

# ANALYSIS OF PANDEMIC'S IMPACT ON FINANCIAL PERFORMANCE OF PUBLIC AND PRIVATE TELECOMMUNICATIONS COMPANIES IN THE PERIOD 2018-2020

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### ANALYSIS OF PANDEMIC'S IMPACT ON FINANCIAL PERFORMANCE OF PUBLIC AND PRIVATE TELECOMMUNICATIONS COMPANIES IN THE PERIOD 2018-2020

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#### Abstract

This study aims to compare the financial performance of public and private telecommunications companies during the Covid 19 pandemic from 2018 to 2020. The results indicate that, no significant differences were found in financial performance between public and private telecommunications companies during the pandemic. With regard to solvency ratio, no differences in financial performance were found between public and private telecommunications companies during the pandemic. In respect of profitability ratio, differences in financial performance were found between public and private telecommunications companies during the pandemic. This research used two-sample t-test, also known as the independent samples t-test, because we compare between public and private company. Lastly, in terms of activity ratio, no significant differences were found in financial performance between public and private telecommunications companies during the pandemic.

**Keywords:** Pandemic; Telecommunication; Public; Private; Financial Ratio.

#### Abstrak

Penelitian ini bertujuan untuk membandingkan kinerja keuangan perusahaan telekomunikasi publik dan swasta selama masa pandemi Covid 19 dari tahun 2018 hingga 2020. Hasil penelitian menunjukkan bahwa, tidak ditemukan perbedaan kinerja keuangan yang signifikan antara perusahaan telekomunikasi publik dan swasta selama masa pandemi. Terkait rasio solvabilitas, tidak ada perbedaan kinerja keuangan antara perusahaan telekomunikasi publik dan swasta selama pandemi. Dari sisi rasio profitabilitas, terdapat perbedaan kinerja keuangan antara perusahaan telekomunikasi publik dan swasta selama masa pandemi. Penelitian ini menggunakan uji-t dua sampel, yang juga dikenal sebagai uji-t sampel independen, karena kami membandingkan antara perusahaan publik dan swasta. Terakhir, dalam hal rasio aktivitas, tidak ada perbedaan signifikan yang ditemukan dalam kinerja keuangan antara perusahaan telekomunikasi publik dan swasta selama pandemi.

**Kata Kunci:** Pandemi; Telekomunikasi; Publik; Pribadi; Rasio Keuangan



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## INTRODUCTION

The government announced that the COVID-19 pandemic was confirmed to have spread to Indonesia in early March 2020. In efforts to minimize the transmission of COVID-19, the Ministry of Finance had implemented a number of policies in compliance with the notice of the ministry of finance, such as Work From Home (WFH). This conforms to the circular letter of the Ministry of Finance Number 5 of 2020 on the Follow-up Guidelines regarding the Prevention Spread of Corona Virus Disease 2019 (COVID-19) in the Ministry of Finance environment. This is exactly the reason for making shift to working from home.

This shift of working activities has a significant impact on the telecommunication sector, PT Indosat Tbk, reported an increase in data traffic up to 27% throughout its coverage areas, as stated by SVP-Head of Corporate Communications PT. Indosat Tbk, Turina Farouk. The increase in data traffic up to 22.8% was also experienced by a subsidiary of PT Telekomunikasi Indonesia, Telkom. Taufik and Ayuningtyas (2020) stated that telecommunications, online platform providers/vendors, pharmaceuticals, health products selling through online-based business platforms are business activities that develop during the pandemic.

Of various affected sectors, telecommunication has the potential to increase its profit during this pandemic era. The so called digital lifestyle has made people adapt to living life on a screen and to use telecommunications network in order to stay connected to the outside world. This in turn leads to an increasing need for internet access. Such an increase also brings impact on improving the performance of telecommunications issuer. Companies in telecommunications sector can be divided into 2: public (PT Telkom, Tbk) and private companies (PT XL Axiata, Tbk). While both types of companies operate in telecommunications business, they may have different characteristics in their respective operational management and business financial management.

There are also differences in the share ownership structure; the majority or >50% of shares are held by the government in SOEs, and by individuals or partnership in private enterprises. These differences motivated us to conduct a research using samples from the two types of companies. A research by Ayuningtyas dan Taufik (2021) found that COVID-19 has an impact on financial performance in any industry, how about telecommunication **1**is company? We formulate the research question as follow: Are there differences in financial performance between public telecommunications companies and private telecommunications companies during the pandemic from 2018 to 2020 in terms of liquidity, solvency, profitability and activity ratios.

## LITERATURE REVIEW

Munawir (2000) stated that financial statements are records consisting of a balance sheet or record of financial position and of income or a list of company profits made by an accountant at the end of each period. According to Indonesian Accounting Association (2002), the purpose of financial statements is to report the company's financial position that describe the performance of management in

utilizing company resources, the results of which will be used as objects for decision making.

Harahap (2018) opined that financial ratios have a relevant and significant relationship which is the result of comparisons between financial statements. Sawir (2005) stated that financial performance is a condition that describes the financial position of a company from the perspective of predefined targets, standards, and criteria. To determine the performance level of a company, potential comparable data from similar companies in the same sector are needed. This is because individual financial statement without comparative data would not be sufficient to provide significant information. By comparing the financial performance, we can obtain comparable results.

The information obtained by comparing the financial performance of two companies can later be used as a reference by interested parties for the survival of the company. The information on the performance comparison can serve as the material to consider in the business decision making process. In addition, the results of the performance comparison could be beneficial for the company in that they describe the tightness of the competition with similar companies and for improving company financial position in the near future.

H = Financial performance differences exist <sup>1</sup> between Public and Private Telecommunications Companies in terms of liquidity, solvency, profitability, and activity ratios.

## RESEARCH METHODOLOGY

The present study adopts a comparative <sup>1</sup> analysis to compare similar variables from two or more samples representing the financial performance of Public and Private Telecommunications Companies. This study uses sample from telecommunication companies and compare between Public and Private. It uses two-sample t-test, or a comparison test, to determine whether the two types of companies we studied (i.e. public and private telecommunications companies) differ in their financial performance. This test is intended to determine the generalizability (the significance level of the results of a study comparing two sample means).

The hypothesis in this study determines the dissimilarities in financial performance in terms of financial ratio of the public and private telecommunications companies. The public telecommunications company that we studied has no business relationship with the private telecommunications company. Therefore, we used two-sample t-test, also known as the independent samples t-test, because we compare between public and private company.

## RESULT AND DISCUSSIONS

Table 1. Comparison Analysis Between Public and Private Telecommunication Companies

Ratios	Variables	Sig. test	Conclusions
Liquidity	Current Ratio	0.125	No differences were found
Solvency	Debt-to-Asset Ratio	0.383	No differences were found
	Debt to Equity Ratio	0.470	No differences were found
	Long Term Debt Equity	0.063	No differences were found
Profitability	Net Profit Margin	0.022	Differences were found
	Operating Profit Margin	0.024	Differences were found
	Return On Asset	0.030	Differences were found
Activity	Total Asset Turn Over	0.073	No differences were found

Source: Processed Data (2022)

The table above shows the results of comparison analysis between the public and private telecommunications companies as follow:

Liquidity ratio as measured by current ratio produces a significance level of  $>0.05$  which indicates that performance differences between the public and private companies were not found. This may have been because the ownership structure has no impact on liquidity considering that their business processes are comparatively similar. Moreover, this pandemic provides opportunities for telecommunications companies to develop because of a huge increase in demand for internet access, both in prepaid and post-paid data plan.

Solvency ratio measured using Debt-to-Asset ratio, Debt-to-Equity Ratio, and Long-Term Debt Equity produces a significance level of  $> 0.05$  and therefore no performance differences between the public and private companies were found, in terms of solvency. The solvency ratio indicates the amount of source asset financing obtained from liabilities which is essentially not different in both the public and private companies. This is because both companies are equal in that the public and private companies that went public in the stock exchange have an equal level of competition and governance. Both also have to secure their profitability, to maintain professionalism, and to deal with business competition.

Profitability ratio as measured by Net Profit Margin, Operating Profit Margin, and Return on Asset produces a significance level of  $< 0.05$  and therefore it can be stated that performance differences were found between the public and private companies. That could be because, out of necessity, private telecommunications companies are more flexible in their promotion to attract new customers, especially millennial or younger generation, while public telecommunications companies focus more on millennial and older customers. Marketing innovativeness is the key to market segment expansion that in turn affects the profitability.

Activity ratio as measured by Total Asset Turnover ratio produces a significance level of  $> 0.05$ , therefore it can be stated that no performance differences were found between the public and private companies. The reason for this could be that the companies are not new in the business, therefore their

activities are roughly similar and no more investments are needed like those in their initial business plan. This result is same from previous research, but difference field studi, previous research about financial company, that has major and significant impact from Covid-19.

### CONCLUSION

The results of the study lead us to conclude that liquidity ratio as measured by current ratio indicates no financial performance differences between public and private telecommunications companies during the pandemic. Solvency ratio as measured by debt-to-asset, debt-to-equity, and long-term debt equity ratios indicates no financial performance differences between public and private telecommunications companies during the pandemic. Profitability ratio as measured by Net Profit Margin, Operating Profit Margin and Return on Asset indicates financial performance differences between public and private telecommunications companies during the pandemic. Lastly, the activity ratio as measured by Total Asset Turnover indicates no financial performance differences between public and private telecommunications companies during the pandemic.

Our recommendations for both public and private telecommunications companies would be to improve their corporate cooperation management in their efforts to improve the financial performance and, thereby, attract more investors to their business. Customer segmentation mapping and sophisticated marketing media would be important to increase the number of customers, and this will affect the financial ratios, especially the profitability. Further research, we can make another sample or it depends about impact Covid-19 to education sector.

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