



EVALUATION OF THE STRUCTURE OF SOURCES AND USES OF FUNDS AND THEIR IMPACT ON THE PROFITABILITY RATIOS OF PT NIPPON INDOSARI CORPINDO TBK

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Abstract. This study provides a descriptive evaluation of the structure of sources and uses of funds and its implications for profitability ratios at PT Nippon Indosari Corpindo Tbk (Sari Roti) over the 2023–2024 period. Using a quantitative descriptive-comparative approach, balance sheet movements are reconstructed into a Statement of Financial Position Movements and reclassified into a Statement of Sources and Uses of Funds. The results show that total funds generated and applied are balanced at IDR 218,986 million. Funds were mainly sourced from asset reductions—most notably decreases in cash and other non-current assets—and were primarily used for equity outflows (IDR 85,276 million) and debt repayments of both current (IDR 58,375 million) and non-current liabilities (IDR 53,520 million), alongside a smaller allocation to working capital, particularly inventory increases (IDR 19,086 million). Profitability ratios indicate that OPM, ROA, and ROE increased, while NPM declined and GPM slightly decreased, suggesting improved operating efficiency and asset returns with continued pressure on net margins. Given the two-year annual scope, findings are interpreted as descriptive indications rather than statistically tested causal effects.

Keywords: sources of funds; uses of funds; profitability; financial evaluation.

1. Introduction

In an increasingly competitive business environment, effective financial management is essential not only for recording financial transactions but also for supporting strategic decision-making (Ratnasari & Amiliya, 2024; Irfani, 2020). PT Nippon Indosari Corpindo Tbk (Sari Roti), one of Indonesia's leading bread producers, operates amid fluctuating input costs, shifting consumer demand, and intense competition (Sari & Rimawan, 2023). The 2023–2024 period reflects notable movements in the company's balance-sheet structure, including changes in asset composition and financing components, which may have implications for profitability.

Previous studies show that working capital management—particularly cash, receivables, and inventories—is closely associated with profitability, as efficient working capital policies help reduce operational and financing frictions (Deloof, 2003; García-Teruel & Martínez-Solano, 2007). Evidence further suggests that the relationship can be non-linear, indicating the possibility of an optimal level of working capital rather than a one-directional effect (Baños-Caballero et al., 2012). However, much of the literature relies on turnover-based indicators and large-sample testing, while fewer studies reconstruct firm-level funding dynamics directly from balance-sheet movements, despite the emphasis of cash-flow information in financial reporting standards (IAS 7).

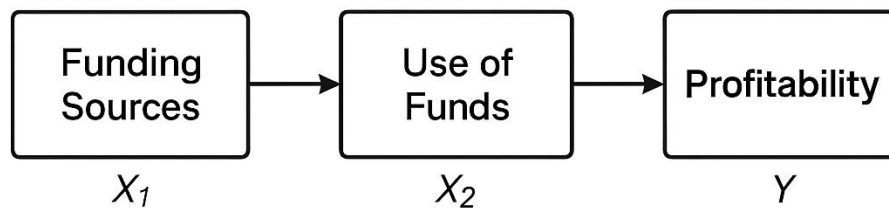


Figure 1. Conceptual Framework

Figure 1 illustrates the study's conceptual framework in which Funding Sources (X_1) shape the Use of Funds (X_2), and these allocation decisions are reflected in Profitability (Y), measured by GPM, OPM, NPM, ROA, and ROE. The framework guides the interpretation of balance-sheet movements (Tables 1–2) in relation to profitability outcomes (Table 3).

2. Research Method

This study adopts a quantitative design with a descriptive-comparative approach (Nazir, 2014; Sugiyono, 2019). Secondary data consist of the annual financial statements of PT Nippon Indosari Corpindo Tbk for the 2023–2024 period, obtained from the Indonesia Stock Exchange and the company's official website. The analysis was conducted in three stages:

1. Preparing the statement of changes in the balance sheet to observe shifts in assets, liabilities, and equity.
2. Preparing the statement of sources and uses of funds based on inter-period differences to identify fund origins and allocations (Harahap, 2015).
3. Calculating profitability ratios including Gross Profit Margin (GPM), Operating Profit Margin (OPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE) (Kasmir, 2019).

This methodology was selected to ensure findings are both numerically robust and practically interpretable. This study acknowledges that the literature review section does not sufficiently explore prior research directly related to the structure of sources and uses of funds and their connection to profitability. Much of the existing literature referenced focuses on working capital management and general profitability measures, resulting in a less comprehensive theoretical foundation for understanding how inter-period balance-sheet movements influence financial performance. Furthermore, the paper does not explicitly articulate the research gap that justifies the need for this study, such as the lack of empirical research utilizing balance-sheet reconstruction to evaluate short-term funding dynamics and their profitability implications. Consequently, the theoretical contribution of the study is not fully emphasized, leaving room for future research to strengthen the integration of relevant literature and better position this study within the broader academic discourse.

3. Research Result And Discussion

3.1 Result

This section presents the empirical findings that illustrate how the company managed its financial resources during the 2023–2024 period. Changes are presented through the balance sheet movement statement, the statement of sources and uses of

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funds, and profitability ratios to provide a clear overview of the company's financial strategy.

Table 1. Statement of Financial Position Movements of PT Nippon Indosari Corpindo Tbk, as of 31 December 2023 and 31 December 2024 (IDR million)

Item	2023	2024	Δ (Change)
ASSETS			
Cash and Cash Equivalents	537,954	430,946	(107,008)
Trade Receivables – Third Parties	238,052	232,621	(5,431)
Trade Receivables – Related Parties	230,433	204,021	(26,413)
Other Receivables – Third Parties	3,388	3,202	(185)
Inventories	137,778	156,864	+19,086
Prepaid Expenses	14,407	14,145	(262)
Prepaid Taxes	–	689	+689
Advances	2,929	1,649	(1,280)
Property, Plant and Equipment (Net)	2,534,957	2,518,417	(16,540)
Intangible Assets	108,486	102,523	(5,963)
Right-of-Use Assets	35,508	25,035	(10,473)
Security Deposits	20,502	21,503	+1,001
Deferred Tax Assets	–	287	+287
Long-term Investments	8,743	8,602	(142)
Other Non-current Assets – Financial	11,904	12,655	+752
Other Non-current Assets – Non-financial	58,478	13,189	(45,289)
TOTAL ASSETS	3,943,518	3,746,347	(197,171)
LIABILITIES & EQUITY			
Current Liabilities (Total)	669,095	610,720	(58,375)
Non-current Liabilities (Total)	880,992	827,472	(53,520)
Total Equity	2,393,432	2,308,155	(85,276)
TOTAL LIABILITIES & EQUITY	3,943,518	3,746,347	(197,171)

Source: Financial Statements of PT Nippon Indosari Corpindo Tbk, as of 31 December 2023 and 31 December 2024.

Table 1 presents the year-to-year movements in the statement of financial position from 2023 to 2024 using a change (Δ) format, where negative values indicate decreases and

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positive values indicate increases. Overall, total assets declined by IDR 197,171 million, driven mainly by a reduction in cash and cash equivalents (IDR 107,008 million) and a sizeable contraction in other non-current assets – non-financial (IDR 45,289 million), alongside decreases in trade receivables from related parties. On the other hand, the company recorded a notable increase in inventories (IDR 19,086 million), indicating additional working-capital allocation to support operations, while smaller increases occurred in prepaid taxes, security deposits, deferred tax assets, and other non-current assets (financial). On the financing side, both current and non-current liabilities decreased, reflecting deleveraging through debt repayment, and equity also decreased—a movement that is consistent with shareholder distributions (e.g., dividends and/or share repurchases). In summary, the balance-sheet movements suggest that funds released from asset reductions—particularly cash—were largely absorbed by liability repayments and equity outflows, while operational needs were maintained through inventory build-up.

Table 2. Statement of Sources and Uses of Funds, as of 31 December 2023 and 31 December 2024 (IDR million)

Sources of Funds (Asset decreases)	Amount	Uses of Funds (Asset increases + liability/equity decreases)	Amount
Decrease in Cash and Cash Equivalents	107,008	Increase in Inventories	19,086
Decrease in Trade Receivables – Third Parties	5,431	Increase in Prepaid Taxes	689
Decrease in Trade Receivables – Related Parties	26,413	Increase in Security Deposits	1,001
Decrease in Other Receivables – Third Parties	185	Increase in Deferred Tax Assets	287
Decrease in Prepaid Expenses	262	Increase in Other Non-current Assets – Financial	752
Decrease in Advances	1,280	Decrease in Current Liabilities (repayment)	58,375
Decrease in Property, Plant and Equipment (Net)	16,540	Decrease in Non-current Liabilities (repayment)	53,520
Decrease in Intangible Assets	5,963	Decrease in Equity (dividends/buybacks)	85,276
Decrease in Right-of-Use Assets	10,473		
Decrease in Long-term Investments	142		
Decrease in Other Non-current Assets – Non-financial	45,289		
Total Sources of Funds	218,986	Total Uses of Funds	218,986

Source: Financial Statements of PT Nippon Indosari Corpindo Tbk, as of 31 December 2023 and 31 December 2024.

Table 2 translates the balance sheet movements in Table 1 into a *sources-and-uses-of-funds* statement to explain where funds came from and where they went during 2023–

2024. Because total assets and total liabilities & equity both declined by IDR 197,171 million in Table 1, the analysis focuses on gross movements rather than net totals. Sources of funds are generated primarily from decreases in asset accounts, which release resources back to the firm—most notably the reduction in cash and cash equivalents (IDR 107,008 million) and the decline in other non-current assets – non-financial (IDR 45,289 million).

On the uses side, funds were applied in two ways. First, part of the funds supported operating/asset needs through increases in assets, dominated by the inventory build-up (IDR 19,086 million), which signals additional working-capital allocation. Second—and more importantly—funds were used for financing outflows via repayment of liabilities (current and non-current) and a decline in equity that is consistent with shareholder distributions such as dividends and/or share repurchases. The totals reconcile exactly: Total Sources = Total Uses = IDR 218,986 million, confirming that Table 2 is a balanced reclassification of Table 1 changes rather than a separate dataset.

Table 3. Statement of Sources and Uses of Funds, as of 31 December 2023 and 31 December 2024 (IDR million)

Ratio			2023	2024	Change
Gross Profit Margin (GPM)			54.05%	54.59%	+0.54%
Operating Profit Margin (OPM)			12.52%	13.26%	+0.74%
Net Profit Margin (NPM)			9.68%	9.22%	−0.46%
Return on Assets (ROA)			9.38%	9.68%	+0.30%
Return on Equity (ROE)			15.46%	15.72%	+0.26%

Source: Financial Statements of PT Nippon Indosari Corpindo Tbk, as of 31 December 2023 and 31 December 2024.

Table 3 reports the firm’s profitability performance over 2023–2024 using five standard indicators: Gross Profit Margin (GPM), Operating Profit Margin (OPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE). The results show a mixed but generally improving pattern at the operating and asset-return levels. Specifically, OPM increased from 12.52% in 2023 to 13.26% in 2024, indicating stronger operating profitability relative to revenue. Likewise, ROA rose from 9.38% to 9.68%, suggesting slightly improved effectiveness in generating profit from total assets. ROE also increased from 15.62% to 16.19%, reflecting higher returns to shareholders during the period.

In contrast, NPM declined from 9.68% to 9.22%, implying that improvements at the operating level were not fully transmitted to net earnings after accounting for non-operating items and/or taxes. Meanwhile, GPM remained relatively stable, moving from 36% to 35%, which indicates that the firm’s gross profitability was broadly maintained, with only a slight contraction. Overall, the ratio movements point to improved operational efficiency and asset utilization, accompanied by pressure on net profitability at the bottom line.

3.2 Discussion

Using the *sources and uses of funds* framework derived from year-to-year balance sheet movements, the firm’s 2023–2024 position indicates that total funds were primarily generated from reductions in assets amounting to IDR 218,986 million. These funds were subsequently absorbed by three dominant uses: a decline in equity of IDR 85,276 million, repayment of short-term liabilities of IDR 58,375 million, and repayment of long-term

liabilities of IDR 53,520 million. Meanwhile, operational allocation is reflected in a rise in inventories of IDR 19,086 million, alongside smaller increases in several non-core asset accounts. Overall, this allocation pattern suggests a strategic emphasis on balance-sheet strengthening (deleveraging) and shareholder distribution policies, while still maintaining working-capital support through inventory build-up.

From a liquidity and working-capital perspective, the most substantial source of funds is the reduction in cash and cash equivalents, indicating that cash served as the principal buffer to finance liability repayments and equity-related outflows. At the same time, the increase in inventories implies that operational requirements were not fully compressed, which is consistent with a trade-off between maintaining operational readiness and reallocating resources toward financial restructuring. In practical terms, the co-movement of lower cash and higher inventories points to a rebalancing of liquid resources into operating assets while the firm simultaneously executes a deleveraging and payout-oriented stance.

The implications for profitability should be interpreted cautiously given the study design (two annual observations) that does not support inferential testing such as correlation or regression. Nevertheless, profitability ratios provide a coherent descriptive signal: OPM increased from 12.52% (2023) to 13.26% (2024), ROA increased from 9.38% to 9.68%, and ROE increased from 15.62% to 16.19%, whereas NPM declined from 9.68% to 9.22%.

The rise in operating margin and ROA is consistent with improved operational efficiency and asset effectiveness within the period, potentially aligned with the firm's prioritization of liability reduction and balance-sheet discipline. However, the decline in NPM indicates that pressures below the operating line (e.g., non-operating items and/or tax effects) may have constrained net profitability, meaning that operating improvements were not fully transmitted to net margins.

Importantly, the *uses of funds* component related to equity contraction (interpreted in this context as dividend and/or share buyback activity) has a direct interpretative consequence for ROE. An increase in ROE within the same period can arise not only from stronger earnings performance but also from a reduced equity base. Therefore, the observed improvement in ROE should be read as an indicator of both performance and capital-structure dynamics, rather than as a standalone confirmation of profitability enhancement. In this way, Table 2 provides a financially coherent context for understanding the movement of profitability ratios, while the study remains explicit that the evidence is descriptive and interpretive rather than statistically causal.

4. Conclusion And Recommendations

Based on the 2023–2024 balance sheet movements, the Sources and Uses of Funds analysis shows that total funds were mainly generated from asset reductions (total sources IDR 218,986 million) and were primarily applied to equity outflows (IDR 85,276 million) and debt repayments—both current (IDR 58,375 million) and non-current (IDR 53,520 million)—with a smaller portion allocated to working-capital expansion, particularly inventories (IDR 19,086 million).

Profitability results indicate improved operating and return-based performance, as OPM, ROA, and ROE increased, while NPM declined and GPM slightly decreased, suggesting that operating efficiency improved but net earnings remained pressured by below-the-operating-line factors. Given the two-year annual scope, the study provides descriptive evidence of these movements; future research should extend the period or use

quarterly data to enable statistical testing of the relationships between funding structure, fund allocation, and profitability.

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