

Analysis of Effect of Capital Expense Efficiency, Operating Expense Efficiency and Exchange Rate Difference to Financial Performance in PT.Telkomsel

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ABSTRACT

PT.Telekomunikasi Seluler (PT. Telkomsel) is one of the largest mobile telecommunications service providers and market leader in Indonesia. Competition in the cellular business is increasingly competitive, so companies must implement a variety of strategies and policies that are appropriate to keep the company growing and profitable. One of these things can be done by continuing to invest in developing networks and managing operational costs efficiently as well as carrying out appropriate policies in the purchase of equipment from overseas partners so that the effects of fluctuations in the exchange rate of the Rupiah against the Dollar can be minimized. The purpose of this study was to determine and analyze the effect of capital expenditure efficiency, operational cost efficiency and exchange rate differences to the financial performance of PT. Telkomsel. Financial performance is measured by profitability ratios such as net profit margin (NPM). There are three independent variables are capital expenditure efficiency (X1), operating expense efficiency (X2) and foreign exchange rate difference (X3). While the independent variable(Y) is net profit margin. Data collection in this study using the time series method by analyzing the quarterly financial statement data of PT. Telkomsel from 2012-2018. The results showed that 1) The efficiency of capital expenditure had a positive and significant effect to the financial performance of PT. Telkomsel. 2) The efficiency of operating expense has a positive and insignificant effect to the financial performance of PT. Telkomsel. 3) The exchange

rate difference has a negative and significant effect to the financial performance of PT. Telkomsel.

Keywords: *Capital Expense Efficiency, Operating Expense Efficiency, Exchange Rate Difference, Financial Performance, Profitability, Net Profit Margin (NPM)*

INTRODUCTION

Financial performance is an important thing that must be achieved by any company because financial performance is a reflection of the ability of a company to manage the financial resources of the company. The assessment of a company's financial performance can be interpreted as an assessment of the achievements in this achievement can be judged from the income or profits achieved by the company. Assessment of the performance of the companies important so that all the company's stakeholders (stakeholders) can assess and analyze the financial performance of the company.

A company's financial performance during operation able to look through the financial statements of the financial data. By analyzing the financial statements it will help all the interested parties in selecting or evaluating information where this information is then used in taking the steps and strategy of the company's business, is no exception telecommunications company. The telecommunications industry is

currently one of the industry a very tight competition both in Indonesia and in other countries, including in Southeast Asia.

PT.Telekomunikasi Selular (Telkomsel), Maxis Communication (Maxis) and Singapore Telecommunications Limited (Singtel) is a leading telecommunication company in Southeast Asia as well as a telecommunications company owned by the government which has the advantages of the service and the largest market share in each country as well as has the growth of the business and financial performance is very good.

As for the things that underlie the chosen companies such as objects in the writing of this research are: 1) Because the company-the company is the market leader and has the market share is the highest in the country, respectively. 2) Because all three of these companies have a financial performance is very good and have high profitability.3) Because the demographics of the population of the third country where the company is located also vary consists of various ethnic groups and tribes.4) Because between each country very many of its residents moved domicile between the three countries is well settled to do a long time and while, making it a habit (behavior) it will certainly be very large effect on the communication patterns of the population, especially in the case of using the mobile service, which will certainly affect the income roaming each mobile operator.

PT.Telkomsel is the largest provider of cellular services in Indonesia with the range of services includes more than 90% of the population in Indonesia with the number of Base Transceiver Station (BTS) is more than 160 thousand BTS. At the end of 2017, Telkomsel has more than 196 million customers where the amount of customer data reached 105.8 million customers and a market share of 55% of all mobile subscribers in Indonesia. The financial performance of PT. Telkomsel from year 2014-2017 very well, this can be seen from the south-west financial performance contained in the financial statements.

Maxis is a payment service provider in Malaysia with a range of 4G services include 92% of the entire population in Malaysia and have the penetration of mobile internet services reached 72% in the whole of Malaysia. Maxis offers high-speed internet service where 95% of the data access with average data speeds of 3 Mbps or more. In 2017, Maxis posted a net income of RM 8.5 Billion and EBITDA of RM 4.6 billion. Maxis also for the last 3 years can maintain EBITDA Margin stable at 53% so that Maxis could maintain its financial performance is still good.

Singapore Telecommunications Limited (Singtel) is the first telecommunication operator in Singapore and is one of the largest telecommunications operator in Southeast Asia with the number of customers reached 638 million customers tersebardari Asia, Australia, Africa and even to the United States. Net income Singtel 70% is the contribution of revenue from outside of Singapore. Singtel owns shares in some company outside of Singapore, among others, Telkomsel Indonesia (35%), Airtel India (36.5%), AIS Thailand (23.3%), Globe Philippines (47.1%) and Optus Australia (100%). At the end of the year 2017 Singtel posted a net income of S\$ 3,853 Billion, Return On Equity (ROE) of 14.5% and Return On Assets (ROA) of 11.1%. Thus Singtel also managed to maintain the company's financial performance remained stable.

Competitions in the telecommunications industry in Indonesia, especially in the mobile telecommunications are increasingly strict. The operator mobile service providers compete with each other to get new customers. Various methods are used among others by the development of a network or to develop new products. Investments are made primarily to undertake the development of a network will certainly have an impact to financial companies such as increasing capital expenditure (Capex) and operating expenses (operating expenditure / Opex).

There are several factors that affect the performance of the company, among others, strategies and policies of the company in the development of network and product, the right marketing strategy as well as the ability of the company to reduce the cost of production and the cost of operational. Besides, there are still some other factors that can affect the company's financial performance both from the internal and external. External factors such as the presence of government regulation on the tariff policy and the existence of local regulations regarding the construction of a telecommunications tower that can be effected directly to the income and operating expenses. While factors other than internal, which can affect the performance of the company, among others, is the efficiency of capital expenditure, operational cost efficiency and the difference in the value of the rupiah exchange rate against the dollar.

LITERATURE REVIEW

Financial Statements

Financial statements are the end result of a summary process of accounting which include financial transactions that occurred during the financial year concerned and processed in such a way that it provides information on the state of the financial companies that can be useful and used by interested parties (stakeholders). Disamping that the financial statements are sumber informasi very important for the company and are useful for the management to take decisions on economic and business decisions of the company. The financial report is an index which connect the two accounting figures and is obtained by dividing one number by another number (Kashmir,2010).

Efficiency

Efficiency is defined as the ratio between output (output) to the input (the input), or the amount that is produced from one input used (Permono, 2000).

Capital Expenditure

Capital expenditure (Capex) is the cost-the cost that is used by a company to acquire or add to the fixed assets or physical assets such as property, industrial buildings or equipment. The goddess (2006) and Syaiful (2008) said that the capital expenditure is an expenditure that is made in the framework of the formation of capital that are adding to the fixed asset/ inventory provides benefits more than one accounting period including the expenses for the cost of the maintenance of the nature preserve or add to the benefits of the benefit, increase the kualitas and capacity sachts.

Cost

The cost is an expenditure that has already happened (expired) used to process the resulting product. While Sofyan Syafri Harahap (2011: 204) explains the cost is all charged to the products and services that will be sold to earn income(revenue).

Exchange Rate

The exchange rate is the price of a currency of a country against the currencies in other countries. The exchange rate can be measured or expressed in any other currency. The exchange rate is also referred to as the comparison value. That is, when the exchange occurs between two different currencies, it will generate a comparison value or price of the two currencies. The name of the other exchange rate is the exchange value of currency (exchange rate). The exchange rate plays an important role in the transaction, especially in export and import. It is because the exchange rate help translate the prices with different currencies from different countries. In addition, the exchange rate also plays an important role in the foreign exchange market (foreign exchange market) or known by the name of "Forex". In the foreign exchange market exchange currency at the exchange rate agreed upon by multiple parties.

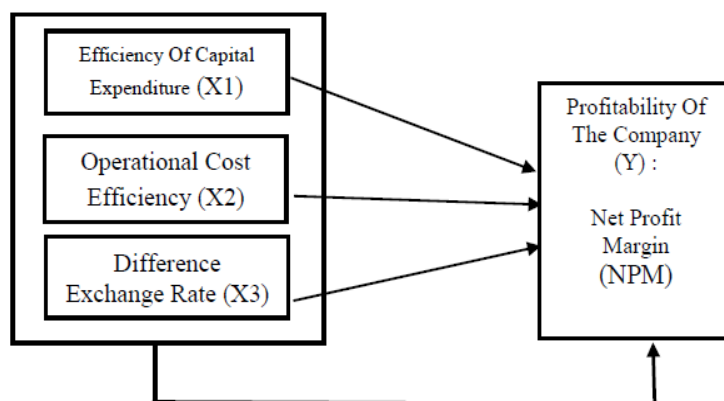


Figure 1. Conceptual Framework

Hypothesis

Based on the background research and the relationship between variables, then the research hypothesis:

1. The efficiency of capital expenditure, operational cost efficiency and the difference in the value of the exchange rate is partially significant effect on profitability at PT. Telkomsel.
2. The efficiency of capital expenditure, operational cost efficiency and the difference in the value of the exchange rate simultaneously have a significant effect on profitability at PT. Telkomsel.
3. The efficiency of capital expenditure, operational cost efficiency and the difference in the value of the exchange rate has no significant effect on profitability at PT. Telkomsel.

MATERIAL AND METHODS

This research is included quantitative research because the data used in the form of numbers. The Data used in this research is secondary. Secondary Data in penitilian this is the data of the financial statements of the company PT. Telkomsel has been published.

The population in this research is all of the financial statements. Telkomsel from 1995-2019. The criteria for the population used is the quarterly statement PT. Telkomsel from 1995-2019. As for the sample used in this study is to report quarterly financial PT. Telkomsel from the years 2012-2018. The sampling technique

used is metodetime series for 7 years from the years 2012-2018.

The type and Source of Data used in this research is secondary Data in the form of financial statements. Telkomsel from the years 2012-2018. Data exchange rate of the rupiah against the dollar c hmelalui website of the Ministry of Trade of the Republic of Indonesia and as a data comparison using the data of financial statements of PT. Telkomsel, Maxis Communications (Maxis) and Singapore Telecommunications Limited (Singtel) year period 2014-2017.

Data Collection methods used are: data pembedingyaitu data the financial statements of each company's Annual Financial Statements (annual report) and the financial statements quarterly (quarterly report) PT. Telkomsel obtained through <http://www.telkom.com> from the years 2014-2017. The Annual Financial statements (annual report) and the financial statements quarterly (quarterly report) Maxis obtained through <http://maxis.listedcompany.com> from the years 2014-2017. Financial statements (annual report) and the financial statements quarterly (quarterly report) Singtel acquired through <http://www.singtel.com> from the years 2014-2017 and the Data sample in this research is secondary data, namely Data reports quarterly financial PT. Telkomsel from the years 2012-2018 that includes data capital expenditure (capex) and data operating expenses (expense) and the data of financial performance ratios such as liquidity ratios, solvency ratios, activity

ratios and profitability ratios. While the data exchange rate of the rupiah against the dollar chmelalui website of the Ministry of Trade of the Republic of Indonesia with the address

<https://www.kemendag.go.id/id/economic-profile/economic-indicators/exchange-rates>.

RESULTS AND DISCUSSION

The Influence of the Efficiency of Capital Expenditure on Profitability

From the results of the research indicate that the efficiency of capital expenditure (X1) has a significant influence on the company's financial performance as measured by profitability ratios (net profit margin) PT. Telkomsel. The results of hypothesis testing showed variable efficiency of capital expenditure have a significance value smaller than 0.05, which means that the efficiency of capital spending significantly influence profitability. The results of this study prove that the speed and accuracy in the spending of capital will give a significant influence on the profitability of the company.

The goddess (2006) and Syaiful (2008) said that the capital expenditure is an expenditure that is made in the framework of the formation of capital that are adding to the fixed asset /inventory provides benefits more than one accounting period including the expenses for the cost of the maintenance of the nature preserve or add to the benefits of the benefit, increase the kualias and capacity assets. In other words, in the cellular business in an increasingly competitive as it is now investing in developing the network, increase the capacity and improve the quality of the network is the thing that absolutely must be done so that companies continue to grow and profit.

This is in line with the policy and strategy of Telkomsel to continue to allocate capital expenditure to develop the range of services, increase capacity and improve network quality. Table 4.15 shows that every year Telkomsel managed to build over 20 thousand BTS and until the end of the

year 2018 the number of BTS Telkomsel achieve 189.091 BTS.

Data sources financial Statements Telkomsel 2018, explained that the strategy undertaken Telkomsel in developing the network is proven to have a significant influence on the growth of the number of customers and revenue growth. Visible from the years 2014-2017 number of base stations and the number of subscribers continues to increase and significantly affect the revenue growth of Telkomsel. At the end of 2018, the number of Telkomsel customers experience a drastic decline of around 34 million customers where it is caused by the policy of the government to register all customers so that the impact of a decline also to the income of the company.

The Influence of Operational Cost Efficiency on Profitability

From the results of the research indicate that the efficiency of the operational cost (X2) does not have a significant influence on the performance of the profitability (net profit margin) PT. Telkomsel. From the results of the hypothesis testing results obtained significance value is more than 0.05, which means cost efficient operations have no significant influence on profitability. In other words, the reduction of operating costs not directly impact on profitability because there are other factors that influence is greater.

Since 2017, Telkomsel, program cost leadership with the efficiency of the operational costs to increase the net profit margin and keep the EBITDA margin remained stable above 50%. Just program the operational cost efficiency that has been done by PT. Telkomsel has not been fully successful. Table 4.16 below displays the revenue, expenses, EBITDA and profit margin PT. Telkomsel from year 2014-2018.

Sofyan Syafri Harahap (2011:204) explains that the cost is all charged to the products and services that will be sold to earn income (revenue). Meaning the greater

the cost incurred by the company to produce the goods and services it will be the smaller the income (revenue) earned by the company and vice versa.

From the Source data Laporan financial Telkomsel 2018 looks that costs (expense) incurred by PT. Telkomsel from year 2014-2018 in value every year tends to increase. In 2018 the cost-the cost of PT. Telkomsel 54.707 trillion (up 3%) when compared with the year 2017 amounting to 53.146 trillion, while the income of PT. Telkomsel year 2018 amounted to 89,246 trillion, down 4% compared to the year 2017 amounted to 93,217 trillion. It can be concluded that the program cost efficiency of operations conducted by PT. Telkomsel has no significant effect on the growth of revenue and net profit margin.

The Effect of Foreign Exchange Rates on the Profitability

From the results of the research indicate that the difference in the value of the exchange rate (X3) has a regression coefficient -0,006 and smaller than 0.05, so it is concluded that the difference in the value of the exchange rate have a significant effect on the performance of profitability (net profit margin) PT. Telkomsel. The value of regression coefficient -0,006 (negative) show influence in the opposite direction means if the value of the rupiah against the dollar rises (exchange rate weakened) then the income will go down, and vice versa if the value of the rupiah exchange rate against the dollar fell (exchange rate strengthened) to eat the income will rise.

As is known, Telkomsel, purchase devices, especially for devices that are capex and increase the assets of all the transactions done using currency USD (United states Dollar). So recording the receipt of cash flow and obligations (liabilities) of maturity of the company will affect the fluctuations in the exchange rate of the rupiah against the dollar.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Based on the results of the research can be summed up as follows:

1. The efficiency of capital expenditure has positive and significant effect on profitability of PT. Telkomsel.
2. Operational cost efficiency and no significant positive effect on profitability of PT. Telkomsel
3. The difference in value between the exchange rate and a significant negative effect on profitability of PT. Telkomsel.
4. The efficiency of capital expenditure, operational cost efficiency and the difference in the value of the exchange rate for the simultaneous influential and significant impact on the profitability of PT.Telkomsel.

RECOMMENDATIONS

Suggestions of researchers from the research that has been done is as follows:

1. The efficiency of capital spending to give the most dominant influence in increasing the profitability and financial performance of the company. Therefore, as competition of the industry mobile telecommunications tighter, speed and accuracy in invest to develop and add to the network is very crucial and must be carried out by the company.
2. The efficiency of the operational costs provide no significant influence on financial performance. In other words, if companies want to succeed in operational costs then have to be really selective and right on target again in choosing a cost-the cost of which give effect to the financial performance if the program is run.
3. The differences in the value of the exchange rate have a significant influence on financial performance. Just this factor is a factor from the outside that will certainly be difficult to be controlled by the company. But internally the company could do such a policy negotiations on the price which is

competitive to the device purchased from abroad, provide incentives to partners who can do the acceleration of the billing, so that fluctuations in currency exchange rates can minimize its influence on the recording of the financial statements of the company.

4. This study still has limitations where only researching at a ratio of profitability ratio net profit margin, so it cannot be generalized at a ratio of financial performance of the other. Further research is expected to expand the research on financial ratios are other such as liquidity ratios, solvency ratios and activity ratios.
5. Research conducted on the performance of a profitability ratio is explained 71% of the variance in the efficiency of capital expenditure, operational cost efficiency and the difference in exchange rates. Therefore, further research is expected to examine other factors to 29% that affect the performance of profitability such as the influence of the market share, the level of productivity BTS 4G, revenue per BTS, increase the amount of payload BTS 4G and the price of the payload data.

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