LIQUIDITY AND SOLVABILITY ON PROFITABILITY: A STUDY ON TELECOMMUNICATION COMPANIES LISTED AT INDONESIAN STOCK EXCHANGE FROM YEAR 2014-2018

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ABSTRACT

It is the purpose of every company to get the maximal profit and continuing its company's life by maintaining and expanding the company. This research is conducted to know the influence of liquidity and solvability on to profitability of the company of telecommunication companies listed in the Indonesia Stock Exchange from 2014 to 2018. Data used from financial statements in the Indonesian Stock Exchange. The independent variable from this research is liquidity and solvability and the dependent variable in the study is profitability. This research used multiple regression linear technique analysis. The research target is to: knowing what liquidity has an effect on to profitability by partial and solvability have an effect on profitability by partial.

Keyword: *liquidity, solvability, profitability*

Introduction

Along with the progress and era of globalization, the development of technology in the telecommunication field is increasingly advanced. Technological advances make people strive to perform activities quickly and easily. In the era of free development nowadays Indonesian entrepreneurs no longer have to compete with domestic entrepreneurs but to be more compound competition. These conditions contribute to the competition in the industry sector. A company is generally established to gain maximum profit so that the company's survival can be retained and well developed. Thus the profitability of a company that has been achieved will be presented in a financial report to be published

Financial statements are essentially the result of an accounting process that can be used as a tool for communicating between financial data or the activity of a company with parties concerned with the company's governance or activities. The. The use of financial statements compiled is one of the sources of information used to conduct analysis and financial decisions for both the manager and the investor, the Investor has the primary purpose of embedding the funds into the company to search for income or return of investment.

Investors expect the profit earned by the company can be managed both by the manager appropriately and optimally for the satisfaction of the investors and for the sake of the company's continuity. Profit earned will be allocated to two components i.e. retained earnings and dividends. The profit allocated on the retained earnings will be used by the company to be reinvested in profitable assets. Meanwhile, the profit allocated on the dividend will be distributed to the investor as a return on the invested funds in the form of shares.

Profitability is the ability of the company to gain profit in relation to sales, total assets, or capital itself (Sartono in Ima Hernawati, 2007). High profitability will illustrate the effectiveness of management in managing the company in generating profits. If the effectiveness and efficiency of capital use can be achieved, then there is a possibility that the company generates a large profit. Liquidity is related to the problem of a company's ability to fulfill its financial obligations immediately to be fulfilled. The number of payment instruments (liquid tools) owned by a company at a time is the power to pay from the company concerned. A company that has the power to pay is not necessarily able to fulfill all its financial obligations immediately to be fulfilled or in other words, the company does not necessarily have the ability to pay. The solvency of a company demonstrates the ability of the company to fulfill its financial obligations when the company if it is currently in the liquidating. The definition of solvency is intended as the establishment of a company to pay all his debts both term and long term. This research is expected to add more insight into the impact of liquidity on profitability in other companies in the Indonesia Stock Exchange

2 The Literature

2.1 Liquidity and profitability

Liquidity Definitions

According to dictionary, great Bahasa Indonesia (KBBI) liquidity is a subject describing the cash position of a company and its ability to settle or pay the debt obligation right at the time of its fall. *https://www.akuntansilengkap.com/keuangan/pengertian-***likuiditas***-rumus-dan-contoh-rasio...*

According to Fred Weston quoted from Cashmere (2008:129): states that the liquidity ratio is a ratio that illustrates the company's ability to fulfill short-term debt obligations by using seamless assets.

According to Hery the definition of liquidity is a ratio that shows the ability to repay a short term debt. In other words, the liquidity ratio is a ratio that can be used to measure up to how far the company's ability to pay off its short-term obligations will be due. If the company has a chance to pay off its short term obligations at maturity, then the company is said to be a liquid company. Conversely, if the destruction does not have the ability to settle a short term obligation at maturity, then the company is said to be an illiquid company. In order to be able to pay off its short term liabilities, the company must have a good amount of cash or other current assets that can also be immediately converted or changed into cash.

Overall liquidity functions and benefits

A. To measure the company's ability to pay for liabilities or debts that will soon be due.
B. To measure the company's ability to pay short-term liabilities by using total current assets.
C. To measure the company's ability to pay short-term obligations by using total current assets (regardless of trade suppliers and other current assets).
D. To measure the availability of the company's cash in paying short term debt.
E. As a means of financial planning in the future, especially with regards to planning cash and short-term debt.
F. To view the condition and position of the company's Lukiditas over time by comparing it over several periods.

Definition of profitability

According to Hary it is the ratio used to measure the company's ability to generate profit from normal business activities. The profitability ratio is also known as the ratio of reliability. Besides aiming to know the ability of the company to generate profit during a certain period, this ratio also aims to measure the effectiveness of management in carrying out the operations of the company.

Profitability ratio goals and benefits

Here are the goals and benefits of the overall profitability ratio:

1. To Mngukur the company's ability to generate profit over a certain period.
2. To assess the company's profit position the previous year with the current year.
3. To assess the progress of profit Mfrom from time to time.
4. To measure how much net income will be generated from each rupiah the funds are embedded in the total assets.
5. To measure how much net income will be generated from each rupiah the funds are embedded from the total equity.
6. To measure the gross profit margin on net sales
7. To measure operational profit margins on net sales
8. To measure the net profit margin on net sales.

2.2 Solvency

According to Hary Solvability is a ratio used to measure the extent to which the company's assets are financed with debt. In other words, the solvency ratio is a ratio that is used to measure the burden of debt that must be in the company's responsibility in order to fulfill assets. In the broad sense, the ratio of solvency is used to measure the ability of the company to fulfilling all liabilities both short-term and long-term liabilities.

Objectives and benefits of solvency

The following is the Thuan and benefits of the overall solvency ratio:

A. To know the position and total amount of the company's obligations to creditor, if compared with the number of assets or Modela owned by the company.
B. To know the company's long term position and obligation to the amount of capital owned by the company.
C. To assess the ability of the company's assets in fulfilling all liabilities, including fixed liability, such as the repayment of the basic installment of the loan and its interest on a regular basis.
D. To assess how large the company's assets are financed by debt.
E. To assess how large the company's assets are financed by the capital.

RESEARCH METHODS

The type of data used is secondary data, the financial report data of the telecommunications company listed on the Indonesia Stock Exchange in 2014-2018 obtained from the second party. The population in this research is a group of telecommunications companies that have been going public in the Jakarta Stock exchange period of 2014-2018 time.

List of companies Real Estate and property in Indonesia Stock Exchange year 2014-2018

Table 1. Telecommunication companies in the Indonesia Stock Exchange

No	Company Name
1	Bakrie Telecom Tbk
2	XL Axiata Tbk
3	Smartfren Telecom Tbk
4	IndosatTbk
5	JasnitaTelekomindoTbk
6	Telekomunasi Indonesia Tbk

Variables of research include liquidity, solvency with independent variable profitability (X)

A. Liquidity (X1)
The liquidity variable in this study is the current ratio (CR).
Current ratio (CR): Current asset (CA)/current Liabilities (CL)

B. solvability (X2)
The solvency variable in this study is the total debt to equity ratio. To measure the magnitude of the used formula solvency as follows:
(DER) Debt to equity: Total Liability (liability)/Total equity (Equitas)

C. Dependent variable (Y)
The dependent variables in this study are the profitability represented by return on asset (ROA).
ROA used Formula
(ROA) Return on asset: Net profit after tax/total asset

Result of the Study
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CR	40	.01	1.32	.3920	.43277
DER	40	-1.19	20.23	2.2547	4.42409
ROA	40	-2.08	.31	-.1666	.52678
Valid N (listwise)	40				

Berdasarkanhasil uji statistic deskriptif yang dilakukanmenggunakan softwere SPSS versi 17 untuk sempel (N) 40 diperoleh hasil sebagai berikut:
1. The current ratio variable shows the maximum yield of 1.32 (132%), with a minimum value of 0.01 (1%), with a mean of 0.3920 (39.20%), and a standard deviation rate of 0.43277 (43.277%)
2. The current ratio variable shows the maximum yield of 20.23 (2023%), with a minimum value of-1.19 (-119%), with the mean 2.2547 (225.43%), and the standard deviation value of 4.42409 (442.409%)
3. The current ratio variable shows the maximum yield of 0.31 (31%), with a minimum value of-2.08 (-208%), with mean-0.1666 (-16.66%), and the standard deviation value of 0.52678 (52.678%)

Correlations

		CR	DER	ROA
CR	Pearson Correlation	1	-.207	.257
	Sig. (2-tailed)		.200	.110
	N	40	40	40
DER	Pearson Correlation	-.207	1	.214
	Sig. (2-tailed)	.200		.185
	N	40	40	40
ROA	Pearson Correlation	.257	.214	1
	Sig. (2-tailed)	.110	.185	
	N	40	40	40

The table above shows the correlation between the associated multi-Test variables. Results statistics indicate that the value of R is below 0.3, this means that there is no multi-time in independent variables in this study. Between CR and DER R = 0.207. Between DER and ROA R= 0.257

Correlation Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.375[a]	.140	.094	.50140

According to the table above, you can know the Adjusted R Square value as the coefficient of determination 0,094. The coefficient of determination illustrates that the variable current ratio and Debt to Equity Ratio are able to explain the variable profitability (ROA). Sub-sector companies listed on the Stock Exchange (Indonesian securities) period 2014-2018 for 9.4%, while the remaining of 90.6% is explained by other variables that are not included in this model.

Autocorrelation
Model Summary[b]

Model	Change Statistics		Durbin-Watson
	df2	Sig. F Change	
1	37[a]	.061	1.240

a. Predictors: (Constant), DER, CR
b. Dependent Variable: ROA

Significant Test
ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.520	2	.760	3.024	.061[b]
	Residual	9.302	37	.251		
	Total	10.822	39			

a. Dependent Variable: ROA
b. Predictors: (Constant), DER, CR

Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.392	.122		-3.214	.003
	CR	.383	.190	.314	2.018	.051
	DER	.033	.019	.279	1.792	.081

Multi-Collinearity

Based on the results of the statistical test t seen in the table above, it can be concluded analysis of the influence-each variable independent to the dependent variable as follows:

1. Variable Cash Ratio

From the output, SPSS obtained T count for the Current Ratio variable of 2.018 with a significance value of 0051. Because the calculated T value is positive and the significance value is 0051 < of the significance level 0.190 (a), the conclusion of Ho is rejected and H1 (there is a significant positive influence between current Ratio against ROA) is accepted. This means that the Current ratio is partially positive and significant for the profitability (ROA) of the telecommunications Sub-sector company listed on the Indonesia Stock Exchange (IDX) period 2014-2018.

2. Variable Debt to Equity Ratio
From the output of SPSS in obtaining t count for the variable DEBT to Equity Ratio amounted to a significance value of 1,792. Since the calculated T value is positive and the significance value is 0081 > of the significance level of 0.019 (a), the conclusion of Ho is rejected and H2 (there is a positive influence between the Debt to Equity ratio against ROA) is accepted, but the effect is not significant. This means that the variable Debt to Equity Ratio has been partially positive but insignificant to the profitability (ROA) of the telecommunications sub-sector in the Indonesia Stock Exchange (IDX) period 2014-2018.

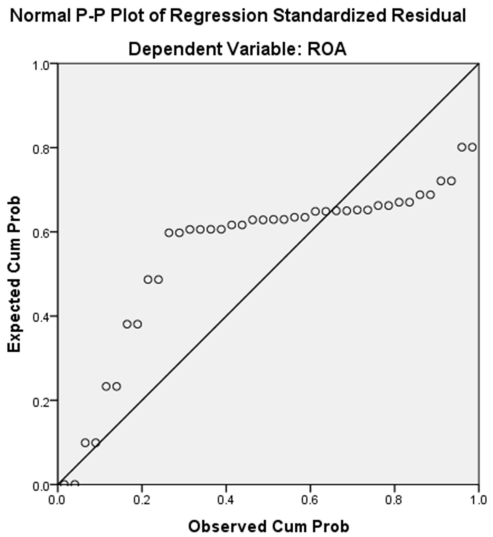
Coefficients[a]

Model		Collinearity Statistics
		VIF
1	(Constant)	
	CR	1.045
	DER	1.045

A. Dependent Variable: ROA

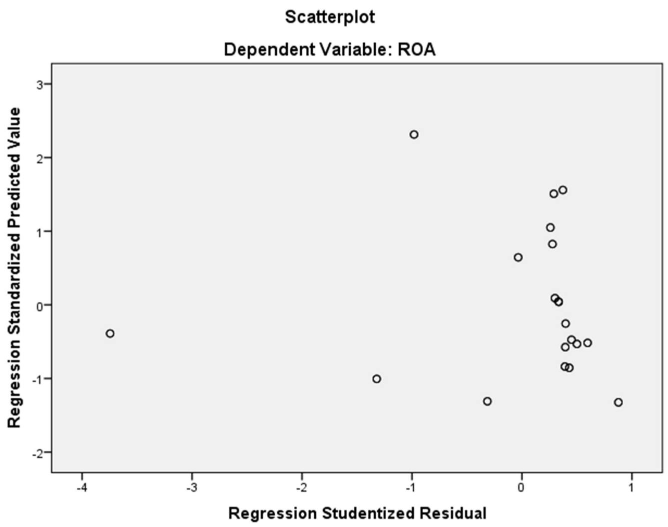
The multicollinearity test aims to test whether a regression model is found to be correlated between free (independent) variables. A good regression Model should not occur the correlation between independent variables. To detect the presence of multicollinearity can be done by looking at the value of Variance Inflation Factor (VIF) as well as the size of the correlation between independent variables. Multicolonierity test results are as follows:
Based on the result of the calculation of the value of VIF also shows the same, there is not one independent variable that has a value of VIF more than 1, that is for the variable Current ratio 1,045 to the variable debt to equity 1,045, so it can be concluded that there is no symptom of multicollinearity between independent variables in a regression model.

Normality Test



Viewing the Normal P Plot of Regression Statistic view can be seen that the point spreads with two points of the Adjoining around the diagonal, as well as the spread following the diagonal line. The graph shows that a regression model deserves use as it meets the normality assumption.

Heterocedasticity



Based on the image above it can be noted that the dots are spreading with irregular patterns above and below the number 0 on the y-axis and x-axis, so it can be concluded that there is no heteroscedasticity problem in the regression model of this research.

Conclusion

1. Based on the above study can be concluded that there is a significant positive influence between Current Ratio against ROA.
2. And also based on research above can be concluded that there is a positive influence between the Debt to Equity ratio to ROA
3. Based on the results of the study, the conclusion drawn is the current ratio as the ratio of liquidity affected by the profitability with the positive and significant results in the company in the telecommunications sub-sector listed on the stock Exchange

Indonesia (IDX) period 2014-2018. The ratio of debt to total equity as a solvency ratio resulted in a positive but insignificant impact on the profitability of telecommunications companies listed on the Indonesia Stock Exchange period 2014-2018. Seeing the results of this study simultaneously, the results showed that the current ratio and the ratio of debt to equity simultaneously have a significant effect on the profitability of the company's variables sub-sector of the telecommunication listed on the stock Exchange Indonesia period 2014-2018.

Advice

1. For management in increasing the profitability of the company, management must tighten and also stabilize the current ratio and debt to equity ratio. Because this will be consideration and judgment before investing in the company.
2. For investors, companies that generate large profits using the current ratio and debt to equity ratios are companies that improve their finances well.
3. For researchers, further research is expected to carry out further research by adding samples and research data, using other independent variables that affect profitability and extending periods Future observations.

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