ABSTRACT

The objectives of this study were to observe the effects of insider ownership, internal cash flow, investment opportunity, profitability, retained earning and sales on the capital expenditures in the company. Pecking order hypotheses and managerial hypotheses have a different argument about capital expenditures. Pecking order hypotheses say that managers choose the level of capital expenditures that maximizes the wealth of current shareholders regardless of the insider ownership in the firm. While the managerial hypotheses say that managers whose ownership proportion are small choose the level of capital expenditures higher than that which would maximize the wealth of other current shareholder.

This study uses secondary data are taken from the manufacturing companies listed in Bursa Efek Indonesia. 49 companies as sample were taken using purposive sampling from the period of 2005-2009. The analytical method for this study uses The Ordinary Leas Square Regression with significance level of 5%.

The result of this study shows that the internal cash flow, investment opportunity and sales have positive and significant impact on the capital expenditures. However, the insider ownership, profitability and retained earning haven't significant impact on the capital expenditures. This study favour the pecking order hypotheses on Indonesian manufacturing company.

Keywords : *Insider ownership, internal cash flow, investment opportunity, profitability, retained earning, sales, capital expenditures, pecking order hypotheses, managerial hypotheses.*