

## Analyzing the Impact of Credit Sales Policy on Profitability at PT. Riau Graindo

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### Abstract

This study analyzes the impact of credit sales policy on the profitability of PT. Riau Graindo, with a focus on the mediating role of liquidity. Utilizing financial data from 2022 to 2024, the research examines fluctuations in credit sales, accounts receivable, liquidity ratios, and Return on Assets (ROA). The results indicate that while credit sales contributed to an increase in revenue, they also led to a rise in uncollected receivables, causing liquidity constraints and stagnant profitability. The company's current ratio remained above the safe threshold, but profitability showed only marginal improvement. The study concludes that credit sales policy significantly affects profitability, primarily through its effect on liquidity, and recommends that the company adopt a more dynamic and risk-sensitive credit management system to ensure sustainable financial performance.

**Keywords:** Credit Sales Policy, Profitability, Liquidity, Return on Assets, Receivables Management

## 1. Introduction

In today's intensely competitive and fast-paced business environment, companies face increasing pressure to balance aggressive sales strategies with prudent financial management. Among the most prevalent strategies utilized to enhance market share and drive top-line growth is the provision of credit sales—an approach that allows customers to receive goods or services immediately while deferring payment to a later date. While this strategy can stimulate revenue growth by making purchases more accessible to a broader customer base, it inherently introduces a new dimension of financial risk, particularly in the areas of cash flow, liquidity, and ultimately, profitability.

PT. Riau Graindo, a printing and publishing company based in Riau, Indonesia, exemplifies the tension between these two financial realities. As part of the Riau Pos Group, PT. Riau Graindo serves a range of media outlets through the printing of newspapers, tabloids, and magazines. Over the years, in an effort to remain competitive and accommodate the varied financial structures of its clients—including institutions with lengthy administrative procedures—the company has increasingly adopted credit sales as a core sales policy. While this move has indeed broadened its market base, it has also created challenges regarding delayed payments, uncollected receivables, and strained cash flows, raising concerns over the sustainability of its profitability.

The strategic use of credit sales is not uncommon in manufacturing and service industries. In fact, the ability to offer flexible payment terms can often be the decisive factor in acquiring and retaining clients. Nevertheless, extending credit without a comprehensive risk assessment mechanism, such as evaluating customer creditworthiness or establishing a robust receivables collection system, can severely impair a company's ability to maintain healthy liquidity ratios. Uncontrolled credit extensions often result in a build-up of accounts receivable, which, if not collected promptly, compromise the availability of cash for critical operational needs. In the context of PT. Riau Graindo, this trade-off has become increasingly evident.

Data from the company's financial reports between 2022 and 2024 reveals a consistent increase in accounts receivable, rising from IDR 19.28 billion in 2022 to IDR 20.01 billion in 2024. This trend, while indicative of active credit sales, also raises red flags about the company's collection efficiency. Concurrently, the company's current assets, though growing modestly, have not matched the pace of its credit expansion, signaling a potential liquidity bottleneck. Additionally, profitability, as measured by Return on Assets (ROA), remained relatively stagnant, increasing only marginally from 0.833% in 2023 to 0.849% in 2024. These figures fall significantly short of the commonly accepted benchmark of 5% for robust profitability.

Moreover, the current ratio—a key indicator of a company's short-term financial health—rose only slightly during this period, from 2.017 in 2022 to 2.066 in 2024. While a ratio above 2 generally reflects a buffer against short-term obligations, the marginal increase suggests that the company's liquidity improvement is largely attributable to reductions in current liabilities rather than an actual enhancement in asset productivity. This stagnation highlights the inadequacy of the company's credit management system in translating increased sales into improved financial performance.

The structure of PT. Riau Graindo's credit policy adds another layer of complexity. The company sets a credit limit of IDR 100 million with a 30-day payment window, prioritizes cash-before-delivery arrangements, and requires a formal or informal agreement for post-delivery payments. Despite these measures, credit-related issues such as late payments and liquidity constraints persist. The policy's limited flexibility and lack of dynamic risk management protocols—such as segmented credit terms for different client types or incentives for early payments—may be contributing factors to the suboptimal financial outcomes observed.

From a theoretical standpoint, credit sales policies can be evaluated through multiple lenses. According to Kieso et al. (2018), credit sales policies encompass all terms and conditions under which credit is extended to customers. These policies determine not only the creditworthiness of potential clients but also define the procedures for collection and handling of receivables. Effective credit policies are, therefore, not only tools for increasing revenue but also integral components of financial risk management.

Credit policy theory suggests that firms should balance the benefits of increased sales against the costs of financing receivables. This involves analyzing customer behavior, determining appropriate credit limits, offering discounts for early payments, and establishing systematic follow-up procedures. Failure to align these elements can lead to liquidity shortages and increased bad debt expenses—outcomes that diminish profitability and compromise organizational sustainability.

Liquidity, in this context, refers to a company's ability to meet its short-term obligations using its current assets. As defined by Kasmir (2018), liquidity ratios such as the current ratio, quick ratio, and cash ratio are critical tools in assessing the company's capacity to convert assets into cash without significant loss in value. For a printing and publishing firm like PT. Riau Graindo, which operates on tight production and distribution timelines, maintaining adequate liquidity is essential not only for meeting operational expenses but also for weathering external economic shocks.

Profitability, on the other hand, reflects the efficiency with which a company converts its resources into earnings. According to Hery (2024), profitability is central to assessing the success of a firm's business model and strategic decisions. Ratios such as Net Profit Margin, Return on Assets (ROA), and Return on Equity (ROE) provide insights into how well a firm is utilizing its capital to generate returns. In the case of PT. Riau Graindo, the modest growth in profitability metrics suggests a disconnect between operational expansion and financial returns—possibly due to the inefficiencies in credit policy execution.

The problem is further exacerbated by broader industry dynamics. The Indonesian printing sector has been grappling with declining print circulation, a shift to digital media, and rising input costs, including a notable 60% surge in paper prices within a six-month period. These structural challenges have amplified the importance of sound financial practices, especially in areas such as credit and liquidity management. In such an environment, companies cannot afford inefficiencies in cash flow management, as even slight financial missteps can have far-reaching consequences.

The financial statements of PT. Riau Graindo between 2022 and 2024 indicate that while credit sales rose significantly in 2023—particularly from non-group clients—they declined again in 2024. The disproportionate reliance on non-group sales, which contributed IDR 21.37 billion compared to IDR 17.57 billion from group clients over three years, underscores a shift in customer base and possibly the pursuit of more lenient payment terms. However, this reliance also increases exposure to clients with potentially weaker payment discipline, thereby compounding credit risk.

This study seeks to investigate the relationship between credit sales policy and profitability within PT. Riau Graindo by employing a robust analytical framework based on financial ratios and year-on-year financial performance. Specifically, the study addresses the following research questions: (1) To what extent does the credit sales policy influence liquidity at PT. Riau Graindo? (2) How does the credit sales policy impact the company's profitability? By answering these questions, the research aims to contribute to both theoretical understanding and practical policy formulation in the realm of financial management for medium-scale manufacturing firms in Indonesia.

The significance of this study lies in its potential to bridge a critical knowledge gap in the Indonesian context, where empirical analyses of credit policy implications on financial

performance remain limited. While global research (e.g., Oyadonghan, 2014; Kenneth Okpala, 2019) has demonstrated the pivotal role of credit policy in determining liquidity and profitability, local business environments often present unique constraints and institutional differences. The present study, therefore, offers contextual insights that can inform both academic discourse and managerial decision-making.

The analytical framework employed includes the use of liquidity and profitability ratios, alongside financial trend analysis, to assess the temporal dynamics of credit policy outcomes. The study also considers external variables such as macroeconomic shifts, digital disruption, and sector-specific cost pressures that may influence the efficacy of credit policies. By integrating both micro- and macroeconomic considerations, this research aims to offer a holistic understanding of the financial ramifications of credit sales in a mid-sized Indonesian manufacturing company.

In conclusion, the case of PT. Riau Graindo serves as a microcosm of the broader financial challenges faced by medium-sized firms in the print media industry. The study underscores the urgent need for a strategic realignment of credit policies to ensure they not only support sales growth but also sustain operational liquidity and profitability. Given the ever-evolving business landscape—characterized by technological disruption, shifting consumer preferences, and volatile input costs—an agile and data-driven approach to credit policy formulation will be indispensable. The insights derived from this study are intended to guide corporate managers, policy analysts, and financial practitioners in designing more effective credit management systems that align with both organizational objectives and market realities.

## **2. Literature Review**

### *2.1 Credit Sales Policy*

Credit sales policy refers to a strategic framework implemented by businesses to regulate the provision of goods or services to customers with deferred payment terms. According to Kieso et al. (2018), a credit sales policy encompasses a series of procedures and conditions under which a company allows its clients to delay payment after receiving products or services. This policy plays a dual role: it is a marketing tool to stimulate demand, and a financial strategy that must be carefully managed to avoid liquidity constraints.

Krueger (in Oyadonghan, 2014) emphasizes that credit policy defines the criteria used to determine which customers are eligible for credit, the terms of repayment, the limits on outstanding receivables, and the methods used for debt collection. Maysami (n.d) adds that credit policy involves monitoring and managing the accounts receivable to ensure timely recovery and minimize the risk of bad debts.

In practice, companies often determine their credit policies based on customer creditworthiness, transaction history, and business environment. As noted by Omolumo (in Oyadonghan, 2014), the amount of credit extended to customers is influenced by both internal capacity and external market forces. Thus, while liberal credit policies may enhance sales, they simultaneously increase exposure to default risk, especially in volatile markets.

The operationalization of credit sales involves key procedures such as sales order authorization, creditworthiness verification, invoice generation, delivery fulfillment, accounts receivable recording, and payment collection (Sujarweni, 2017). Each step in this chain has financial implications, and inefficiencies or weak control mechanisms at any stage can lead to increased delinquency and reduced liquidity.

Mulyadi (2019) outlines that a sound credit system integrates departments including sales, finance, warehousing, and accounting to ensure end-to-end traceability and accountability. The documentation process also plays a vital role in legal protection and audit tracking, particularly through instruments like sales orders, invoices, and journal vouchers.

Several key factors shape an effective credit sales strategy, often summarized under the “5C” framework by Kasmir (2012): Character, Capacity, Capital, Collateral, and Conditions. These criteria are used to assess customer reliability, ability to repay, financial health, availability of security, and broader economic context.

## 2.2 *Liquidity*

Liquidity represents a firm’s ability to meet its short-term financial obligations using current assets such as cash, receivables, and inventory. In essence, it is a measure of solvency and financial flexibility, particularly in managing operational expenses and unexpected cash needs.

Kasmir (2018) defines liquidity as the ease with which a company can convert assets into cash to settle liabilities. Fahmi (2018) emphasizes that liquidity is not merely a function of asset volume, but also of asset quality and the company’s efficiency in collecting receivables and managing inventory turnover.

Commonly used liquidity ratios include the Current Ratio, Quick Ratio, and Cash Ratio, which respectively evaluate the adequacy of current assets to cover liabilities, the availability of liquid assets excluding inventory, and the immediate cash reserves to cover debt. These ratios offer insight into the company’s working capital management and operational stability.

Sartono (2016) notes that liquidity also influences external stakeholder perception, including creditors, suppliers, and investors. A low liquidity ratio may signal potential cash flow problems, affecting the company’s credit rating and borrowing ability.

Several factors influence liquidity levels, including asset allocation, credit terms extended to customers, inventory turnover, and macroeconomic variables such as interest rates and inflation. Fahmi (2018) points out that excessive credit sales or poor receivable collection can deplete available cash, thereby compromising liquidity.

Gunawan (2021) introduces the concept of asset liquidity risk, where the company may struggle to liquidate assets quickly or at fair value. This risk becomes particularly salient in businesses heavily dependent on credit sales, where delayed payments constrain operational funds.

## 2.3 *Profitability*

Profitability is a key performance indicator reflecting a company’s ability to generate income from its operations relative to its resources. It encompasses both efficiency in cost management and effectiveness in revenue generation.

According to Hery (2024), profitability is the financial outcome of a firm’s operational activities over a specific period. It signifies the level of success in utilizing assets, equity, and investments to achieve economic returns. Sutarto (2010) states that profitability encapsulates the efficiency with which sales, assets, and capital are transformed into net income.

Kasmir (2018) identifies key ratios to assess profitability, including Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE). ROA is particularly relevant in measuring the overall return generated on total assets, indicating how well a company converts investment into profit.

Several internal and external factors influence profitability. Internally, operational efficiency, pricing strategy, and financial controls play critical roles. Externally, market demand, competition, and cost structures—such as rising input prices—can impact margins. Munawir (2017) suggests that profitability is also shaped by firm-specific characteristics such as company age, business scale, and the nature of its products or services.

In capital-intensive sectors like printing and publishing, cost fluctuations (e.g., paper prices) and shifting consumer preferences toward digital media significantly affect

profitability. For PT. Riau Graindo, declining print volumes and increasing credit sales without corresponding improvements in cash recovery can erode net margins.

#### *2.4 Relationship Between Credit Sales Policy, Liquidity, and Profitability*

The interdependence between credit policy, liquidity, and profitability has been the subject of various empirical studies. A well-crafted credit policy can act as a catalyst for sales growth, but if not matched by efficient receivable collection, it may undermine liquidity and strain profitability.

Oyadonghan (2014), in a study of Nigerian manufacturing firms, found that effective credit policy contributes positively to liquidity. However, the absence of regular credit policy reviews and weak receivable monitoring often leads to suboptimal financial outcomes. The study concludes that liquidity serves as an intermediate variable that connects credit sales to profitability.

Similarly, Okpala (2019) demonstrated that credit risk assessment, debt recovery strategies, and receivable collection practices significantly influence liquidity and indirectly affect profitability. His regression analysis revealed that liquidity metrics have a statistically significant correlation with profit margins.

In the Indonesian context, Hesniati (2024) observed that both credit risk and liquidity risk have a notable impact on the profitability of rural banks. The study emphasized the need for proactive risk management to safeguard earnings, especially in volatile economic conditions.

Furthermore, Bandara (2021) examined credit problems as a moderating variable and discovered that while capital and liquidity positively affect profitability, the presence of bad debts weakens this relationship. These findings underscore the delicate balance companies must strike between extending credit and maintaining financial health.

Bata (2022) and Grau (2018) offer regional perspectives, highlighting how industry-specific factors and macroeconomic environments shape the relationship between trade credit and profitability. Their findings suggest that the effect of credit sales on profitability is context-dependent and varies across sectors and economic conditions.

A study by Yazdanfar and Öhman (2016) among Swedish SMEs found a negative relationship between trade credit and profitability, suggesting that excessive reliance on receivables as a funding source may jeopardize long-term financial stability. The authors advocate for transparent cost analysis of credit usage to ensure it aligns with overall financial objectives.

These theoretical and empirical insights collectively indicate that credit sales, when managed strategically, can drive profitability. However, the failure to align credit policy with liquidity management mechanisms—such as customer screening, invoice tracking, and timely collection—can lead to financial vulnerabilities.

#### *2.5 Empirical Gap and Research Justification*

Despite the wealth of international literature on credit policy and financial performance, research focused on mid-sized Indonesian manufacturing firms—particularly in the print and publishing sector—remains limited. Existing studies largely concentrate on banking institutions or large corporations, leaving a gap in understanding the unique challenges faced by firms like PT. Riau Graindo.

Moreover, while several studies highlight the general impact of credit risk on profitability, few investigate the specific role of structured credit sales policies as both a marketing and financial tool. This study seeks to fill that gap by providing a contextual analysis of PT. Riau Graindo's financial data and credit policy framework, offering insights that are both academically relevant and practically applicable.

### 3. Method

This study adopts a quantitative research methodology aimed at examining the relationship between credit sales policy and the profitability of PT. Riau Graindo, with particular attention to the mediating role of liquidity. The research design follows a descriptive and associative approach, in which empirical financial data are analyzed to identify both patterns and causal relationships among variables. The selection of a quantitative method allows for objective and measurable evaluations, ensuring the findings are grounded in real-world financial performance rather than subjective interpretations.

The focus of this research is PT. Riau Graindo, a mid-sized manufacturing company operating in the print and publishing sector under the Riau Pos Group. The study is limited to the company's credit sales practices and their financial implications, particularly regarding liquidity and profitability. The period of observation spans three years, from 2022 to 2024, during which the company implemented credit sales policies under relatively stable terms, including a credit limit of IDR 100 million and a payment window of 30 days. Financial data were obtained from the company's internal audited reports, which include balance sheets, income statements, and records of accounts receivable and sales categorized by group and non-group clients.

The key variables of the study consist of credit sales policy as the independent variable, profitability as the dependent variable, and liquidity as an intervening variable. Profitability is assessed using Return on Assets (ROA), a standard financial ratio calculated by dividing net income by total assets, which reflects how efficiently the company utilizes its resources to generate earnings. Liquidity is measured through the Current Ratio, which compares current assets to current liabilities and serves as an indicator of the company's ability to meet its short-term financial obligations. Credit sales policy is evaluated by examining the volume and structure of receivables over time, the proportion of credit to total sales, and the terms and conditions of payment applied by the company.

Data analysis was conducted using a combination of descriptive statistics and financial ratio analysis. First, trend analysis was employed to explore changes in accounts receivable, current assets and liabilities, and net income over the three-year period. Financial ratios were then computed to quantify liquidity and profitability performance annually. The current ratio was used to assess the company's short-term solvency, while ROA served as the key metric for evaluating profitability. These ratios were interpreted not only in isolation but also in relation to changes in credit sales volumes to determine the strength and direction of the relationships among variables.

To test the hypotheses, the study applied comparative and interpretative analysis techniques. By comparing year-on-year changes in credit sales, liquidity ratios, and profitability indicators, the research sought to determine whether an increase in credit sales was associated with either a weakening or strengthening of financial performance. The analysis was guided by three hypotheses: that credit sales policy has a significant effect on liquidity; that it also affects profitability; and that liquidity serves as a mediating variable between credit sales policy and profitability.

All data used in the study are considered reliable, as they were drawn from official company records verified through internal audits. Furthermore, the methods used to calculate financial ratios followed standardized accounting principles, ensuring consistency and comparability across periods. While the study offers valuable insights into the financial dynamics of credit sales in a real-world corporate setting, it also acknowledges several limitations. Chief among these is the focus on a single company, which may limit the generalizability of the findings. Additionally, the analysis does not account for external macroeconomic factors or qualitative managerial perspectives that may influence the company's credit practices.

#### 4. Result and Discussion

The financial data of PT. Riau Graindo from 2022 to 2024 reveal key patterns in the company's credit sales, liquidity position, and profitability. During this period, the total credit sales fluctuated, with a notable increase in 2023 and a slight decline in 2024. Specifically, total credit sales amounted to IDR 12.56 billion in 2022, increased to IDR 13.83 billion in 2023, and then decreased to IDR 12.55 billion in 2024. These changes reflect shifts in the company's credit strategy, particularly with regard to client segmentation. The credit sales from non-group clients experienced the most significant increase, contributing IDR 21.37 billion cumulatively over three years, compared to IDR 17.57 billion from group clients. This shift indicates the company's growing reliance on external clients, which may present both new opportunities and credit collection risks.

In terms of liquidity, the current ratio showed a minor but consistent increase, from 2.017 in 2022 to 2.066 in 2024. The company maintained a ratio above the conventional minimum threshold of 2.0, suggesting an adequate buffer to meet short-term liabilities. However, the improvement in liquidity was largely driven by a marginal reduction in current liabilities rather than significant growth in productive current assets. This indicates that while the company was able to sustain solvency, its cash reserves and receivables were not optimally leveraged to generate operating profits.

The analysis of profitability, as measured by Return on Assets (ROA), reflects a similar trend of stagnation. The ROA increased from 0.686% in 2022 to 0.849% in 2024. Although there was modest growth, the values remain considerably below the widely accepted benchmark of 5% for healthy asset profitability. This suggests that the company's growing receivables did not translate into proportionate increases in net income, potentially due to delayed payments, low margin sales, or rising operational costs in the print media industry.

Furthermore, accounts receivable continued to rise steadily—from IDR 19.28 billion in 2022 to IDR 20.01 billion in 2024. This escalation, without a matching improvement in cash or income, signals a potential liquidity trap where resources are tied up in uncollected debts. The data also reveal that total current assets increased only marginally, from IDR 45.91 billion in 2022 to IDR 46.34 billion in 2024, while liabilities declined slightly. This combination highlights that the company's working capital is not efficiently turning into profits, despite a relatively stable sales environment.

The results illustrate a complex relationship between credit sales policy and profitability at PT. Riau Graindo, moderated significantly by the company's liquidity position. On the one hand, the expansion of credit sales, particularly to non-group customers, appears to have driven sales volume upward, especially in 2023. However, the subsequent decline in 2024 and the relatively flat ROA trajectory suggest that this growth was not financially sustainable. The reliance on credit sales without rigorous credit risk management likely resulted in cash flow constraints, as evidenced by the increasing receivables and only marginal improvements in liquidity.

These findings are consistent with the theoretical framework presented in the literature. Kieso et al. (2018) and Maysami (n.d) highlight the importance of aligning credit policies with collection efficiency and financial risk assessment. In PT. Riau Graindo's case, the policy allows a 30-day credit period with a ceiling of IDR 100 million, but lacks dynamic segmentation and risk-based incentives. While the company's policy includes verbal or written agreements and security deposits for large orders, the rising trend in receivables indicates that these controls may not be effectively enforced or monitored.

Moreover, the growing gap between receivables and realized profits supports the view of Yazdanfar and Öhman (2016), who argue that excessive trade credit can reduce profitability in small and medium-sized enterprises. The inability to convert receivables into cash in a timely

manner constrains operational liquidity, forcing the firm to rely on static working capital and limiting its flexibility to reinvest or respond to market changes.

From a liquidity standpoint, the company's position remains relatively secure, as indicated by a stable current ratio. However, this superficial stability masks inefficiencies in asset utilization. According to Fahmi (2018), liquidity must be understood not just as an ability to pay liabilities, but as a reflection of asset productivity. PT. Riau Graindo's large portion of uncollected receivables implies that a significant portion of its current assets is not yielding returns, thereby diminishing the true value of its liquidity.

The moderate increase in ROA across the observed years suggests that any benefits gained from increased credit sales are being eroded by weak receivables turnover and possibly declining margins in the printing sector. This observation aligns with Grau (2018), who found that the impact of trade credit on profitability is heavily contingent on firm-level characteristics and market context. For PT. Riau Graindo, rising raw material costs—particularly in newsprint—and the industry's digital shift present structural challenges that compound the risks associated with aggressive credit sales policies.

The company's performance also reflects the findings of Oyadonghan (2014), who noted that organizations often face liquidity problems due to poor monitoring and revision of their credit policies. In PT. Riau Graindo's context, while there is a formal policy in place, there appears to be a lack of responsiveness to changing customer behaviors and macroeconomic shifts. The persistent growth in receivables, coupled with a declining trend in credit sales in 2024, indicates a potential erosion of market confidence or customer payment discipline, both of which need urgent managerial attention.

## 5. Conclusion

The findings of this study confirm that credit sales policy plays a significant role in shaping the profitability of PT. Riau Graindo, primarily through its influence on liquidity. While the extension of credit contributed to an initial increase in sales volume, particularly among non-group customers, it also resulted in a steady accumulation of receivables that were not efficiently converted into cash. This inefficiency constrained the company's liquidity, thereby limiting its ability to leverage short-term assets for operational expansion and profitability enhancement. The company's current ratio remained stable, indicating sufficient capacity to meet short-term obligations, but this was achieved more through reduced liabilities than through active receivables turnover or improved asset productivity.

The relatively stagnant growth in Return on Assets (ROA), despite fluctuating credit sales, suggests that the company's credit policy has not been effective in translating sales into sustained financial gains. The lack of adaptive risk management mechanisms within the credit system, coupled with sector-specific pressures such as rising input costs and digital disruption, further weakens the effectiveness of credit sales as a strategic financial tool. Therefore, PT. Riau Graindo must reconsider its credit management practices. Implementing more dynamic credit terms, enhancing receivables monitoring, and establishing customer-based credit segmentation could significantly improve the company's liquidity position and, consequently, its profitability.

These findings have practical implications for management and strategic financial planning. A more integrated approach that links credit policy to cash flow forecasting, customer evaluation, and profitability analysis is essential. Additionally, this study provides insights for other medium-sized firms in similar industries, emphasizing the importance of aligning credit strategies with broader financial health indicators rather than focusing solely on sales targets.

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