

THE RELATIONSHIP BETWEEN COST MANAGEMENT AND FINANCIAL PERFORMANCE IN TELECOM COMPANIES; TURKEY, EGYPT & SAUDI ARABIA

DOI: 10.17261/Pressacademia.2021....

PAP- V.14-2021(26)-p.115-116

Samatar Muse

Istanbul Commerce University, International Finance Department, Istanbul, Turkey.

Samata.muse@istanbuliticaret.edu.tr, ORCID: 0000-0003-3738-9382

To cite this document

Muse, S., (2021). The relationship between cost management and financial performance in Telecom Companies; Turkey, Egypt & Saudi Arabia. PressAcademia Procedia (PAP), 14, 115-116.

Permanent link to this document: <http://doi.org/10.17261/Pressacademia.2021.1500>

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ABSTRACT

Purpose- The purpose of this study is to assess the relationship between cost management and financial performance of three telecommunication companies in Turkey, Egypt and Saudi Arabia on publicly trading companies on stock exchanges. Telecommunication companies are somehow struggling in attaining financial performance though issues of cost management remain underdeveloped as the cost analysis, budgeting, cost monitoring, and cost evaluations are poorly prevailing. This study distinguishes itself from the majority of the literature that it focuses on analyzing the cost trend, financial performance and the effect of cost management on financial performance of the companies.

Methodology- In the study, the analysis of data is determined using ratio analysis to establish the trend of cost management and financial performance that will be assessed in the financial statement of income and balance sheets. The financial performance is determined by using gross margin, return on assets, operating and net profit margin. While to attain the effect between cost management and financial performance of the companies, regression analysis was employed, so the operating costs were taken as cost management and the sales taken as financial performance.

Findings- The analysis reveals that the cost management for Egypt and Turkey telecom companies were very poor based on their results of current ratio, acid test ratio and net working capital to total assets ratio, while Saudi Arabia telecom company's cost management was way better compared to other two companies. Additionally, the financial performance analysis (gross margin, net profit margin, operating profit margin and return on assets) indicated a promising and positive results for all the companies except Egypt telecom company which encountered a disappointing finding. According to the results of regression analysis of the companies, the cost management has a significant contribution to the financial performances of the companies, as cost management has more than 78% effect on all the companies' financial performances, while their p-value are in a permissible range.

Conclusion- based upon the Findings it may be concluded that Turkey Telecom Company's cost management is poorly oriented; there is need for development of a scale for the effective financial performance of the company and in order to keep the company's liabilities under control, the management should pay off the creditors quickly and reduce the repayment terms on the loans. Moreover, Egypt Telecom company needs to venture into the financial performance of the company by developing up avenues necessary for the development of the financial performance such as improving the business attractiveness and expanding its customers base. Lastly, the Saudi Telecom Company's cost management and financial performance analysis seem to be fairly good as all the results indicated a propitious finding, but the researcher suggests that the company should be mindful to the cost unit because its solely accountable for supplying the company's cost evaluation information

Keywords: Cost management, financial performance, Telecommunication companies, Financial analysis Turkey, Egypt, Saudi Arabia.

JEL Codes: F40, F44, F47, H68, M16

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