

The Effect of Profitability and Liquidity on The Company's Value at PT. Indosat Tbk

Erin Septia Isnaeni¹ and Euis Hernawati²

**Correspondence Author: erinsepti08@gmail.com*

^{1,2} Politeknik Piksi Ganesha, Bandung, Indonesia

INDEXING	ABSTRACT
Keywords: Keyword 1; Profitability Keyword 2; Liquidity Keyword 3; Company Value Keyword 4; telecommunications sector Keyword 5; profit ratio	This study examines the influence of profitability and liquidity on the valuation of PT. Indosat Tbk. This research employs a quantitative methodology utilizing multiple linear regression analysis methodologies. We assess the company's valuation by comparing its price to book value, evaluate profitability by return on equity, and study liquidity through the current ratio. This study was performed at PT. Indosat Tbk, utilizing annual financial statements available on the IDX for the period from 2020 to 2024. The study's findings indicate that the profitability variable exerts a positive and considerable influence on the company's value, leading investors to prioritize more lucrative long-term factors. Conversely, the liquidity variable does not influence the company's value, signifying that variations in liquidity do not affect it. Profitability and liquidity concurrently exert a substantial impact on the company's value in PT. Organizations should prioritize methods that enhance profitability, including market expansion, product innovation, and cost efficiency, to increase their value.

Article History

Received 22 July 2025; Revised 03 September 2025; Accepted 06 September 2025 :
Publish 29 September 2025

INTRODUCTION

The telecommunications sector in Indonesia is undergoing tremendous advancement. From a technological perspective, the trend has transitioned from narrowband to broadband, while from the standpoint of the services sector, the prevailing tendency has shifted towards data services. Technology plays a vital role in the advancement of the telecommunications industry in Indonesia. The development of telecommunications is closely linked to contemporary technology; whenever new technology emerges, it is quickly integrated into telecommunication services. The competitive landscape among telecommunications service providers and governmental regulations influence the company's imperative to enhance service and product quality while also augmenting its economic worth through the strategic allocation of available resources. As the market presents an increasing array of options, consumers and investors possess greater negotiating power in selecting items or making investments that align with their requirements. This competition necessitates that organisations devise tactics to secure victory (Marginingsih, 2019).

The telecommunications sector plays a crucial role amid the swift advancement of global technology. From a business perspective, telecommunication businesses possess a vast and promising market due to the essential requirement for communication among

individuals. Telecommunication companies in Indonesia are categorised into various business segments, including communication service providers and telecommunication infrastructure providers. One publicly traded company listed on the IDX is PT. Indosat Tbk (IDXChannel, 2023).

PT. Indosat Tbk (ISAT) operates as a provider of telecommunications networks, services, information technology (IT), and convergence technologies, as detailed on Indosatooredoo.com. Founded by the government on November 20, 1967, a foreign investment enterprise commenced operations in 1969, offering international telecommunications services in Indonesia. It has been listed on the IDX since October 1994 (IDX Channel, 2023). This company offers insights into financial conditions through statements that are articulated with clarity, transparency, and accessibility. The competitive landscape within the telecommunications sector necessitates that PT. Idosat Tbk persistently endeavours to optimise its resources and enhance its financial performance on an annual basis (Dewi, 2018).

Companies form with a multitude of aims, including generating profits, enhancing stock value, boosting sales, and refining services, among others. Companies that consistently face a decline in sales are considered unfavourable because they fail to meet established objectives. Consequently, for a company to endure and progress, it is imperative that organisations focus on its operational status and performance (Dewi, 2018). The expansion of firms constitutes a pivotal focus within the realm of entrepreneurial research, often regarded as a favourable indicator of performance (Mansikkamäki, 2023). The value a company has achieved reflects the effectiveness of its management. The valuation of a company is indicative of its public recognition; a more favourable perception of the company's name among the populace correlates with an increase in share value, thereby attracting potential investors (Febriyanti et al., 2023). The valuation of a firm reflects shareholder prosperity; an increase in value enhances shareholder wealth, while a decrease negatively affects it. To improve the company's value, management will implement strict corporate governance policies and share information that can increase the company's worth (Chynthiawati & Jonnardi, 2022, in Perta & Sedana, 2018).

Profitability serves as a comprehensive assessment of a company's ability to generate profit from its existing assets or capital resources. The existing level of profitability is indicative of its productivity and operational efficiency within the current context (Liu et al., 2023). The presence of heightened profitability indicates that the company possesses the capacity to yield substantial profits as well. The significance of positive working capital is clear in its ability to reduce capital expenses and enhance corporate profitability (Alarussi & Gao, 2023). The increased profitability ratio will undoubtedly serve as a compelling incentive for an investor considering the allocation of capital to a company. The heightened interest from investors regarding a company's prospective growth frequently results in an appreciation of its share price, thereby enhancing the overall valuation of the company (Chynthiawati & Jonnardi, 2022). Additional elements, such as market composition, obstacles to market entry, and corporate tactics, may also influence the profitability of enterprises (Yadav et al., 2022). Chynthiawati and Jonnardi (2022), alongside Curry (2021), assert in their academic discourse that profitability exerts a positive and significant impact on a company's value. Nonetheless, the investigation conducted by Marselina H et al. (2021) indicated that profitability exerts a positive influence, though this effect remains statistically insignificant. The inquiry undertaken by Hidayat & Khotimah (2022)

demonstrated that profitability does not influence the value of the company, a finding that aligns with the conclusions drawn in the research by Muharramah & Hakim (2022).

Liquidity indicates the organization's ability to swiftly meet its short-term financial obligations. The management of liquidity and the implementation of diversification measures are both essential and intricate (Tang et al., 2024). Increased liquidity indicates that the organization can mitigate the effects of short-term financial obligations; conversely, liquidity levels, whether high or low, profoundly influence investor impressions of the firm. A strong liquidity figure, reflecting solid performance, typically elevates the stock price and aligns with the company's intrinsic value (Putri & Miftah, 2021). Prior research by Putri & Miftah (2021) elucidates that liquidity influences a company's valuation. Iman et al. (2021) conducted a study indicating that liquidity does not affect a company's worth.

LITERATURE REVIEW

The market value ratio signifies the company's worth, mirroring the prevailing market conditions. This ratio offers insight into the company's management of implementation conditions and their possible impacts. The valuation of a company depends on its performance, as indicated by the stock price, which is influenced by the interplay of demand and supply in the capital market, therefore mirroring the public's evaluation of the firm's performance (Ningrum, 2021). Elevated firm value will bolster market confidence in management performance, resulting in an optimistic perspective on the company's prospects (Utami, 2019, in Amalia & Hartono, 2023). Ningrum (2021) contends that the assessment of business value includes the Price Earnings Ratio (PER), Tobin's Q, and Price to Book Value (PBV). As the company's valuation ascends, investor interest concurrently amplifies.

A profit ratio, or profitability ratio, is employed to assess a company's profit level (Hernawati & Masdalifah, 2022). According to Febriyanti et al. (2023), profitability is a metric used to assess a company's capacity to generate profits. This ratio elucidates the effectiveness achieved by the company's management. Sales revenue and investment outcomes serve as metrics for evaluating profitability. Noviera et al. (2024) assert that heightened profitability indicates robust performance and favorable growth potential for the company. Organizations with high profitability are typically viewed by investors as more valuable, resulting in an increase in stock market value and subsequently enhancing the overall worth of the company. Wahyuni et al. (2019) outline the indicators of profitability ratios, namely Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE).

Warisi & Kurniawan (2024) define the liquidity ratio as a metric that illustrates the correlation between a company's cash and other current assets and its current liabilities. The liquidity ratio demonstrates how a company's current assets relate to its current liabilities and its ability to meet upcoming obligations (Ehrhardt & Brigham, 2019). Liquidity ratios serve as a strategic instrument for prospective cash and debt management. Permana et al. (2024) assert that the liquidity ratio assesses a company's capacity to meet its short-term obligations, hence pointing out the importance of liquidity management in enhancing the company's value. A substantial degree of liquidity can enhance a company's valuation from the perspective of investors and offer insight into the company's status. Nadila et al. (2024) assert that the liquidity ratio assesses a company's capacity to fulfill

obligations or debts that are payable upon invoicing. Various assessments, such as the Current Ratio (CR) and the Quick Ratio (QR), can quantify liquidity ratios.

RESEARCH METHOD

This study utilizes a quantitative methodology with secondary data. The study utilizes distinct criteria for evaluation: it assesses Price to Book worth (PBV) to determine company worth, evaluates Return on Assets (ROA) for profitability, and analyzes Current Ratio (CR) for liquidity. This research utilizes pre-existing data from the Indonesian Stock Exchange, concentrating on the telecommunications sector, specifically PT. Indosat Tbk. The financial statements under examination are annual reports covering a five-year period from 2020 to 2024. The data collection strategy employs documentation techniques and utilizes existing data alongside secondary data from the company's financial records. The sample employs a purposive sampling technique. This sample has been evaluated and deemed appropriate. This study uses multiple linear regression as its data analysis technique. This study employed multiple linear regression analysis to assess the impact of profitability and capital structure on the company's value.

RESULT AND DISCUSSION

Table.1 Multicollinearity Test Results
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistic	
		B	Std. Error				Tolerance	VIF
1	(Constant)	68.773	158.947		.434	.707		
	ROE	65.571	3.612	.996	18.153	18.153	.299	3.350
	CR	26.955	412.168	.004	.065	.954	.299	3.350

a. Dependent Variable: PVB

Source: Data Processed, 2025

The Variance Inflation Factor (VIF) for the profitability variable is 3.350, and the liquidity variable also measures 3.350. The VIF for the second independent variable is below 10. The tolerance for the ROE variable is 0.299, and the CR variable has the same tolerance of 0.299. Since these values exceed 0.100, it can be inferred that the premise of multicollinearity is valid, indicating an absence of evidence for it.

Table.2 Autocorrelation Test Results (Runs Test)

	Unstandardized Residual
Test Value ^a	-.08204
Cases < Test Value	2
Cases >= Test Value	3
Total Cases	5
Number of Runs	3
Z	.000
Asymp. Sig. (2-tailed)	1.000

Source: Data Processed, 2025

The Runs Test findings indicated a test value of -0.08204 and a significance value of 1.000, beyond 0.05, so demonstrating the absence of autocorrelation.

Table 3. Normalization Test Results (Kolmogorov Smirnov)

		Unstandardize d Residual
N		5
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviaton	16.30207481
Most Extreme Differences	Absolute	.218
	Positive	.218
	Negative	-.168
Test Statistics		.218
Asymp. Sig. (2-tailed) ^a		.200 ^a
Monte Carlo Sig. (2-tailed) ^a	Sig.	.628
	99% Confidence Interval	Lower Bound
		Upper Bound
		.615
		.640

Source: Data Processed, 2025

The asymptotic significance (2-tailed) value of 0.200 (>0.05) suggests that the data follows a normal distribution, as the obtained value surpasses 0.05. This indicates that the dataset exhibits no substantial deviation from normalcy. Therefore, we may perform parametric statistical analyses that presuppose a normal distribution.

Table 4. Heteroscedasticity Test Results (Park Test)
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-3.689	28.663		-.129	.909
	ROE	.618	.653	.774	.946	.444
	CR	.130	74.537	.001	.002	.999

a. Dependent Variabel: PBV

Source: Data Processed, 2025

The return on equity variable exhibits a significance value of 0.444, but the current ratio variable displays a significance value of 0.999. The independent variable exhibits a significance value over 0.05, indicating the absence of heteroscedasticity and confirming that the prerequisites for the heteroscedasticity test have been satisfied.

Table 5. Determination Coefficient Test Results
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999 ^a	.998	.996	23.05462

Source: Data Processed, 2025

The adjusted R-squared value of 0.996 demonstrates that the profitability and liquidity variables explain 99.6% of the company's worth, while only 0.04% is linked to external variables that were not analyzed in this study.

Table 6. F Test Results
ANOVA^a

Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	590250.169	2	295125.085	555.252	.002 ^b
	Residual	1063.031	2	531.515		
	Total	591313.200	4			

a. Dependent Variable: PVB

b. Predictors: (Constant), CR, ROE

Source: Data Processed, 2025

The significance value found is 0.002 (<0.05), indicating that the profitability and liquidity variables significantly affect the company's worth jointly. This suggests that improvements in either profitability or liquidity could lead to a noticeable increase in the company's overall market valuation. Consequently, management should prioritise strategies that enhance these financial metrics and drive shareholder value.

Table 7. Hypothesis Test Results (T Test)

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	68.773	158.497		.434	.707
	ROE	65.571	3.612	.996	18.153	.003
	CR	26.955	412.168	.004	.065	.954

a. Dependent Variable: PVB

Source: Data Processed, 2025

The data presented in the table indicates that the Return on Equity variable possesses a significance value of 0.003 (<0.05), so we conclude that it exerts a significant partial effect on the dependent variable. The Current Ratio variable, with a significance value of 0.954 (>0.05), does not significantly affect the dependent variable. This study's conclusions indicate that profitability positively and significantly influences the value of PT. Indosat Tbk from 2020 to 2024. The significant profitability indicated by this data suggests that the company demonstrates robust performance and considerable development potential. Consequently, investors are expected to perceive the company as more profitable, thereby enhancing its stock market price and subsequently elevating the company's overall worth. The research indicates that an increase in profitability correlates with an enhancement in the firm's value, while a loss in profitability results in a reduction in corporate worth. The findings of this research corroborate and align with the studies performed by Chynthiawati & Jonnardi (2022) and Curry (2021). The findings herein contradict the studies by Hidayat & Khotimah (2022) and Muharramah & Hakim (2022), which asserted that profitability does not influence firm value.

The analysis concludes that liquidity does not affect the company's value, since the significance value of 0.954 is above the threshold of 0.05. The analysis concludes that liquidity does not influence the valuation of PT. Indosat Tbk from 2020 to 2024. Permana et al. (2024) assert that the liquidity ratio assesses a company's capacity to fulfill its short-term liabilities; hence, they emphasize the significance of liquidity management in enhancing corporate value. A substantial level of liquidity might enhance a company's valuation for investors and indicate its financial health; however, the findings of this study contest this idea, demonstrating that the company's liquidity does not influence its value. Furthermore, the liquidity variable may not provide sufficient guidance for investors in resource allocation, as they may prioritize other aspects that are more advantageous for long-term investments. This evidence suggests that PT. Indosat Tbk is not pivotal in investors' evaluations of the company. The findings of this study corroborate and align with the studies conducted by Iman et al. (2021). The findings herein contradict the assertions made by Putri & Miftah (2021), who argue that liquidity significantly influences a company's worth.

The findings of this study demonstrate that the significance value of 0.002 is below the 0.05 threshold, demonstrating that profitability and liquidity collectively exert a considerable influence on the company's worth. This indicates that firms capable of sustaining robust profitability and liquidity will be appraised more favorably in the investment market. Consequently, the company's management must focus on and effectively manage these two areas to enhance investor confidence and optimize the company's market worth.

CONCLUSION

This study's results indicate that profitability exerts a positive and significant influence on the value of PT. Indosat Tbk; as profitability climbs, the firm's value also ascends, whereas a reduction in profitability results in a loss in company value. Consequently, stakeholders are anticipated to prioritize the company's profitability, which may result in lasting effects on the organization. This study's findings suggest that liquidity does not impact the company's value in PT. This information indicates that liquidity levels, whether elevated or diminished, do not influence the company's valuation. Profitability and liquidity significantly influence PT. Indosat Tbk's valuation from 2020 to 2024. This evidence indicates that firms capable of sustaining robust profitability and liquidity will be appraised more favorably in the investment market. Consequently, the company's management should focus on and proficiently manage these two areas to enhance investor confidence and optimize the company's market worth. Organizations should concentrate on measures that enhance profitability, including market expansion, product innovation, and cost efficiency improvement, to elevate their overall value. The current data from this study is limited, so there's a chance to make the research better by including more telecommunication companies for comparison and adding other factors like debt, seller growth, or other economic elements that weren't looked at in this study.

REFERENCES

Authored Book

- Ehrhardt, M. C., & BRIGHAM, E. F. (2019). Financial Management Theory & Practice 16e. In *Cengage*.
- Ningrum, E. P. (2021). *NILAI PERUSAHAAN (Konsep dan Aplikasi)* (Kodri (ed.)). Penerbin Adab.

Journal Articles

- Alarussi, A. S., & Gao, X. (2023). Determinants of profitability in Chinese companies. *International Journal of Emerging Markets*, 18(10). <https://doi.org/10.1108/IJOEM-04-2021-0539>
- Amalia, W. R., & Hartono, U. (2023). *Pengaruh profitabilitas, likuiditas, leverage, firm size dan kebijakan dividen terhadap nilai perusahaan pada perusahaan sektor properties and real estate yang terdaftar di Bursa Efek Indonesia periode 2019-2021*. 11(I), 114–128.
- Chynthiawati, L., & Jonnardi, J. (2022). Pengaruh Profitabilitas, Leverage, Pertumbuhan Perusahaan, Dan Likuiditas Terhadap Nilai Perusahaan. *Jurnal Paradigma Akuntansi*, 4(4), 1589–1599. <https://doi.org/10.24912/jpa.v4i4.21390>
- Curry, B., & I. (2021). (2021). Pengaruh Struktur Modal Dan Profitabilitas Terhadap Nilai Perusahaan. *Jurnal Ekonomi dan Manajemen*, 1–14.
- Dewi, M. (2018). Analisis Kinerja Keuangan Perusahaan Dengan Menggunakan Du Pont System Pada PT. Indosat, Tbk. *Jurnal Penelitian Ekonomi Akuntansi (JENSI)*, 2(2), 117–126. <https://doi.org/https://doi.org/10.33059/jensi.v2i2.940>
- Febriyanti, N. R., Aryani, F., Hendratni, T. W., Fakultas Ekonomi, M., & Bisnis, D. (2023). Pengaruh Leverage dan Profitabilitas terhadap Nilai Perusahaan (Studi Kasus pada Perusahaan Sub Sektor Telekomunikasi yang Terdaftar di Bursa Efek Indonesia (BEI) Periode 2016-2021. *Jimp*, 3(2), 99–109.
- Hernawati, E., & Masdalifah, R. T. (2022). Pengaruh Biaya Pemasaran Terhadap Profitabilitas Pada Pt Gudang Garam, Tbk. *Jurnal Co Management*, 4(1), 756–765. <https://www.journal.ikopin.ac.id/index.php/co-management/article/view/2252%0Ahttps://www.journal.ikopin.ac.id/index.php/co-management/article/download/2252/1843>
- Hidayat, I., & Khotimah, K. (2022). Pengaruh Profitabilitas dan Ukuran Perusahaan terhadap Nilai Perusahaan sub sektor kimia. *Jurnal Ilmiah Akuntansi Kesatuan*, 10(1), 1–8. <https://doi.org/10.37641/jiakes.v10i1.1175>
- Iman, C., Sari, F., & Pujianti, N. (2021). Tinjauan teoritis likuiditas dan profitabilitas terhadap nilai perusahaan. *Jurnal Ilmiah Akuntansi Kesatuan*, 9(3), 531–534.
- Liu, Y., Yang, B., & Su, Y. (2023). Changes in firm profitability, heterogeneous investor beliefs, and stock returns. *Journal of Management Science and Engineering*, 8(2). <https://doi.org/10.1016/j.jmse.2022.10.004>
- Mansikkamäki, S. (2023). Firm growth and profitability: The role of age and size in shifts between growth–profitability configurations. *Journal of Business Venturing Insights*, 19. <https://doi.org/10.1016/j.jbvi.2023.e00372>
- Marginingsih, R. (2019). Penilaian Kinerja Perusahaan Dengan Menggunakan Analisa Rasio Keuangan Pada Perusahaan Telekomunikasi Di Indonesia. *Jurnal Cakrawala*, 17(1), 14–21.

- Marselina H. Umbung, Wehelmina M. Ndoen, P. Y. A. (2021). Pengaruh kebijakan dividen dan profitabilitas terhadap nilai perusahaan. *Jurnal Akuntansi*, 10(2), 211–225.
- Muharramah, R., & Hakim, M. Z. (2022). The influence of company size, leverage, and profitability on company value. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, 5(3), 1433–1440.
- Nadila Nadila, Aris Munandar, & Nafisa Nurrahmatiah. (2024). Analisis Rasio Likuiditas Untuk Menilai Kinerja Keuangan Pada Perusahaan Sub Sektor Farmasi Di BEI. *Profit: Jurnal Manajemen, Bisnis Dan Akuntansi*, 3(3), 243–253. <https://doi.org/10.58192/profit.v3i3.2397>
- Noviera, F., Astuti, C. D., & Oktaviani, A. A. (2024). Strategi Keuangan Dan Pertumbuhan: Dampak Struktur Modal, Profitabilitas, Dan Ukuran Perusahaan Terhadap Nilai Perusahaan. *Jurnal Akuntansi Trisakti*, 11(2), 377–394.
- Permana, G., Hariyanto, E., Amir, A., & Winarni, D. (2024). Pengaruh Likuiditas, Solvabilitas, Ukuran Perusahaan, dan Dewan Komisaris Independen Terhadap Nilai Perusahaan. *SEIKO: Journal of Management & Business*, 7(2), 54. <https://doi.org/10.37531/sejaman.v7i2.6533>
- Putri, A. S., & Miftah, D. (2021). Pengaruh Intellectual Capital, Leverage, Profitabilitas, Dan Likuiditas Terhadap Nilai Perusahaan. *CURRENT: Jurnal Kajian Akuntansi Dan Bisnis Terkini*, 2(2), 259–277. <https://doi.org/10.31258/jc.2.2.259-277>
- Tang, M., Hu, Y., Corbet, S., Hou, Y. (Greg), & Oxley, L. (2024). Fintech, bank diversification and liquidity: Evidence from China. *Research in International Business and Finance*, 67. <https://doi.org/10.1016/j.ribaf.2023.102082>
- Wahyuni, I., Pasigai, M. A., & Adzim, F. (2019). Analisis Rasio Profitabilitas Sebagai Alat Untuk Mengukur Kinerja Keuangan Pada PT. Biringkassi Raya Semen Tonasa Groupjl. Poros Tonasa 2 Bontoa Minasate'Ne Pangkep. *Jurnal Profitability Fakultas Ekonomi Dan Bisnis*, 3(1), 22–35. <https://journal.unismuh.ac.id/index.php/profitability>
- Warisi, D., & Kurniawan, R. (2024). Pengaruh Rasio Likuiditas, Solvabilitas, dan Efisiensi terhadap Kinerja Keuangan Perbankan Konvensional Periode 2019-2022. *Jurnal Penelitian Ekonomi Manajemen Dan Bisnis (JEKOMBIS)*, 3(2), 28–39. <https://ejurnal.politeknikpratama.ac.id/index.php/jekombis/article/view/3470%0Ahttps://ejurnal.politeknikpratama.ac.id/index.php/jekombis/article/download/3470/3216>
- Yadav, I. S., Pahi, D., & Gangakhedkar, R. (2022). The nexus between firm size, growth and profitability: new panel data evidence from Asia–Pacific markets. *European Journal of Management and Business Economics*, 31(1). <https://doi.org/10.1108/EJMBE-03-2021-0077>

Website

- IDX. (2025). *Laporan Keuangan PT. Indosat Tbk tahun 2020-2024*. Accessed from: <https://www.idx.co.id/id>
- IDX Channel. (2023). *Deretan perusahaan telekomunikasi di Indonesia yang terdaftar di BEI 2023*. Accessed from: <https://www.idxchannel.com/market-news/deretan-perusahaan-telekomunikasi-di-indonesia-yang-terdaftar-di-bei-2023>
- Indosatooredoo. (2025). *Laporan Keuangan Terakhir*. Accessed from: <https://indosatooredoo.com/portal/ar/iohindex> pada tanggal 25 Mei 2025.