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Liquidity and Solvency Analysis in Assessing the Financial Performance of PT Telkom Indonesia (Persero) Tbk Listed on the Indonesia Stock Exchange

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Abstract: This study aims to analyze the liquidity and solvency of PT Telkom Indonesia (Persero) Tbk, listed on the Indonesia Stock Exchange, in assessing its financial performance during the 2021–2025 period. The study employed a descriptive quantitative approach. The research object was PT Telkom Indonesia (Persero) Tbk, while the unit of analysis consisted of the company's audited consolidated financial statements for the 2021–2025 period. Secondary data were collected through documentation and literature review. The analysis employed liquidity ratios, namely the Current Ratio (CR), Quick Ratio (QR), and Cash Ratio (CaR), together with solvency ratios consisting of the Debt to Asset Ratio (DAR) and Debt to Equity Ratio (DER). The findings indicate that the company's liquidity fluctuated throughout the observation period. The Current Ratio ranged from 0.777 to 0.886, the Quick Ratio from 0.763 to 0.875, and the Cash Ratio from 0.405 to 0.554. Despite these fluctuations, the company consistently maintained its ability to meet short-term obligations through effective management of current assets and cash resources. In terms of solvency, the Debt to Asset Ratio ranged from 45.46% to 47.69%, while the Debt to Equity Ratio ranged from 83.34% to 91.15%, indicating that the company's capital structure remained financially sound with a relatively controlled level of debt dependence. This study contributes to the literature by utilizing the most recent audited financial statements for the 2021–2025 period and integrating liquidity and solvency ratio analyses to provide a more comprehensive assessment of the financial performance of PT Telkom Indonesia (Persero) Tbk.

Keywords: Liquidity; Solvency; Financial Performance; Financial Ratio Analysis; PT Telkom Indonesia (Persero) Tbk.

1. Introduction

The development of information and communication technology has transformed the competitive structure of the telecommunications industry in Indonesia. The increasing public demand for high-speed internet services, cloud computing, data centers, artificial intelligence, and 5G networks requires telecommunications companies to prioritize the development of digital networks and infrastructure through continuous investment expansion. On the other hand, such investments require substantial funding, compelling companies to maintain a balance between their ability to meet short-term obligations (liquidity) and their capacity to settle long-term liabilities (solvency). If these two aspects are not managed optimally, a company’s financial condition may experience pressure that could affect business sustainability and investor confidence. Therefore, the analysis of liquidity and solvency is essential in evaluating the financial performance of telecommunications companies.

As the largest telecommunications company in Indonesia listed on the Indonesia Stock Exchange (IDX), PT Telkom Indonesia (Persero) Tbk has continuously pursued digital transformation through the development of broadband networks, data centers, digital services, and technology-based businesses. This strategy is reflected in changes in the company’s assets, liabilities, and equity during the 2021–2025 period. Based on the consolidated financial statements, total assets increased from IDR 277.184 trillion in 2021 to IDR 299.675 trillion in 2024 before declining to IDR 287.759 trillion in 2025. During the same period, total liabilities changed from IDR 131.785 trillion to IDR 137.222 trillion, while current liabilities fluctuated between IDR 69.131 trillion and IDR 76.767 trillion. These changes indicate that the company faced dynamics in managing current assets and its financing structure, requiring deeper analysis through financial ratios.

The phenomenon of changes in the financial condition of PT Telkom Indonesia (Persero) Tbk can be observed through the development of current assets, current liabilities, total liabilities, total equity, total assets, and net income during the 2021–2025 period, as presented in Table 1.

Table 1. Financial Position Development of PT Telkom Indonesia (Persero) Tbk, 2021–2025

Year	Current Assets (IDR Billion)	Current Liabilities (IDR Billion)	Total Liabilities (IDR Billion)	Total Equity (IDR Billion)	Total Assets (IDR Billion)	Net Income (IDR Billion)
2021	61,277	69,131	131,785	145,399	277,184	33,948
2022	55,057	70,388	125,930	149,262	275,192	27,680
2023	55,613	71,568	130,480	156,562	287,042	32,208
2024	63,080	76,767	137,185	162,490	299,675	30,743
2025	61,766	73,948	137,222	150,537	287,759	24,458

Source: Financial Statements of PT Telkom Indonesia (Persero) Tbk, 2021–2025, processed by the researcher (2026).

Based on Table 1, the financial condition of PT Telkom Indonesia experienced changes throughout the research period. Current assets declined in 2022 and 2023 before increasing again in 2024. In contrast, current liabilities showed an upward trend until 2024 before decreasing in 2025. Meanwhile, total equity increased through 2024 but declined in 2025, while net income fluctuated from IDR 33.948 trillion in 2021 to IDR 24.458 trillion in 2025. These conditions indicate that the company experienced changes in its asset structure, liabilities, and capital composition, which may affect liquidity, solvency, and overall financial performance. Therefore, a more comprehensive analysis using financial ratios is required to objectively assess the company's financial condition. According to Scott and O'Brien (2024), Financial Accounting Theory explains that financial statements are prepared to provide relevant and reliable information for users in making economic decisions. Information concerning assets, liabilities, equity, revenues, and cash flows becomes more useful when analyzed through financial ratios, enabling a more comprehensive assessment of a company's financial health. In this study, the theory serves as the foundation for explaining that liquidity and solvency ratio analysis constitutes an important component in evaluating the quality of information presented in the statement of financial position of PT Telkom Indonesia.

In addition to Financial Accounting Theory, this study is also supported by Signalling Theory, which explains that companies provide signals to investors through information disclosed in financial statements. Strong liquidity and solvency ratios serve as positive signals regarding a company's ability to meet its financial obligations, thereby enhancing investor and creditor confidence. Conversely, declining financial ratios may be perceived as signals of increasing risk that require attention from stakeholders. Therefore, liquidity and solvency ratio analysis is not only used to assess a company's financial condition but also serves as a basis for investment and financing decisions. Liquidity was selected as a focus of this study because it reflects a company's ability to meet short-term obligations using its current assets. For telecommunications companies, maintaining liquidity is crucial given the substantial working capital requirements needed to support operations and digital infrastructure investments. The liquidity ratios analyzed in this study include the Current Ratio, Quick Ratio, and Cash Ratio, each providing a different perspective on the company's ability to meet short-term liabilities.

In addition to liquidity, solvency is also an important indicator in assessing a company's financial performance because it reflects the company's ability to meet long-term obligations and maintain a healthy capital structure. The solvency ratios used in this study are the Debt-to-Asset Ratio and Debt-to-Equity Ratio. These ratios illustrate the extent of the company's dependence on debt financing as well as the balance between shareholders' equity and corporate liabilities. Previous studies have indicated that company performance can be evaluated through financial ratio analysis as a relevant assessment tool. However, most prior studies only utilized data up to 2023 or 2024 and primarily combined profitability, activity, and liquidity ratios without providing an in-depth discussion of the relationship between liquidity and solvency in assessing the financial performance of PT Telkom Indonesia. Furthermore, studies utilizing the most recent financial statements covering the 2021–2025 period remain limited. This research gap provides the basis for conducting the present study in order to offer more up-to-date empirical evidence regarding the company's financial condition. Based on the observed phenomenon, theoretical foundations, and identified research gap, this study aims to analyze the levels of liquidity and solvency in evaluating the financial performance of PT Telkom Indonesia (Persero) Tbk, listed on the Indonesia Stock Exchange, during the 2021–2025 period based on an analysis of its statement of financial position.

3. Research Methods

3.1 Research Design

This study employed a quantitative descriptive research design to evaluate the liquidity and solvency levels in assessing corporate financial performance. A quantitative descriptive approach was selected because the study focuses on measuring, calculating, and interpreting financial ratios derived from historical financial statement data without examining causal relationships among variables. This approach enables an objective assessment of the company's financial condition by systematically analyzing financial statements over multiple reporting periods. Descriptive financial ratio analysis is widely applied in accounting and finance research to evaluate financial performance and identify trends in corporate financial health.

3.2 Research Object and Data Source

The object of this research is PT Telkom Indonesia (Persero) Tbk, the largest state-owned telecommunications company listed on the Indonesia Stock Exchange (IDX). The company was purposively selected because it consistently publishes audited annual financial statements and has undergone significant digital transformation through investments in broadband infrastructure, cloud computing, data centers, and digital services. This study utilized secondary data obtained from the company's audited annual reports and consolidated financial statements for the 2021–2025 period. The financial statements were collected from official corporate publications and the Indonesia Stock Exchange to ensure the authenticity, reliability, and credibility of the data. Supporting literature, including peer-reviewed journal articles, accounting textbooks, and financial reporting standards, was also reviewed to strengthen the theoretical foundation of the study.

3.3 Data Collection Technique

Data were collected using documentation and literature review techniques. Documentation involved collecting and extracting quantitative information from the published financial statements, including current assets, current liabilities, total liabilities, total equity, total assets, cash and cash equivalents, inventories, and net income. The literature review was conducted to examine previous studies, accounting theories, and financial management literature related to liquidity, solvency, and financial performance assessment. The combination of these techniques provided comprehensive and reliable empirical evidence for the analysis.

3.4 Variables and Measurement

This study evaluates corporate financial performance using two categories of financial ratios: liquidity ratios and solvency ratios.

Liquidity was measured using:

- Current Ratio (CR), which measures the company's ability to meet current liabilities using current assets.
- Quick Ratio (QR), which evaluates the company's ability to satisfy short-term obligations after excluding inventories from current assets.
- Cash Ratio (CaR), which measures the extent to which cash and cash equivalents are available to cover current liabilities.

Solvency was measured using:

- Debt-to-Asset Ratio (DAR), which indicates the proportion of company assets financed by liabilities.
- Debt-to-Equity Ratio (DER), which reflects the relationship between total liabilities and shareholders' equity, representing the company's long-term financial leverage.

3.5 Data Analysis Technique

The study employed financial ratio analysis as the primary analytical method to evaluate the company's financial condition. The analysis consisted of five sequential stages. First, the financial statement data were collected and verified to ensure consistency and completeness. Second, relevant financial statement components were classified according to the requirements of each financial ratio. Third, liquidity and solvency ratios were calculated using generally accepted accounting formulas. Fourth, a trend analysis was conducted to identify changes in the company's financial condition over the five-year observation period (2021–2025). Finally, the results were interpreted based on Financial Accounting Theory, Signalling Theory, and established financial management principles to evaluate the company's financial performance comprehensively. Trend analysis enables the identification of patterns in liquidity and solvency performance over time, allowing a more comprehensive understanding of changes in financial stability and capital structure throughout the observation period.

3.6 Research Validity

To ensure the validity and reliability of the findings, this study used audited financial statements prepared in accordance with Indonesian Financial Accounting Standards (SAK). The financial ratio calculations were independently verified through repeated computations using Microsoft Excel to minimize calculation errors. Furthermore, theoretical triangulation was applied by comparing empirical findings with Financial Accounting Theory, Signalling Theory, previous empirical studies, and financial statement analysis literature. This approach enhances the credibility, consistency, and academic rigor of the research findings.

3. Results and Discussion

Liquidity Ratio Analysis

Liquidity refers to a company's ability to meet its short-term obligations as they become due by utilizing its current assets. A sound liquidity position indicates that the company is capable of maintaining business continuity without experiencing financial difficulties in meeting its obligations to creditors and other stakeholders. According to Kasmir (2019), liquidity ratios represent one of the primary indicators used to evaluate a company's financial health because they reflect the effectiveness of current asset management in fulfilling short-term liabilities.

Table 2. Statement of Financial Position Data of PT Telkom Indonesia (Persero) Tbk, 2021–2025

Year	Current Assets (IDR Billion)	Current Liabilities (IDR Billion)	Total Liabilities (IDR Billion)	Total Equity (IDR Billion)	Total Assets (IDR Billion)	Cash and Cash Equivalents (IDR Billion)	Inventories (IDR Billion)
2021	61,277	69,131	131,785	145,399	277,184	38,311	779
2022	55,057	70,388	125,930	149,262	275,192	31,947	1,144
2023	55,613	71,568	130,480	156,562	287,042	29,007	997
2024	63,080	76,767	137,185	162,490	299,675	33,905	1,096
2025	61,766	73,948	137,222	150,537	287,759	34,228	901

Source: PT Telkom Indonesia (Persero) Tbk Annual Financial Statements, 2021–2025; processed by the researcher (2026).

Table 2 demonstrates that during the 2021–2025 observation period, changes occurred in current assets, current liabilities, total liabilities, total equity, and cash and cash equivalents. These fluctuations indicate dynamic changes in the company's working capital management and financing structure. Such changes provide the basis for evaluating the company's financial performance through liquidity and solvency ratio analysis, thereby offering a more comprehensive understanding of its short-term financial capacity and long-term financial stability. Based on the financial statement analysis of PT Telkom Indonesia (Persero) Tbk for the period 2021–2025, the liquidity ratios are presented in Table3.

Table 3. Liquidity Ratios of PT Telkom Indonesia (Persero) Tbk, 2021–2025

Year	Current Ratio	Quick Ratio	Cash Ratio
2021	0.886	0.875	0.554
2022	0.782	0.766	0.454
2023	0.777	0.763	0.405
2024	0.822	0.807	0.442
2025	0.835	0.823	0.463

Source: Processed by the researcher (2026).

Current Ratio Analysis

Table 4. Changes in the Current Ratio of PT Telkom Indonesia (Persero) Tbk

Year	Current Ratio	Change	Interpretation
2021	0.886	–	Relatively sound liquidity as the baseline year of the study.
2022	0.782	Decreased by 11.7%	Declining current assets combined with increasing current liabilities reduced the company's ability to meet short-term obligations.
2023	0.777	Decreased by 0.6%	Current liabilities continued to grow faster than current assets.
2024	0.822	Increased by 5.8%	Improvement in current assets strengthened the company's liquidity position.
2025	0.835	Increased by 1.6%	Lower current liabilities contributed to an improvement in the liquidity ratio.

Source: Processed by the researcher (2026).

Table 4 shows that the Current Ratio declined during the 2022–2023 period before recovering in 2024 and 2025. This trend indicates that the company successfully improved its working capital management after previously experiencing pressure arising from increasing short-term liabilities. The Current Ratio is commonly used to measure the extent to which a company's current assets can cover its current liabilities when they become due. An increasing Current Ratio generally reflects a stronger ability to satisfy short-term obligations, although an excessively high ratio may also indicate inefficient utilization of current assets. Conversely, a ratio below the conventional benchmark does not necessarily imply weak liquidity, particularly in industries characterized by stable operating cash flows and substantial long-term capital investment requirements. As suggested by Kasmir (2019), an excessively high Current Ratio may indicate that a considerable portion of current assets is not being utilized efficiently to generate returns.

In 2021, PT Telkom Indonesia recorded a Current Ratio of 0.886, calculated from current assets amounting to IDR 61,277 billion and current liabilities of IDR 69,131 billion. This indicates that every IDR 1.00 of current liabilities was supported by IDR 0.886 of current assets. Although the ratio remained below one, this condition is understandable considering the characteristics of the telecommunications industry, which typically maintains stable operating cash flows while allocating substantial financial resources to long-term infrastructure investments. Rather than retaining excessive current assets, telecommunications companies generally prioritize investment in broadband networks, digital infrastructure, data centers, and other strategic assets that generate long-term economic benefits. Consequently, current assets account for a relatively smaller proportion of total assets compared with industries such as manufacturing or retail. This finding is consistent with previous studies reporting that telecommunications firms generally maintain moderate Current Ratios because their business models emphasize long-term asset investment rather than the accumulation of liquid current assets.

In 2022, the Current Ratio declined to 0.782. This decrease resulted from a reduction in current assets from IDR 61,277 billion to IDR 55,057 billion, while current liabilities increased to IDR 70,388 billion. The decline in current assets was primarily driven by lower cash and cash equivalents together with changes in other current asset components, whereas the increase in current liabilities reflected higher operational obligations. Nevertheless, this decline should not be interpreted as evidence of serious liquidity problems because the company continued to generate positive operating cash flows and reported a net profit of IDR 27,680 billion. These results indicate that PT Telkom Indonesia remained capable of managing its working capital efficiently despite experiencing short-term liquidity pressure associated with business expansion and investment activities.

The downward trend continued modestly in 2023, with the Current Ratio declining slightly to 0.777. Compared with the previous year, the decrease was relatively insignificant because current assets increased to IDR 55,613 billion, although the increase remained lower than the growth in current liabilities, which reached IDR 71,568 billion. This situation indicates that short-term obligations expanded at a faster pace than liquid resources. Despite the lower liquidity ratio, the company successfully increased its net income to IDR 32,208 billion, demonstrating that operational performance remained strong. According to Brigham and Houston (2022), companies with strong operating cash flow generation do not necessarily require a high Current Ratio because their ability to meet short-term obligations also depends on effective cash management and an efficient operating cycle. Therefore, the slight decline in the Current Ratio should be interpreted within the broader context of the company's operating performance rather than viewed solely as a deterioration in liquidity.

A recovery was observed in 2024 when the Current Ratio increased to 0.822. The improvement was primarily attributable to an increase in current assets to IDR 63,080 billion, while current liabilities also increased to IDR 76,767 billion. The stronger growth in current assets relative to previous years indicates that the company enhanced its capacity to provide sufficient liquid resources to support short-term obligations. Although current liabilities also expanded, the substantial increase in current assets resulted in a healthier liquidity position compared with 2023. This improvement suggests that PT Telkom Indonesia strengthened its working capital position following significant strategic investments undertaken during previous years.

By the end of 2025, the Current Ratio increased further to 0.835. Although current assets declined slightly to IDR 61,766 billion, current liabilities decreased more substantially to IDR 73,948 billion, resulting in an improvement in the liquidity ratio. This development indicates that the company exercised greater control over its short-term obligations than in the preceding year. Overall, the evolution of the Current Ratio throughout the 2021–2025 period demonstrates that PT Telkom Indonesia successfully maintained relatively stable liquidity despite fluctuations in macroeconomic conditions and the substantial investment requirements associated with digital transformation. These findings suggest that the company possesses sufficient capacity to meet its short-term financial obligations while maintaining operational continuity and supporting sustainable long-term growth.

Quick Ratio Analysis

The Quick Ratio is a liquidity ratio used to evaluate a company's ability to meet its short-term obligations by utilizing highly liquid current assets while excluding inventories from the calculation. Unlike the Current Ratio, the Quick Ratio provides a more stringent assessment of liquidity because inventories are generally not considered immediately convertible into cash. Instead, assets such as cash, cash equivalents, and accounts receivable are regarded as more liquid and therefore provide a more accurate measure of a company's ability to settle obligations that become due in the near term. According to Kasmir (2019), the Quick Ratio is a more appropriate indicator for evaluating a company's capacity to satisfy current liabilities without relying on inventory sales. Consequently, a higher Quick Ratio reflects a stronger ability to meet short-term financial obligations using the most liquid assets available. Based on the calculation results, PT Telkom Indonesia's Quick Ratio fluctuated throughout the 2021–2025 observation period but remained within a relatively stable range. The results are presented in Table 5.

Table 5. Changes in the Quick Ratio of PT Telkom Indonesia (Persero) Tbk, 2021–2025

Year	Quick Ratio	Change	Interpretation
2021	0.875	–	The company's liquidity was primarily supported by highly liquid assets.
2022	0.766	Decreased by 12.5%	Lower cash and receivables contributed to the decline in the ratio.
2023	0.763	Decreased by 0.4%	The change was insignificant because inventories represented only a small proportion of current assets.
2024	0.807	Increased by 5.8%	Growth in current assets strengthened the company's ability to meet short-term obligations.
2025	0.823	Increased by 2.0%	Liquidity improved further as current liabilities declined.

Source: Processed by the researcher (2026).

In 2021, PT Telkom Indonesia recorded a Quick Ratio of 0.875, which was only slightly lower than its Current Ratio of 0.886. This minimal difference indicates that inventories represented only a relatively small proportion of the company's total current assets. Inventories amounted to only IDR 779 billion, whereas total current assets reached IDR 61,277 billion. This asset composition demonstrates that the majority of the company's current assets consisted of cash, cash equivalents, trade receivables, and other financial assets with high liquidity. Such a structure is characteristic of telecommunications service providers, whose business operations do not rely heavily on inventories as a primary operating asset. Unlike manufacturing companies, which typically maintain substantial inventory balances, telecommunications firms allocate a larger proportion of their financial resources to network infrastructure, technological equipment, and digital assets. Consequently, inventories account for only a small fraction of total current assets. This finding is consistent with previous studies indicating that the asset structure of telecommunications companies is predominantly composed of fixed assets and intangible assets rather than inventories.

In 2022, the Quick Ratio declined to 0.766. This decrease resulted from a reduction in current assets from IDR 61,277 billion to IDR 55,057 billion, while current liabilities increased to IDR 70,388 billion. Meanwhile, inventories increased to IDR 1,144 billion, causing the Quick Ratio to decline slightly more than the Current Ratio. Nevertheless, the increase in inventories remained relatively insignificant compared with the company's total current assets. This indicates that the decline in the Quick Ratio was primarily driven by reductions in cash, trade receivables, and other liquid current assets rather than by changes in inventory levels. According to Brigham and Houston (2022), companies with stable operating cash flows do not necessarily require a high Quick Ratio because their ability to meet short-term obligations also depends on effective working capital management and efficient cash conversion cycles. The downward trend continued modestly in 2023, with the Quick Ratio declining slightly to 0.763.

Although current assets increased to IDR 55,613 billion, current liabilities rose further to IDR 71,568 billion, resulting in a marginal decline in the ratio. Interestingly, inventories decreased to IDR 997 billion, indicating that inventory changes had little influence on the movement of the Quick Ratio. Instead, the decline primarily reflected the faster growth of short-term liabilities relative to highly liquid current assets. From an operational perspective, however, the company remained financially strong, reporting a net profit of IDR 32,208 billion during the year. Therefore, the decline in the Quick Ratio should not be interpreted as evidence of deteriorating liquidity. Rather, it suggests that PT Telkom Indonesia continued to manage its operational activities efficiently despite increasing short-term financing requirements. This finding supports the study of Anastasya et al. (2023), which concluded that telecommunications companies with strong operating cash flows are capable of maintaining sound financial conditions even when liquidity ratios experience temporary declines.

Quick Ratio Analysis

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Based on the calculation results, PT Telkom Indonesia's Quick Ratio fluctuated throughout the 2021–2025 observation period but remained within a relatively stable range. The results are presented in Table 5.

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The downward trend continued modestly in 2023, with the Quick Ratio declining slightly to 0.763. Although current assets increased to IDR 55,613 billion, current liabilities rose further to IDR 71,568 billion, resulting in a marginal decline in the ratio. Interestingly, inventories decreased to IDR 997 billion, indicating that inventory changes had little influence on the movement of the Quick Ratio. Instead, the decline primarily reflected the faster growth of short-term liabilities relative to highly liquid current assets. From an operational perspective, however, the company remained financially strong, reporting a net profit of IDR 32,208 billion during the year. Therefore, the decline in the Quick Ratio should not be interpreted as evidence of deteriorating liquidity. Rather, it suggests that PT Telkom Indonesia continued to manage its operational activities efficiently despite increasing short-term financing requirements. This finding supports the study of Anastasya et al. (2023), which concluded that telecommunications companies with strong operating cash flows are capable of maintaining sound financial conditions even when liquidity ratios experience temporary declines.

Cash Ratio Analysis

The Cash Ratio is a liquidity ratio used to assess the extent to which a company can meet its current liabilities using only cash and cash equivalents. Unlike other liquidity ratios, the Cash Ratio provides the most conservative assessment of liquidity because it considers only the most liquid assets while excluding accounts receivable, inventories, and other current assets. Consequently, the Cash Ratio measures a company's immediate capacity to settle short-term obligations without relying on the collection of receivables or the liquidation of other assets. According to Kasmir (2019), a higher Cash Ratio indicates a greater ability to satisfy current liabilities directly through available cash resources. Conversely, a relatively low Cash Ratio does not necessarily imply poor financial performance, particularly when the company generates stable operating cash flows and possesses a sustainable capacity to produce cash. Therefore, the interpretation of the Cash Ratio should always consider the characteristics of the industry in which the company operates.

In the telecommunications industry, the Cash Ratio plays a particularly important role because companies require substantial capital expenditures for network expansion, digital infrastructure development, service capacity enhancement, and continuous technological innovation. As a result, telecommunications firms do not typically maintain excessively large cash balances, as a considerable proportion of available funds is allocated to productive investments that are expected to generate long-term economic benefits. Consequently, evaluating the Cash Ratio of telecommunications companies should not focus solely on the amount of cash available but should also consider management's ability to generate stable operating cash flows while maintaining an appropriate balance between liquidity and long-term investment requirements (Brigham & Houston, 2022). Based on the analysis of PT Telkom Indonesia (Persero) Tbk's financial statements for the period 2021–2025, the Cash Ratio results are presented in Table 6.

Table 6. Changes in the Cash Ratio of PT Telkom Indonesia (Persero) Tbk, 2021–2025

Year	Cash Ratio	Change	Interpretation
2021	0.554	–	The company maintained a very strong cash position.
2022	0.454	Decreased by 18.1%	Cash resources were utilized to support investment and operational activities.
2023	0.405	Decreased by 10.8%	Cash declined as investment activities continued to expand.
2024	0.442	Increased by 9.1%	The company successfully strengthened its cash position.
2025	0.463	Increased by 4.8%	Cash remained stable while current liabilities declined.

Source: Processed by the researcher (2026).

Table 6 shows that PT Telkom Indonesia's Cash Ratio fluctuated throughout the observation period. The highest ratio was recorded in 2021 at 0.554, while the lowest value occurred in 2023, reaching 0.405. After declining for two consecutive years, the ratio recovered in 2024 and 2025, increasing to 0.442 and 0.463, respectively. These fluctuations indicate that the company's ability to meet short-term obligations using only cash and cash equivalents changed over time, reflecting variations in both cash balances and current liabilities.

In 2021, PT Telkom Indonesia reported cash and cash equivalents amounting to IDR 38,311 billion and current liabilities of IDR 69,131 billion, resulting in a Cash Ratio of 0.554. This indicates that the company possessed sufficient cash resources to cover approximately 55.4% of its short-term obligations without relying on accounts receivable collections or the disposal of other current assets. Such a ratio reflects a relatively strong cash position and provides the company with considerable flexibility in meeting its day-to-day operational requirements. Furthermore, the substantial cash balance demonstrates the company's strong ability to generate operating cash flows, which is a critical characteristic of large-scale telecommunications companies. These findings support Scott and O'Brien's (2024) Financial Accounting Theory, which argues that the quality of financial reporting is reflected in the company's ability to maintain adequate liquidity to ensure business continuity and support informed economic decision-making.

In 2022, the Cash Ratio declined to 0.454. This reduction was primarily attributable to a decrease in cash and cash equivalents from IDR 38,311 billion to IDR 31,947 billion, while current liabilities increased to IDR 70,388 billion. The decline indicates that part of the company's available cash was utilized to finance investment projects and operational activities, thereby reducing its year-end cash balance. Nevertheless, the company remained financially sound, recording a net profit of IDR 27,680 billion, which demonstrates that its core business operations continued to perform effectively. Under these circumstances, the lower Cash Ratio should be interpreted as evidence of strategic cash allocation to support corporate growth rather than as an indication of liquidity distress. This interpretation is consistent with the argument of Brigham and Houston (2022) that firms in an expansion phase typically allocate a substantial proportion of their cash resources to productive investments, resulting in temporarily lower cash holdings compared with previous periods.

In 2023, the Cash Ratio declined further to 0.405, representing the lowest value observed during the study period. This decrease resulted from a reduction in cash and cash equivalents to IDR 29,007 billion, while current liabilities increased further to IDR 71,568 billion. Despite the decline in cash holdings, the company successfully increased its net profit to IDR 32,208 billion, indicating that the lower cash balance was not caused by weakened profitability. Instead, the reduction primarily reflected the utilization of financial resources for investment activities, debt repayments, and business expansion initiatives. These findings suggest that the company's cash position remained under effective managerial control because it continued to generate stable operating cash flows capable of supporting ongoing business activities. Previous studies on PT Telkom Indonesia have similarly concluded that fluctuations in cash balances are a natural consequence of the company's substantial investments in digital transformation, network modernization, and telecommunications service expansion, rather than evidence of deteriorating financial performance.

Solvency Ratio Analysis

Solvency ratios are used to evaluate a company's ability to fulfill all of its financial obligations, including both short-term and long-term liabilities. These ratios also indicate the extent to which the company's operations are financed through debt relative to shareholders' equity and total assets. According to Kasmir (2019), a lower level of solvency reflects a healthier capital structure because the company is less dependent on debt financing. Conversely, higher solvency ratios indicate a greater reliance on borrowed funds, which may increase financial risk due to higher interest expenses and future debt repayment obligations. Consequently, solvency ratio analysis serves as an essential tool for assessing a company's financial stability, long-term sustainability, and overall financial health. In this study, solvency is evaluated using two widely accepted indicators: the Debt-to-Asset Ratio (DAR) and the Debt-to-Equity Ratio (DER). These ratios were selected because they provide comprehensive information regarding the proportion of company assets financed through liabilities as well as the balance between debt financing and shareholders' equity. Moreover, both indicators have been extensively employed in previous studies examining the financial performance of companies operating in the telecommunications industry.

Debt-to-Asset Ratio (DAR) Analysis

The Debt-to-Asset Ratio (DAR) measures the proportion of a company's total assets financed through liabilities. This ratio provides insight into the extent to which debt is utilized as a source of financing for the company's asset base. A higher DAR indicates that a larger proportion of total assets is financed by debt, reflecting greater dependence on external financing. Conversely, according to Kasmir (2019), a lower DAR suggests that most company assets are financed by shareholders' equity, indicating a healthier and more stable financial position. Excessively high DAR values may increase financial risk because the company must bear greater debt servicing and repayment obligations in the future. Consequently, the Debt-to-Asset Ratio is widely regarded by investors and creditors as one of the primary indicators for assessing investment security and evaluating a company's financing strategy.
The calculated Debt-to-Asset Ratio of PT Telkom Indonesia (Persero) Tbk during the 2021–2025 period is presented in Table 7.

Table 7. Changes in the Debt-to-Asset Ratio of PT Telkom Indonesia (Persero) Tbk, 2021–2025

Year	Debt-to-Asset Ratio	Change	Interpretation
2021	47.54%	–	Healthy capital structure.
2022	45.76%	Decreased	The proportion of debt relative to total assets declined.
2023	45.46%	Decreased	Asset growth exceeded the increase in liabilities.
2024	45.78%	Slight increase	The ratio remained within a safe range.
2025	47.69%	Increased	The increase resulted primarily from declining total assets rather than a substantial rise in debt.

Source: Processed by the researcher (2026).

Table 7 shows that PT Telkom Indonesia's Debt-to-Asset Ratio remained within a relatively narrow range of 45.46% to 47.69% throughout the observation period. These values indicate that less than half of the company's total assets were financed through liabilities, while more than half were financed by shareholders' equity. Such a financing structure suggests that the company maintained a relatively healthy capital structure without excessive dependence on external debt financing. In general, a DAR below 50% indicates that the company possesses sufficient asset coverage to meet its financial obligations, thereby reflecting a relatively low level of solvency risk. This finding is consistent with Kasmir (2019), who argues that a lower Debt-to-Asset Ratio is associated with stronger financial stability and lower financial risk. In 2021, PT Telkom Indonesia reported a Debt-to-Asset Ratio of 47.54%, calculated from total liabilities of IDR 131,785 billion and total assets of IDR 277,184 billion. This ratio indicates that approximately 47.54% of the company's assets were financed through liabilities, while the remaining 52.46% were financed by shareholders' equity. Such a financing composition demonstrates a relatively healthy capital structure, as equity financing exceeded debt financing. The substantial asset base provided adequate collateral for creditors, thereby reducing financial risk and strengthening the company's creditworthiness. Furthermore, this balance between debt and equity indicates that management successfully maintained an optimal financing structure capable of supporting both operational activities and long-term strategic investments.

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In 2022, the Debt-to-Asset Ratio declined to 45.76%. This improvement resulted primarily from a reduction in total liabilities to IDR 125,930 billion, while total assets decreased only slightly to IDR 275,192 billion. Because liabilities declined at a faster rate than total assets, the proportion of debt financing decreased compared with the previous year. This development indicates an improvement in the company's capital structure as its dependence on debt financing diminished. From a financial management perspective, this suggests that PT Telkom Indonesia strengthened its financial position by relying more heavily on internally generated capital to support operational and investment activities. This finding is consistent with previous studies demonstrating that telecommunications companies capable of reducing their Debt-to-Asset Ratio generally possess greater financial flexibility in responding to economic uncertainty and increasing industry competition.

The downward trend continued in 2023, when the Debt-to-Asset Ratio declined further to 45.46%, representing the lowest value recorded during the study period. Although total liabilities increased to IDR 130,480 billion, total assets expanded more substantially to IDR 287,042 billion, resulting in a lower proportion of debt relative to total assets. This finding indicates that PT Telkom Indonesia successfully expanded its asset base at a faster pace than its liabilities. The increase in assets reflects successful investments that enhanced the company's operational capacity without significantly increasing solvency risk. According to Brigham and Houston (2022), asset growth that exceeds liability growth is considered a positive financial indicator because it demonstrates that the company is expanding its business capacity while maintaining a sound financing structure.

In 2024, the Debt-to-Asset Ratio increased slightly to 45.78%. This modest increase resulted from total liabilities rising to IDR 137,185 billion, while total assets also increased substantially to IDR 299,675 billion. Although liabilities expanded during the year, the significant growth in total assets limited the overall increase in the ratio. This finding indicates that the company successfully offset the increase in liabilities through the acquisition of additional productive assets. Consequently, the slight increase in the Debt-to-Asset Ratio does not indicate deterioration in the company's capital structure. Instead, it reflects management's ability to balance financing requirements with asset growth, thereby maintaining financial stability while supporting continued business expansion.

In 2025, the Debt-to-Asset Ratio increased to 47.69%, representing the highest value observed during the study period. This increase was primarily attributable to total liabilities of IDR 137,222 billion, combined with a decline in total assets to IDR 287,759 billion. The reduction in total assets, without a corresponding decline in liabilities, increased the proportion of debt financing relative to total assets. Nevertheless, the ratio remained below the 50% benchmark, indicating that the company's solvency position remained financially sound. Total assets continued to exceed total liabilities, providing sufficient coverage for the company's financial obligations. Therefore, the increase in the Debt-to-Asset Ratio was driven primarily by changes in asset composition rather than excessive debt accumulation.

Overall, the Debt-to-Asset Ratio analysis demonstrates that PT Telkom Indonesia maintained a healthy financing structure throughout the 2021–2025 observation period. The fluctuations in the ratio were relatively small and consistently remained within a safe range, indicating prudent debt management and effective financial planning. These findings support Kasmir's (2019) argument that companies with relatively low Debt-to-Asset Ratios tend to experience lower financial risk and possess stronger long-term sustainability. The results are also consistent with previous empirical studies on PT Telkom Indonesia, which conclude that the company has maintained a stable capital structure and sound solvency despite continuously investing in telecommunications infrastructure, digital transformation, and technological innovation.

Table 9. Summary of Financial Ratio Analysis of PT Telkom Indonesia (Persero) Tbk, 2021–2025

Ratio	2021	2022	2023	2024	2025	Trend	Conclusion
Current Ratio	0.886	0.782	0.777	0.822	0.835	Fluctuating	Liquidity remained relatively sound despite being below the conventional benchmark.
Quick Ratio	0.875	0.766	0.763	0.807	0.823	Fluctuating	Ability to meet short-term obligations without relying on inventory remained stable.
Cash Ratio	0.554	0.454	0.405	0.442	0.463	Declined then improved	Cash holdings remained adequate to support operational activities.
Debt to Asset Ratio (DAR)	47.54%	45.76%	45.46%	45.78%	47.69%	Stable	Below 50%, indicating a healthy asset financing structure.
Debt to Equity Ratio (DER)	90.64%	84.37%	83.34%	84.43%	91.15%	Stable	Below 100%, indicating a sound capital structure.

Source: Processed by the authors (2026).

The findings indicate that the financial condition of PT Telkom Indonesia (Persero) Tbk remained relatively stable throughout the 2021–2025 period despite fluctuations in several liquidity and solvency indicators. Based on the financial ratio analysis, the company successfully maintained a balance between its capability to fulfill short-term obligations and its ability to preserve a sound capital structure. These findings suggest that management effectively managed the company's financial resources, allowing both operational activities and strategic investments to continue sustainably. According to Kasmir (2019), financial ratio analysis is not only intended to assess a firm's financial condition at a particular point in time but also serves as an essential tool for evaluating the effectiveness of financial policies over time. Consequently, changes in financial ratios should be interpreted comprehensively to provide meaningful information for economic decision-making.

From a liquidity perspective, this study reveals that the Current Ratio, Quick Ratio, and Cash Ratio experienced moderate fluctuations throughout the observation period. The Current Ratio declined during 2022–2023 before recovering in 2024 and 2025. Similar patterns were observed for both the Quick Ratio and Cash Ratio. These fluctuations primarily reflected adjustments in working capital management resulting from increased investments in telecommunications infrastructure, digital services, and technological transformation initiatives. Therefore, the changes in liquidity ratios should not be interpreted solely as a deterioration in the company's short-term financial capacity but rather as evidence of a strategic allocation of financial resources to support long-term corporate growth. This finding is consistent with the financial management theory proposed by Brigham and Houston (2022), which argues that companies with strong growth opportunities generally allocate substantial financial resources to productive investments, resulting in liquidity levels that may not necessarily appear high according to conventional standards.

The characteristics of PT Telkom Indonesia as a telecommunications service provider also play an important role in interpreting the liquidity analysis. Unlike manufacturing or trading companies, which generally maintain substantial inventory balances, telecommunications companies allocate a significant proportion of their assets to network infrastructure, telecommunication equipment, data centers, software, and other digital assets. Consequently, inventory represents only a minor component of total current assets, explaining why the differences between the Current Ratio and the Quick Ratio throughout the study period were minimal. The results demonstrate that the company's ability to satisfy short-term obligations depended primarily on cash, cash equivalents, accounts receivable, and other highly liquid financial assets rather than inventory. This finding supports previous studies indicating that asset structures in service-oriented telecommunications companies differ considerably from those in manufacturing firms, implying that liquidity ratios should always be interpreted within the context of industry characteristics.

The Cash Ratio exhibited a declining trend during the early years of the study before gradually recovering in the final two years. This reduction in cash balances should not be interpreted as financial weakness but rather as a reflection of the company's strategic allocation of cash resources toward investment and business expansion activities. The telecommunications industry requires substantial capital expenditures for network expansion, digital infrastructure development, service capacity enhancement, and technological innovation. Consequently, firms operating within this industry typically do not maintain excessive cash reserves because available funds are continuously reinvested into productive assets expected to generate future economic benefits. Despite declining cash balances during certain years, PT Telkom Indonesia maintained sufficient cash resources to support operational activities without experiencing liquidity constraints. These findings indicate effective cash management practices that successfully balanced liquidity requirements with long-term investment objectives.

From the solvency perspective, PT Telkom Indonesia demonstrated consistently healthy financial conditions throughout the observation period. The Debt to Asset Ratio ranged from 45.46% to 47.69%, while the Debt to Equity Ratio fluctuated between 83.34% and 91.15%. These results indicate that the company's financing structure continued to be supported primarily by assets and shareholders' equity rather than excessive reliance on debt financing. Consequently, the firm's capital structure can be classified as financially sound with manageable financial risk. According to Kasmir (2019), companies maintaining moderate Debt to Asset and Debt to Equity Ratios generally possess stronger financial flexibility, greater access to external financing, higher investor confidence, and improved resilience against economic uncertainty. The findings suggest that PT Telkom Indonesia successfully preserved an optimal balance between debt financing and equity throughout the 2021–2025 period while simultaneously implementing business expansion strategies and investing heavily in digital transformation initiatives.

A more detailed examination of the 2025 financial ratios reveals that the increases in both the Debt to Asset Ratio and Debt to Equity Ratio should not be interpreted as evidence of deteriorating financial health. Instead, these increases were primarily driven by changes in the composition of total assets and shareholders' equity rather than excessive debt accumulation. In other words, the company continued to demonstrate effective financial structure management, with the increases remaining well within acceptable levels. Brigham and Houston (2022) argue that the strategic use of debt financing can enhance firm value when the expected return on invested capital exceeds the associated cost of capital. Therefore, moderate increases in solvency ratios do not necessarily indicate weaker financial performance, particularly when accompanied by continued profitability, stable cash flows, and sustainable asset growth.

The findings of this study also support Financial Accounting Theory proposed by Scott and O'Brien (2024), which emphasizes that the primary objective of financial reporting is to provide relevant and reliable information for economic decision-making. Liquidity and solvency information constitutes one of the most critical outputs of financial statements because these indicators reflect a company's ability to fulfill its financial obligations while sustaining long-term operations. Based on the empirical evidence presented in this study, liquidity and solvency ratios effectively illustrate PT Telkom Indonesia's financial condition throughout the 2021–2025 period, particularly regarding its capacity to satisfy short-term liabilities, manage capital structure efficiently, and maintain financial stability. Consequently, the company's published financial statements successfully fulfilled their role as reliable information sources for investors, creditors, regulators, and management.

When compared with previous studies, the present findings reveal both similarities and noteworthy contributions. Earlier research on telecommunications companies generally concluded that PT Telkom Indonesia maintained a healthy financial condition based on financial ratio analysis. The results of this study are consistent with those conclusions, demonstrating that despite fluctuations in financial ratios during 2021–2025, the company successfully maintained satisfactory liquidity and solvency positions. However, this research provides additional value by incorporating the most recent financial statement data through 2025, thereby offering a more up-to-date assessment of the company's financial performance following its digital transformation initiatives and evolving business strategies. Furthermore, unlike many previous studies focusing on a single group of financial ratios, this research integrates three liquidity ratios and two solvency ratios, providing a more comprehensive evaluation of corporate financial performance.

From a managerial perspective, the findings suggest that PT Telkom Indonesia should continue maintaining an appropriate balance between investment requirements and liquidity management. Although digital infrastructure development requires substantial capital investment, the company must ensure that sufficient current assets and cash reserves remain available to satisfy short-term obligations without disrupting operational efficiency. Simultaneously, the firm's equity-dominated capital structure should be preserved because it provides greater financial flexibility and facilitates access to external financing whenever future expansion opportunities arise. Such financial strategies are expected to strengthen corporate resilience while enhancing investor confidence regarding the company's long-term growth prospects.

For investors and creditors, the results provide evidence that PT Telkom Indonesia maintained relatively stable financial conditions throughout the observation period from both liquidity and solvency perspectives. Liquidity ratios below the conventional benchmark of one should not automatically be interpreted as indicators of financial distress. Rather, such ratios reflect the unique characteristics of the telecommunications industry, which differs substantially from manufacturing and trading sectors in terms of asset composition, cash flow management, and capital investment requirements. At the same time, the consistently healthy solvency ratios indicate that the company possesses adequate financial capacity to satisfy its long-term obligations while preserving a balanced capital structure. Therefore, financial ratio analysis should not be conducted in isolation but should incorporate industry characteristics, investment policies, business strategies, and operational conditions to produce more accurate, objective, and reliable investment decisions. These findings emphasize that financial performance evaluation becomes considerably more meaningful when conventional ratio analysis is complemented by a thorough understanding of the economic environment and industry-specific characteristics in which a company operates.

Implications for Financial Management and Stakeholders

The findings of this study have important implications for corporate financial management. First, maintaining an optimal balance between liquidity and investment is essential for ensuring sustainable business growth. PT Telkom Indonesia has demonstrated that relatively moderate liquidity ratios do not necessarily indicate weak financial performance, particularly in a capital-intensive industry such as telecommunications. Instead, the company's liquidity position reflects a strategic allocation of financial resources toward productive investments, including network expansion, digital infrastructure, cloud computing, and technological innovation. Consequently, financial managers should emphasize efficient working capital management rather than merely pursuing higher liquidity ratios, as excessive current assets may reduce overall asset productivity and shareholder value.

Second, the consistently healthy solvency position suggests that PT Telkom Indonesia has successfully maintained financial flexibility despite significant investment commitments. A balanced capital structure enables the company to access external financing at relatively favorable costs while preserving investor confidence. Maintaining Debt to Asset Ratio and Debt to Equity Ratio within prudent levels reduces financial distress risk and strengthens the company's long-term sustainability. Therefore, management should continue implementing conservative debt policies while utilizing external financing strategically to support future technological investments and business expansion.

From the perspective of investors, the study provides evidence that PT Telkom Indonesia remains financially sound despite fluctuations in several liquidity indicators. Investors should avoid evaluating the company solely based on conventional liquidity benchmarks because the telecommunications industry operates under different financial characteristics compared with manufacturing or trading industries. Stable operating cash flows, recurring subscription revenues, and continuous investment in productive assets enable telecommunications companies to maintain lower liquidity ratios without significantly increasing financial risk. Consequently, investment decisions should incorporate both industry characteristics and long-term business strategies rather than relying exclusively on traditional ratio benchmarks.

Similarly, creditors may interpret the company's financial position positively because the solvency indicators consistently remained within acceptable ranges throughout the study period. The relatively low Debt to Asset Ratio indicates that the company's assets substantially exceed its liabilities, while the Debt to Equity Ratio below 100% demonstrates that shareholders' equity remains the dominant financing source. These conditions enhance creditors' confidence regarding the company's ability to fulfill both short-term and long-term financial obligations while maintaining sustainable operations.

Relationship Between Liquidity and Solvency

One notable finding of this research is the close relationship between liquidity management and capital structure decisions. Throughout the observation period, PT Telkom Indonesia experienced moderate declines in liquidity ratios during years characterized by substantial capital expenditures and infrastructure investments. However, these temporary declines were not accompanied by significant deterioration in solvency indicators. Instead, the company maintained a relatively stable capital structure despite increased investment activities. This finding suggests that liquidity and solvency should not be interpreted independently. Effective financial management requires balancing short-term liquidity needs with long-term financing strategies. Excessive liquidity may indicate inefficient utilization of financial resources, whereas excessively low liquidity could expose the company to short-term financial difficulties. Likewise, prudent leverage allows firms to finance expansion without imposing excessive financial risk.

The empirical evidence demonstrates that PT Telkom Indonesia successfully balanced these two financial dimensions throughout the study period. Although liquidity ratios temporarily declined during periods of intensive investment, the company preserved adequate solvency and continued generating positive operating cash flows and net profits. This indicates that management effectively aligned financing decisions with corporate growth strategies while maintaining financial stability.

Contribution to Financial Ratio Literature

This study contributes to the growing literature on financial ratio analysis in several important ways. First, it provides updated empirical evidence using PT Telkom Indonesia's most recent financial statements covering the 2021–2025 period, extending previous studies that generally analyzed financial performance only through 2022 or 2023. Consequently, the study captures the company's financial condition during the post-pandemic recovery period and ongoing digital transformation initiatives. Second, unlike many previous studies that focused exclusively on either liquidity or solvency analysis, this research integrates both dimensions into a comprehensive financial performance evaluation. Such an integrated approach provides a broader understanding of how liquidity management interacts with capital structure decisions in influencing corporate financial stability.

Third, the findings reinforce the importance of industry-specific interpretation of financial ratios. Conventional financial benchmarks cannot always be applied uniformly across industries because different sectors possess unique operational characteristics, investment requirements, and financing structures. In the telecommunications industry, relatively lower liquidity ratios may coexist with strong financial performance due to stable operating cash flows, recurring revenues, and substantial investments in long-term productive assets. Therefore, future financial ratio analyses should incorporate industry characteristics to produce more accurate and meaningful assessments of corporate financial health.

Overall Discussion

Overall, the empirical findings demonstrate that PT Telkom Indonesia (Persero) Tbk maintained strong financial resilience throughout the 2021–2025 observation period despite operating in a highly dynamic technological environment. The company successfully balanced short-term liquidity requirements with long-term investment strategies while preserving a sound capital structure. Although liquidity ratios fluctuated moderately due to continuous investments in digital transformation and telecommunications infrastructure, these fluctuations did not indicate financial distress. Instead, they reflected strategic financial management aimed at supporting sustainable corporate growth. Furthermore, the consistently favorable Debt to Asset Ratio and Debt to Equity Ratio indicate that the company relied primarily on shareholders' equity rather than excessive debt financing, thereby maintaining relatively low financial risk. These findings support the theoretical arguments proposed by Kasmir (2019), Brigham and Houston (2022), and Scott and O'Brien (2024), emphasizing that comprehensive financial ratio analysis should consider both quantitative indicators and industry-specific contexts when evaluating corporate financial performance.

In conclusion, PT Telkom Indonesia demonstrated satisfactory liquidity management, prudent leverage utilization, and a stable capital structure throughout the study period. These characteristics indicate that the company possesses sufficient financial capacity to support future expansion while maintaining operational sustainability and long-term shareholder value. Consequently, the financial performance of PT Telkom Indonesia during 2021–2025 can be categorized as financially healthy, with sound liquidity, controlled solvency, and effective financial management that collectively support sustainable business development.

Comparison with Previous Empirical Studies

The findings of this study are generally consistent with previous empirical research examining the financial performance of telecommunications companies through financial ratio analysis. Earlier studies have consistently reported that PT Telkom Indonesia maintains relatively healthy liquidity and solvency despite significant capital expenditures associated with network expansion and digital transformation initiatives. Similar to those findings, this study demonstrates that the company's liquidity ratios fluctuated moderately while solvency ratios remained stable throughout the 2021–2025 observation period.

Nevertheless, this study also identifies several distinctive findings. First, the recovery of liquidity ratios during 2024–2025 indicates improvements in working capital management following the intensive investment period observed in previous years. Second, despite a slight increase in leverage indicators during 2025, the Debt to Asset Ratio remained below 50%, while the Debt to Equity Ratio remained below 100%, suggesting that the company's capital structure continued to be financially sound. These results indicate that the company's investment strategy did not significantly weaken its financial stability.

Compared with previous studies, this research provides more recent empirical evidence by incorporating financial statements through 2025. Consequently, it captures the company's financial performance after substantial digital transformation initiatives and post-pandemic business adjustments, thereby offering a more current perspective on the financial condition of Indonesia's largest telecommunications company.

Theoretical Contributions

This study contributes to the literature on financial statement analysis by providing empirical evidence supporting the application of liquidity and solvency ratios in evaluating corporate financial performance within capital-intensive industries. From the perspective of Financial Accounting Theory, the findings confirm that published financial statements provide reliable information for assessing corporate financial health. Liquidity and solvency ratios derived from audited financial statements effectively reflect management's financial policies regarding working capital, financing decisions, and long-term investment strategies. Accordingly, the results reinforce Scott and O'Brien's (2024) argument that financial reporting serves as an essential information source for reducing information asymmetry between corporate managers and external stakeholders.

Furthermore, the study supports the financial management framework proposed by Brigham and Houston (2022), which emphasizes the importance of maintaining an optimal balance between liquidity, profitability, and leverage. The empirical findings demonstrate that relatively moderate liquidity ratios do not necessarily imply financial weakness when supported by stable operating cash flows and prudent debt management. This evidence is particularly relevant for capital-intensive industries where long-term investment represents a dominant corporate strategy. In addition, the findings strengthen Kasmir's (2019) argument that financial ratios should be interpreted collectively rather than individually. Evaluating liquidity without considering solvency may lead to incomplete conclusions regarding corporate financial performance. Therefore, integrating multiple financial ratios provides a more comprehensive understanding of a firm's financial condition.

Managerial Implications

The results of this study provide several practical implications for corporate management. First, management should continue maintaining an effective balance between liquidity preservation and long-term investment. Excessive accumulation of current assets may reduce asset productivity, whereas insufficient liquidity may increase short-term financial risk. Therefore, efficient working capital management remains critical for sustaining operational performance. Second, the company should continue implementing conservative debt policies while utilizing external financing selectively to support strategic investments. Maintaining leverage at moderate levels enhances financial flexibility and minimizes exposure to financial distress during periods of economic uncertainty. Third, management should continuously improve cash flow forecasting and financial planning to ensure adequate liquidity while supporting ongoing digital transformation projects. Given the rapidly evolving telecommunications industry, proactive financial management will become increasingly important for maintaining competitive advantage and long-term corporate sustainability.

Implications for Investors and Creditors

The findings also provide valuable information for investors, creditors, and other capital market participants. Investors may interpret the company's stable liquidity and solvency conditions as indicators of relatively low financial risk despite continuous investment activities. Since telecommunications companies generate recurring operating revenues, temporary declines in liquidity ratios should not automatically be interpreted as signs of financial deterioration. Similarly, creditors may regard the company's stable capital structure as evidence of sound financial management. The consistently moderate Debt to Asset Ratio and Debt to Equity Ratio indicate that PT Telkom Indonesia possesses sufficient asset and equity buffers to support future borrowing requirements while maintaining acceptable financial risk levels. Consequently, investment and lending decisions should consider not only individual financial ratios but also industry characteristics, operating cash flow stability, business strategy, and long-term corporate growth prospects.

Research Limitations

Despite providing meaningful empirical findings, this study has several limitations that should be acknowledged. First, the analysis relies exclusively on secondary data obtained from published annual financial statements. Consequently, the study does not incorporate internal managerial information that may further explain specific financial decisions or strategic investments. Second, the research evaluates financial performance using only liquidity and solvency ratios. Other important financial dimensions, including profitability, efficiency, market performance, and cash flow analysis, were not examined. Therefore, the conclusions primarily reflect the company's financial condition from liquidity and capital structure perspectives. Third, this study focuses exclusively on PT Telkom Indonesia (Persero) Tbk. Consequently, the findings cannot be generalized directly to all telecommunications companies because differences in business models, operational scales, ownership structures, and financing policies may influence financial performance.

Directions for Future Research

Future studies are encouraged to expand the scope of financial performance analysis by incorporating additional financial indicators such as profitability ratios, activity ratios, market value ratios, and cash flow measures. Integrating these indicators would provide a more comprehensive evaluation of corporate financial performance. Future research may also employ comparative analyses involving multiple telecommunications companies across Southeast Asia or other emerging markets. Such comparative studies would provide broader insights into industry-wide financial performance and facilitate benchmarking among major telecommunications operators. Moreover, future researchers may combine financial ratio analysis with advanced quantitative techniques, including panel data regression, structural equation modeling (SEM), data envelopment analysis (DEA), or machine learning approaches to identify the determinants of financial performance more comprehensively. These methodological developments would enrich the literature by moving beyond descriptive ratio analysis toward explanatory and predictive financial modeling. Finally, future studies should consider incorporating environmental, social, and governance (ESG) indicators together with traditional financial ratios to evaluate corporate sustainability. As digital transformation increasingly intersects with sustainable business practices, integrating financial and non-financial performance measures would provide a more holistic assessment of corporate value creation.

Industry Benchmark and Competitive Position Analysis

To better understand the financial performance of PT Telkom Indonesia, the findings should be interpreted within the context of the telecommunications industry. Financial ratio analysis cannot be evaluated solely based on conventional accounting benchmarks because the telecommunications sector is characterized by substantial capital expenditures, rapid technological innovation, and continuous infrastructure development. Consequently, companies operating within this industry generally maintain lower liquidity ratios than firms in manufacturing or consumer goods sectors due to the significant allocation of financial resources toward long-term productive assets. Throughout the 2021–2025 observation period, PT Telkom Indonesia consistently maintained Current Ratio and Quick Ratio values below one. Although these figures may appear relatively low according to conventional financial standards, they remain reasonable when compared with industry characteristics. Telecommunications companies typically generate stable recurring revenues through subscription-based services, broadband connectivity, enterprise solutions, and digital platforms. Consequently, relatively lower current asset levels do not necessarily indicate financial weakness because operating cash inflows are generated continuously throughout the fiscal year.

From the solvency perspective, PT Telkom Indonesia demonstrated a relatively conservative financing policy. The Debt to Asset Ratio remained consistently below 50%, while the Debt to Equity Ratio remained below 100% during the entire observation period. These findings indicate that the company relied primarily on shareholders' equity rather than excessive debt financing. Compared with many international telecommunications operators that maintain substantially higher leverage ratios to finance large-scale infrastructure investments, PT Telkom Indonesia adopted a more balanced capital structure. Such a financing policy enhances financial flexibility while reducing exposure to interest rate fluctuations and refinancing risks. The company's financial position therefore reflects prudent financial management that balances growth opportunities with financial stability. This balanced approach is particularly important in the telecommunications industry, where technological disruption requires continuous investment while maintaining sufficient financial capacity to support future innovation.

Strategic Interpretation of Financial Performance

The fluctuations observed in the liquidity ratios should also be interpreted in relation to PT Telkom Indonesia's strategic transformation initiatives. During the observation period, the company accelerated investments in digital infrastructure, fiber optic networks, hyperscale data centers, cloud computing services, artificial intelligence, and fifth-generation (5G) telecommunications technology. These strategic initiatives required substantial capital expenditures that inevitably affected short-term liquidity indicators. Rather than indicating deteriorating financial performance, the temporary decline in liquidity ratios during 2022–2023 reflects management's deliberate decision to prioritize long-term value creation over maintaining excessive liquid assets. Such investment strategies are consistent with the business model of technology-oriented companies that continuously allocate financial resources toward innovation and infrastructure development to strengthen future competitiveness. The subsequent improvement in liquidity ratios during 2024 and 2025 demonstrates that the company successfully restored its working capital position while maintaining continuous investment activities.

This recovery indicates effective financial planning and successful implementation of long-term investment strategies without compromising operational stability.

Furthermore, the relatively stable solvency ratios throughout the study period indicate that these strategic investments were financed through a balanced combination of internally generated funds and prudent external financing. Consequently, PT Telkom Indonesia successfully expanded its digital capabilities without substantially increasing financial leverage or exposing the company to excessive financial risk.

Financial Risk Assessment

Although the overall financial condition of PT Telkom Indonesia remained stable, several financial risks should be considered when interpreting the results. First, liquidity ratios consistently below the conventional benchmark suggest that management should continue monitoring working capital efficiency to ensure adequate short-term financial flexibility. Unexpected economic disruptions, changes in interest rates, or significant declines in operating cash flows could potentially place additional pressure on short-term liquidity if not managed carefully. Second, continuous technological development within the telecommunications industry requires sustained capital investment. While such investments are expected to generate future economic benefits, they also increase the company's exposure to investment risk, technological obsolescence, and project execution uncertainty. Consequently, effective investment evaluation and capital budgeting remain essential components of long-term financial sustainability. Third, although leverage remained at prudent levels throughout the observation period, increasing financing requirements associated with digital transformation may gradually increase financial obligations in future years. Therefore, management should continue maintaining a balanced capital structure while carefully evaluating the cost and benefits of additional debt financing. Despite these potential risks, the company's strong profitability, stable operating cash flows, and conservative leverage policies significantly mitigate the probability of financial distress. Overall, the financial risk profile remains relatively low compared with many capital-intensive companies operating in similar industries.

Corporate Sustainability Perspective

The financial performance observed during the study period also reflects PT Telkom Indonesia's commitment to sustainable corporate development. Financial sustainability extends beyond maintaining adequate profitability; it also encompasses the company's ability to finance long-term investments while preserving financial stability and operational continuity. Stable liquidity and solvency positions enable the company to continue investing in digital infrastructure, environmentally sustainable technologies, energy-efficient data centers, and nationwide digital connectivity. These investments contribute not only to future profitability but also to broader economic development and digital inclusion across Indonesia. Moreover, maintaining a healthy capital structure strengthens the company's resilience against macroeconomic uncertainty, technological disruption, and increasingly competitive market conditions. Financial stability therefore becomes an essential foundation for achieving long-term sustainable growth while supporting national digital transformation initiatives. From an Environmental, Social, and Governance (ESG) perspective, prudent financial management enhances corporate sustainability by ensuring that sufficient financial resources remain available to support innovation, human capital development, environmental responsibility, and stakeholder value creation. Consequently, sound liquidity and solvency management should be viewed as integral components of sustainable corporate governance rather than merely indicators of short-term financial performance.

Novelty and Research Contribution

The present study offers several important contributions to the literature on corporate financial performance. Unlike previous studies that primarily focused on individual financial ratios or limited observation periods, this research integrates liquidity and solvency analyses using the most recent financial statement data covering the 2021–2025 period. This comprehensive approach provides a more holistic understanding of PT Telkom Indonesia's financial condition during a period characterized by accelerated digital transformation and substantial infrastructure investment. Furthermore, this study emphasizes that financial ratio interpretation should not rely solely on conventional accounting benchmarks but should also consider industry-specific characteristics and corporate strategic objectives. The findings demonstrate that relatively low liquidity ratios do not necessarily indicate financial weakness when supported by stable operating cash flows, conservative leverage policies, and sustained profitability.

Another significant contribution lies in linking financial ratio analysis with strategic corporate transformation. Rather than interpreting ratio fluctuations merely as accounting outcomes, this study explains how changes in liquidity and solvency reflect management's long-term investment decisions, financing strategies, and value creation initiatives. This integrated perspective extends existing financial ratio literature by combining accounting analysis with strategic management considerations, thereby providing a richer framework for evaluating corporate financial performance in capital-intensive industries such as telecommunications.

4. Conclusion

4.1 Conclusion

The primary objective of this study was to evaluate the financial performance of PT Telkom Indonesia (Persero) Tbk during the 2021–2025 period using liquidity and solvency ratio analysis. Based on the analysis of the Current Ratio, Quick Ratio, Cash Ratio, Debt to Asset Ratio (DAR), and Debt to Equity Ratio (DER), the study concludes that the company maintained relatively sound financial performance despite experiencing moderate fluctuations throughout the observation period. From the liquidity perspective, the Current Ratio, Quick Ratio, and Cash Ratio declined during 2022–2023 before gradually recovering in 2024–2025. Although these liquidity ratios remained below conventional financial benchmarks, they did not indicate financial distress. Instead, the fluctuations reflected management's strategic allocation of financial resources toward long-term investments, including digital transformation, telecommunications infrastructure expansion, and technology development. The company's stable operating cash flows and consistent profitability enabled it to meet short-term obligations while continuing to invest in future growth opportunities. From the solvency perspective, PT Telkom Indonesia demonstrated a consistently healthy capital structure throughout the study period. The Debt to Asset Ratio remained below 50%, while the Debt to Equity Ratio consistently stayed below 100%, indicating that the company relied primarily on shareholders' equity rather than excessive debt financing. These findings suggest prudent financial management, controlled financial risk, and sufficient financial flexibility to support sustainable business expansion. Overall, the empirical evidence indicates that PT Telkom Indonesia successfully maintained a balance between liquidity management and long-term financing strategies. The company demonstrated strong financial resilience despite operating in a highly capital-intensive and technologically dynamic industry. Consequently, the financial performance of PT Telkom Indonesia during 2021–2025 can be classified as financially healthy, characterized by stable liquidity, prudent leverage, and sustainable capital management.

4.2 Practical Implications

This study contributes to the financial accounting and corporate finance literature by providing empirical evidence regarding the application of liquidity and solvency ratios in evaluating corporate financial performance within the telecommunications industry. The findings support Financial Accounting Theory by confirming that financial statements provide relevant and reliable information for assessing corporate financial health and facilitating informed economic decision-making. Furthermore, the results reinforce the financial management framework proposed by Brigham and Houston (2022), demonstrating that companies with substantial long-term investment requirements may maintain relatively moderate liquidity ratios while preserving strong financial stability. The study also supports Kasmir's (2019) argument that financial ratios should be interpreted collectively rather than individually to obtain a comprehensive assessment of financial performance. Another theoretical contribution lies in emphasizing the importance of industry-specific interpretation of financial ratios. Conventional liquidity benchmarks should not be applied universally because capital-intensive industries such as telecommunications possess unique operational characteristics, investment cycles, and financing structures that influence financial ratio behavior.

4.3 Theoretical Contributions

The findings provide several practical implications for corporate managers, investors, creditors, and policymakers. For management, maintaining an appropriate balance between liquidity and long-term investment remains essential to ensuring sustainable business growth. Efficient working capital management should continue to support ongoing digital transformation initiatives without compromising the company's short-term financial flexibility. For investors, the study demonstrates that liquidity ratios below one should not automatically be interpreted as indicators of financial weakness. Instead, investment decisions should consider industry characteristics, recurring operating cash flows, and long-term corporate strategies. For creditors, the company's conservative capital structure provides evidence of relatively low financial risk and adequate debt repayment capacity, thereby enhancing confidence in the company's long-term financial sustainability. Finally, regulators and policymakers may utilize these findings as reference material when evaluating the financial resilience of strategic state-owned enterprises operating within Indonesia's rapidly evolving digital economy.

5.4 Limitations

This study has several limitations. First, the analysis relies exclusively on secondary data obtained from published annual financial statements without incorporating internal managerial information. Second, financial performance is evaluated solely through liquidity and solvency ratios, while other important indicators such as profitability, efficiency, market performance, and cash flow analysis are not examined. Third, the research focuses only on PT Telkom Indonesia (Persero) Tbk, limiting the generalizability of the findings to other telecommunications companies or industries.

4.5 Future Community Service Directions

Future research is encouraged to extend this study by incorporating additional financial indicators, including profitability ratios, activity ratios, market value ratios, and cash flow analysis to provide a more comprehensive evaluation of corporate financial performance. Comparative studies involving multiple telecommunications companies across Southeast Asia would also provide broader insights into industry performance and competitive positioning. Moreover, future researchers may apply advanced analytical approaches such as panel data regression, structural equation modeling, or machine learning techniques to identify the determinants of financial performance more comprehensively. Finally, integrating Environmental, Social, and Governance (ESG) indicators with traditional financial ratio analysis would provide a more holistic assessment of corporate sustainability and long-term value creation, particularly in industries undergoing rapid digital transformation.

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