

The Effect of Capital Expenditure and Operational Expenditure on Investment Decision

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Abstract. The purpose of this research is determines the extent to which capital expenditure decisions are made by listed agricultural sector companies. Companies in Indonesia are related to the value of the company in the long run. The number of companies listed on the IDX during this period was 26, and the sample size used was 10. With the help of regression analysis, the findings reveal that capital expenditure and operational expenditure have significant relationship with investment decisions. it can be concluded that the sector companies listed on the Indonesia Stock Exchange for the period 3 years 2019-2021 capital expenditure variables have a significant positive effect on investment decisions, then operational variables have an insignificant negative effect on investment decisions It is recommended that the management of agricultural sector enterprises should ensure: holistic use of all techniques, exploring risks, real options analysis and growth and portfolio management techniques involving capital assets, in valuing capital investments before taking decision. it can be concluded that the sector companies listed on the Indonesia Stock Exchange for the period 3 years 2019-2021 capital expenditure variables have a significant positive effect on investment decisions, then operational variables have an insignificant negative effect on investment decisions.

Keywords: Capital expenditure, decisions, operational expenditure, Long term value, Economic value added, Market value added, Real option analysis

1. Introduction

The Effect of Capital expenditure is an aspect of capital budgeting that deals with the analytical process of making decisions about investments by considering the feasibility of one investment to another. As posted by Hilton, Maher and Selto (2012), capital assets refer to resources, other than people, that a company procures and uses for productive or profit-generating purposes. When capital assets are acquired by means of purchase or construction, a company is said to be making capital expenditures (investments) in non-current assets (Horngren, 2014).

Nigeria's economic environment is evolving, and for most economic growth to have a place in the nation's society, the real sector must be developed and sustainable. It is clear that manufacturing is the axis of the real sector of the economy, and so it is with capital assets. Capital assets have deferred expenses and determine the production capacity of a manufacturing company. It involves strategic investments that have a firm long-term commitment to policies that improve certain technologies, products, and markets (Desai, Wright and Chung, 2012).

Investment decisions are decisions taken by managers regarding the allocation of funds to various assets. Investment decisions are business decisions outside of financial decisions that reveal how much current assets, fixed assets, and other assets are owned by the company Liu, H., Zhang, Z., & Zhang, T. (2022). An example of an investment decision is determining whether the current assets owned should be replaced with new fixed assets. According to Hilton, Maher, and Selto (2016) Capital expenditure is an aspect of capital budgeting related to the analytical process of making investment decisions by considering the viability of one investment to another. Capital assets refer to resources, other than human, that a company procure and use for productive or profit-generating purposes Sens, L., Neuling, U., & Kaltschmitt, M. (2022). When capital assets are acquired by means of purchase or construction, a company is said to be making capital expenditures (investments) in non-current assets (Horngren, 2014). According to Niko Ramadhani (2020) Opex is an expenditure made by a company to meet operational needs. Launching from the 2020 business dictionary page, this operational expenditure can also be interpreted as the cost per unit of each product and service. It can also be considered as an annual cost incurred for the benefit of a sustainable production process. Primayuni (2018), investment decisions are business decisions outside of financial decisions that reveal how much current assets, fixed assets, and other assets are owned by the company.

Investment decisions are decisions taken by managers regarding the allocation of funds to various kinds of assets to get results or profits in the future (Sartini and Purbawangsa 2012). Or an investment decision can also be interpreted as a policy or decision taken to invest in one or more assets to gain profits in the future (I Dewa Mde Endiana 2016).

This research was conducted on companies in the agricultural industry listed on the Stock Exchange Indonesia (IDX) in 2019-2021. Selection of companies in this study because the agricultural sector has a relatively high average stock price growth and the company is also a type of company that is listed but rarely researched. Capital Expenditure explained by fixed assets and depreciation of fixed assets indicator, and Operational Expenditure used selling expenses, administrative and general expenses as indicator. By calculating Capital Expenditure dan Operational Expenditure used Earning to price ratio, book value assets, market value, and total asset ratio.

, The title of this research is "The Influence of Capital Expenditure and Operational Expenditure on investment decisions".

2. Framework

Effect of Capital Expenditure on investment decisions

Capital expenditure is an aspect of capital budgeting related to the analytical process of making investment decisions by considering the viability of one investment to another.

In the journal I Made Dewa Endiana (2016) it is said that capital assets refer to resources, other than humans, that companies procure and use for productive purposes or to generate profits. When capital assets are acquired by means of purchase or construction, a company is said to be making capital expenditures (investments) in non-current assets. The results showed that capital expenditure had a significant positive effect on investment decisions. Based on the description and results of previous research, the hypotheses that can be developed are:

H1: Capital Expenditure has a positive effect on investment decisions

Effect of Operational Expenditure on investment decisions

Operating activities are the main income generating activities of the company (principal revenue activities) and other activities that are not investing and financing activities, generally originating from transactions and other events that affect the determination of net profit or loss, and are other indicators. In theory, the higher the operating cash flow, the higher the investor's confidence in the company. And conversely, the lower the company's operating cash flow, the smaller the investor's confidence in the company. Based on the research of Ewardus Richard Bria (2017) which states that operational expenditure has a negative effect on investment decisions.

Based on the description and results of previous research, the hypotheses that can be developed are:

H2: Operational Expenditure has a negative effect on investment decisions

3. Methodology

This research was conducted on the Indonesia Stock Exchange (IDX). This location is used because the researcher wants to know how much influence Capital Expenditure and Operational Expenditure have on investment decisions in agricultural sector companies listed on the Indonesia Stock Exchange (IDX). The object of this research is data from reports on capital expenditure, operational expenditure, and investment decisions in agricultural sector companies listed on the Indonesia Stock Exchange (IDX) from the 2019-2021 period. Based on the type, the data used in this study are (Sugiyono, 2018) quantitative data is data in the form of numbers or qualitative data that is numbered. Quantitative data in this study are in the form of financial reports and cash flow reports on agricultural sector companies listed on the Indonesia Stock Exchange (IDX). Qualitative data is data in the form of words, sentences, schemes, and pictures. The qualitative data in this research is a list of banking companies listed on the Indonesia Stock Exchange (IDX).

According to (Sugiyono, 2018:13) secondary data is data that does not directly provide data to data collectors. This study uses secondary data in the form of a list of agricultural sector companies listed on the Indonesia Stock Exchange (IDX) since 2019-2021 and the company's annual financial statements since the 2019-2021 period obtained from the IDX website, namely www.idx.co.id.

The documentation/library study method is a data collection technique by using theories or concepts that can be used in discussing research problems which include existing documents as well as journals and magazines which are then carried out an assessment of the required data, namely regarding the type, availability of data, how to obtain data and an overview of how to process data. is invaluable when conducting empirical research; it has some attraction for a researcher using qualitative techniques for the first time and it offers well sign-posted procedures. In the method conceptual properties and categories may be 'discovered' or generated from the qualitative data by following a number of guidelines and procedures. The grounded theory is iterative, requiring a steady movement between concept and data, as well as comparative, requiring a constant comparison across types of evidence to control the conceptual level and scope of the emerging theory. Data obtained from PT. Indonesia Stock Exchange (IDX) and financial statements for 2019-2021.

Data analysis method

Multiple linear regression test

The data analysis method used in testing the research hypothesis is multiple linear regression model. Regression analysis aims to measure the strength of the relationship between the dependent variable and the independent variable (Ghozali, 2016:64)

$$Y = a + b_1X_1 + b_2X_2 + e$$

Description:

Y : Investment Decision

a : constanta

b_1X_1 : Capital Expenditure

b_2X_2 : Operational Expenditure

e : Error

4. Findings

a. Multiple Linear Regression Test Results

Based on the results of multiple linear regression analysis that has been processed using the SPSS application, the regression equation in this study is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

$$Y = 3,220 + 0,059 X_1 - 0,146 X_2 + 0,006 X_3$$

The regression equation above is obtained from the SPSS output which can be seen in table 1.

Table 1. Results of Multiple Linear Regression Analysis

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	692303367 774,426	370167332 915,307		1,870
	Capital Expenditure (X1)	-,046	,234	-,017	-199
	Operational Expenditure (X2)	,369	,036	,893	10,362

a. Dependent Variable : Investment Decision

Source: SPSS Output Results, processed 2022

Based on riset Atieh, A., Afifa, M. M. A., & Al-Manaseer, S. (2020) And Turrini, L., Besiou, M., Papias, D., & Meissner, J. (2020). if the other independent variables have a fixed value and Capital Expenditure has increased by 1% then the investment decision has decreased by -0.046. A negative coefficient means that there is a negative relationship between Capital Expenditure and investment decisions, the higher the Capital Expenditure, the lower the investment decision. The variable regression coefficient x2 is 369; This means that if the other independent variables have a fixed value and OE increases by 1%, then the investment decision (Y) will increase by 369. The positive coefficient means that there is a positive relationship between OE and investment decisions, the higher the OE, the more investment decisions will be made.

Table 2 show Multiple Test Analysis Results.

Table 2. Multiple Test Analysis Results

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	341660956 464362400 000000000, 000	2	170830478 232181200 000000000, 000	54,580	,000 ^b
Residual	845076650 801819800 000000000,0 00	27	312991352 148822100 0000000,00 0		
Total	426168621 544544400 000000000, 000	29			

a. Dependent Variable : Investment Decision (Y)

b. Predictors : (constant), Capital Expenditure (X1), Operational Expenditure (X2)

Source: SPSS Output Results, processed 2022

Table.2 shows that can be seen that in this study partially, the capital expenditure variable has a significant positive effect on investment decisions, because the value of sig $-0.199 < 0.05$, then the operational expenditure variable has a negative effect on investment decisions because the value of sig $10.362 > 0,05$. Meanwhile, the variables of capital expenditure and operational expenditure simultaneously affect investment decisions because in the F test above, the value of sig $0.000 < 0.05$, so this result is declared significant. Based on riset Febrianti, R. A. M., & Herbert, A. S. N. (2022).

Table 3 show Value of Adjusted R Square.

Table 3. Value of Adjusted R Square

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,895 ^a	,802	,787	176915616 0854,158

a. Predictors : (constant), Capital Expenditure (X1), Operational Expenditure (X2)

Source: SPSS Output Results, processed 2022

The test results in this study show the adjusted R Square value of 0.787 which means that the independent variable (Capital expenditure, operational expenditure) contributes 78.7% to the dependent variable (Investment Decision). While the remaining 21.3% is influenced by other variables that are not included in the model proposed in this study. Based on riset Afrilia Elmanda, F., Gita Merdikawati, G., & Wahyuni, R. (2022). Ren, Z., Verma, A. S., Li, Y., Teuwen, J. J., & Jiang, Z. (2021).

Discussion

Effect of Capital Expenditure on Investment Decision

The results of testing the first hypothesis in this study indicate that the capital expenditure variable has a significant positive effect on investment decisions. This is because the change in total assets or total assets of the company during the research year is greater than the change in total assets or total assets of the company in the previous year. So it can be concluded that every change in the increase in total assets or total assets during the study period can affect the value of the company for investors. Companies that have high growth rates tend to be interested in their shares by investors. Thus, the higher the growth rate of the company, the higher the value of the company.

The results of this study support previous research conducted by I Dewa Made Endiana (2016). This study shows that the capital expenditure variable has a positive and significant effect on investment decisions.

Effect of Operational Expenditure on investment decisions

The results of testing the second hypothesis in the study show that the operational expenditure variable is considered unable to influence investment decisions. This is because operational expenditure is assessed from the total sales costs and general and administrative costs owned by the company for its operational activities based on Swink, Morgan, and Tobias Schoenherr(2015), the greater the total sales costs and general and administrative costs, the greater the funds needed for operational activities. According to Ewaldus Richard Bria (2018), operating activities are the main income generating activities of the company (principal revenue activities) and other activities that are not investing and financing activities, generally originating from transactions and other events that affect the determination of net profit or loss, and are other indicators. . In theory, the higher the operating cash flow, the higher the investor confidence in the company. And conversely, the lower the company's operating cash flow, the smaller the investor's confidence in the company.

Supporting research results in this research were carried out by Ewaldus Richard Bria (2018) which showed that operational expenditure did not have a significant influence on investment decisions.

For further research, the authors suggest adding independent variables other than the variables in this study, including accounting profit, business risk, taxes, inflation, etc. Further research can also use a longer research period and add objects to be studied outside the agricultural sector so that the research results obtained can show better results

5. Conclusion

This research explained the extent to which capital expenditure decisions are made by listed agricultural sector companies. Companies in Indonesia are related to the value of the company in the long run. The number of companies listed on the IDX during this period was 26, and the sample size used was 10. With the help of regression analysis, the findings reveal that capital expenditure and operational expenditure have significant relationship with investment decisions. It can be concluded that the sector companies listed on the Indonesia Stock Exchange for the period 3 years 2019-2021 capital expenditure variables have a significant positive effect on investment decisions, then operational variables have an insignificant negative effect on investment decisions. It is recommended that the management of agricultural sector enterprises should ensure: holistic use of all techniques, exploring risks, real options analysis and growth and portfolio management techniques involving capital assets, in valuing capital investments before taking decision. It can be concluded that the sector companies listed on the Indonesia Stock Exchange for the period 3 years 2019-2021 capital expenditure variables have a significant positive effect on investment decisions, then operational variables have an insignificant negative effect on investment decisions. It can be concluded that the sector companies listed on the Indonesia Stock Exchange for the period 3 years 2019-2021 capital expenditure variables have a significant positive effect on investment decisions, then operational variables have an insignificant negative effect on investment decisions. Meanwhile, the variables of capital expenditure and operational expenditure simultaneously affect investment decisions.

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Authors

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Appendix

Appendix 1. Indicator Calculation

NO Variabel	XI (Capital Expenditure)						X2 (Operasional Expenditure)						Y (Keputusan Investasi)		
	Aktiva Tetap			Depresiasi Aktiva Tetap			Biaya Perjualan			Biaya Administrasi dan umum			Aset tetap		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
1 Astra Agro Lestari Tbk (AALI)	9941623000000	10219013000000	2257812000000	169912000000	15308150000000	14544881200000	723900259000	786046000000	9841623000						
2 PT Andara Agro Tbk (ANDI)	214580949687	151468113911	229629803	397262532	217870498903	249384272351	44456756187	33917763191	214580949687						
3 PT Ausindo Nusantara Jaya Tbk (ANUT)	206881002	217237259	63552	804297	124010517	106590252	17630676	23937997	206881002000000						
4 PT AGRO YUSA LESTARI Tbk (AYIS)	11612555181	12475825808					8525149188	31609251254	4395415660	6005327693			11612555181		
5 Eagle High Plantations Tbk (EHWFT)	3350412000000	3869691000000					2115799000	2639737000000	229426000	297619000000			3350412000		
6 FKS Multi Agro Tbk (FKS)	106637975	99698942		9888996	6229713		932593745	970159075	20110364	17559931			106637975		
7 Multi Agro Gemilang Plantation Tbk (MASP)	3053811729786	406653831623					352631620000	182349654092	134916000297	123726745448			3053811729786		
8 Proident Agro Tbk (PALM)	585690167000	554764901000					258676212000	146920944000	46739233000	63470650000			585690167000		
9 PT Sinas Mas Agro Resources and Technology Tbk	12249316000000	12017963000000					9455713000000	32295388000000	1186390000000	1421396000000			12249316000000		
10 PT Tripura Agro Persada Tbk (TAPG)	2624392000000	2581662000000					3872967000000	5479993000000	920774000000	282620000000			2624392000000		

NO	CODE	Score	Efficiency Reference	NO	CODE	Score	Efficiency Reference
2018				2019			
1	ASII	62.47 %	AUTO, BRAM, GDYR	1	ASII	70.65 %	AUTO, BRAM, GDYR
2	AUTO	100%	-	2	AUTO	100%	-
3	BRAM	100%	-	3	BRAM	100%	-
4	GDYR	100%	-	4	GDYR	100%	-
5	GJTL	61.36 %	AUTO, BRAM, GDYR	5	GJTL	73.60 %	AUTO, BRAM, GDYR
6	MASA	60.06 %	AUTO, BRAM, GDYR	6	MASA	68.24 %	AUTO, BRAM, GDYR
7	PRAS	45.31 %	AUTO, BRAM, GDYR	7	PRAS	25.14 %	AUTO, BRAM, GDYR