The Impact of Capital Expenditures, Operational Expenditures, Financial Expenditures, Market to Book Value Ratio, Sales Growth, and Operational Cash Flowon Working Capital Management of the Telecommunication Companies Listed in Indonesia Stock Exchange for the Period of 2010 - 2014

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Abstract. *The study was conducted to examine the impact of capital six independent variables comprise of : Capital Expenditures, Operational Expenditures, Financial Expenditures, Market to Book Value Ratio, sales growth, Operational Cash Flow, and the impact on Working Capital Management, that include Net Liquidity Balance and Working Capital Requirement. The object for the study, were telecommunication companies listed in Indonesian Stock Exchange within the period of 2010-2014, which periodicaly submit report to BEI authority. Those six listed companies are: PT. Bakrie Telecom Tbk. (BTEL), PT. XL Axiata Tbk. (EXCL), PT. Indosat Tbk. (ISA), PT. Smartfren Telecom Tbk. (FREN), PT. Telekomunikasi Indonesia Tbk. (TLKM), dan PT. Trikomsel Oke Tbk. (TRIO).*

Keywords. *capital expenditures; financial performance; liquidity; capital budgeting; capital structure.*

I. INTRODUCTION

In the financial management of the company there are three important strategic decisions, which establishes the structure of capital, capital budgeting decisions and working capital management decisions. In almost all telecommunications companies, management of working capital is very important for management, the portion of current assets is much larger than the company's other services, so if the value of current assets has decreased, then the company will experience a disruption in their operations.

II. RESEARCH METHODOLOGY

In this study, methodology and analysis using the model introduced by Shulman and Cox (1985), which in this model, the net working capital (net working capital) divided into two components: the working capital requirement and net liquidity balance. This model is considered as a complete approach in recognizing the working capital, due to a focus on liquid financial assets and current liabilities. The main problem in this study is need to know the factors that may impacted to the working capital management of the company. The measurement of working capital management using the Working Capital Requirements and Net Liquidity Balance is required for predicting the financial crisis of the company. NLB is a company's ability to raise and allocate funds. WCR is an evaluation of the management of working capital (Appuhami, 2008).

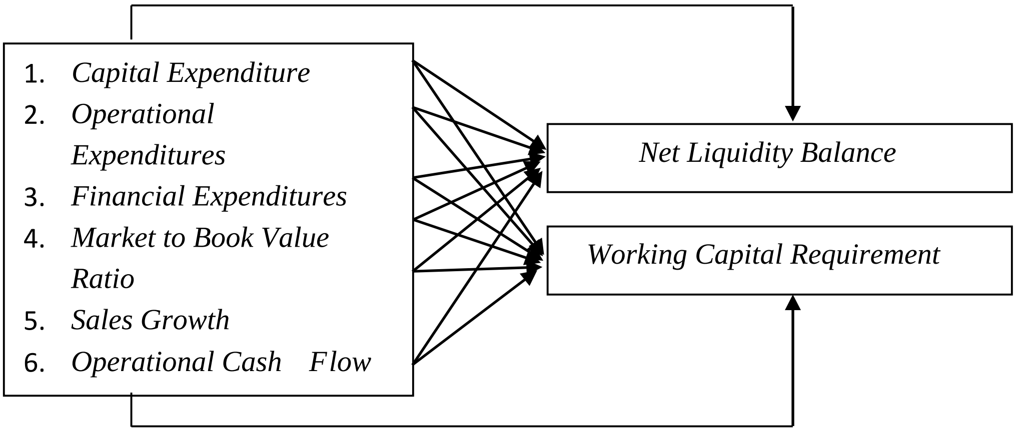

Figure 1. Framework

Hypothesis

The hypothesis presented in this study can be formulated as follows:

a. Capital Expenditures, Operational Expenditures, Financial Expenditures, Market to Book Value Ratio, sales growth and Operational Cash Flow simultaneously has significant impact on the Net Liquidity Balance.
b. Capital Expenditures, Operational Expenditures, Financial Expenditures, Market to Book Value Ratio, sales growth and Operational Cash Flow is partially has significant impact on the Net Liquidity Balance.
c. Capital Expenditures, Operational Expenditures, Financial Expenditures, Market to Book Value Ratio, sales growth and Operational Cash Flow simultaneously has significant impact on the Working Capital Requirement.
d. Capital Expenditures, Operational Expenditures, Financial Expenditures, Market to Book Value Ratio, sales growth and Operational Cash Flow is partially has significant impact on the Working Capital Requirement.

III. RESULT OF THE STUDY

Based on the results of classic assumption test, which includes four types of testing, the normality test, heteroscedasticity, autocorrelation test and test of multikolinieritas, we have concluded that the data used has meet the requirements of normality test, and the model does not have heteroskedastisity on the regression, and has no autocorrelation nor multicollinearity on the models tested.

A. Multiple Linear Regression Analysis

By using SPSS for windows 17:00 we have obtained the results on regression coefficients, so we have the value of the constanta and the regression coefficients which revealed on this multiple linear regression equation as follows:

Y_1 = 1009,578 - 1281,119 x_1 - 282,969 x_2 - 1841,398 x_3 - 0,446 x_4 - 505,709 x_5 + 475,405 x_6

Y_2 = -705,728+ 645,034 x_1 + 558,907 x_2 + 459,776 x_3 + 0,055 x_4 + 240,196 x_5 - 435,836 x_6

B. Determination Coefficient

Using R-Square we have valued the coefficient of determination variables known to Capital Expenditures, Operational Expenditure, Financial Expenditure, Market to Book Value Ratio, Sales Growth, Operational Cash Flow which impacted to Net Liquidity Balance amounted to 55.7%, while the remaining 44.3% has been influenced by other factors that can not be examined, on the other hand, the Working Capital Requirement has impacted by independent variables reached by 78.5%, whilst the remaining 21.5% has been influenced by other factors that can not be examined.

C. Simultaneous Hypothesis Testing

Based on the test results to Net Liquidity Balance we can see that F_{value} reached 4.825 with a significance value of 0.003. This value will be compared to F_{table} where the table F for $\alpha = 0.05$ with degrees of freedom (6; 23) resulted on F_{table} reached to 3.42. Therefore F_{value} (4.825) is greater than the F_{table} (3.42). Since we have define the error rate is 5% ($\alpha = 0.05$) so, we decided to accept Ho and rejected Ha. This means that with a 95% confidence level, it can be concluded that the Capital Expenditures, Operational Expenditure, Financial Expenditure, Market to Book Value Ratio, Sales Growth and Operational Cash Flow are simultaneously has a significant impact to the Net Liquidity Balance.

As for the Working Capital Requirement, the above mentioned test results, can be seen that F_{value} has reached to 14.037 with a significance value of 0.00. With F_{tabel} amounting to 3.42, then F_{value} (14.037) is greater than the F_{table} (3.42) so that with the error rate of 5% ($\alpha = 0.05$) we decided to accept Ho and rejected Ha. This means that with a 95% confidence level, it an be concluded that the Capital Expenditures, Operational Expenditure, Financial Expenditure, Market to Book Value Ratio, Sales Growth and Operational Cash Flow are simultaneously has significanly affecting to the Working Capital Requirement.

D. Partial Hypothesis Testing

As t_{table} to the significant level of 5% (two-tailed test) and using the degrees of freedom (df) of n-2 (30-2 = 28) is 2.04841, so the comparison between t_{value} with t_{table} has show that only Capital Expenditures has the value larger than t_{table} while the other variables t_{value} generated less than t_{tabel}. So with the error rate of 5%, we have decided to accept Ho and reject Ha, which means that Capital Expenditures has partially significant impact on Net Liquidity Balance.

For Working Capital Requirement, the comparison between t_{value} to t_{table} has show that only Capital Expenditures, Operational Expenditure and Operational Cash Flow has larger value than t_{tabel} while the other variables has t_{value} less than t_{tabel}. So that with the error rate of 5% we decided to accept Ho and reject Ha, which means that Capital Expenditures, Operational Expenditure and Operational Cash Flow, has partially significant impact on the Working Capital Requirement. On the other hand, other independent variables partially has no significant impact on the Working Capital Requirement.

IV. DISCUSSION

Based on the test results we can see that Capital Expenditures, Operational Expenditures, Financial Expenditures, Market to Book Value Ratio, Sales Growth and Operational Cash Flow simultaneously has a significant impact on Working Capital Requirements and Liquidity Net Balance. This shows that the telecommunications companies in this research, needs to expand their operation in order to increase the company values.

While the largest impact by those independent variables, are on Working Capital Requirement that reached 78.5%. It show that Capital Expenditures, Operational Expenditures, Financial Expenditures, Market to Book Value Ratio, Sales Growth and Operational Cash Flow has strong relationship with the company's ability to raise and allocate funds, if compared to the evaluation of the management of working capital.

Partial results of hypothesis testing showed that Net Liquidity Balance has obtained only one significant impact from Capital Expenditures, but do the opposite direction since the Net Liquidity Balance has a negative value. Which means, that the increase on Capital Expenditures will reduce the value of Net Liquidiy Balance.

For Working Capital Requirement we have noted, three independent variables that have a significant impact, which include: Capital Expenditures, Operational Expenditures and Operational Cash Flow. From the test results, the Operational Expenditures and Capital Expenditures have a positive relationship, while the Operational Cash Flow has a negative relationship.

V. CONCLUSION

Refer to the study that has been discussed earlier, we can conclude that according to multiple regression analysis, both models for Net Liquidity Balance and Working Capital Requirement both are simultaneously have impacted signifcantly by independent variables, while partialy, Net Liquidity Balance only impacted significantly by Capital Expenditures, while the other variables do not have a significant effect because $t_{value} < t_{table}$. Furthermore, the Working Captal Requirement had impacted significant by Capital Expenditures, Operational Expenditures and Operational Cash Flow.

The impact magnitude from independent variables to Net Liquidity Balance amounted to 55.7%, while the Working Capital Requirement impacted by 78.5%. This means that Capital Expenditures, Operational Expenditures, Financial Expenditures, Market to Book Value Ratio, sales growth and Operational Cash Flow are having bigger impact on Working Capital Management.

The independent variable that has the most impact on Net Liqudity Balance is Capital Expenditures, while independent variable that has the most impact on Working Captal Requirement is Operational Expenditures.

Suggestions

As a result of this study, the company's financial management policy reflected on the implications related to the supervision and control of their working capital and increase the company's ability to collect and allocate funds. Therefore, the study recommend as follow:

For emiten of listed companies are suggested to increase capital spending, because it affects the Net Liquidity Balance and Working Capital Requirement of the company, so the companies may continue to grow and attract investors.

For academics, are suggested to do further study, in different industries. This will help in the teaching process provides an illustration for the role of Capex, Opex, Finex, Market to Book Value, Sales Growth and Operating Cash Flow in affecting the policy of companies working capital management.

For investors, the results of this study will be beneficial as a method of investment decision tools, through depth analisisis for companies in certain industries that have a policy of working capital management, to have more aggressive capital spending, where it has the greatest impact for companies' capitalization in the short term and in the run long.

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