{Profit Margin} + e$$

Based on the multiple linear regression results in Table 8, the coefficient of determination (R^2) is 0.996, indicating that 99.6% of the variation in profitability (ROA) is explained by financial management variables—namely the BEP and profit margin indicators while the remaining 0.4% is influenced by factors outside the model. However, the ANOVA test shows an F-value of 113.367 with a significance level of 0.066, which exceeds the 0.05 threshold, implying that BEP and profit margin

indicators do not jointly exert a significant effect on ROA. In contrast, the partial test reveals that BEP has a significant negative impact on ROA ($t = -14.319$; $p = 0.044$), whereas the profit margin indicator has a significant positive effect ($t = 13.476$; $p = 0.047$). These findings indicate that although BEP and profit margin individually influence profitability, their combined effect is not statistically significant.

Table 9.
Results of Multiple Linear Regression Test Profitability (gross profit)

Variable	B (Coef.)	Std. Error	t	Sig. (P-Value)	F	Sig. F	R ²
Constant	-90.127.945,4	2.259.020,7	-39,897	0,016	393,4,69	0,011	0,999
BEP	5.319,803	172,840	30,779	0,021			
Profit Margin	718.140.471,5	19.738.718,8	36,382	0,017			

Source: SPSS Output, 2025

Based on Table 9, the multiple linear regression equation for the dependent variable profitability (gross profit) can be written as follows:

$$\begin{aligned} \text{Profitability (Gross Profit)} \\ &= -90.127.945,4 + 5.319,80 (\text{BEP}) \\ &+ 718.140.471,5 (\text{Profit Margin}) + e \end{aligned}$$

The regression analysis revealed an R Square of 0.9999, indicating that 99.99% of the variation in profitability (gross profit) is explained by financial management variables, namely BEP and Profit Margin, with only 0.01% influenced by factors outside the model. The ANOVA test produced an F-statistic of 3,934.69 with a significance level of 0.011 (<0.05), confirming that BEP and Profit Margin jointly have a significant effect on profitability. Furthermore, the t-test results show that BEP exerts a positive and significant impact on profitability, with a t-value of 30.77 and a significance of 0.021 (<0.05), while Profit Margin also demonstrates a positive and significant influence, with a t-value of 36.38 and a significance of 0.017 (<0.05). These findings collectively indicate that financial management, represented by BEP and Profit Margin, significantly contributes to increasing gross profit.

Table 10.
Results of Multiple Linear Regression Test Profitability (net profit)

Variable	B (Coef.)	Std. Error	t	Sig. (P-Value)	F	Sig. F	R ²
Constant	-55.234.950,34	2.561.875,15	-21,560	0,030	1097,274	0,021	0,9995
BEP	2.311,611	196,011	11,793	0,054			
Profit Margin	523.272.475,3	22.384.979,99	23,376	0,027			

Source: SPSS Output, 2025

Based on Table 10, the multiple linear regression equation for the dependent variable profitability (net profit) can be written as follows:

$$\begin{aligned} \text{Profitability (Net Profit)} \\ &= -55.234.950,34 + 2.311,61 (\text{BEP}) \\ &+ 523.272.475,3 (\text{Profit Margin}) + e \end{aligned}$$

The regression analysis revealed an R Square of 0.9995, indicating that 99.95% of the variation in profitability (net income) is explained by the Break Even Point (BEP) and Profit Margin indicators, while only 0.05% is influenced by other factors outside the model. The ANOVA test produced an F-value of 1,097.27 with a significance level of 0.021 (<0.05), confirming that, collectively, financial management as measured by BEP and Profit Margin has a significant impact on profitability. However, the partial test results show that BEP has a positive but statistically insignificant effect on profitability ($t = 11.79$; $p = 0.054 > 0.05$), whereas Profit Margin exhibits a positive and significant influence ($t = 23.38$; $p = 0.027 < 0.05$), making it the dominant factor affecting net income.

5. Discussion

The Impact of Financial Management on Profitability

Based on the multiple linear regression results, the study reveals that financial management measured by Break Even Point (BEP) and profit margin explains 99.6% of the variation in profitability (ROA) with an R^2 of 0.996; however, both variables jointly show no significant effect on ROA ($p = 0.066 > 0.05$). In contrast, the partial test indicates that BEP exerts a negative and significant impact on ROA ($p = 0.044 < 0.05$), while profit margin has a positive and significant influence ($p = 0.047 < 0.05$). This implies that although BEP and profit margin do not simultaneously affect profitability, each variable individually drives ROA in opposite directions. From a financial management perspective, profitability reflects a firm's ability to generate earnings by optimizing available resources, and ROA serves as a key indicator of asset efficiency (Lase et al., 2022). BEP represents the minimum sales threshold to avoid losses, while profit margin captures cost control efficiency and pricing strategies that enhance earnings. These findings align with Anggraini et al. (2017), who highlight BEP and profit margin as critical instruments in assessing financial performance, and support the partial regression evidence of their individual effects on profitability. Similarly, Nur Husna et al. (2024) emphasize that effective BEP control accelerates the recovery of fixed costs, whereas a high profit margin directly increases net income and ROA, reinforcing the positive linkage between profit margin and profitability observed in this study.

Simamora and Muliyani (2022) found that accurate Break-Even Point (BEP) analysis in small and medium enterprises serves as a strategic basis for pricing and sales volume decisions, thereby enhancing profitability; in other words, the lower the break-even point, the higher the potential profit. This aligns with the present study, which demonstrates that BEP significantly affects Return on Assets (ROA) despite a

negative direction of influence. Regression results show an R^2 of 0.9999, indicating that nearly all variations in gross profit are explained by financial management through BEP and profit margin, with only 0.01% influenced by other factors. ANOVA results confirm that BEP and profit margin simultaneously have a significant impact on gross profit (significance $0.011 < 0.05$), meaning that better BEP management and higher margins generally increase gross profit. Partial tests reveal that BEP has a positive and significant effect on gross profit (significance $0.021 < 0.05$), suggesting that the faster a firm reaches break-even, the greater its potential gross profit; similarly, profit margin shows a positive and significant effect (significance $0.017 < 0.05$), indicating that higher margins lead to greater gross profit. These findings are consistent with financial management theory, which views BEP as a critical tool to determine the minimum sales required to avoid losses, as firms that achieve break-even sooner can more easily manage cash flow and enhance gross profit, while profit margin reflects the company's ability to maximize revenue per unit sold (Fauzi et al., 2024). Supporting evidence comes from Rachman et al. (2024), who reported that controlling BEP and profit margin significantly improves gross profit at CV Angin Mamiri Bitung, and from Jannah et al. (2020), who found that BEP analysis is effective for planning sales strategies and optimizing profit calculations.

The regression analysis revealed an R^2 value of 0.9995, indicating that 99.95% of the variation in net profit profitability is explained by financial management measured through break-even point (BEP) and profit margin, while only 0.05% is influenced by factors outside the model. ANOVA results confirm that, simultaneously, BEP and profit margin significantly affect net profit profitability ($p = 0.021 < 0.05$). However, the partial test shows that BEP has a positive but insignificant impact on net profit ($p = 0.054 > 0.05$), suggesting that sales exceeding the break-even level do not necessarily produce a direct significant effect because other elements such as operating expenses or tax burdens—may intervene. In contrast, profit margin exerts a positive and significant influence on net profit ($p = 0.027 < 0.05$), demonstrating its dominant role in enhancing profitability since higher margins widen the gap between revenue and cost and thus directly increase the company's final earnings. Theoretically, net profit is considered the most comprehensive profitability indicator as it reflects the company's ultimate performance after accounting for all expenses, including taxes and interest. According to Cahyanti and Yuwono (2024), a high profit margin signifies managerial efficiency in controlling costs and the firm's capability to generate net gains from sales activities. Meanwhile, BEP mainly serves as a planning and control tool to identify the minimum sales threshold, yet its effect on net profit may be diminished by external factors such as fluctuating operating costs. These findings align with Nur Husna et al. (2024), who emphasize that while BEP is essential for profit planning, its direct impact on net profit is often not significant and depends on further cost management, and they are further supported by Rachman et al. (2024), whose study of CV Angin Mamiri Bitung shows that profit margin exerts a stronger influence than BEP in driving net profit growth.

Factors Influencing Profitability Increase

The profitability of woven bag MSMEs in Sukowiyono Village is shaped by interrelated financial management factors. Analysis of 2021–2024 financial statements reveals two key drivers: cost control through break-even point (BEP) management and sales efficiency reflected in profit margins. BEP analysis shows that the minimum sales volume required to cover fixed and variable costs increased for small bags from 5,080 units in 2021 to 7,302 units in 2024, mainly due to rising fixed costs from IDR24,180,000 to IDR49,180,000. In contrast, large bags maintained relatively lower BEP levels, rising moderately from 2,032 to 2,921 units over the same period. Since actual 2024 production reached 48,000 units far exceeding total BEP effective control of fixed expenses (e.g., rent, depreciation) and variable costs (e.g., raw materials, direct labor) has been essential to sustaining profitability. Simultaneously, profit margin performance underscores improved operational efficiency: margins fluctuated from 14% in 2021 to 16% in 2022, dipped slightly to 15% in 2023, and peaked at 19% in 2024, when net profit of IDR84,890,000 was generated from revenue of IDR456,000,000. Although operating expenses grew from IDR15,580,000 in 2021 to IDR28,660,000 in 2024, this increase remained proportional to a 33.33% revenue growth, indicating that the enterprise not only expanded sales but also managed expenditures effectively. Consequently, robust cost control and consistently high profit margins directly strengthen the MSME's overall financial performance and profitability.

The third factor is asset utilization reflected in the Return on Assets (ROA), which measures the ability of the handicraft bag MSME to convert its assets into net profit. The data show a consistently high ROA of 33% in 2021, 2022, and 2024 and 30% in 2023; for instance, a 33% ROA in 2024 means every IDR 1 of assets generated IDR 0.33 in net income an excellent efficiency level. Total assets rose from IDR 140,900,000 in 2021 to IDR 253,975,000 in 2024, while net profit increased from IDR 46,510,000 to IDR 84,890,000. Effective asset management, such as optimizing machinery and equipment to raise production capacity from 36,000 units in 2021 to 48,000 units in 2024 and managing inventory to minimize stockpiling and storage costs, significantly contributes to profitability. In 2021, the current asset composition cash of IDR 45,000,000, trade receivables of IDR 22,000,000, and inventory of IDR 35,000,000 illustrates a balanced allocation that, when efficiently managed, accelerates asset turnover and boosts net income. Overall, the financial strategy combining cost control through the break-even point (BEP), sales efficiency via profit margins, and prudent asset utilization strongly drives profitability, indicating that the success of Sukowiyono Village's handicraft bag MSME in enhancing profits depends not merely on high sales but on comprehensive cost, asset, and operational efficiency management.

6. Conclusions

Based on the analysis of financial management, profitability calculations, and statistical tests, this study concludes that the financial management of the woven bag

MSME in Sukowiyono Village during 2021–2024 was well implemented, as evidenced by its ability to surpass the break-even point for all product types each year and by a rising profit margin that peaked at 19% in 2024, reflecting effective cost control and operational as well as marketing efficiency. Profitability also improved, with gross profit increasing from IDR 75,000,000 in 2021 to IDR 139,380,000 in 2024 and net profit rising from IDR 46,510,000 to IDR 84,890,000, while Return on Assets (ROA) remained relatively stable at 30–33%, indicating efficient asset utilization and sustainable financial performance. Multiple regression results show that, simultaneously, financial management through BEP and profit margin significantly affects gross and net profit but not ROA; partially, BEP has a negative significant impact on ROA, a positive significant effect on gross profit, and no significant effect on net profit, whereas profit margin has a positive significant effect on all profitability indicators, establishing it as the dominant factor, while BEP mainly functions as a cost-control and planning tool. However, the study is limited to financial data from 2021–2024 and to variables of BEP and profit margin, without considering external factors such as market conditions, consumer purchasing power, or government policies. Future research should therefore use a longer time frame, include multiple types of MSMEs, and incorporate external variables such as inflation, local market conditions, and relevant government initiatives to provide more comprehensive recommendations for MSME practitioners seeking to improve financial management and enhance profitability.

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