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Financial Factors Affecting Performance: Evidence of Thailand Stock Exchange Set 50 Index

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Abstract

The purpose of this study is empirically attempts to determine factors that cause changes in the performance of firms. Even though many studies have been undertaken to explore determinants influencing fluctuation in return in capital markets, dissimilar conclusions are found. Return on invested capital (ROIC) was used as a proxy for financial performance. Six explanatory variables including working capital (WC), capital expenditure (CAPX), current ratio (CA), total asset turnover (TAT), selling and administrative expense (SA) and firm size (FS) are selected. Total 180 completed financial data of companies listed in Thailand Stock Exchange (TSE) SET 50 Index during the period of 2018-2022 are analyzed. Secondary data was collected through Thailand Stock Exchange website and analyzed using multiple regression model and ordinary least squared (OLS) methods with statistic testing at the significant level of 0.05. The results indicate negative significant association between capital expenditure and the firm's performance. Whereas total asset turnover and selling & administrative Expense have a positive relationship with the profit of the firms. The rests show no significant connection. This model is supported with moderated adjusted R^2 of 0.52. The findings in this study can assist stakeholders to comprehend the specific effect of capital expenditure on a company's performance in TSE SET 50 index which shows the lower capital expenditure, the higher return. While profits may increase when firms utilize total assets and marketing and administrative expense. Suggestion for future study, the effect of non-financial factors such as macroeconomic and political factors should be enclosed in the model.

Keywords: Profitability Determinants, ROIC, Capital Expenditure, Thailand Stock Exchange