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Factors Affecting the Value of Telecommunication Industry Companies in the Indonesian Stock Exchange During the Pandemic

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ABSTRACT. The value of a company is a specific condition that has been achieved by a company as an indication of the public's confidence in the company after going through a series of activities over several years, from its establishment until the present time. This research aimed to determine whether factors such as profitability, liquidity, and leverage affected the company's value. The data used in this study were secondary data obtained from the financial reports of telecommunication companies listed on the Indonesian Stock Exchange during the pandemic. The research population consisted of 16 companies, with a sample of 5 companies. The quantitative method and data analysis technique involved Classic Assumption Test, Multiple Linear Regression Test, Significance Test (t-test), Simultaneity Test (F-test), and Determination Test (R2). Partially, return on assets (ROA) had a significant effect on the company's value (Tobins'Q), while current ratio (CR) and debt-to-equity ratio (DER) did not have a significant effect on the company's value (Tobins'Q). Simultaneously, return on assets (ROA), current ratio (CR), and debt-to-equity ratio (DER) had a significant effect on the company's value (Tobins'Q).

KEYWORDS: The value of the company; Profitability; Liquidity; leverage

INTRODUCTION

A company means an entity that engages in numerous business activities to gain profits. The company's profits are used to finance its activities and investments. Assessing profits is crucial for the company. Evaluating current earnings and forecasting future earnings are the objectives of profit assessment.

Covid-19 (SARS-Cov-2) is a virus that attacks the human respiratory system and causes infections that can lead to death. This virus first emerged in Wuhan, China, and then spread worldwide, affecting many countries. One of the measures taken in various countries was implementing lockdowns, which temporarily halted all activities to protect human interactions. In Indonesia, the government implemented Covid-19 prevention policies by implementing Large-Scale Social Restrictions (Pembatasan Sosial Berskala Besar). Through this approach, Indonesian citizens were encouraged to engage in online activities to reduce outdoor interactions (Widowati & Nugroho, 2022).

Telecommunication companies are one of the sub-sectors within the infrastructure sector of the Indonesia Stock Exchange (IDX). Since 1961, telecommunications services have been provided in Indonesia by state-owned enterprises. In the 18th century, telecommunications already existed and rapidly developed. Telecommunication technology is generally divided into several types, playing a crucial role in economic development. The continuous growth of the population drives an increasing need for communication in society. Indonesia's substantial population represents a promising market for the development of the telecommunications industry, making it worthwhile to investigate the factors affecting the value of telecommunications companies listed on the Indonesia Stock Exchange (IDX) during the pandemic.

Researchers choose companies in this sector as the research subject because telecommunication companies in this era are experiencing a decline in stock prices. That is what drives these companies to enhance their performance to maintain good company value in the eyes of investors.

The value of a company is a certain condition that has been achieved by a company as an illustration of the public's trust in the company after going through a series of activities for several years, from the establishment of the company until the present time (Rinnaya, 2016). Suwardika (2017) defines the value of a company as the price that a potential buyer is willing to pay when the company is sold. When a company has gone public, the value of the company is perceived as an investor's perception of the company itself.

Information regarding a company's financial performance can be observed from the company's financial statements. One of the methods used in financial statement analysis is by employing financial ratios. The financial ratios used in this research encompass profitability, liquidity, and leverage ratios.

LITERATURE REVIEW

Financial Statements

Financial statements are the end result of an accounting recording process that summarizes financial transactions that occurred during the respective fiscal year period. According to Kasmir (2016), the definition of financial statements is a summary of an accounting recording process, which is a summary of transactions that occurred during the relevant fiscal year. Financial statements consist of a balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements.

Financial Ratio

Harahap (2016) defines financial ratios as figures obtained from comparing one item of a financial statement with another item that has a relevant and significant relationship. Based on this definition, it can be understood that financial ratios involve the activity of analyzing financial statements by comparing numbers, and dividing one figure by another to obtain relevant relationships concerning those figures in order to assess the financial condition of the company accurately and achieve the objectives of shareholders.

Profitability

Profitability is the net result of various policies and decisions implemented by the company, Suwardika (2017). Profitability represents the company's gains derived from completed sales. Profitability plays a crucial role in business as it demonstrates the company's capabilities and reflects its performance. Furthermore, profitability indicates that the company will distribute larger returns to investors.

Liquidity

Apriyani (2021) states that liquidity refers to matters related to a company's ability to meet its financial obligations that need to be settled as soon as possible. Liquidity, in terms of the Current Ratio (CR) aspect, plays a vital role in increasing a company's value. This ratio provides an overview of a company's ability to meet its short-term obligations, wherein the higher the percentage of the current ratio (CR), the better the company's liquidity level. Consequently, this will have a positive impact on the company's condition and increase its value in the eyes of investors.

Leverage

Leverage according to Hidayat (2020), is a ratio used to measure the extent to which a company's assets are financed by debt. Determining the source of funds is the responsibility of the financial manager, as the acquired funds are used to finance planned investments by the company.

Leverage measures the company's ability to meet all its financial obligations, consisting of short-term and long-term debt. Leverage can also be interpreted as a representation of the company's ability to leverage assets or funds with fixed burdens (fixed assets fund) to increase the level of shareholders' income. The leverage ratio in this study is proxied by the Debt-to-Equity Ratio (DER). Debt-to-Equity Ratio is a ratio used to assess debt in relation to equity.

Company Valuation

Dewi dan Rahyuda (2020) states that the value of a company is the price that potential buyers are willing to pay when the company is sold. The stock price is directly proportional to the company's value, meaning that the higher the stock price, the higher the company's value. Moreover, it can instill confidence in investors regarding the company's current and future performance.

Menurut Kholis et al. (2018), the value of a company is perceived by investors and is often associated with the stock price. A high stock price leads to a higher company value as well.

RESEARCH METHODS

This research was conducted using a quantitative approach with a descriptive nature and hypothesis testing. The study aimed to explain the extent of effect or relationships among variables expressed in numerical form by describing or depicting the collected data for analysis using appropriate analytical tools related to the research variables.

The data utilized in this research were secondary data. All the variables studied during the research period were related to the pandemic of 2020-2021. The data collection method employed in this study was documentation, where supportive data were gathered from journal sources, books, previous researchers, and other relevant secondary data from the annual financial reports published by the Indonesia Stock Exchange or the respective companies.

The population of this research consisted of all Telecommunication companies listed on the Indonesia Stock Exchange (IDX) during the period of 2020-2021. The sample in this study included Telecommunication companies listed on IDX during the period of 2020-2021. The sampling method used in this research was purposive sampling, which involved selecting companies based on specific criteria during the research period. The following companies were used as samples in this research: (1) Bakrie Telecom Tbk (BTEL), (2) XL Axiata Tbk (EXCL), (3) Smartfren Tbk (FREN), (4) Indosat Tbk (ISAT), and (5) Telekomunikasi Indonesia Tbk (TLKM).

RESULTS AND DISCUSSION

DESCRIPTIVE STATISTICS

Descriptive statistics aimed to provide an overview of data that can be observed from the minimum, maximum, mean, and standard deviation values.

Results of Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
TbQ	40	,67	68,57	7,3965	16,09791
ROA	40	,00	33,11	2,5017	6,36330
CR	40	,00	20,22	2,8053	5,15284
DER	40	,10	5,15	1,9995	1,14560
Valid N (listwise)	40				

(Source; Data analysis with SPSS 29, 2023)

- Based on the descriptive analysis results on the Tobins'Q variable, the minimum value obtained was 0,67, the maximum value was 68,57, and the average value was 7,3965.
- Based on the descriptive analysis results on the return on asset variable, the minimum value obtained was 0,00, the maximum value was 33,11, and the average value was 2,5017.
- Based on the descriptive analysis of the results on the current ratio variable, the minimum value obtained was 0,00, the maximum value was 20,22, and the average value was 2,8053.
- Based on the descriptive analysis results on the debt-to-equity ratio variable, the minimum value obtained was 0,10, the maximum value was 5,15, and the average value was 1,9995.

CLASSIC ASSUMPTION TEST

NORMALITY TEST

Results of the Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		40
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,37303332
Most Extreme Differences	Absolute	,122

	Positive		,122
	Negative		-,075
Test Statistic			,122
Asymp. Sig. (2-tailed)[c]			,136
Monte Carlo Sig. (2-tailed)[d]	Sig.		,132
	99% Confidence Interval	Lower Bound	,123
		Upper Bound	,141
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 334431365.			

(Source; Data analysis with SPSS 29, 2023)

Based on the output of the Normality Test using the Kolmogorov-Smirnov test, it had a significant value of 0,132 > 0,05, indicating that the data were normally distributed.

MULTICOLLINEARITY TEST

Results of the Multicollinearity Test

Coefficients[a]							
	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	5,878	3,997		1,470	,150		
ROA	2,036	,248	,805	8,196	<,001	,741	1,350
CR	-,248	,310	-,079	-,799	,430	,725	1,379
DER	-1,440	1,452	-,102	-,992	,328	,669	1,495
a. Dependent Variable: TbQ							

(Source; Data analysis with SPSS 29, 2023)

Based on the data processing above, it can be concluded that the VIF value of return on asset was 1,350 < 10, indicating that there was no multicollinearity. The current ratio value was 1,379 < 10, also indicating no multicollinearity, and the debt-to-equity ratio value was 1,495 < 10, indicating no multicollinearity as well.

HETEROSKEDASTICITY TEST

Results of the Heteroskedasticity Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	7,200	3,064		2,350	,024
	ROA	,341	,190	,298	1,789	,082
	CR	-,339	,238	-,241	-1,428	,162
	DER	-1,714	1,113	-,270	-1,540	,132
a. Dependent Variable: abs_res						

(Source; Data analysis with SPSS 29, 2023)

In the data processing results above, the significance value of the return on asset variable was obtained at 0,082>0,05, indicating that there was no heteroskedasticity problem. Similarly, the significance value of the current ratio variable was obtained at 0,162>0,05, indicating that there was no heteroskedasticity problem. Additionally, the significance value of the debt-to-equity variable was obtained at 0,132>0,05, which also indicated the absence of a heteroskedasticity problem.

AUTOCORRELATION TEST

Results of the Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,862[a]	,743	,722	8,49498	1,850
a. Predictors: (Constant), der, roa, cr					
b. Dependent Variable: tbq					

(Source; Data analysis with SPSS 29, 2023)

Based on the results of the Autocorrelation Test in the table above, the Durbin Watson value was obtained with n = 40 and k = 4, resulting in a DU value of 1,724. This can be seen from the Durbin-Watson table, where 4-DU = 2,285, and the Durbin-Watson value obtained from the SPSS test was 1,850. Thus, from these results, it can be concluded that the decision is DU < DW < 4-DU, indicating no autocorrelation.

MULTIPLE LINEAR REGRESSION TEST

$Y = \alpha + \beta 1\ X1 + \beta 2\ X2 + \epsilon$
$Y = -8{,}213 + 2{,}609\ X1 + 0{,}458\ X2 + 3{,}899\ X3 + \epsilon$

Results of Multiple Linear Regression Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,878	3,997		1,470	,150
	ROA	2,036	,248	,805	8,196	<,001
	CR	-,248	,310	-,079	-,799	,430
	DER	-1,440	1,452	-,102	-,992	,328
a. Dependent Variable: TbQ						

(Source; Data analysis with SPSS 29, 2023)

Therefore, the equation can be explained as follows:

a. The constant of 5,878 means that without considering the independent variable, or with the independent variable fixed, the company's value is 5,878.
b. The coefficient of return on assets is 2,036, which means that for every 1% increase in the return on assets variable, the company's value increases by 2,036, and conversely, for every 1% decrease in the return on assets variable, the company's value decreases by 2,036.
c. The coefficient of the current ratio is -0,248, which means that for every 1% increase in the current ratio variable, the company's value decreases by 0,248, and conversely, for every 1% decrease in the current ratio variable, the company's value increases by 0,248.
d. The coefficient of the debt-to-equity ratio is -1,440, which means that for every 1% increase in the debt-to-equity ratio variable, the company's value decreases by 1,440, and conversely, for every 1% decrease in the debt-to-equity ratio variable, the company's value increases by 1,440.

PARTIAL TEST (t)

Results of Partial Test(t)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5,878	3,997		1,470	,150
	ROA	2,036	,248	,805	8,196	<,001
	CR	-,248	,310	-,079	-,799	,430

	DER	-1,440	1,452	-,102	-,992	,328
a. Dependent Variable: TbQ						

(Source; Data analysis with SPSS 29, 2023)

a. The return on asset variable significantly affected Tobin's Q. This can be seen from the significance of return on asset (0,001 < 0,050) and the t_{value} (8,196) > t_{table} (2,434). It means H_0 is rejected, and H_a is accepted.
b. The current ratio variable did not significantly affect Tobin's Q. This can be seen from the significance of the current ratio (0,430 > 0,050) and the t_{value} (-0,799) < t_{table} (2,434). It means H_0 is accepted, and H_a is rejected.
c. The debt-to-equity ratio variable did not significantly affect Tobin's Q. This can be seen from the significance of the debt-to-equity ratio (0,328 > 0,050) and the t_{value} (-0,992) < t_{table} (2,434). It means H_0 is accepted, and H_a is rejected.

SIMULTANEOUS TEST (F)
Results of Simultaneous Test (F)

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7508,631	3	2502,877	34,683	<,001[b]
	Residual	2597,930	36	72,165		
	Total	10106,561	39			
a. Dependent Variable: TbQ						
b. Predictors: (Constant), DER, ROA, CR						

(Source; Data analysis with SPSS 29, 2023)

Based on the above ANOVA table, it was found that at a significance level of 0,05, the obtained F_{table} = 2,886. It can be observed that the F_{value} = 34,683 with a significance level of 0,001. Thus, $F_{value} > F_{table}$ (34,683> 2,886) and the significance level 0,001 < 0,05. Therefore, it can be concluded that the Independent variables (return on asset, current ratio, and debt-to-equity ratio) together have a significant effect on the dependent variable (Tobin's Q).

COEFFICIENT OF DETERMINATION R^2
Coefficient of Determination (R^2)

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,862[a]	,743	,722	8,49498
a. Predictors: (Constant), DER, ROA, CR				
b. Dependent Variable: TbQ				

(Source; Data analysis with SPSS 29, 2023)

Based on the table above, it can be observed that the coefficient of determination is found in the R Squared value of 0,743. This indicates that the independent variable explains the dependent variable by approximately 74%, while the remaining 26% is explained by other variables not discussed or included in this research.

CONCLUSION

1. The results of the t-test conducted in this research indicate that profitability has a significant effect on the firm's value. This means that any changes in profitability will significantly affect the company's value. Hence, profitability in a company can enhance its value since it is proven to have a positive and significant partial effect on the firm's value. ROA measures the company's ability to utilize its assets to generate profits. A higher ROA indicates the company's capability to generate profits by efficiently utilizing its total assets. A high ROA can have a positive effect on increasing the firm's value.

2. According to the t-test results, liquidity proxied by the current ratio (CR) does not have any effect on the firm's value. Despite high liquidity indicating a healthy ability to pay short-term debts, it does not lead to an increase in stock demand. As a result, the stock price and the firm's value do not rise.
3. The t-test results in this research show that the debt-to-equity ratio does not significantly affect the firm's value. This means that changes in leverage will not considerably affect the firm's value. Regression analysis results also indicate that leverage, represented by the debt-to-equity ratio (DER), does not affect the firm's value. Companies tend to finance their assets using retained earnings and equity capital rather than debt. Having sufficient funds from internal sources reduces the company's reliance on debt to finance its assets. Thus, the magnitude of leverage does not affect the firm's value.
4. Simultaneously, profitability, liquidity, and leverage have a significant combined effect on the value of telecommunication companies in the Indonesian Stock Exchange during the pandemic.

SUGGESTIONS

1. The research findings from these variables should be considered by companies for each Return On Asset (ROA), Current Ratio (CR), and Debt-to-Equity Ratio (DER) ratio. These factors will impact investor perceptions of the company, thereby affecting its overall value and stock prices.
2. The results of this study can serve as a reference for investors who intend to invest in telecommunication companies on the Indonesia Stock Exchange, particularly concerning the variables of the Current Ratio (CR) and Debt-To-Equity Ratio (DER).
3. Companies need to pay more attention to evaluating their financial performance, including monitoring stock prices. When investors invest in stocks, they expect returns on their investments. Therefore, companies should identify the factors that contribute to good returns. If profitability is driven by increased sales, the company should focus on boosting sales to enhance its value.
4. Based on the conducted research, it was found that the coefficient of determination has a value of 0,722 for adjusted R Square. This indicates that approximately 72% of the variance in the dependent variable can be explained by the independent variables discussed in this study. The remaining 28% is affected by other factors not examined in this research, such as interest rates, inflation, asset management, and other variable.

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