

The Capital Expenditure Reputation from Investor Perspective: A Signal of Better Future Performance

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Abstract : This study aims to examine the effect of capital expenditure on the investors' responses. The respondents were companies with the best stock performance in each sector in 2017. The observation period is 2017 to 2019. Top 10 companies in each sector with the best stock performance in companies listed on the Indonesia Stock Exchange were selected. The main variables are a growth signal which is proxied by growth in capital spending and capital expenditure, and risk and investor response, which is proxied by CAR. Financial performance as measured by ROA is a control variable in this study. The results showed that the signal of growth as measured by capital expenditures responded positively by the market, the risk moderates this influence, companies with high risk will be responded negatively by investors and vice versa. This finding corrects previous findings that only looked at the signal aspect of growth, without linking it to risk. In addition, these findings reinforce the argument that investors buy the future of the company, not a momentary financial performance. This can be seen from the absence of ROA influence on investor response. This study found that companies need to manage risk appropriately, because the risk aspect of the company is a crucial factor for investors. High risks will eliminate the benefits of strategic decisions in this case in the form of capital expenditures.

Keywords : capital expenditure, growth signals, investor response, risk

Conference Title : ICBE 2021 : International Conference on Business Excellence

Conference Location : Jeddah, Saudi Arabia

Conference Dates : November 15-16, 2021