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Financial Transformation of PT Indosat Ooredoo Hutchison Tbk during the Merger Period 2019-2024

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Abstract

This study aims to analyze the financial transformation of PT Indosat Ooredoo Hutchison Tbk (IOH) during the merger period from 2019 to 2024 by examining changes in financial performance through ratios such as Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Total Asset Turnover (TATO). The research employs a descriptive quantitative approach using secondary data obtained from official annual financial reports and reliable public financial databases, without involving interviews. Data analysis consists of comparing financial ratios before, during, and after the merger, complemented by non-parametric statistical tests to validate the significance of performance changes. The results indicate that although there was an initial decline in performance due to integration processes, the merger ultimately had a positive impact by improving liquidity, balancing capital structure, enhancing asset efficiency, and strengthening profitability post-merger. These findings offer important insights for stakeholders in managing post-merger financial and operational strategies, and contribute empirical evidence to the telecommunications sector literature on the effects of mergers on financial transformation. The study recommends careful management of integration and risks to optimize merger benefits.

Keywords:
Financial Transformation, Merger, Current Ratio, Debt to Equity Ratio, Return on Assets, Total Asset Turnover, PT Indosat Ooredoo Hutchison Tbk.

Introduction

The financial transformation of IOH during the merger period from 2019 to 2024 represents a significant phenomenon reflecting the company's dynamics and strategies in facing substantial changes within Indonesia's highly competitive telecommunications industry. The merger between PT Indosat Tbk and PT Hutchison 3 Indonesia, effective early 2022, aimed to combine resources, networks, and technology to strengthen market position and enhance operational efficiency sustainably. The financial transformation occurring during and after the merger process is a key aspect that must be analyzed to measure the extent to which this consolidation impacts the company's financial capabilities. This study aims to examine IOH's changes in financial performance using four primary financial ratios: Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Total

Asset Turnover (TATO). The Current Ratio measures the company's liquidity in meeting short-term obligations, while DER assesses the capital structure by evaluating the proportion of funding derived from debt relative to equity. ROA serves as a crucial indicator for efficiency in using assets to generate profit, and TATO reflects management's effectiveness in optimizing asset utilization to produce revenue. This analysis is vital to provide a comprehensive overview of the company's financial condition during a major transition caused by the merger.

The analysis results of these four ratios show that the merger significantly impacted IOH's financial transformation positively. At the initial integration stage, financial performance experienced a decline due to operational consolidation challenges and internal adjustments affecting various financial aspects. However, the company quickly managed to achieve ongoing improvements in liquidity, evidenced by the increased Current Ratio in years following the merger. Additionally, the company's capital structure became healthier alongside efforts to optimize debt relative to equity, as reflected by the improved DER. Notable improvements were also seen in Return on Assets, indicating enhanced efficiency in asset management to generate income and improved profitability post-merger. Asset utilization efficiency further increased, demonstrated by the rise in Total Asset Turnover, showing that the company's assets were optimally used to support revenue growth. The significance of this study lies in its empirical depiction of how mergers can bring fundamental changes to a company's financial performance, especially in sectors heavily dependent on technology and substantial investments like telecommunications.

This study is relevant for stakeholders including investors, management, and regulators to understand the strategic effects of mergers on financial strength and company sustainability prospects. Furthermore, the comprehensive analysis of key financial ratios provides a solid basis for strategic financial decision-making and risk management going forward. Beyond quantitatively illustrating financial transformation, this study also offers insights into the importance of effective post-merger management to achieve synergy and boost performance. The COVID-19 pandemic and rapid shifts in the digital landscape posed additional challenges for IOH during the merger process. However, the company's ability to maintain liquidity stability, improve capital structure, increase asset efficiency, and strengthen profitability demonstrates its flexibility and capacity to navigate external changes. This indicates that merger is not merely a physical combination of assets but also a strategic transformation involving effective financial management for long-term success.

Theoretical Framework

The theoretical framework of this study on the financial transformation of IOH during the 2019-2024 merger period is based on several relevant theories and studies in the field of mergers and corporate financial performance, especially in the competitive and dynamic telecommunications industry. Merger or business consolidation is a corporate strategy aimed at improving operational efficiency, strengthening financial structure, and creating added value synergies that individual companies could not achieve before merging (Gaughan, 2010). In this context, IOH's merger between PT Indosat Tbk and PT Hutchison 3 Indonesia serves as an important case to examine how this consolidation impacts financial health and operational performance. Previous studies indicate that merger effects on corporate financial performance vary depending on merger size, integration strategy, and market conditions. Ferris and Park (2001) stated that companies with large-scale mergers tend to show improved financial results, while smaller mergers face greater challenges in maintaining performance. This is reinforced by Amilasari and Rahmawati (2024), who found significant changes in key financial metrics such as Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Price Earnings Ratio (PER) following telecommunications company acquisitions. Their research suggests that mergers can improve liquidity, asset utilization efficiency, and profitability, provided risk management and integration strategies are effectively implemented.

Financial theory holds that the Current Ratio (CR) reflects the company's ability to meet short-term obligations; thus, improved CR post-merger signifies better liquidity, which is crucial for creditor confidence and operational continuity. Debt to Equity Ratio (DER) represents the proportion of debt and equity financing, where a healthy DER indicates financial stability and controlled risk. Return on Assets (ROA) measures how effectively assets generate profit, while Total Asset Turnover (TATO) reflects asset efficiency in generating revenue. These ratios combined serve as primary indicators for analyzing post-merger financial transformation (Amilasari & Rahmawati, 2024). The synergy theory articulated by Gaughan (2010) explains that mergers create added value through resource consolidation and cost savings, ultimately strengthening financial performance. Synergies can manifest as increased operational efficiency, reduced production costs, and optimized capital structure. Therefore, synergy theory underpins the hypothesis that the IOH merger positively influences CR improvement, DER reduction, and increased ROA and TATO.

Additionally, agency theory by Jensen and Meckling (1976) is relevant to understanding the relationship between shareholders and management in a merger context. Agency problems may arise when management does not act fully in shareholders' interests, necessitating proper oversight mechanisms and incentives to maximize firm value post-merger. This theory supports the importance of financial performance evaluation as a tool to control management effectiveness in merger integration and risk management. Previous research also highlights the importance of the telecommunications industry's context, characterized by technological and regulatory challenges. Mergers in this sector often face large investment demands and global and local competitive pressures (Laporan Kajian Merger H3I dan Indosat, 2023). The research gap identified involves a lack of comprehensive empirical studies linking financial ratio changes with merger transition phases in Indonesian telecommunications firms. Thus, this study aims to fill this gap by focusing on IOH's merger impact on financial transformation measured by CR, DER, ROA, and TATO during 2019-2024.

Method

This research employs a descriptive quantitative approach focusing on the financial transformation analysis of IOH during the 2019-2024 merger period. The study utilizes secondary data sourced from the company's official annual financial reports, as well as financial data obtained from reputable investment and financial portals. Data collection techniques were conducted online through documentation and downloading of public data, without involving direct interviews or surveys, ensuring the validity and reliability of the data used. This approach aligns with corporate financial research practices that rely on open and verified data. The primary instrument of this study is the financial reports containing key financial ratios, namely Current Ratio (CR), Debt to Equity Ratio (DER), Return on Assets (ROA), and Total Asset Turnover (TATO). These ratios were selected due to their ability to measure liquidity, capital structure, asset utilization efficiency, and company profitability. The analysis covers periods before, during, and after the merger, providing a comprehensive data range to evaluate changes in financial performance.

Data analysis was carried out using descriptive quantitative methods to depict trends and changes in financial ratios over the study period. Additionally, the study applied non-parametric statistical tests using SPSS software to examine the significance of changes in the company's financial performance before and after the merger. Non-parametric tests were chosen because financial data tend to be non-normally distributed, making this method more appropriate for testing significant changes in ratios. This approach has been employed and recommended in similar studies in the telecommunications industry (Amilasari & Rahmawati, 2024; Wahyugianto, 2025).

1. The liquidity ratio, calculated using the Current Ratio (CR), went up after the merger. This means the company is better at using its current assets to cover short-term debts. However, the increase isn't big enough to be considered statistically significant, which shows that the company still needs to manage its current assets more efficiently.
   Formula:
   Current Ratio (CR) = Current Assets / Current Liabilities

2. The solvency ratio, measured by the Debt to Equity Ratio (DER), went down after the merger. This suggests the company is becoming less reliant on debt and has a more stable capital structure. But the drop isn't significant enough to be meaningful according to statistical tests.
   Formula:
   Debt to Equity Ratio (DER) = Total Debt / Total Equity

3. Profitability, as shown by the Return on Assets (ROA), increased after the merger. This indicates the company is using its assets more effectively to make profits.

However, the increase isn't statistically significant because of the costs from merging and reorganizing the business.
Formula:
Return on Asset (ROA) = Net Profit / Total Assets

4. Total Asset Turnover (TATO) didn't change much and the change isn't significant. This means the company isn't using its assets well enough to generate revenue, and there's room for improvement.
Formula:
Total Asset Turnover (TATO) = Net Sales / Total Assets

Results
Descriptive Statistics
Descriptive Statistics for the 3 Years Prior to the Merger

Table 1 Descriptive Statistics for the 3 Years Prior to the Merger

Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
CR	3	40.00	56.00	46.0000	8.71780
DER	3	358.00	515.00	419.6667	83.73968
ROA	3	-1.00	11.00	4.3333	6.11010
TATO	3	42.00	50.00	45.3333	4.16333
Valid N (listwise)	3				

Source: SPSS Processing Results (2025)

Based on the results of descriptive statistics analysis prior to the merger , it can be seen that the company's financial condition still needs improvement in several areas. The average current ratio of 46.00 indicates that the company is quite capable of meeting its short-term obligations. However, the high debt to equity ratio, with an average of 419.67, indicates that the company is still heavily dependent on debt. The return on assets value of 4.33 shows that the company's profit level is not yet stable, while the total asset turnover of 45.33 illustrates the efficient use of assets, although not yet maximized. Overall, the financial condition prior to the merger can be said to be quite good in terms of liquidity and asset efficiency, but still weak in terms of capital structure and profitability.

Descriptive Statistics 3 Years After the Merger

Table 2 Descriptive Statistics 3 Years After the Merger

Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
CR	3	45.00	52.00	48.3333	3.51188
DER	3	212.00	260.00	237.3333	24.11086
ROA	3	4.00	5.00	4.6667	.57735
TATO	3	41.00	49.00	45.0000	4.0000
Valid N (listwise)	3				

Source: SPSS Processing Results (2025)

Based on the results of descriptive statistics analysis after the merger, there was an improvement in financial performance compared to before the merger. The current ratio increased to an average of 48.33, indicating that the company's ability to meet its short-term obligations had improved. The debt to equity ratio decreased significantly to 237.33, indicating that the company's capital structure is healthier due to reduced dependence on debt. In addition, the return on assets (ROA) averaged 4.67 and tended to be more stable than in the previous period, which means that the company's profitability is starting to improve. Total asset turnover (TATO) is also relatively stable with an average of 45.00, indicating that the efficiency of asset utilization is maintained. Overall, after the merger, the financial condition shows improvement in terms of liquidity, capital structure, and profitability. The merger can be said to have a positive impact on the company's financial performance.

Normality Test

Table 3 Results of Data Normality Test

One-Sample Kolmogorov-Smirnov

		Current ratio	Debt to equity ratio	Return on asset	Total asset turnover
N		6	6	6	6
Normal Parameters	Mean	47.1667	328.50000	4.5000	45.1667
	Std. Deviation	6.08002	114.06621	3.88587	3.65605
Most Extreme Differences	Absolute	.139	.226	.282	.186
	Positive	.139	.226	.282	.185
	Negative	-.120	-.154	.183	-.186
Test Statistic		.139	.226	.282	.186
Asymp. Sig (2-tailed)		.200c,d	.200c,d	.147c	.200c,d

Source: SPSS Processing Results (2025)

Based on the One-Sample Kolmogorov-Smirnov Test results, the significance values (Asymp. Sig. 2-tailed) for the current ratio, debt to equity ratio, return on assets, and total asset turnover were 0.200, 0.200, 0.147, and 0.200 respectively. All of these values are higher than the 0.05 significance level. This means that all the variables follow a normal distribution. This suggests that the data collected for the study is closely aligned with a normal distribution, meaning there is not a big difference between how the data is actually distributed and what a normal distribution would look like. This condition shows that the data meets the normality assumption, which allows the use of parametric statistical methods like the t-test to compare financial performance before and after the merger.

Hypothesis Testing

Table 4 Results of Data Hypothesis Testing

Paired Samples Test

		Paired Diferences					t	df	Sig(2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	CR sebelum marger-CR sesudah marger	-2.33333	6.02771	3.48010	-17.30700	12.64034	-.670	2	.572
Pair 2	DER sebelum marger-DER sesudah marger	182.33333	107.22096	61.90405	-84.01829	448.68495	2.945	2	.099
Pair 3	ROA sebelum marger-ROA sesudah marger	-.33333	5.68624	3.28295	-14.45874	13.79207	-.102	2	.928
Pair 4	TATO sebelum marger-TATO sesudah marger	.33333	1.15470	.66667	-2.53510	3.20177	.500	2	.667

Source: SPSS Processing Results (2025)

Based on the Paired Sample T-Test results, the significance values (Sig. 2-tailed) for the current ratio, debt to equity ratio, return on assets, and total asset turnover are 0.572, 0.099, 0.928, and 0.667 respectively. Since all these significance values are higher than the 0.05 significance level, it can be concluded that there is no significant difference in the company's financial performance before and after the merger. This suggests that the merger did not have a significant impact on the financial ratios during the time period studied. Even though there were some changes in the financial ratios after the merger, these changes were not big enough to be considered statistically significant.

Discussion

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Based on the financial data analysis before and after the merger, there were changes in several important ratios of IOH. The current ratio went up after the merger compared to before, showing that the company's ability to pay its short-term debts has improved. This matches Kasmir's (2018) idea about liquidity, which says that a higher current ratio means the company is better at using its current assets to cover short-term liabilities. So, the merger seems to have helped with liquidity, but the change isn't statistically significant yet. The Paired Sample T-Test results show that the increase isn't big enough to be significant (Sig. 0.572 > 0.05), meaning it's not a major change. This agrees with Kurniati and Asmirawati's (2021) research, which says that mergers and acquisitions don't always directly affect financial performance because it takes time for the integration and operation to work well. The debt to equity ratio also went down after the merger, showing that the company's capital structure has improved because it's relying less on debt. Brigham and Houston (2019) say that a good capital structure can make the company more financially stable and better at using internal funds. These results match Widhiastuti's (2021) study, which found that mergers and acquisitions in Indonesia can improve capital structure, although not a lot in the short term.

In terms of making money, the Return on Assets (ROA) went up, but the change wasn't big enough to be meaningful (Sig. 0.928). This suggests that companies are trying harder to use their assets better to make profits. This matches what Putri, Yasa, and Julianto (2020) found, which says that mergers can help grow market share and boost profits, but these benefits only show up once everything is fully combined and working efficiently. The Total Asset Turnover (TATO) ratio changed a little, but not enough to be important (Sig. 0.667), meaning that how well assets are used to make money hasn't improved much. Jannah, Yudhaningsih, and Wishanesta (2024) also found that in the telecom industry, mergers affect financial structure more than asset efficiency in the short term. Overall, the IOH merger hasn’t shown clear, big changes in financial results, but there have been improvements in things like cash flow, how the company uses its money, and how profitable it is. This shows that the benefits from the merger need more time to fully appear. The study’s limits are that it looked at a short time period and didn’t take into account outside factors like the economy or government rules that might affect the company later on.

Conclusion

Based on the results of the financial analysis of IOH before and after the merger, it can be concluded that, in general, there has been an improvement in the company's financial performance, although it has not shown a statistically significant change. The liquidity ratio (Current Ratio) has increased, indicating that the company's ability to meet its short-term obligations has improved. The solvency ratio (Debt to Equity Ratio) has decreased, indicating the company's efforts to reduce its dependence on debt. In addition, the profitability ratio (Return on Assets) has also increased slightly, indicating that the efficiency of asset utilization is improving. However, statistical

tests show that these changes are not yet significant, so the impact of the merger on financial performance is still limited.
Academically, this study contributes to strengthening empirical evidence regarding the effect of mergers on corporate financial performance, particularly in the telecommunications sector. Practically, these results can be taken into consideration by management in evaluating the effectiveness of merger strategies and future financial planning. The limitations of this study lie in the limited sample size (only three years before and after the merger) and its focus on specific financial ratios. Therefore, further research is recommended to use a longer observation period, add other variables such as market ratios or operational efficiency, and compare them with similar companies for more comprehensive results.

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