1st International Conference on Management, Business and Economy (ICoMBEc 2025)
Vo. 1 No. 1 2025
e-ISSN : XXXX-XXX

FINANCIAL PERFORMANCE EVALUATION THROUGH LIQUIDITY, SOLVENCY, ACTIVITY, AND PROFITABILITY RATIOS: A CASE STUDY OF PT GIHON TELEKOMUNIKASI INDONESIA TBK (2017–2024)

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Abstract

The purpose of this study is to analyze the financial performance of PT Gihon Telekomunikasi Indonesia Tbk from 2017 to 2024 using financial ratio analysis, including liquidity, solvency, activity, and profitability ratios. This study aims to evaluate whether the company is capable of fulfilling its short-term and long-term financial obligations, utilizing its assets efficiently, and generating sustainable profits. The study employs a quantitative descriptive method with secondary data obtained from the financial reports of the company.
The outcomes refer to the company's liquidity ratio (Current Ratio) as volatile and declining, which reflects limited short-term financial flexibility. The solvency ratio (Debt to Equity Ratio) surged hugely since 2022, reflecting higher leverage on debt finance. The activity ratio (Total Asset Turnover) was extremely low, reflecting poor asset utilization. In contrast, the profitability ratio (Gross Profit Margin) was relatively robust and stable, suggesting effective cost management.
Generally, the results indicate that PT Gihon Telekomunikasi Indonesia Tbk experienced moderate financial performance, characterized by good profitability but weakened liquidity and solvency. To achieve sustainable growth, the company must optimize asset management, reduce its reliance on debt, and improve working capital efficiency.

Keywords: *Financial Ratio, Liquidity, Solvency, Activity, Profitability, Financial Performance*

Introduction

Financial performance is key in determining the success and sustainability of a business. It reflects how much an enterprise can manage its finances so that it can be profitable and stable in the long run. Brigham and Houston (2018) state that the analysis of financial performance enables stakeholders to determine the capacity of the company to provide returns alongside being stable in the face of shifting economic circumstances.

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In the telecommunications sector, businesses are always under pressure from rapid technological developments, infrastructure needs, and fierce competition. The company requires enormous capital investments and efficient resource utilization to compete. Thus, researching the financial performance of business entities such as PT Gihon Telekomunikasi Indonesia Tbk, which provides tower and telecommunications infrastructure services, is essential for assessing how well it adapts to financial challenges and opportunities.

The viability and growth of a firm depend on its financial balance—having sufficient liquidity, preventing the risk of solvency, leveraging assets to the maximum, and achieving stable profitability. Each ratio sheds light on different dimensions of financial performance: liquidity ratios reveal short-term solvency, solvency ratios reveal financial leverage, activity ratios reveal operating efficiency, and profitability ratios reveal the firm's ability to generate income.

This research examines the financial ratios of PT Gihon Telekomunikasi Indonesia Tbk between 2017 and 2024 with the purpose of identifying trends, gauging financial health, and providing recommendations for future performance enhancement. This research also contributes more broadly to the literature on financial performance analysis by applying traditional financial theory to a modern Indonesian telco company.

Theoretical Framework

The research is grounded on the assumption that a firm's financial position can be explained by financial ratio analysis. Financial ratios connect figures in accounting reports to measure efficiency, stability, and profitability (Kasmir, 2019).

The liquidity ratio indicates a firm's ability to repay short-term obligations using existing assets. According to Gitman (2015), proper liquidity is important for maintaining daily operations and avoiding insolvency. The solvency ratio measures long-term financial health and the extent to which a firm depends on borrowing. Brigham and Houston (2018) explain that excessive leverage increases financial risk and limits managerial flexibility. The activity ratio measures how effectively assets are used to generate revenue. Brigham and Ehrhardt (2017) assert that an unusually low turnover rate indicates poor asset utilization or inefficient operations.

Finally, the profitability ratio indicates the company's ability to generate profit relative to sales or assets. Good profitability is often seen as an indicator of effective cost control and sustainable operations, as stated by Kasmir (2019).

In effect, stable financial performance requires harmony in liquidity, solvency, activity, and profitability. A weakened one can ruin the others, thereby requiring constant checks to ensure financial sustainability.

Method

This research adopts the quantitative descriptive method, which involves description and analysis of quantitative data to draw reasonable conclusions. The data utilized are secondary data from PT Gihon Telekomunikasi Indonesia Tbk's audited financial reports for 2017-2024.

The following formula has been applied:

- Current Ratio (CR) = Current Assets / Current Liabilities × 100%
- Debt to Equity Ratio (DER) = Total Liabilities / Equity × 100%
- Total Asset Turnover (TATO) = Sales / Total Assets × 100%
- Gross Profit Margin (GPM) = Gross Profit / Sales × 100%

All the above ratios were calculated yearly and analyzed using trend analysis to detect patterns of financial performance over time. Concepts by Kasmir (2019), Brigham & Houston (2018), and Gitman (2015) were used to inform data interpretation and align the analysis with prevailing financial management concepts.

Results

1. Liquidity Ratio

Tabel 1.1
Indikator Current Rasio PT Gihon Telekomunikasi Indonesia Tbk
Tahun 2017-2024

Tahun	Aktivitas Lancar	Hutang Lancar	CR
2017	Rp50.077.804	Rp157.162.096	31,86%
2018	Rp45.955.010	Rp63.527.586	72,34%
2019	Rp41.885.488	Rp62.828.314	66,67%
2020	Rp37.262.521	Rp112.293.182	33,18%
2021	Rp75.858.670	Rp250.140.903	30,33%
2022	Rp96.533.792	Rp306.363.017	31,51%
2023	Rp125.773.181	Rp403.995.326	31,13%
2024	Rp123.987.050	Rp418.138.396	29,65%

Sumber : Data Yang Diolah

Vo. 1 No. 1 2025
e-ISSN : XXXX-XXX

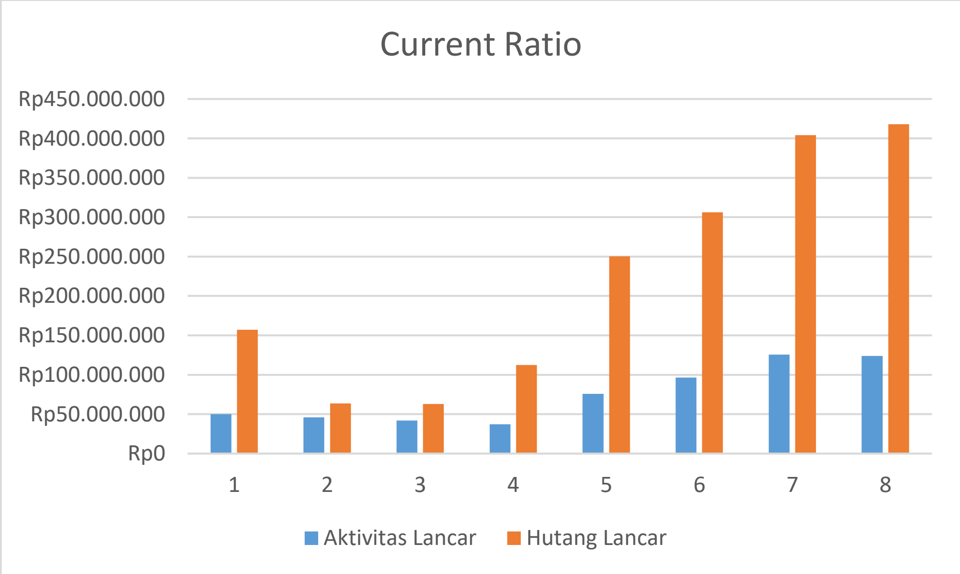


Figure 2.1
Current Ratio Periode 2017-2024

The Current Ratio of PT Gihon Telekomunikasi Indonesia Tbk was changing and always below 100%, the best minimum level. The lowest point was in 2024 at 29.65%, indicating weak short-term liquidity. This reflects that current assets could not meet short-term liabilities.

As observed by Brigham and Houston (2018), such situations can create liquidity risk because the company can struggle to meet near-term financing commitments. This implies that PT Gihon needs to improve its working capital management through improved inventory control, collection of receivables, and cash flow management.

2. Solvency Ratio

Tabel 1.2
Debt To Equity Rasio PT Gihon Telekomunikasi Indonesia Tbk
Year 2017-2024
(In Million Rupiah)

Tahun	Total Hutang	Ekuitas	DER
2017	Rp273.826.582	Rp42.938.098	637,72%
2018	Rp92.999.798	Rp237.491.847	39,16%
2019	Rp139.124.612	Rp390.559.274	35,62%
2020	Rp157.782.245	Rp392.344.151	40,22%
2021	Rp302.459.113	Rp379.161.468	79,77%
2022	Rp375.812.491	Rp404.348.808	92,94%
2023	Rp524.102.658	Rp406.482.818	128,94%
2024	Rp580.628.884	Rp412.805.488	140,65%

Sumber : Data Yang Diolah

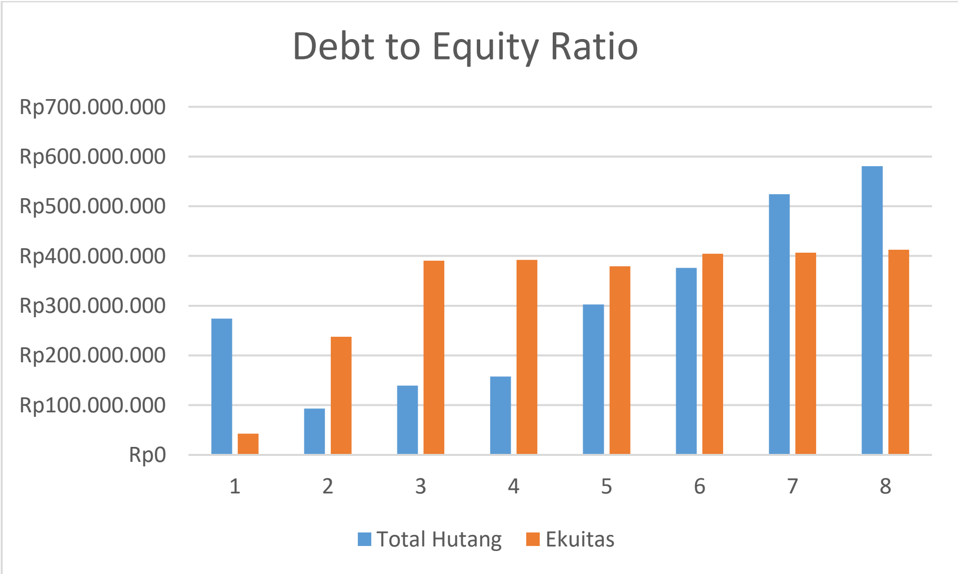


Figure 2.2
Debt To Equity Ratio 2017-2024

Debt-to-Equity Ratio (DER) expresses the percentage of debt relative to shareholders' equity, signaling leverage and long-term risk. The DER of PT Gihon was recorded in 2017 to be extremely high at 637.72%. This signifies highly dependent debt and hence highly financial risk. By 2018–2019, DER had declined to about 35–39% and signified much stronger equity and financial health.

From 2020, DER continuously increased—reaching 140.65% in 2024—indicating revived reliance on debt to grow. Gitman (2015) states that DER above 100% may indicate over-leverage, which strains finance. Brigham and Houston (2018) further state that some debt can increase return, but excessive debt increases the risk of financial distress.

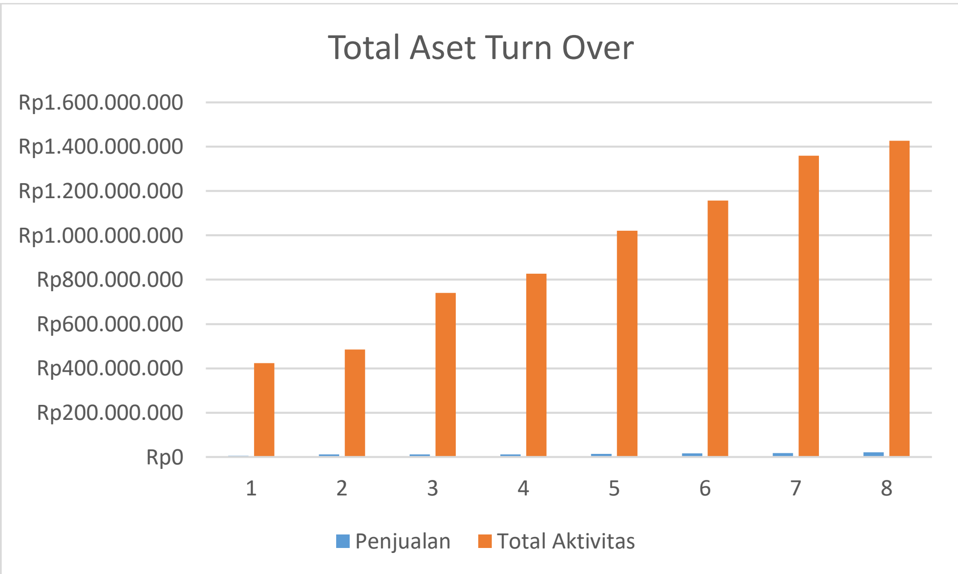
PT Gihon should seek a balanced capital structure, reducing debt reliance, consolidating retained earnings, and monitoring interest coverage to stay solvent. In short, while debt funded growth, raising DER from 2021 onwards highlights the need for tighter financial management to ensure long-term stability and investors' confidence.

3. Activity Ratio

Tabel 1.3
Indikator Debt Assets Turn Over Ratio PT Gihon Telekomunikasi Indonesia Tbk
For Year 2017-2024
(in Million Rupiah)

Tahun	Penjualan	Total Aktivitas	TATO
2017	Rp5.841.231	Rp423.313.769	1,38%
2018	Rp11.392.100	Rp485.156.762	2,35%
2019	Rp11.696.467	Rp740.433.237	1,58%
2020	Rp12.199.753	Rp827.628.586	1,47%
2021	Rp14.515.600	Rp1.021.478.602	1,42%
2022	Rp16.315.465	Rp1.156.622.811	1,41%
2023	Rp17.388.262	Rp1.359.147.579	1,28%
2024	Rp20.702.333	Rp1.427.439.424	1,45%

Sumber : Data Yang Diolah



Grafik 2.3
Hasil Perhitungan Debt Assets Turn Over Ratio Periode 2017-2024

The Total Asset Turnover (TATO) ratio was low, averaging 1.5% over eight years. Though sales improved steadily, total assets grew at a faster rate, thus decreasing efficiency. This can be attributed to Brigham & Ehrhardt (2017) where such conditions indicate underutilized assets or idle investments.

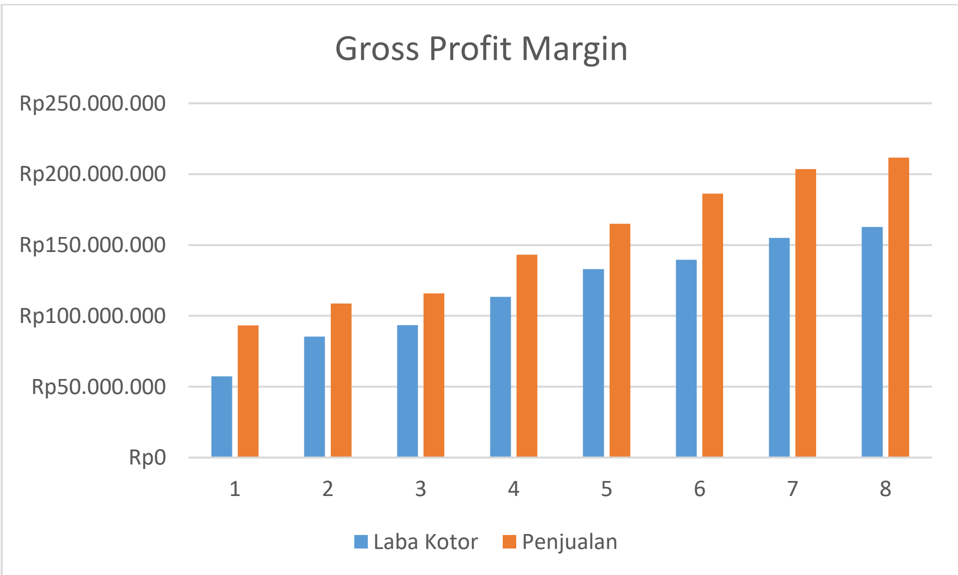
For PT Gihon to boost asset productivity, there must be strategic asset deployment and operational optimization so that investment in telecommunications devices or towers directly helps boost revenues.

4. Profitability Ratio

Tabel 1.4
Idikator Gross Profit Margin PT Gihon Telekomunikasi Indonesia Tbk
Tahun 2017-2024
(Dalam jutaan Rupiah)

Tahun	Laba Kotor	Penjualan	GPM
2017	Rp57.397.652	Rp93.213.324	61,58%
2018	Rp85.280.677	Rp108.699.906	78,46%
2019	Rp93.376.863	Rp115.935.417	80,54%
2020	Rp113.475.531	Rp143.056.438	79,32%
2021	Rp132.972.729	Rp164.920.511	80,63%
2022	Rp139.570.135	Rp186.301.175	74,92%
2023	Rp154.981.092	Rp203.637.725	76,11%
2024	Rp162.645.245	Rp211.679.065	76,84%

Sumber : Data Yang Diolah



Grafik 2.4
Hasil Perhitungan Gross Profit Margin Rasio Periode 2017-2024

PT Gihon's Gross Profit Margin (GPM) was strong throughout the study period at an average of around 75%. According to Kasmir (2019), more than 50% GPM indicates efficient cost control. The company was consistently profitable despite fluctuations in sales and operating expenditures, which demonstrates strong cost management of production and service delivery costs.

The minor decline in GPM after 2022 reflects rising costs of operations or pressure of prices for the telecommunication tower leasing sector. However, maintaining a margin of over 70% means that PT Gihon's business model is profitable and sustainable in the long run.

Discussion

Overall, PT Gihon Telekomunikasi Indonesia Tbk's capital structure is out of balance. Liquidity is low, there is an increasing risk of solvency, and operating efficiency is moderate. However, profitability is high, indicating that the company is still able to generate strong returns despite constrained liquidity.

As Brigham and Houston (2018) aver, profitability can lead to short-run financial stress if it is not preceded by liquidity, as paper profits can never equate to available cash. PT Gihon must thus concentrate on increasing its cash flow, improving collections on receivables, and restructuring the payment of debts.

In addition, based on Ross, Westerfield, and Jordan (2019), sustainable financial performance requires balancing risk and return. The test for the firm is to reduce its reliance on debt financing while maintaining profitability via sound cost and asset management.

Conclusion

The results of this study show that PT Gihon Telekomunikasi Indonesia Tbk experienced unstable financial performance during the period of 2017–2024. The liquidity was suboptimal, indicating poor short-term solvency and the need to enhance cash and working capital management. The solvency ratio increased sharply after 2021, indicating higher debt leverage, greater financial risk, and reduced stability. The company's activity ratio was also low, indicating that asset utilization has not been particularly effective.

On the above-mentioned weaknesses, profitability was also strong with a Gross Profit Margin of over 70%, showing continued cost control and operational effectiveness. This shows the company's ability to remain profitable even under financial stress.
Overall, PT Gihon is well profitable but illiquid and solvent. To achieve long-term financial growth, the firm must improve its liquidity management, reduce debt, and be more asset-use efficient. Equilibrium management of all the financial ratios is required for long-term competitiveness in the telecommunications industry.

Acknowledgments
The author would like to express his sincere thanks to Universitas Pamulang, and particularly the Faculty of Economics and Business, for academic support, motivation, and research resources without which it would not have been possible to conduct this study. Thanks are also owed to the lecturers and mentors who provided valuable ideas and positive criticism in the preparation of this paper.

The author would like to express gratitude to the peers and colleagues who assisted in the data collection and analysis process, especially to those who provided access to PT Gihon Telekomunikasi Indonesia Tbk's financial information. Their guidance and cooperation were immeasurable in terms of improving the accuracy and breadth of this research.

Special thanks are also given to the 1st International Conference on Management, Business, and Economy (ICoMBEc 2025) organizing committee for the opportunity to present and publish this work. Finally, the author would like to express their utmost gratitude to the family and friends for their unrelenting moral support and encouragement throughout the completion of this research work.

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