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Analysis of the Influence of Liquidity and Solvency on Profitability in Telecommunications Sub-Sector Service Companies Listed on the IDX in 2021-2024

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Keywords

Current Ratio, Cash Ratio, Debt to Asset Ratio, Debt to Equity Ratio, Return on Asset.

Abstract

This study aims to find out how the effect of liquidity and solvency on profitability in service companies telecommunications sub-sector listed on the Indonesia Stock Exchange in 2021-2024. Variable in this study consists of Current Ratio (X1), Cash Ratio (X2), Debt to Assets Ratio (X3), Debt to Equity Ratio (X4), and Return on Asset (Y). Samples in this research is the 2021-2024 financial report. The sampling technique used is a saturated sampling technique. Data analysis techniques used is the classical assumption test and multiple linear regression. From the results of the analysis found that the variables Current Ratio, Cash Ratio, Debt to Asset Ratio have no effect significantly to profitability (Return on Asset). Variable Debt to Equity Ratio has a significant effect on profitability (Return on Asset). From this research, it can be suggested to creditors foe more considering the results of financial analysis, especially on the solvency ratio (Debt to Equity Ratio).

Introduction

The development of the digital era in Indonesia causing many telecommunications companies to experience competition in terms of renewing networks that can be accessed by the public in a fairly wide range. In this case it is necessary to have maximum operations in each company to produce a significant goal. Financial analysis is used to analyze a company's performance and can also be used in terms of making managerial decisions as well as being a reference for shareholders and creditors or debtors of the company.

Based on the results of research conducted by Sitanggang (2021: 138) who examined the effect of liquidity and leverage on profitability at PT. Telkom Indonesia (persero) Tbk listed on the Indonesia Stock Exchange concluded that liquidity has a positive but not significant effect on profitability while leverage has a negative and significant effect on profitability at PT Telkom Indonesia (persero) Tbk which is on the Indonesia Stock Exchange for the 2015-2019period. This is different from the research conducted by Langkun & Rusgowanto (2022: 77) which concluded that the liquidity ratio, namely the Cash Ratio, has a significant effect on profitability and the solvency ratio, namely the Debt to Asset Ratio, does not have a significant effect on the profitability of retail trade companies listed on the Stock Exchange Indonesia 2017-2019. The telecommunications sub-sector is a service company engaged in the field of telecommunications network services which is growing rapidly every year. Telecommunication services that meet every network need and network updates according to conditions in the digital world There are 6 companies listed in the telecommunications sub-sector service company, namely PT Telekomunikasi Indonesia Tbk, PT XL Axiata Tbk PT Indosat Tbk, PT Smartfren Telecom Tbk, PT Jasnita Telekomindo Tbk, and Bakrie Telecom Tbk. (https://www.idx.co.id/). The purpose of this study is to find out how liquidity and solvency influence profitability in telecommunications sub-sector service companies listed on the IDX in 2021-2024.

Method

This type of research is quantitative research using experimental research methods. This study uses secondary data, namely the company's annual financial reports which can be accessed on the official website at www.idx.co.id. The type of data in this study is quantitative data, namely data in the form of numbers found in the annual financial reports of service companies in the Telecommunications sub-sector for 2021-2024. The secondary data source is a public source that can be accessed by everyone for certain purposes, namely on the official website of the Indonesia Stock Exchange www.idx.co.id.

The population of this research is financial reports from 2021-2024. The objects of observation in this research are service companies, a total of 6 companies listed on the Indonesia Stock Exchange, namely PT Bakrie Telecom Tbk, PT XL Axiata Tbk, PT Smartfren Telecom Tbk, PT Indosat Tbk, PT Jasnita Telecom Tbk, and PT Telekomunikasi Indonesia Tbk. The sample is financial reports from 2021-2024. The sampling technique used to determine the sample is saturated sampling technique. Saturated sampling technique is a sampling technique when all members of the population are used as samples (Sugiyono, 2010: 85). This technique is carried out because the population in this study is relatively very small, with the number of service companies in the telecommunication sub-sector less than 30 companies.

The data source obtained is a secondary source and data obtained through the official website of the Indonesia Stock Exchange. The data obtained in this study is using a structured observation method. Annual financial report data obtained from www.idx.co.id is collected and observations will be made regarding the variables to be studied. The data analysis method of this study was data collected and tabulated and then calculated using the help of the SPSS 23 application. Data analysis techniques used were ratio analysis, classical assumption test, and multiple linear regression tests.

Results and Discussion

Results

Based on the results of calculating the coefficient of determination, it can be concluded that an R of 0.773 is obtained, it means that the influence of the independent variable on the dependent variable is 77.3 and the relationship is strong. While the coefficient of determination R2 is 0.598, it means that the independent variables affect the dependent variable by 59.8% and 40.2% are influenced by other variables not used in this research model.

Table 1. Multiple Linear Regression Test Results

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-2.468	1.172		-2.105	.059
CURRENT RATIO	.749	1.228	.137	.610	.554
CASH RATIO	6.591	3.352	.401	1.966	.075
DAR	.006	.078	.018	.083	.935
DER	1.216	.335	.737	3.624	.004

a. Dependent Variable: ROA

Source: *Processed data (output program SPSS 23)*

Discussion

Effect of Current Ratio on Return on Assets in Telecommunications Sub Sector Service Companies

The t test was conducted to determine the significant effect on the Current Ratio on Return on Assets. The test shows the results of the Current Ratio test, namely the t count value of 0.610 with a significance of 0.554 and a t table value of 2.201. Because the value of t count is smaller than t table with a significance value greater than alpha (0.610 <2.201 or 0.554 > 0.05) then Ho is accepted and Ha is rejected, meaning that the Current Ratio has no significant effect on Return on Assets. From the test results it means that the ups and downs of the value of the Current Ratio have no effect on the value of Return on Assets.

According to Kasmir (2019: 134-135) the current ratio is a ratio to measure a company's ability to pay short-term obligations or debt that is due soon when billed as a whole. From the measurement results of this ratio, if the current ratio is low, it can be said that the company lacks capital to pay debts. However, if the ratio measurement results are high, it is not certain that the company's condition is good because there may be poor cash management. It can be interpreted that if the Current Ratio increases, there is poor cash management so that it has an impact on decreasing the value of Return on Assets in the company.

According to Himawan & Sukma (2019) identified that the company is careful in using current assets to cover all company activities related to current liabilities, so that there are idle funds. The results of calculating the current ratio in this study indicate that there are increases and decreases. But in the value of Return on Assets there are increases and decreases that are not in line with the increases and decreases in the current ratio every year. This proves that the size of the value of the current ratio has no effect on the value of Return on Assets. Financial management within the company is able to manage current assets carefully so as to be able to cover the liabilities of the company.

The results of this study are in line with research conducted by Himawan & Sukma (2019) which states that the current ratio has no significant effect on increasing Return on Assets. However, the results of this study are different from the research conducted by Aulia, et al (2020), whose research results state that the Current Ratio has a positive and significant effect on Return on Assets. As well as research by Haryanto (2019), whose research results state that the Current Ratio has a positive and significant effect on Return on Assets.

The Effect of Cash Ratio on Return On Assets in Telecommunications Sub Sector Service Companies

The t test was conducted to determine the significant effect on the Cash Ratio on Return on Assets. From this test, the results of the Cash Ratio test show that the t count is 1.966 with a significance of 0.075 and a t table value of 2.201. Because the value of t count is smaller than t table with a significance value smaller than alpha ($1.966 < 2.201$ or $0.075 > 0.05$) then Ho is accepted and Ha is rejected, meaning that the Cash Ratio has no significant effect on Return on Assets. From the test results it means that the fluctuation in the value of the Cash Ratio has no effect on the value of Return on Assets.

According to Kasmir (2019: 138-140) the cash ratio is used to measure how much cash is available to pay debts. However, the condition of a high cash ratio will have an adverse impact because there are idle cash funds. Thus, a low cash ratio requires companies to sell their assets in order to pay off their debts.

From the calculation of the Cash Ratio in this study, it shows that there is an increase and decrease in the value of the Cash Ratio from year to year. This shows that the company is able to manage cash well so that it does not involve the sale of current assets to pay its short term liabilities. If there is no sale of assets, it will not affect the company's operations and the profits generated. The results of this study are in line with research conducted by Khairani, et al (2020) which states that partially the cash ratio has no effect on ROA.

Effect of Debt to Asset Ratio on Return On Assets in Telecommunications Sub Sector Service Companies

The t test was conducted to determine the significant effect on the Debt to Asset Ratio on Return on Assets. The test shows the results of the Debt to Asset ratio test, namely the tcount value of 0.083 with a significance of 0.935 and a ttable value of 2.201. Because the value of tcount is smaller than ttable with a significance value greater than alpha (0.083 <2.201 or 0.935 > 0.05) then Ho is accepted and Ha is rejected, meaning that the Debt to Asset Ratio has no significant effect on Return on Assets. From the test results, it means that the ups and downs of the Debt to Asset Ratio value do not affect the value of Return on Assets in the company.

According to Kasmir (2019: 158) if a company has a high Debt to Asset Ratio value, it means that there is more and more funding with debt, it is difficult for companies to obtain loans, it is feared that the company will not be able to cover its debts with assets. It can be concluded that if the company cannot pay its debts with assets, the company will pay its debts with the profitability it has earned. If the company intends to increase debt, the company needs to increase its equity first.

The results of the calculation of the Debt to Asset Ratio in this study indicate that there is an increase in the value of the Debt to Asset Ratio from year to year. This shows that more and more company funding comes from debt, but it will be difficult for companies to obtain loans because it is feared that companies will not be able to pay off their debts. However, from the results of this study, the Debt to Asset Ratio has no effect on Return on Assets, so it can be concluded that companies are able to pay their debts with cash funds that have been provided, not with profits earned.

The results of this study are in line with Zulkarnaen's research (2018), whose research results state that the Debt to Asset Ratio has no significant effect on Return on Assets. However, it is different from the research conducted by Harsanto, et al (2022), whose research results state that the Debt to Asset Ratio has a positive and significant effect on Return on Assets.

Effect of Debt to Equity Ratio on Return On Assets in Telecommunications Sub Sector Service Companies

The t test was conducted to determine the significant effect on the Debt to Equity Ratio on Return on Assets. The results of the Debt to Equity ratio test are the t count value of 3.624 with a significance of 0.004 and a t table value of 2.201. Because the value of t count is greater than t table with a significance value smaller than alpha (3.624 > 2.201 or 0.004 <0.05) then Ho is rejected and Ha is accepted, meaning that the Debt to Equity Ratio has a significant effect on Return on Assets. The test results mean that the increase and decrease in the value of the Debt to Equity Ratio will affect the value of Return on Assets.

According to Kasmir (2019: 158) the Debt to Equity Ratio is the ratio used to assess debt to equity. If the value of this ratio is high, it will affect the profitability that will be used for debt guarantees if the equity does not meet the amount of debt held.

The results of the Debt to Equity Ratio t test in this study are different from those of Himawan & Sukma (2019) which in their research results state that partially the Debt to Equity Ratio has a negative and significant effect on Return on Assets. As well as the results of Sayekti & Santoso's research (2020) which states that the Debt to Equity Ratio has a negative effect on profitability. In this study, it was found that there was a positive and significant influence between the Debt to Equity Ratio on Return on Assets.

Conclusion

Based on the results of research and discussion of how the influence of liquidity and solvency ratios has on profitability in telecommunications sub-sector service companies listed on the IDX in 2021-2024, the following conclusions are obtained: (1) The liquidity ratio (Current Ratio and Cash Ratio) has no significant effect on profitability (Return on Assets), (2) The solvency ratio tested using the Debt to Asset Ratio has no significant effect on profitability (Return on Assets). Meanwhile, the solvency ratio tested using the Debt to Equity Ratio has a significant effect on profitability (Return on Assets).

The weakness in this study is the uses several types of ratios so there is still the possibility of influence from other ratios. For further research, it is necessary to expand the object of research from all service companies listed on the Indonesia Stock Exchange. Adding the research period and increasing the number of ratios used in hypothesis testing so as to produce a maximum research picture

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