



Analysis of the Influence of Liquidity, Solvency and Probability on Financial Performance in Telecommunication Companies Listed on the Indonesia Stock Exchange for the 2018-2024 period

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ABSTRACT

The telecommunications sector in Indonesia has transformed into the backbone of the digital economy, but it faces major challenges in the form of cost structure pressures and significant fluctuations in the number of subscribers, especially the decline anomaly in 2022. This study aims to analyze the influence of Liquidity, Solvency, and Profitability on Financial Performance in telecommunication companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2024 period. The research method used is descriptive with a quantitative approach. The research sample was selected using a purposive sampling technique that resulted in four main companies: PT Telkom Indonesia Tbk, PT XL Axiata Tbk, PT Smartfren Telecom Tbk, and PT Indosat Ooredoo Hutchison Tbk. Data analysis techniques include classical assumption tests and multiple linear regression analysis using the SPSS program. The results of the study show that partially Liquidity has a significant and positive effect on Financial Performance ($63,477 > \text{table } 1,703$). Solvency has no significant effect on Financial Performance of $0.098 < \text{table}$, indicating that the amount of debt does not directly determine the efficiency of the company's assets in this sector. Profitability has a significant effect on performance of $-12,837 > \text{table } 1,703$). Simultaneously, Liquidity, Solvency, and Profitability have a significant effect on Financial Performance with a Calculated value of $1415,550 > \text{Factor } 3.01$. The value of the Coefficient of Determination r^2 of 0.994 indicates that 99.4% of the variation in Financial Performance can be explained by these three variables, while the rest is influenced by other factors outside the model.

1. Introduction

The telecommunications sector has transformed from merely providing voice services into the backbone of the global digital economy. In Indonesia, the increasing internet penetration has driven telecommunications companies to invest heavily in infrastructure development such as 4G and 5G networks. This condition creates significant pressure on the cost structure, requiring companies to efficiently convert their investments into stable operational cash flows amidst intense price competition. The dynamics of the telecommunications market in Indonesia show fluctuating trends despite a significant number of users. The number of mobile subscribers increased from 319.43 million in 2018 to its peak of 365.87 million in 2021. However, a sharp decline occurred in 2022 by -6.36% to 342.61 million users, before recovering in 2023 with a growth of 2.79% to 352.16 million users. This phenomenon indicates market saturation and regulatory impacts, forcing companies to shift their focus from customer quantity to improving financial performance through operational efficiency and optimization of data services. Financial performance plays a crucial role not only in generating profit but also in shaping the company's image in the eyes of investors. A good financial performance reflects management's ability to manage risks and optimize company resources. One of the important indicators is Total Asset Turnover (TATO), which measures how efficiently company assets generate revenue. In addition, liquidity is essential in supporting daily operational activities, such as interconnection payments and infrastructure maintenance. Liquidity ratios, including Current Ratio (CR) and Quick Ratio (QR), are used to measure a company's ability to meet short-term obligations. However, excessive liquidity may indicate inefficient cash utilization. On the other hand, telecommunications companies tend to have high levels of debt due to large capital requirements. Solvency ratios such as Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER) are used to evaluate the company's financial risk and its

ability to meet long-term obligations. Proper debt management can enhance growth, while excessive debt may negatively impact financial performance. Profitability is another important indicator that reflects management efficiency in generating profit from company assets and equity. Ratios such as Return on Assets (ROA) and Return on Equity (ROE) are commonly used to measure financial performance. In the telecommunications sector, consistent profitability indicates competitiveness in the digital data market and supports long-term financial stability. Although theoretically liquidity, solvency, profitability, and activity ratios influence financial performance, previous studies show inconsistent results. Additionally, recent industry dynamics, such as mergers and changes in digital consumption patterns, create new urgency to re-examine these variables. Based on these phenomena, this study aims to analyse the effect of liquidity, solvency, profitability, and activity ratios on the financial performance of telecommunications companies listed on the Indonesia Stock Exchange (IDX) for the period 2018–2024.

2. Research Methods

This study uses a descriptive quantitative approach to analyse the financial performance of telecommunications companies through financial ratio analysis. The data used are secondary data obtained from annual financial reports published on the official websites of companies and the Indonesia Stock Exchange (IDX) during the period 2018–2024. The scope of this research focuses on measuring financial performance using key financial ratios, including liquidity (Current Ratio, Quick Ratio), solvency (Debt to Asset Ratio, Debt to Equity Ratio), profitability (Return on Assets, Return on Equity), and activity ratio (Total Asset Turnover). The population of this study consists of 18 telecommunications companies listed on the IDX, while the sample is determined using purposive sampling technique based on specific criteria, resulting in 4 selected companies, namely PT Telkom Indonesia Tbk, PT XL Axiata Tbk, PT Smartfren Telecom Tbk, and PT Indosat Ooredoo Hutchison Tbk. Data collection is conducted using the documentation method, while data analysis applies descriptive statistical techniques to describe and compare the financial performance of each company without making broader generalizations.

3. Results And Discussion

Classic Assumption Test

Before performing multiple linear regression analysis, several tests are required in the following classical assumptions:

Normality Test

The Normality Test is intended to find out whether the residue being studied is normally distributed or not. The method used to test normality in this study used the normal P-P *Plot of Standardized Residual test*. From the results of the Normality test with the normal test method P-P *Plot of Standardized Residual*, dependent Variable: Financial Performance (Y) as seen in figure 5.1 below:

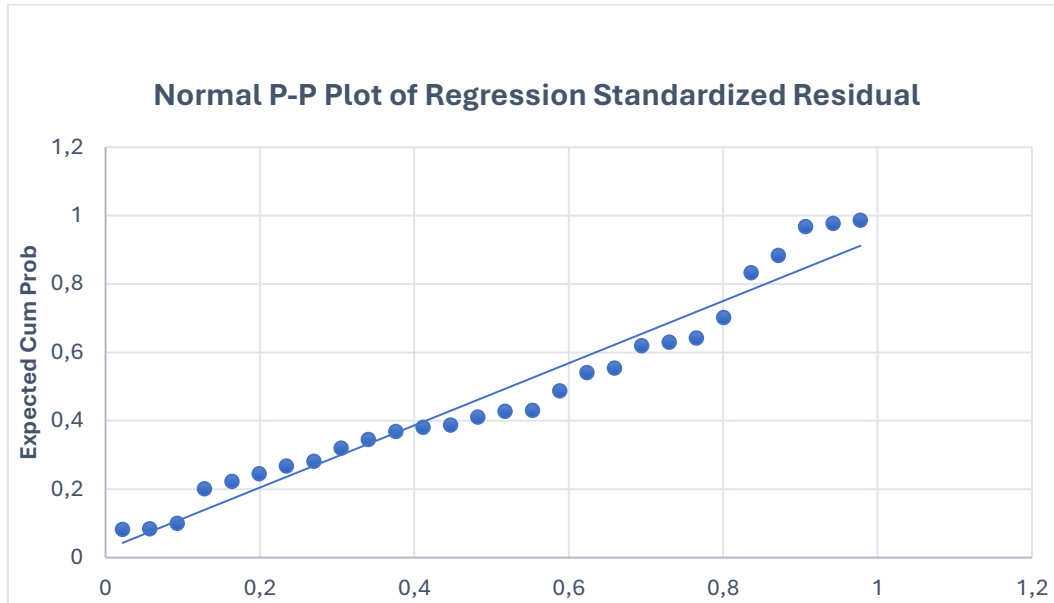


Figure 5.1 Regression Model Data Distribution Graph
Primary Data Sources Processed, 2025

Based on the display of the chat output above, the detection of data normality is carried out by looking at the distribution of data (points) on the diagonal axis of the graph. From the graph above, it can be seen that the dots are spread around the diagonal line, and the distribution follows the direction of the diagonal line so that it can be said that the regression model has met the assumption of normality. So, the regression model is suitable for predicting.

Multicollinearity Test

The Multicollinearity test aims to test whether there is a correlation between independent variables in the regression model. If there is a correlation, it is called a multicollinearity problem. A good regression model should not have correlations between independent variables. To detect the presence of multicollinearity, it can be done by looking at the VIF (*Variance Inflating Factor*) value (Singgih Santoso, 2002;112). The guidelines for a model that is free of multicollinearity regression analysis can be seen in the following table:

Table 5.5 Multicollinearity Test Results

Variable	Tolerance	VIF	Conclusion
Liquidity (X ₁)	0.934	1.464	No Multicollinearity Occurs
Solvency (X ₂)	0.982	1.019	No Multicollinearity Occurs
Probability (X ₃)	0.933	1.508	No Multicollinearity Occurs

Source. Primary Data processed, 2025

The results of the Multicollinearity Test Table 5.5 show the VIF value for the X₁ variable of 1.464; X₂ by 1.019; X₃ is 1,508. From the table above, it can be seen that the VIF value of each variable is less than 5, so it can be stated that there is no multicollinearity between independent variables in the regression model and the regression model is suitable for use and can be continued to the next stage of testing because it meets the assumption of multicollinearity.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether, in the regression model, there is inequality of variance in the residuals from one observation to another. If the variance of the residuals is constant, it is referred to as homoscedasticity; if it varies, it is referred to as heteroscedasticity. A good regression model is one that exhibits homoscedasticity or, in other words, does not contain heteroscedasticity. Heteroscedasticity in this study was tested using the Spearman Rank correlation coefficient, which examines the correlation between the absolute residuals of the regression results and all independent variables. If the significance value of the correlation is less than 0.1 (10%), then the regression model is considered to exhibit heteroscedasticity. Conversely, if the significance value is greater than 0.1 (10%), the model does not contain heteroscedasticity. In addition, heteroscedasticity testing was also conducted using test tables and scatterplot graphs. The results of the heteroscedasticity test are presented in Table 5.6 below.

Table 5.6 Coefficient Test of Regression Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	10.339	2.917		3.544	0.002
Liquidity	0.521	0.022	0.972	23.248	0.000
Solvency	-1.787	1.002	-0.028	-1.784	0.087
Profitability	-0.044	0.066	-0.028	-0.671	0.086

a. Dependent Variable: Kin_ Keuangan
Source. Primary Data processed, 2025

From the table above, it can be stated that in the regression model used, Heteroskedasticity does not occur. This means that in the regression model, the amount of data is between the amount of data and the residual so that if the data is enlarged, it does not cause the residual (error) to be larger. This is because the significance of the correlation results of each variable is greater than 0.1 (10%).

Autocorrelation Test

Autocorrelation arises because the observations that are sequential over time are related to each other (Hangke & Reitsch, 1998; 360). The aim was to test whether in a multiple linear regression model there was a correlation between disruptive errors in the t-1 (previous) period. If correlation occurs, then autocorrelation occurs. A good regression model is autocorrelated free (Ghozali, 2011; 95) to detect the presence or absence of autocorrelation, through the Durbin-Watson table method which can be done through the SPSS Version 19.00 program, where in general the benchmark can be taken, namely:

If $D - W_{\text{calculated}} < D - W_{\text{table}}$, it indicates positive autocorrelation.

If $D - W_{\text{calculated}} \geq D - W_{\text{table}} - 2$ and $D - W_{\text{calculated}} \leq D - W_{\text{table}} + 2$, it indicates no autocorrelation.

If $D - W > +2$, it indicates negative autocorrelation.

Table 5.7 Results of the Autocorrelation Classical Assumption Test (Durbin-Watson)

Model Summary^b

Model	Durbin-Watson	Sig. F Change
	1	

a. Predictors: (Constant), Profitability, Solvency, Liquidity
b. Dependent Variable: Kin_Keuangan

Source. Primary Data processed, 2025

The autocorrelation test results in the regression model show that the Durbin-Watson calculated value is 2.025. This indicates that the assumption of no autocorrelation, or that there is no autocorrelation problem, has been satisfied because the value of $D - W_{\text{calculated}} \geq D - W_{\text{table}} - 2$ and $D - W_{\text{calculated}} \leq D - W_{\text{table}} + 2$.

Linear Regression Analysis & Hypothesis Testing

Liquidity has a significant effect on the Financial Performance of Telecommunication companies listed on the IDX for the 2018-2024 period

$$Y = \alpha + \beta_1 X_1 + e_i$$

$$Y = 5.709 + 0,534 X_1 + e_i$$

$$S \quad 0,997$$

$$t \quad 63,477$$

$$r = 0,997 \quad r^2 = 0,994$$

if $\alpha = 5\%$ and $n = 28$, then $t_{\alpha;n-1} = t_{0,5;27} = 1,703$

Constant $\alpha = 5.709$: It shows that if the Liquidity variable is zero or fixed, then the Financial Performance value is 5.709 units. Regression Coefficient $X_1 = 0,534$: This value is positive. This means that for every increase in one unit of Liquidity, the Financial Performance will increase by 0.534 units. This indicates a one-way relationship between Liquidity and Financial Performance. Correlation Coefficients (r) = 0,997: This value is close to 1, which means that there is a very strong and positive relationship between Liquidity and Financial Performance in telecommunications companies. Coefficient of Determination (r^2) = 0,994: This value shows that 99.4% of the variation in Financial Performance can be explained by the Liquidity variable. The remaining 0.6% is explained by other variables outside of this research model. Based on the findings above, the $t_{\text{calculated}}$ value is 63.477 and when compared with the t_{table} value of 1.703, it can be stated that $t_{\text{calculated}} > t_{\text{table}}$. This means the effect is significant; therefore, H1 is accepted and H0 is rejected, meaning that Liquidity has a significant effect on Financial Performance in Telecommunication companies listed on the IDX for the 2018–2024 period.

Solvency has a significant effect on the Financial Performance of telecommunication companies listed on the IDX for the 2018-2024 period

$$Y = \alpha + \beta_2 X_2 + e_i$$

$$Y = 11,269 + 1,247 X_2 + e_i$$

$$S \quad 0,019$$

$$t \quad 0,098$$

$$r = 0,019 \quad r^2 = 0,000$$

if $\alpha = 5\%$ and $n = 28$, then $t_{\alpha;n-1} = t_{0,5;27} = 1,703$

Constant $\alpha = 11.269$: Indicates that if the Solvency variable is zero or fixed, then the Financial Performance value is 11,269 units. Regression Coefficient $X_2 = 1,247$: This value is positive. This means that for every increase in one unit of Solvency, Financial Performance will increase by 1,247 units. This indicates a one-way relationship between Solvency and Financial Performance. Correlation Coefficient (r) = 0.019: This value is far from 1, which means that there is a very weak relationship between Solvency and Financial Performance in telecommunications companies. Coefficient of Determination (r^2) = 0.000: This value indicates that 0% variation in Financial Performance can be explained by the Liquidity variable. The remaining 0.6% is explained by other variables outside of this research model. Based on the findings above, the $t_{\text{calculated}}$ value is 0.098 and when compared with the t_{table} value of 1.703, it can be stated that $t_{\text{calculated}} < t_{\text{table}}$. This means there is no effect; therefore, H2 is rejected and H0 is accepted, meaning that Solvability does not have a significant effect on Financial Performance in Telecommunication companies listed on the IDX for the 2018–2024 period.

Profitability has a significant effect on the Financial Performance of telecommunication companies listed on the IDX for the 2018-2024 period.

$$Y = \alpha + \beta_3 X_3 + e_i$$

$$Y = 0,369 - 1,462 X_3 + e_i$$

S	-0,929
t	-12,837
r = 0,929	r ² = 0,864

if $\alpha = 5\%$ and $n = 28$, then $t_{\alpha;n-1} = t_{0,5;27} = 1,703$

Constant $\alpha = 0.369$: Indicates that if the Profitability variable is zero or fixed, then the Financial Performance value is 0.369 units. Regression Coefficient $X_3 = -1.462$: This value is negative. This means that for every increase in one unit of Profitability, the Financial Performance will increase by 1,462 units. This indicates a very strong relationship between Profitability and Financial Performance. Correlation Coefficient (r) = 0.929: This value is very close to 1, which means that there is a strong relationship between Profitability and Financial Performance in telecommunications companies. Coefficient of Determination (r^2) = 0.864: This value shows that 86.4% of the variation in Financial Performance can be explained by the variable Profitability. The remaining 13.6% is explained by other variables outside of this research model. Based on the findings above, the $t_{\text{calculated}}$ value is -12.837 and when compared with the t_{table} value of 1.703, it can be stated that $t_{\text{calculated}} > t_{\text{table}}$. This means it has a significant effect; therefore, H3 is accepted and H0 is rejected, meaning that Profitability has a significant effect on Financial Performance in Telecommunication companies listed on the IDX for the 2018–2024 period.

Liquidity, Solvency, and Profitability simultaneously have a significant effect on the Financial Performance of telecommunication companies listed on the IDX for the 2018-2024 period

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e_i$$

$$Y = 10,339 + 0,521 X_1 - 1,787 X_2 - 0,044 X_3 + e_i$$

S	0,972	-0,028	-0,028
F	1415,550		
r = 0,997	r ² = 0,994		

if $\alpha = 5\%$ and $n = 28$, then $F_{n-k-1} = F_{28-3-1} = 3,01$

Constant $\alpha = 10.339$: Indicates that if the Profitability variable is zero or fixed, then the value of Financial Performance is 10.339 units. Regression Coefficient $X_1 = 0.521$: This value is Positive. This means that for every increase in one unit of Profitability, the Financial Performance will increase by 1,462 units. Regression Coefficient $X_2 = -1.787$: This value is negative. This means that for every increase in one unit of Profitability, the Financial Performance will decrease by 1,787 units. Regression Coefficient $X_3 = -0.044$: This value is negative. This means that for every increase in one unit of Profitability, the Financial Performance will decrease by 0.044 units. This indicates a very strong relationship simultaneously between Liquidity, Solvency and Profitability and Financial Performance.

Correlation Coefficient (r) = 0.997: This value is very close to 1, which means that there is a strong relationship between the simultaneous Liquidity, Solvency and Profitability and Financial Performance of telecommunications companies. Coefficient of Determination (r^2) = 0.994: This value shows that 99.4% of the variation in Financial Performance can be explained by the simultaneous between Liquidity, Solvency and Profitability. The remaining 0.6% is explained by other variables outside of this research model. Based on the findings above, the $F_{\text{calculated}}$ value is 1415.550 and when compared with the F_{table} value of 3.01, it can be stated that $F_{\text{calculated}} > F_{\text{table}}$. This means it has a significant effect; therefore, H4 is accepted and H0 is rejected, meaning that simultaneously, Liquidity, Solvability, and Profitability have a significant effect on Financial Performance in Telecommunication companies listed on the IDX for the 2018–2024 period.

Liquidity has a significant effect on the Financial Performance of Telecommunication companies listed on the IDX for the 2018-2024 period.

Based on the results of the data analysis that has been carried out, it was found that liquidity has a very vital role in determining the success of financial performance in telecommunications sector companies listed on the Indonesia Stock Exchange. In a capital-intensive industry that requires continuous infrastructure maintenance, a company's ability to meet short-term obligations is not just a technical accounting issue, but is the foundation for overall operational stability.

This close linkage shows that effective cash flow management allows companies to respond to market dynamics more quickly. In the midst of fierce tariff competition and massive technological transition, companies with adequate liquidity levels are able to maintain smooth interconnection payments and tower maintenance without having to be burdened by the risk of default. This automatically contributes to an improvement in the company's financial performance score because it minimizes disruptions to the digital service supply chain, which is the main source of revenue.

Referring to the theoretical foundation put forward by experts in the literature review, the results of this study strengthen the theory that liquidity ratio is a measure of a company's capacity to meet maturing obligations by utilizing its current assets. The theory emphasizes that the higher the level of liquidity, the more financially healthy the company is because it has reserves that "cushion" against economic uncertainty.

However, the results of this study also provide a practical perspective on the theory that there is a risk of excess liquidity. Despite its significant impact on performance, telcos in Indonesia tend to optimize their current assets so as not to be idle, given the high cost of capital in this sector. Thus, the significance of liquidity in this study does not mean that companies must store excessive amounts of cash but rather show the effectiveness of management in balancing the availability of cash with the productivity of assets to generate income.

The results of this study are in line with several previous studies that underline the importance of liquidity in maintaining the stability of issuers on the Indonesia Stock Exchange. Research conducted by Hidayat (2025) has previously indicated that an optimal liquidity ratio contributes greatly to improving financial performance because it is able to reduce creditors' concerns regarding the risk of default. This proves that financial credibility in the eyes of stakeholders is highly dependent on how liquid the company is in carrying out its daily activities.

On the other hand, there is an interesting comparison with research conducted by Errika Ahffha (2022) on technology companies, which found consistency in liquidity ratios both before and during economic shocks. The alignment of these results shows that in technology-based and telecommunications industries, keeping liquidity levels stable is a fundamental survival strategy. This research also strengthens the findings of Bella Giovana Putri (2020) who stated that the company's ability to meet short-term obligations is the main indicator of management efficiency in managing working capital amid fluctuations in the number of customers.

The significance of the influence of liquidity in the 2018-2024 period is also inseparable from the phenomenon of market saturation and changes in prepaid card registration policies that occurred in Indonesia. When the growth of the number of customers begins to slow down or even decrease drastically, companies can no longer rely on the quantity of customers alone to maintain cash flow. This is where liquidity becomes a key variable; Companies are required to carry out operational efficiency so that every current asset owned is truly able to support the strengthening of capital position and long-term financial performance.

In the context of the digital economy, good liquidity provides flexibility for companies to innovate data services without having to wait for time-consuming external funding. This explains why in this research model, liquidity, emerges as a strong predictor of financial performance. The ability to meet short-term obligations in a timely manner creates a positive image in the eyes of investors, which will ultimately strengthen the company's value on the stock exchange.

Overall, this study proves that liquidity is not just a number on paper, but the main driving force for the financial performance of telecommunications companies in Indonesia. The compatibility between empirical results and financial management theory shows that disciplined fluid asset management is an absolute requirement for winning the competition in a highly dynamic industry. By maintaining healthy liquidity levels, the company is able to navigate the industry's systemic risks and ensure that large infrastructure investments can be converted into sustainable profits for shareholders.

Solvency has no significant effect on the Financial Performance of Telecommunication companies listed on the IDX for the 2018-2024 period.

The findings in this study reveal an interesting reality that is quite contradictory to the general view of financial management, namely that solvency does not have a significant influence on the financial performance of telecommunications companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2024 period. This phenomenon illustrates that the large debt burden borne by telecommunications companies does not directly dictate fluctuations in operational performance or the efficiency value of their assets in the market. In the context of the capital-intensive telecommunications industry, capital structure dominated by liabilities seems to have become an operational standard that is normalized by market participants and investors.

Theoretically, solvency should be a crucial indicator in determining financial health. Conventional financial management theory states that the use of high debt can increase the risk of default and put pressure on profits through heavy interest expenses. However, the results of this study show that there is a disconnection between the debt ratio and financial performance output. This indicates that telcos in Indonesia may have reached a point where debt is no longer considered a burden that disrupts performance, but rather as a "mandatory" strategic instrument to support the massive development of 4G and 5G infrastructure.

When the theory states that debt that exceeds the safe limit will worsen performance due to heavy financial burdens, the telecommunications industry shows a different resilience. Financial performance measured through asset utilization efficiency remained stable despite the company's high debt ratio. This indicates that the management of telecommunication companies is able to manage cash flow from digital data operations to cover the capital cost of the debt, so that the negative influence predicted by the theory is not materialized in the statistical results of this study.

The results of this study reinforce some of the previous findings but also provide a new, more specific perspective on the telecommunications sector. Some researchers have previously found that in crisis or pandemic conditions, solvency ratios often show no difference or drastic influence on performance because the entire industry is under similar pressure. The similarity of these results suggests that the solvency structure in Indonesia's public companies tends to be rigid and long-term, so the annual change in the debt ratio is not strong enough to significantly change the direction of financial performance.

On the other hand, there is research that shows different outcomes where solvency is considered to have a dual influence on growth. This difference is most likely due to the unique characteristics of the telecommunications sector, which is an oligopoly sector with enormous and constant capital expenditure needs. For investors on the IDX, solvency level may no longer be the main determinant in assessing financial performance compared to other variables such as liquidity and profitability which have been proven to have a significant influence in this study.

This solvency inequinox can also be explained through the perspective of investor confidence. The telecommunications industry in Indonesia is considered the backbone of the digital economy, which makes it attractive to capital providers despite its high debt ratio. Investors tend to tolerate large debts as long as the funds are converted into productive infrastructure that guarantees future cash flow. Therefore, the ups and downs of the debt ratio do not cause a shock to the company's overall financial performance rating.

In addition, the phenomenon of industrial consolidation such as business mergers that occurred during the research period also played a role in stabilizing the impact of solvency. The synergies

resulting from the merger help companies optimize their capital structures, so that old debt can be managed more efficiently through new, stronger entities. This further emphasizes why solvency has lost its statistical influence on financial performance in the time frame of this study.

Overall, these findings provide a new understanding for financial managers and investors that in the telecommunications industry, the primary focus for maintaining financial performance no longer lies in debt reduction alone, but rather on how it is managed to create operational efficiency and profitability. Although in theory solvency is a risk, in practice on the IDX for the 2018-2024 period, it has been integrated into the industrial business model so that it is no longer a significant differentiating factor for financial performance.

Profitability has a significant effect on the Financial Performance of Telecommunication companies listed on the IDX for the 2018-2024 period.

Profitability in the telecommunications industry is not just a reflection of the company's ability to make a net profit, but an indicator of managerial efficiency in managing all existing resources to face digital disruption. Based on the results of research on telecommunication companies listed on the Indonesia Stock Exchange (IDX) for the 2018–2024 period, it was found that profitability has a significant influence on the company's financial performance. This phenomenon confirms that any improvement in profitability ratio will be a major driver in improving the overall quality of financial performance.

Theoretically, this is in line with the view that profitability is a measure of management effectiveness described through the profits generated from sales and investments. In the context of the capital-intensive telecommunications sector, the ability to generate profits is very crucial because these profits function as a source of internal funding to finance massive capital expenditure, especially for the development of 4G and 5G infrastructure. Without strong profitability, companies will have difficulty maintaining operational continuity and competitiveness during a saturated market.

The results of this study strengthen the theory put forward in the literature review regarding the vital role of profitability ratios, such as Return on Assets (ROA) and Return on Equity (ROE). ROA reflects the extent to which the assets a company owns—including towers and fiber optic networks—can be converted into operational profits. Meanwhile, ROE provides an overview for shareholders of the effectiveness of using their own capital in generating profits for investors.

The significant support of profitability to financial performance shows that the management of telecommunications companies in Indonesia has made efforts to optimize assets. However, there are interesting dynamics when associated with the concept of operational efficiency. The theory states that amid the decline in revenue from voice and SMS services, companies must be innovative in managing content and data costs. The company's success in maintaining profitability has a significant effect, showing the ability to adapt to changes in people's digital lifestyles. Stable profits give a positive signal to the capital market, strengthen the company's image in the eyes of investors, and lower the perception of systemic industry risks.

These results provide a strengthening as well as a new perspective on the existing research gap. These findings are consistent with a study conducted by Lestari & Handayani (2024), which states that consistent profitability demonstrates the company's competitiveness in winning the digital data market, which directly impacts the strengthening of the long-term financial position. This proves that profit remains the dominant driver for financial success in the digital infrastructure sector.

However, this study also notes an anomaly when juxtaposed with the results of research from several other researchers who found inconsistencies in the influence of profitability in certain periods, especially when external shocks occur. For example, in several case studies such as those conducted by Bella Giovana Putri and Siti Munfaqiroh (2020), it was found that even though companies can increase profits, at certain ratios such as ROI and ROE, the company has not been fully optimal in generating sufficient profits to be categorized as healthy performance. These differences in results are often triggered by differences in the selection of financial performance indicators as well as the scope of the observation period.

The uniqueness of the research results for the 2018-2024 period lies in the ability of the profitability variable to remain a determining factor even though the telecommunications industry had experienced a drastic decline in the number of customers in 2022 due to prepaid card registration policies and market saturation. This shows that the company's strategy that has begun to shift from the pursuit of customer

quantity to strengthening the quality of data services and cost efficiency (optimizing more profitable data services) has paid off in the form of more resilient financial performance.

Liquidity, Solvency and Profitability have a significant effect on the Financial Performance of Telecommunication companies listed on the IDX for the 2018-2024 period.

Based on the results of the study, Liquidity has been proven to have a significant influence on the financial performance of telecommunication companies on the IDX for the 2018-2024 period. These findings provide clear confirmation of the theoretical foundation that the ability to meet short-term obligations is a crucial operational foundation. In an industry that is capital-intensive and has very fast daily cash flow turnover dynamics such as telecommunications, the availability of current assets is not just a number on paper, but a determinant of the smooth payment of interconnection payments and the maintenance of tower infrastructure that is vital for business continuity.

Theoretically, a high liquidity ratio is often considered an indication of financial health, although if it is too extreme it can reflect ineffective cash utilization. However, in the context of this study, a strong positive relationship shows that for investors in the Indonesian capital market, trust in the management of telcos is highly dependent on their ability to maintain cash stability to deal with systemic industry risks. This is in line with signal theory, where a strong liquidity position sends a positive message to the market regarding the company's operational stability.

When compared to previous studies, these results support the findings of several researchers who see a positive correlation between cash management and issuer performance. Despite anomalies in the past few years—where there has been a sharp decline in the number of customers due to prepaid card registration policies and market saturation—companies that have been able to maintain their liquidity ratios have proven to have more resilient financial performance. This proves that the efficiency of smooth asset management is the main shield for telecommunications companies when facing uncertain market fluctuations.

The results of this study reveal interesting findings on the Solvency variable, where this ratio is proven to have no significant influence on the financial performance of telecommunications companies on the IDX. This phenomenon shows a disconnect between the company's debt structure and the achievement of financial performance as measured through asset turnover. Theoretically, solvency does have a dual influence; It can be a lever for growth through tax protection, but it can also be a burden on interest that erodes profits.

In the Indonesian telecommunications industry, the use of large debt is prevalent due to the large capital expenditure required for the construction of 4G and 5G network infrastructure. The findings of this study indicate that investors and the market may have understood high levels of debt as an inherent risk of the industry. Therefore, the size or size of debt is no longer the main determinant in determining the good or bad financial performance of a company in the eyes of market participants as long as the debt is used for productive infrastructure expansion.

These results are in contrast to some previous studies that stated that solvency can drastically worsen performance if it exceeds safe limits. However, these findings are in line with other studies that have found that in certain periods or in highly dynamic technology sectors, debt ratios do not necessarily show significant differences in daily operational performance. This confirms that the management of the capital structure of telecommunication issues on the IDX is more strategic for long-term sustainability than simply the pursuit of short-term financial performance scores.

Analysis of the Profitability variable shows a very significant influence on financial performance. These findings strengthen the theory that places profitability as an indicator of management efficiency in generating value from every rupiah of assets under management. In today's digital landscape, where revenue from traditional services such as SMS and voice continues to decline, a company's ability to innovate on data and content services is a key determinant of profitability. Based on the results of the study, the strong link between profit and financial performance confirms that the company's competitiveness in the digital data market has a direct impact on strengthening the long-term capital position. Companies that are able to record positive returns on asset and equity returns tend to have higher performance scores, as this reflects the company's ability to win the fierce tariff competition in the Indonesian market.

Compared to previous research, these results are very consistent with the view that profitability is the main benchmark for shareholders to assess management's success in converting infrastructure investments into operating cash flow. Although the telecommunications industry was shaken by merger

dynamics and changes in people's lifestyles post-pandemic, companies that remained focused on optimizing profitable services proved to be able to maintain the stability of their financial performance.

Together (simultaneously), Liquidity, Solvency, and Profitability have proven to have a very strong and significant influence on the financial performance of telecommunications companies on the IDX. This provides a comprehensive picture that financial performance cannot be seen from one side alone but is the result of a complex interaction of various managerial policies. The synergy between the availability of short-term funds, long-term debt management, and the effectiveness of profit creation forms a unit that determines the market's assessment of the company's value. Theoretically, these simultaneous results support the application of funding sequence theory and signal theory in explaining how telcos balance their various financial ratios to remain stable during the transformation of the digital economy. Although solvency is partially ineffective, when combined with liquidity capabilities and profit levels, it becomes an integral part of a solid financial strategy. These findings are in line with previous research that emphasizes the importance of collective financial ratio analysis to understand a company's financial health as a whole. Capturing market dynamics through the combination of these three variables proves that effective management of telecommunications companies is those that are able to manage liquidity for operations, maintain solvency for expansion, and optimize profitability for shareholder satisfaction in a balanced manner.

Theoretical Implications

This research makes an important contribution to the development of the financial management literature, especially in the context of the highly dynamic telecommunications industry in Indonesia. Findings showing that Liquidity and Profitability have a significant effect on Financial Performance reinforce the signal theory (signalling theory). This indicates that for capital-intensive technology companies, the ability to maintain short-term cash flow and efficiency in generating net profit are the main positive signals that the market is paying attention to. Theoretically, the results of this study also provide a new perspective on Pecking Order Theory in the telecommunications industry. Although the sector is known to have a high debt ratio for 4G and 5G infrastructure expansion, the finding that Solvency has no significant effect on financial performance suggests that investors on the Indonesia Stock Exchange (IDX) may be more tolerant of certain debt levels provided that the company remains able to demonstrate healthy operational and liquidity growth. This shifts the old paradigm that considers debt to always be a negative burden for the performance of companies in the infrastructure sector.

Practical Implications for Company Management

Practical Implications for Company Management

For the management of telecommunication companies such as Telkom, XL Axiata, Smartfren, and Indosat, this result emphasizes the importance of smooth asset management in a precise manner. Given that liquidity has a positive and very strong influence ($r = 0.997$), management should prioritize working capital optimization to ensure short-term liabilities such as interconnection costs and tower maintenance are not disrupted. Anomalies in the Quick Ratio experienced by some of the companies in the sample indicate that reliance on less liquid inventory or assets can pose risks in the future. Therefore, companies need to implement content and data cost efficiency strategies to maintain stable profitability margins amid fierce tariff competition and declining revenue from traditional voice/SMS services.

Implications for Investors and Regulators

For investors on the IDX, this study provides guidance that the Liquidity (X1) and Profitability (X3) indicators are much more accurate predictors to assess the success of financial performance than debt ratios alone. This allows investors to conduct a more measurable risk assessment in compiling a portfolio of stocks in the telecommunications sector. Meanwhile, for regulators (OJK and the government), data on fluctuations in the number of customers that had fallen in 2022 shows that the market has reached a saturation point. The implication is that future policies should be more focused on protecting the digital ecosystem and business sustainability rather than simply chasing the quantity of active prepaid cards.

4. Conclusion

Based on the results of the research and discussion in the previous chapter, the following conclusions can be drawn:

- 1) Liquidity has a significant effect on the financial performance of telecommunication companies listed on the Indonesia Stock Exchange (IDX) for the 2018–2024 period.
- 2) Solvency has no significant effect on the financial performance of telecommunications companies listed on the Indonesia Stock Exchange (IDX) for the 2018–2024 period.
- 3) Profitability has a significant effect on the financial performance of telecommunications companies listed on the Indonesia Stock Exchange (IDX) for the 2018–2024 period.
- 4) Simultaneously, liquidity, solvency, and profitability have a significant effect on the financial performance of telecommunication companies listed on the Indonesia Stock Exchange (IDX) for the 2018–2024 period.

Based on the research above, the suggestions that can be given are:

- 1) For the Next Researcher
Given that solvency does not have a significant effect in this study, researchers are further advised to explore other variables, such as capital expenditure (CapEx), market share, service quality, and macroeconomic variables (inflation, interest rates, exchange rates) that have the potential to be more relevant in explaining the dynamics of the capital-intensive telecommunications industry. The next study is suggested to expand the observation period and increase the number of sample companies, including infrastructure providers (tower and fiber optic), to obtain a more comprehensive picture, especially in looking at the long-term impact of 5G technology and industry consolidation.
- 2) For the Management of Telecommunication Companies
Given that liquidity has a very strong and positive influence ($r = 0.997$) on financial performance, management needs to maintain a smooth asset balance to remain optimal. Companies with low liquidity levels need to improve their current asset structure to be able to support smooth operations. Although profitability has a significant effect, the presence of an indication of negative coefficients in certain models indicates the need for better efficiency. Therefore, companies need to innovate in managing operational costs and shift the focus from customer quantity to optimizing more profitable data services. Companies need to maintain and improve asset utilization efficiency, which is reflected in the stability of Total Asset Turnover (ToTA). ToTA stability can be an important indicator in assessing the effectiveness of asset utilization in generating revenue.
- 3) For Investors and Potential Investors
Investors are advised to pay more attention to the liquidity ratio, especially the Current Ratio, as the main indicator in assessing the financial health of telecommunications companies, as this variable has proven to have the greatest contribution in explaining financial performance. Investors need to pay attention to the consistency of the company's profit (ROA/ROE), especially in companies that are in the expansion or post-merger phase. Profitability consistency is more important than just looking at the size of the company's assets.

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