

The Influence of Capital Structure, Profitability, and Liquidity on The Stock Prices of Telecommunications Companies Listed on the Indonesia Stock Exchange

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Abstract

This study aims to determine the effect of Capital Structure, Profitability, and Liquidity on the stock prices of telecommunications companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2024. The study employs a descriptive quantitative method and utilizes secondary data in the form of financial statements from telecommunications companies listed on the IDX. The sample consists of 8 companies selected from a population of 19 telecommunications companies based on criteria regarding significant market capitalization or industry relevance during the 2018–2024 period. The results indicate that Capital Structure (DER) has no effect on stock prices, as evidenced by a t-statistic of -0.353016 (less than the t-table value of 2.00665) and a significance value of 0.7255 (greater than 0.05). Profitability (ROA) was found to influence stock prices, indicated by a t-statistic of 2.609730 (greater than the t-table value of 2.00665) and a significance value of 0.0118 (less than 0.05). Conversely, Liquidity (CR) does not affect stock prices, as shown by a t-statistic of 0.458161 (less than the t-table value of 2.00665) and a significance value of 0.6487 (greater than 0.05). Simultaneous testing revealed that Capital Structure (DER), Profitability (ROA), and Liquidity (CR) collectively influence the stock prices of telecommunications companies listed on the IDX from 2018 to 2024, with an F-statistic of 6.866335 (greater than the F-table value of 2.783) and a significance value of 0.0005 (less than 0.05). The Coefficient of Determination (R^2) test indicates that the independent variables influence the dependent variable by 24.2414%.

Keywords: Capital Structure (DER), Profitability (ROA), Liquidity (CR)



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INTRODUCTION

The telecommunications industry is a strategic sector playing a vital role in driving national economic growth, particularly in the current era of digital transformation. Advancements in information and communication technology have reshaped patterns of social interaction, business activities, and public services. In Indonesia, rising internet penetration, increased smartphone usage, and the demand for fast, stable connectivity have significantly fueled the industry's growth. Companies in this sector are compelled to continuously innovate and invest in network infrastructure development such as tower construction, fiber-optic network expansion, and the implementation of cutting-edge technologies like 4G and 5G.

However, the telecommunications industry also faces various challenges, including high capital requirements, intensifying competition among operators, and regulatory pressure from the government. Furthermore, shifting consumer behavior characterized by an increasing reliance on data services over traditional offerings influences corporate business strategies. These conditions render the performance of telecommunications companies dynamic and prone to fluctuation, which can ultimately impact investor perceptions regarding the companies' future prospects.

In the capital market context, the telecommunications sector attracts significant investor interest due to growth prospects aligned with the evolution of digital technology. Telecommunications companies listed on the Indonesia Stock Exchange represent potential investment opportunities, especially for investors seeking to participate in the growth of the digital economy. Nevertheless, as with other sectors, the share prices of telecommunications companies tend to exhibit volatility.

Stock price is a crucial indicator reflecting a company's value as well as the level of investor confidence in its performance and prospects. Stock price movements are influenced by various factors, ranging from external conditions such as macroeconomic situations, government policies, and global market conditions to internal company factors related to operational performance and business strategies. Fluctuations in stock prices within the capital market reflect investor responses to available information, whether positive or negative.

Therefore, understanding stock price dynamics particularly in the telecommunications sector is essential for investors, corporate management, and academics alike. Gaining insight into how stock prices react to various conditions is expected to provide a more comprehensive picture of market behavior and serve as a foundation for making more informed investment decisions.

Currently, there are 19 telecommunications companies listed on the Indonesia Stock Exchange. Of these, eight companies publish annual financial reports and possess significant market capitalization or relevance within the telecommunications industry. These eight companies are: Telkom Indonesia (Persero) Tbk, XL Axiata Tbk, PT Indosat Tbk, Smartfren Telecom Tbk, PT Bali Towerindo Sentra Tbk, PT Link Net Tbk, PT Sarana Menara Nusantara Tbk, and PT Tower Bersama Infrastructure Tbk. Stock prices vary across these telecommunications companies; the following table presents data on stock price trends from 2020 to 2024:

Table 1. Telecommunications Company Stock Prices (2020–2024)

Company Code	Share Price (IDR)				
	2020	2021	2022	2023	2024
TLKM	3310	4040	3750	3950	2710
EXCL	2730	3170	2140	2000	2250
ISAT	5050	6200	6175	9375	2480
FREN	67	87	66	50	22

BALI	800	875	845	825	1745
LINK	2410	4000	2620	1325	1200
TOWR	960	1125	1100	990	800
TBIG	1630	2950	2300	2090	2100

As shown in Table 1.1, each company exhibits a distinct stock price pattern; for instance, PT Telkom Indonesia Tbk saw an increase from 2020 to 2021, followed by a decline in 2022 and 2024. Meanwhile, PT Indosat Tbk demonstrated a very significant increase from 2020 through 2023. This contrasts with PT. XL Axiata Tbk is a company whose share price exhibited fluctuations between 2020 and 2024. Other companies experienced varying trends some saw increases, others decline, and some showed volatility. These share price patterns serve as the rationale for using share price as the dependent variable in this study, with telecommunications service providers as the focus of the research. This is because telecommunications technology has become an essential necessity for people in their daily lives; without telecommunications support, carrying out these activities would likely prove difficult.

For a company, successfully managing its capital structure serves as a basis for investors to make decisions regarding purchasing shares or investing in the firm. According to Brigham and Houston (2014), a healthy capital structure is known to influence share value. Conversely, inefficiencies in capital structure management can depress share value, negatively impacting investors by causing capital losses. A capital loss occurs when shares are sold at a price lower than the purchase price. A company's capital structure is represented by its solvency ratio, specifically the Debt-to-Equity Ratio (DER). A higher DER indicates greater financial risk for both the company's creditors and shareholders.

In addition to capital structure, investors consider the returns generated by the company known as corporate earnings when selecting stocks. Corporate earnings are evaluated using profitability ratios, which measure the company's ability to generate profit by comparing current-year earnings with those of the previous year. In this study, corporate profitability is calculated using the Return on Assets (ROA) formula. ROA is a profitability ratio that compares a company's net income to its total assets. A high ROA indicates efficient asset management, whereas a low ROA suggests suboptimal asset management. An increase in ROA also impacts corporate performance a crucial factor for investors, as it leads to substantial returns, often in the form of dividends. Liquidity is an indicator of a company's ability to settle all short-term financial obligations as they fall due by utilizing its existing current assets (Silalahi, 2022). According to Kasmir (2019), the Current Ratio (CR) is a liquidity ratio used by companies to assess their capacity to meet short-term obligations and fund operational activities. Well-functioning operational activities present a positive image to prospective investors. Regarding the financial condition of the respective companies discussed above, the results of this study differ from those of another research. For instance, a study by Asep Muhammad Lutfi and Siti Indah Wahyuni (2023) found that, on an individual basis, DER had a negative effect on stock prices and ROA had a significant effect, whereas EPS had no effect. In contrast, research by Yuli Caturi Setiani, Titing Suharti, and Immas Nurhayati (2022) indicated that DER, ROA, and EPS when considered simultaneously had a significant effect on stock prices. Meanwhile, a study by Fahrul Dwi Prasetya and Alfita Rakhmayani (2024) found that profitability influenced stock prices, whereas capital structure and liquidity did not have a significant effect. Based on the data, information, and research findings outlined above, the author has undertaken this study titled "The Effect of Capital Structure, Profitability, and Liquidity on Stock Prices of Telecommunications Companies Listed on the Indonesia Stock Exchange."

RESEARCH METHODS

This study employs a quantitative research method. It is an empirical study aimed at examining the influence of capital structure, profitability, and liquidity on stock prices. According to Sugiyono (2017:380), the object of research refers to attributes, characteristics, or values possessed by specific individuals, objects, or activities which exhibit variation that are selected by the researcher for study and analysis in order to draw conclusions. This research focuses on analyzing the impact of capital structure, profitability, and liquidity on the stock prices of telecommunications companies listed on the Indonesia Stock Exchange during the 2018–2024 period. The data used in this study are secondary data obtained from the companies' annual financial reports. The company address is the Indonesia Stock Exchange Building, Jalan Jend. Sudirman Kav. 52-53, Jakarta 12190, Indonesia.

The population consists of telecommunications infrastructure providers in Indonesia listed on the Indonesia Stock Exchange between 2018 and 2024 totaling 18 companies. his study employs purposive sampling, a technique for selecting a sample based on specific considerations and criteria. Based on the purposive sampling method, the sample for this study consists of eight telecommunications infrastructure provider companies, as detailed in the following table:

Tabel 2. Research Sample Table

No.	Company Name	IDX Code
1.	PT. Telkom Indonesia Tbk	TLKM
2.	PT. Indosat Tbk	ISAT
3.	PT. XL Axiata	EXCL
4.	PT. Smartfren Telecom Tbk	FREN
5.	PT. Link Net Tbk	LINK
6.	PT. Bali Towerindo Sentra Tbk	BALI
7.	PT. Tower Bersama Infrastruktur Tbk	TBIG
8.	PT. Sarana Menara Nusantara Tbk	TOWR

According to Sugiyono (2017:206), "descriptive statistics are analysis techniques used to analyze data by describing or illustrating the collected data exactly as it is, without intending to draw conclusions applicable to the general population or to make generalizations." By detailing the mean, standard deviation, maximum value, and minimum value for each research variable, an overview of the variables under study can be obtained. EViews 12 software was used for data processing; in this study, Stock Price serves as the dependent variable, while Capital Structure, Profitability, and Liquidity serve as the independent variables.

RESULT AND DISCUSSION

This study discusses the results of statistical testing using the Eviews 12 program regarding the influence of capital structure (DER), profitability (ROA), and liquidity (CR) on the stock prices of telecommunications companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2024. The discussion is presented as follows:

1. The Influence of Capital Structure (DER) on Stock Price

The partial analysis of the influence of capital structure (DER) on the stock prices of telecommunications companies listed on the IDX (2018–2024) reveals that there is no significant influence on stock prices. The t-test results for the capital structure variable (DER) show a calculated t-value of -0.353016, which is less than the t-table value of 2.00665, with a probability of 0.7255 (greater than 0.05); thus, the hypothesis is rejected. This indicates that investors do not prioritize the proportion of capital financing used by

the company to generate profits. These findings contradict the trade-off theory, which posits that capital structure is crucial for maximizing firm value. This result is consistent with research conducted by Yeti Rosita (2022), which found that capital structure measured by the debt ratio had no influence on stock prices. It is also consistent with research by Mutiara Lusiana Annisa and Rizki Fitri Amalia (2018), which concluded that capital structure (proxied by DER) had no influence on stock prices.

2. The Influence of Profitability (ROA) on Stock Price

The partial analysis of the influence of profitability (ROA) on the stock prices of telecommunications companies listed on the IDX (2018–2024) reveals that there is a significant influence on stock prices. Based on the t-test results for the profitability variable (ROA), the calculated t-value (2.609730) exceeds the t-table value (2.00665), and the probability value (0.0118) is less than 0.05; thus, the hypothesis is accepted. Therefore, ROA has an influence on stock prices.

3. The Influence of Liquidity (CR) on Stock Prices

The partial analysis of the influence of liquidity (CR) on stock prices for telecommunications companies listed on the IDX from 2018 to 2024 indicates no significant influence on stock prices. Based on the t-test results for the liquidity variable (CR), the calculated t-value (0.458161) is lower than the t-table value (2.00665), and the probability value (0.6487) exceeds 0.05; thus, the hypothesis is rejected.

4. The Influence of Capital Structure (DER), Profitability (ROA), and Liquidity (CR) on Stock Prices.

The simultaneous analysis of capital structure (DER), profitability (ROA), and liquidity (CR) regarding stock prices for telecommunications companies listed on the IDX from 2018 to 2024 indicates a significant influence on stock prices. Based on the F-test results, the calculated F-value (6.866335) exceeds the F-table value (2.783), and the probability value (0.0005) is less than 0.05; thus, the hypothesis is accepted. Therefore, capital structure (DER), profitability (ROA), and liquidity (CR) simultaneously influence stock prices for telecommunications companies listed on the IDX from 2018 to 2024. This implies that any changes occurring in capital structure (DER), profitability (ROA), and liquidity (CR) can simultaneously affect stock prices. When these three independent variables rise simultaneously, the market tends to respond positively, as this signals not only that the company is generating profit but also that it is experiencing stability across these variables. This serves as a benchmark for investors and boosts their confidence, thereby driving up demand for the company's shares.

CONCLUSIONS

Based on the results of this study, it can be concluded that: hypothesis testing (t-test) regarding capital structure measured by the debt-to-equity ratio (DER) indicates no significant effect on the stock prices of telecommunications companies listed on the IDX from 2018 to 2024. The results show a calculated t-value of -0.353016 (less than the t-table value of 2.00665) and a significance value of 0.7255 (greater than 0.05). Hypothesis testing (t-test) regarding profitability measured by return on assets (ROA) indicates a significant effect on the stock prices of telecommunications companies listed on the IDX from 2018 to 2024. The results show a calculated t-value of 2.609730 (greater than the t-table value of 2.00665) and a significance value of 0.0118 (less than 0.05). Hypothesis testing (t-test) regarding liquidity (CR) indicates no significant effect on the stock prices of telecommunications companies listed on the IDX from 2018 to 2024. The results show a

calculated t-value of 0.458161 (less than the t-table value of 2.00665) and a significance value of 0.6487 (greater than 0.05). Hypothesis testing (F-test) regarding capital structure (DER), profitability (ROA), and liquidity (CR) indicates a significant effect on the stock prices of telecommunications companies listed on the IDX from 2018 to 2024. The results show a calculated F-value of 6.866335 (greater than the F-table value of 2.783) and a significance value of 0.0005 (less than 0.05).

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