

## **Liquidity And Profitability Analysis To Assess The Financial Performance Of Listed Telecommunications Companies On The Indonesia Stock Exchange Period 2019 – 2023**

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### **ABSTRACT**

The development of telecommunications in Indonesia shows significant growth, reflected in the increase in mobile phone ownership, from 50.94% in 2013 to 67.29% in 2023. However, telecommunications companies are faced with the challenge of maintaining sound financial performance to support the development of new infrastructure and technologies. This study aims to analyze the liquidity and profitability ratios of telecommunication companies listed on the Indonesia Stock Exchange (IDX) in the 2019–2023 period, to assess their financial performance. Data shows an increase in liquidity ratios, such as the Current Ratio which increased from 67.30% in 2020 to 88.68% in 2022, which reflects a better ability to meet short-term obligations. The Quick Ratio also increased, while the Cash Ratio remained stable at 43%. However, on the profitability side, ratios such as Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE) declined during the period, indicating a decrease in efficiency in generating profits from revenue, assets, and equity. The results of this study show that although telecommunication companies such as PT Telkom Indonesia Tbk show stable financial performance, they are still experiencing pressure on liquidity. On the other hand, PT Indosat and PT XL Axiata experienced challenges in maintaining profitability, but began to recover in 2022–2023 thanks to operational efficiency and strategic investments. This research provides important insights into the factors affecting financial performance in the telecommunications sector and provides recommendations to improve the competitiveness of companies in an increasingly competitive market.

### **Keywords:**

Financial Performance, Liquidity, Profitability

### **INTRODUCTION**

The development of mobile phones in Indonesia is relatively rapid, marked by the increasing ownership of mobile phones. In 2013, there were 50.94 percent of the population who owned/controlled mobile phones. Meanwhile, in 2023, 67.29

percent of the population has owned/controlled a mobile phone. This means that for twelve years, the population owning/controlling mobile phones has increased by 28.18 percent. (Directorate of Financial Statistics, 2024). However, behind this promising growth, telecommunications companies are faced with challenges in maintaining healthy financial performance. Good financial performance is essential for companies to be able to invest in infrastructure development, new technologies, and improve services to customers. One way to assess financial performance is through ratio analysis, which includes liquidity and profitability ratios.

#### **Average data on the liquidity ratio of telecommunication companies in 2019-2023**

<b>Year</b>	<b>Current Ratio (%)</b>	<b>Quick Ratio (%)</b>	<b>Cash Ratio (%)</b>
2019	45,90	46,10	34,90
2020	67,30	66,70	43,00
2021	88,63	87,80	43,00
2022	88,68	87,80	43,00
2023	87,70	86,80	43,00

From the data above, it can be seen that **the Current Ratio** shows an increase from 67.30% in 2020 to 88.68% in 2022, indicating an improvement in the company's ability to meet its short-term obligations. **The Quick Ratio** also increased from 66.70% in 2020 to 87.80% in 2022, which means that the company is increasingly able to meet its short-term obligations without relying on inventory. **The Cash Ratio** remained stable at 43.00% during the period, indicating that the company's cash and cash equivalents were able to cover some of its short-term liabilities. Overall, the liquidity ratio of telecom companies showed a positive trend during the period 2019 to 2023, reflecting the company's improved ability to meet its short-term obligations.

#### **Average data on the profitability ratio of telecommunications companies in 2019-2023**

<b>Year</b>	<b>Net Profit Margin (%)</b>	<b>Return on Assets (ROA) (%)</b>	<b>Return on Equity (ROE) (%)</b>
2019	7,43	3,10	8,10
2020	9,52	5,12	10,24

Year	Net Profit Margin (%)	Return on Assets (ROA) (%)	Return on Equity (ROE) (%)
2021	8,75	4,80	9,60
2022	8,50	4,70	9,40
2023	8,60	4,65	9,88

Based on the data above, it can be concluded that the **Net Profit Margin (NPM)** showed a decrease from 9.52% in 2020 to 8.50% in 2022, which indicates a decrease in the company's efficiency in generating net profit from revenue. **Return on Assets (ROA)** decreased from 5.12% in 2020 to 4.70% in 2022, indicating a decline in the company's effectiveness in using assets to generate profits. **Return on Equity (ROE)** also decreased from 10.24% in 2020 to 9.40% in 2022, which means a decrease in the rate of return for shareholders on invested equity. Overall, the profitability ratio of telecommunications companies shows a downward trend during the period 2019 to 2023, which reflects the decline in the company's financial performance in generating profits from revenue, assets, and equity.

## RESEARCH BENEFITS

This research is expected to provide deeper insights into the factors affecting financial performance in Indonesia's telecommunications sector, as well as strategies that companies can implement to improve their competitiveness in an increasingly competitive market

## LITERATURE REVIEW

### Financial Performance

Financial performance is an important indicator that reflects the health and stability of a company. Here are some definitions of financial performance according to experts:

- **Hutabarat (2021):** Financial performance is an analysis carried out to see the extent to which a company has implemented the rules of financial implementation properly and correctly.
- **Fahmi (2018):** Financial performance is an analysis that can be carried out to see the extent to which a company has implemented the rules of financial implementation properly and correctly.

### Liquidity

Liquidity refers to a company's ability to meet its short-term obligations on time without facing financial difficulties. Liquidity reflects how quickly current assets can be converted into cash to pay debts.



- ◎ **Ruhadi (2014):** Liquidity is the ability of a company to convert an asset into cash with minimal sacrifice.
- ◎ **Irfani (2020):** Liquidity is a measure of a company's ability to meet all of its short-term obligations that have matured with the guarantee of current assets owned.

### **Profitability**

Profitability is an important indicator that reflects a company's ability to generate profits over a given period. Here are some definitions of profitability according to experts:

- **Darmawan (2020):** The profitability ratio is a ratio that aims to determine the company's ability to generate profits during a certain period.
- **Sudarno et al. (2022):** Profitability is the ability of a company to generate profits in a certain period; companies that have the ability to generate good profits show good company performance.

## **RESEARCH METHODS**

This research was conducted in Telecommunication companies listed on the Indonesia Stock Exchange for the 2019-2023 period. The type of research used by the researcher is quantitative research, which is research conducted by collecting data in the form of numbers which is then processed to obtain information behind the numbers. The population of this study is all telecommunication companies listed on the Indonesia Stock Exchange in the 2019-2023 period. The samples used in this study were obtained by the Purposive Sampling technique with certain criteria. The data used is secondary data obtained from the company's financial statements

## **RESULTS AND DISCUSSION**

Results of liquidity and profitability analysis to assess the financial performance of telecommunication companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period based on financial statements:

### **1. Liquidity**

- **Current Ratio (CR):**

Major telecommunications companies, such as PT Telkom Indonesia Tbk (TLKM), have shown fluctuations in their liquidity ratios. A significant decline was seen in 2020–2021 due to the COVID-19 pandemic, which affected the company's ability to maintain its cash and current assets.



**Average Current Ratio:** Still above the healthy threshold ( $>1$ ), but showing a downward trend due to large investments in digital infrastructure.

- **Quick Ratio (QR):**

Corporate QR is on average lower than CR, as most of the current assets are made up of telecommunications equipment inventory. Companies such as PT XL Axiata Tbk are also experiencing pressure on the Quick Ratio ratio.

- **Cash Ratio:**

Almost all telecommunications companies recorded a decrease in cash ratios in the 2022–2023 period, in line with an increase in operational expenses to support network expansion.

## 2. Profitability

- **Net Profit Margin (NPM):**

PT Telkom Indonesia maintained high profitability with an average NPM above 15% throughout 2019-2023, despite pressure due to competition and rising operating costs. However, PT Indosat Ooredoo Hutchison experienced NPM fluctuations, with losses in 2020 but gradually recovered in the following years.

- **Return on Assets (ROA):**

ROA for telecommunications companies declined during the pandemic, mainly due to high fixed assets that did not generate revenue immediately. PT XL Axiata and PT Indosat recorded an average ROA below 5% during the period.

- **Return on Equity (ROE):**

PT Telkom Indonesia recorded a stable ROE of above 15%, indicating effective equity management. On the other hand, companies such as PT Smartfren Telecom Tbk recorded negative ROE due to net losses.

## 3. Correlation of Liquidity and Profitability to Financial Performance

Higher liquidity ratios are not always directly proportional to profitability. PT Telkom was able to maintain a high level of profitability even though its liquidity ratio declined. PT Indosat pointed out that increased investment in infrastructure can lead to a decrease in short-term liquidity but support long-term profitability growth. Price competition, technological developments, and government policies on digital infrastructure became the main factors affecting the financial performance of telecommunications companies during this period.

## CONCLUSION



- Telecommunication companies such as PT Telkom Indonesia Tbk show relatively stable financial performance, despite experiencing pressure on liquidity.
- Meanwhile, other companies such as PT Indosat and PT XL Axiata showed challenges in maintaining profitability during the 2019–2023 period, but began to recover in 2022–2023 thanks to operational efficiency efforts and strategic investments.

## SUGGESTION

- **PT Telkom Indonesia Tbk** showed a relatively stable financial performance, despite pressure on liquidity. Therefore, companies need to focus on increasing liquidity by maximizing receivables management and investments that are more oriented towards short-term cash flow.
- **PT Indosat** and **PT XL Axiata** face challenges in maintaining profitability during the 2019–2023 period. However, both are starting to show recovery in 2022–2023 through operational efficiency efforts and strategic investments in digital-based infrastructure and services. To sustain this growth, these companies need to focus on revenue diversification and product innovation, while continuing to pay attention to prudent liquidity management.

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