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Correlation between Financial Performances with the Stock Price in Indonesia Stock Exchange on Telecommunication Industry for 2017-2021 (Case Study: PT Telkom, PT XL Axiata, PT Indosat Ooredoo)

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ABSTRACT: Over the past few decades, telecommunication in Indonesia has experienced enormous growth and development, playing a crucial role in supporting the advancement of society, economic prosperity, and human connectivity. A couple major companies dominate the market including PT Telekomunikasi Indonesia and private firms like PT Indosat Ooredoo and PT XL Axiata. These companies provide a wide range of services, including mobile phone service, fixed-line services, internet connectivity, and digital solutions, adapting to the diverse needs of businesses and individuals across the country. The purpose of this research is to determine how financial ratios affect stock prices on the Indonesian stock exchange. Additionally, this study compares the financial health of PT Telekomunikasi Indonesia, PT Indosat Ooredoo, and PT XL Axiata based on ratio comparison of Decree No. KEP-100/MBU/2002.
The results indicates that PT Telekomunikasi Indonesia has the healthiest financial performance by obtained AA category compared to PT Indosat Ooredoo and PT XL Axiata. This study finds the effect of eight financial ratios on the telecommunication industry for five years period. Based on the multiple linear regression test namely T test, it resulted that total asset turnover and total equity have a positive significant effect on stock price partially with a value less than 0.05. The F tests shows that all independent variables have effect to the stock prices by 80% and the remaining 20% are influenced by models outside this study.

KEYWORDS: Decree No. KEP – 100/MBU/2002, Financial Ratios, Financial Performance, Financial Health, Stock price.

1. INTRODUCTION

In this era, the technology in the telecommunication is continuously developed followed by the demand for mobile service that remains increasing. To go along with the trends, the telecommunication industry has an important role to implement competitive and attractive promotion packages in terms of their services and products to attract more customers. The implementation of digitalization leads to changes in human behaviour as well as development of technology in telecommunication, fundamentally, shifts in consumer preferences will push businesses toward going digital. Indonesia is the fastest developing telecommunication industry in Asia, which contributes about 748.75 trillion rupiahs to the GDP of Indonesia [1]. The industry consists of mobile and mobile phone services providers as well as fixed broadband subscriptions. The telecommunication industry is expected to grow and develop rapidly along with digitized increase in Indonesia. Telecommunication infrastructure in Indonesia is well developed with more than 100 thousand mobile towers in the country. It provides 4G networks of internet access to over 94 percent of the cities in the country. The top three telecommunication industry companies in Indonesia are Telkom, Indosat, and XL Axiata. In terms of customers using their services, these businesses are the biggest. These businesses have sought to fulfil these changing needs as more Indonesians purchase smartphones and call for affordable data costs, wider coverage, and better service quality.
The world faced a Covid-19 pandemic in 2019 that impacted business and human behavior which changed the activities into online basis. The Indonesian telecommunication market was enormously impacted by the Covid-19 pandemic. The following mobile app categories have experienced the fastest growth in the nation throughout the COVID-19 era: crises, remote working, education/e-learning, and wellness. Telecommunication providers have played a significant role during the pandemic by huge increases in the demand of telecommunication services. For instance, Telkom group has a role as the major internet service provider (ISP) to give excellent services during the pandemic. Mobile operators Telkom, XL Axiata, and Indosat Ooredoo provided free internet of 30GB for students to access e-learning providers. Internet users in Indonesia are growing every year. Internet users in Indonesia are 210 million in the period of 2021-2022 [2].

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2. LITERATURE REVIEW

2.1 Financial Ratio Analysis

A financial ratio is a comparison of related values seen in a company's financial records that demonstrates the significance of that company's financial position in relation to its user's needs. Financial ratios can be used to assess and contrast the financial health and performance of an organization. The utilisation of financial ratio analysis has been widely recognised as a valuable and efficient method for decision-makers, including business analysts, creditors, investors, and financial managers. The present study used various financial ratios to derive significant findings, as opposed to relying solely on the absolute figures presented in financial statements. The necessary components for conducting ratio analysis include the firm's income statement and balance sheet. The benefit of financial ratio is able to analyzed risk and return of various sizes companies. For ease, financial ratios can be classified into five broad categories: liquidity, activity, debt, profitability, and market ratios [3]. Activity, Liquidty, and debt ratios mainly measure risk. Return measured by using profitability ratios. Market ratios capture risk and return. Ratio analysis is not only calculation of a given ratio but also interpretation of the ratio value that more important. There are two ways to conduct a comparison ratio which are cross-sectional and time-series analysis [3]. The comparison of various firms' financial ratios at the same time is known as cross-sectional analysis and called as benchmarking, and it often compared with the industry average ratio. Time-series analysis is looking at performance over time to analyze how it varies from each year. Comparison of current and prior company performance ratios utilizes for analyze the trend of performance year to year.

2.2 The Decree of Ministry Stated Owned Enterprises

The author utilizes the Decree of Ministry State Owned Enterprises No.KEP-100/MBU/2002 in order to analyze the company financial health. The details of the decree are including the liquidity, activity, solvency, and profitability ratios. The ministry of State-Owned Enterprise issued the scoring method to ease the company's financial health and company performance analysis. It is divided into two types company which are financial and non-financial sectors, furthermore, for non-financial sector is divided into infrastructure and non-infrastructure.

According to the decree of Ministry State Owned Enterprises No.KEP/100/MBU/2002, the financial sector analysis using eight financial ratios, the financial ratio consist of Return on Equity, Return on Investment, Cash Ratio, Current Ratio, Collection Period, Inventory Turnover, and Equity to Asset Ratio. The classification based on the decree of Ministry State Owned Enterprises No.KEP-100/MBU/2002 for measuring company health is as follow:

Table 2.1 Weight of Financial Ratio

Classification	Score	
	Infrastructure	Non-Infrastructure
Return on Equity	15	20
Return on Investment	10	15
Cash Ratio	3	5
Current Ratio	4	5
Collection Period	4	5
Inventory Turnover	4	5
Total Asset Turnover	4	5
Total Equity to Total assets	6	10
Total Score	50	70

(**Source:** Ministry of State-Owned Enterprises Decree No. KEP-100/MBU/2002)

According to the decree, the ratio scoring will determine the value of company health which classified into categories based on the score the company obtained. The health categories are as follow:

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Table 2.2 Health Classification

Rating	Scoring	Adjusted Score	Classification
AAA	TS > 95	TS > 66.5	Healthy
AA	80 < TS ≤ 95	56 < TS ≤ 66.5	
A	65 < TS ≤ 80	45.5 < TS ≤ 56	
BBB	50 < TS ≤ 65	35 < TS ≤ 45.5	Less Healthy
BB	40 < TS ≤ 50	28 < TS ≤ 35	
B	30 < TS ≤ 40	21 < TS ≤ 28	
CCC	20 < TS ≤ 30	14 < TS ≤ 21	Unhealthy
CC	10 < TS ≤ 20	7 < TS ≤ 14	
C	TS ≤ 10	TS ≤ 7	

(**Source:** Ministry of State-Owned Enterprises Decree No. KEP-100/MBU/2002)

2.3 Multiple Linear Regression

Multiple linear regression is an extension of simple linear regression which includes additional explanatory variables [4]. Multiple linear regression has the equation similar with simple linear regression with more terms. The equation are as follows:

$$Y = \beta + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_p xp + e$$

Where:

Y = Dependent Variable
β = Constant Term
X = Explanatory variable
β_p = Slope Coefficients
e = Residual

2.4 Hypothesis Formulation

A hypothesis in a thesis is a claim that is made for the purpose to be researched or put to test [5]. Researchers seek to accept or reject the hypothesis in light of the empirical results through the gathering, analysis, and interpretation of data. The research's problem statement is presented as a query.

1. H0 = Independent variable partially has no significant and positive effect on the stock price of Telecommunication Industry for period 2017 – 2021.
   H1 = Independent variable partially has significant and positive effect on the stock price of Telecommunication Industry for period 2017 – 2021.
2. H0 = Independent variable simultaneously has no significant and positive effect on the stock price of Telecommunication Industry for period 2017 – 2021.
   H1 = Independent variable simultaneously has significant and positive effect on the stock price of Telecommunication Industry for period 2017 – 2021.

2.5 Conceptual Framework

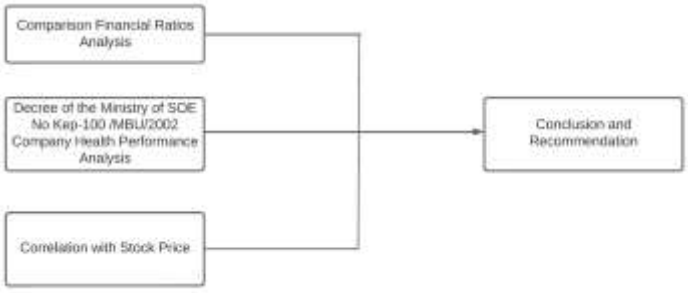

Figure 2.1 Conceptual Framework

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It stated that the conceptual or theoretical perspective of the researcher affects how data are gathered and understood [6]. As a result, author should be explicit about the frameworks are using in their studies and explain how those frameworks connect to the specific research problem. The author evaluates ratio of companies' financial statements, the companies which evaluated are PT Telkom, PT XL Axiata, and Indosat Ooredoo. The outcome of financial ratio analysis will be continued by analysis of company health performance based on the decree of Ministry of SOEs No.KEP 100/MBU/2002. The author uses multiple linear regression to find the correlation between financial performance of companies with the stock prices. Moreover, the author will offer an advice to investors on how to select companies with the best financial condition and how to take into consideration the relationship between financial ratios and stock price while making this decision.

3. RESEARCH METHODOLOGY

3.1 Data Collection Method

The author uses secondary data in this research for references and the following are the sources of data used in this research:

1. Financial and annual reports of telecommunication industry which are PT Telkom, PT XL Axiata, PT Indosat Ooredoo listed on the IDX that have been audited from the 2017 to 2021 period.
2. Previous credible research such as journals and articles.
3. Stock prices historical data of telecommunication industry listed on IDX for five years start from 2017 to 2021 which obtained from Yahoo Finance.

3.2 Data Analysis Method

There are several stages in order to analyzed the effect of financial ratio to the stock prices of the companies in the market. The author uses cross-sectional analysis to compare the financial ratios of different companies in the same point in time. Time series analysis also involved in this research to evaluates performance over time and comparison of current to past performance by using multiyear comparisons to find out the developing trend. Financial ratios use in this research are Liquidity ratio, Activity ratio, Solvency ratio, and profitability ratio. Moreover, the author also uses the decree of Ministry State Owned Enterprises No.KEP-100/MBU/2002 to determine the company financial health condition, financial ratios in the decree contains of 8 financial ratios which includes: Return on Investment (ROI), Return on Equity (ROE), Current Ratio, Cash Ratio, Collection Period, Inventory Turnover, Total Asset Turnover (TATO), and Total Equity to Total Asset Ratio. It continues with the comparison of 3 companies' financial ratios and carried out to the relationship between those ratios to the company's stock price by using regression approach.

4. RESULTS AND ANALYSIS

4.1 Financial Ratio & Health Analysis

- **PT Telekomunikasi Indonesia**

Table 4.1 Health Assessment of PT Telekomunikasi Indonesia

PT TELEKOMUNIKASI INDONESIA Tbk										
Indicator	2017		2018		2019		2020		2021	
	Value	Score	Value	Score	Value	Score	Value	Score	Value	Score
Return on Equity (ROE)	29%	20	23%	20	24%	20	24%	20	23%	20
Return on Investment (ROI)	16%	13,5	13%	13,5	12%	10,5	12%	10,5	12%	10,5
Cash Ratio	60%	5	41%	5	32%	4	32%	4	56%	5
Current Ratio	105%	3	94%	1	71%	0	67%	0	89%	0
Collection Period	27,22	5	33,88	5	32,55	5	30,90	5	22,19	5
Inventory Turnover	0	5	0	5	0	5	0	5	0	5
Total Asset Turnover	65%	3	63%	3	61%	3	55%	2,5	52%	2,5
Total Equity/Total Asset	56%	8,5	57%	8,5	53%	8,5	49%	9	52%	8,5
Total Score		63		61		56		56		56,5
Total Weight		70		70		70		70		70
Weight Percentage		90%		87%		80%		80%		81%
Category		AA		AA		AA		AA		AA
Classification		Healthy		Healthy		Healthy		Healthy		Healthy

(**Source:** Author's Analysis)

The author financial ratios analysis of PT Telekomunikasi Indonesia based on the decree of Ministry State Owned Enterprises is as the figure above shown. PT Telekomunikasi Indonesia financial health condition was classified as healthy in the period

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2017 – 2021. It can be seen that PT Telekomunikasi Indonesia continuously obtained AA category year on year with the weight of score < 56 TS ≤ 66.5. The highest score was in 2017 due to high score in return on equity and return on investment for 20 and 13,5 respectively and the weight percentage was 90%. Moreover, the lowest score was in 2019 and 2020 with 80% for both weight percentages.

- **PT Indosat Ooredoo**

Table 4.2 Health Assessment of PT Indosat Ooredoo

PT INDOSAT Tbk										
Indicator	2017		2018		2019		2020		2021	
	Value	Score	Value	Score	Value	Score	Value	Score	Value	Score
Return on Equity (ROE)	9%	14	-17%	0	12%	16	-5%	0	67%	20
Return on Investment (ROI)	3%	4	-4%	1	3%	4	-1%	1	11%	9
Cash Ratio	10%	2	5%	1	27%	4	8%	1	13%	2
Current Ratio	59%	0	38%	0	56%	0	42%	0	40%	0
Collection Period	48,65	5	46,72	5	42,45	5	33,85	5	23,95	5
Inventory Turnover	0	5	0	5	0	5	0	5	0	5
Total Asset Turnover	59%	2,5	44%	2,5	42%	2,5	44%	2,5	50%	2,5
Total Equity/Total Asset	29%	7,25	23%	7,25	22%	7,25	21%	7,25	16%	6
Total Score		39,75		21,75		43,75		21,75		49,5
Total Weight		70		70		70		70		70
Weight Percentage		57%		31%		63%		31%		71%
Category		BBB		B		BBB		B		A
Classification		Less Healthy		Less Healthy		Less Healthy		Less Healthy		Healthy

(**Source:** Author's Analysis)

The author financial ratios analysis of PT Telekomunikasi Indonesia based on the decree of Ministry State Owned Enterprises is as the figure above shown. PT Indosat Ooredoo financial health condition score was fluctuated and resulted in dominantly less healthy for period 2017 – 2020. The lowest score was in 2018 and 2020 for 21,75 and categorized as B (21 < TS ≤ 28). The second highest was in 2017 and 2019 for 39,75 and 43,75 respectively with BBB category (35 < TS ≤ 45.5). Moreover, the score was improved in 2021 for 49,5 and classified as healthy with A category (45.5 < TS ≤ 56). Additionally, the score in 2021 became the highest for the 5 years period analysis.

- **PT XL Axiata**

Table 4.3 Health Assessment of PT XL Axiata

PT XL AXIATA Tbk										
Indicator	2017		2018		2019		2020		2021	
	Value	Score	Value	Score	Value	Score	Value	Score	Value	Score
Return on Equity (ROE)	2%	4	-18%	0	4%	7	2%	4	6%	8,5
Return on Investment (ROI)	1%	3	-6%	1	1%	3	1%	3	2%	3
Cash Ratio	16%	3	7%	1	8%	1	16%	3	13%	2
Current Ratio	47%	0	45%	0	34%	0	40%	0	37%	0
Collection Period	10,08	5	10,05	5	11,10	5	7,86	5	8,32	5
Inventory Turnover	0	5	0	5	0	5	0	5	0	5
Total Asset Turnover	41%	2,5	40%	2,5	40%	2,5	38%	2	37%	2
Total Equity/Total Asset	38%	10	32%	10	30%	10	28%	7,25	28%	7,25
Total Score		32,5		24,5		33,5		29,25		32,75
Total Weight		70		70		70		70		70
Weight Percentage		46%		35%		48%		42%		47%
Category		BB		B		BB		BB		BB
Classification		Less Healthy		Less Healthy		Less Healthy		Less Healthy		Less Healthy

(**Source:** Author's Analysis)

The author financial ratios analysis of PT XL Axiata based on the decree of Ministry State Owned Enterprises is as the figure above shown. It can be seen from the table above that financial health of PT XL Axiata for the period 2017 – 2021 considered to be low and less healthy. PT XL Axiata obtained the BB and B category year on year. The lowest score was in 2018 with 24,5 and 35% weight percentage due to negative in return on equity for -18% and return on investment for -6% and categorized as B (21 < TS ≤ 28). Moreover, there was an improvement of PT XL Axiata financial health in 2021 and became highest score for five years with 32,75 and 47% weight percentage. Therefore, it was categorized as BB (28 < TS ≤ 35) but still classified as less healthy.

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4.2 Classic Assumption Test

Multiple linear regression approaches need the use of classic hypothesis testing as a prerequisite [7]. The classic assumption test consists of Normality test, Multicollinearity test, and Heteroscedasticity test.

- **Normality Test**

  The normality test data is important to ensure whether or not the dependent and independent of analysed data usually distributed. Moreover, the data required to conduct the normality test is 30 samples. In this research, the author performed the analysis by using 30 samples of data and utilized one sample Kolmogorov – Smirnov to test the normal data.

  Table 4.4 Normality Test

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			30
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		760.0311681
Most Extreme Differences	Absolute		.124
	Positive		.124
	Negative		-.105
Test Statistic			.124
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.267
	99% Confidence Interval	Lower Bound	.256
		Upper Bound	.279

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 299883525.

(**Source:** Author's Analysis)

The figure above shows the result of normality test using one-sample Kolmogorov – Smirnov test. The results of this test have to be more than 0,05 to get the normal distribution. On the other hand, if it was less than 0,05 the data will be classified as not normal distribution. It can be seen from the table above that the result on significant values (2 tailed) was 0.200 which means the data considered as normal distribution.

- **Multicollinearity Test**

  Multicollinearity is a statistical condition in regression analysis where two or more predictor variables in a model have a strong correlation with one another. If the multicollinearity occurred in regression, it can lead to the misleading or unstable results and affects the estimation of regression coefficients.

  The variance inflation factor, or VIF, is a method for calculating how much the variance is inflated [8]. In addition, tolerance value also the factor which determine the multicollinearity. The terms to determine multicollinearity is as follow:

  1. Variance Inflation Factor (VIF) value less than 10 is not classified as multicollinearity.
  2. Value of tolerance more than 0.1 is not classified as multicollinearity

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Table 4.5 Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	539.234	799.929		.674	.507		
	Cash Ratio	1466.476	1618.543	.151	.906	.374	.249	4.022
	Collection Period	-.011	5.272	.000	-.002	.998	.387	2.585
	Total Assets Turnover	8845.795	1430.845	.894	6.182	<.001	.328	3.049
	Equity to Assets	-4795.783	1625.307	-.403	-2.951	.007	.368	2.716
	Return On Assets	796.737	1638.398	.059	.486	.631	.460	2.175
	Return On Equity	-.029	25.153	.000	-.001	.999	.686	1.459

a. Dependent Variable: Stock Price

(**Source:** Author's Analysis)

The table above shows the analysis of multicollinearity with one liquidity ratio involved namely current ratio. Variance inflation factor (VIF) value among the variable is lower than 10 and the tolerance value is more than 1. There was no multicollinearity occurred after current ratio being eliminated from the analysis. Thus, the author concludes the data has no multicollinearity.

- **Heteroscedasticity Test**

The heteroscedasticity test determines if the regression model is based on unequal variance between the residuals. The true nature of heteroscedasticity is usually unknown, so the choice of the appropriate test depends on the nature of the data [9].

Table 4.7 Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1129.450	488.322		2.311	.030
	Cash Ratio	-179.791	988.051	-.068	-.182	.857
	Collection Period	-1.862	3.218	-.173	-.579	.569
	Total Assets Turnover	-109.534	873.469	-.041	-.125	.901
	Equity to Assets	-1080.119	992.180	-.334	-1.089	.288
	Return On Assets	398.906	1000.172	.109	.399	.694
	Return On Equity	20.911	15.355	.306	1.362	.186

a. Dependent Variable: Absolute Residual

(**Source:** Author's Analysis)

The author used the glejser test to figure out whether or not the heteroscedasticity is appeared in this regression model. The circumstances of heteroscedasticity are:

1. The significant value more than 0.05 is no heteroscedasticity
2. The significant value less than 0.05 is heteroscedasticity

Based on the figure 4.7, it shows that all the significant value on glejser test was above 0.05. Therefore, there is no heteroscedasticity in the regression model analyzed by the author.

4.3 Multiple Regression

In this study, the researcher conducted an analysis on the impact of six financial ratios. These ratios were derived from the Ministry of State Own Enterprise KEP-100/MBU/2002 decree. The financial ratios examined in this research include the Cash Ratio, Collection Period, Total Asset Turnover, Equity to Asset, Return on Asset, and Return on Equity. To ascertain the impact of the ratios of PT Telekomunikasi Indonesia, PT Indosat Ooredoo, and PT XL Axiata, the multiple linear regression model is employed, with the following formulation:

$$Y = \alpha + (\beta_2 \times X_2) + (\beta_3 \times X_3) + (\beta_4 \times X_4) + (\beta_5 \times X_5) + (\beta_6 \times X_6) + (\beta_7 \times X_7) + e$$

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- **Simultaneous Test (F-Test)**
  The author analyzed the regression model by using simultaneous test or known as F test in order to figure out whether or not the combination of all independent variables which is financial ratios in the analysis are have the effect on the dependent variables which is stock price. The circumstances to determine whether the combination of independent variables have the effect to stock price is as follow:
  1. The significant value of F is more than 0.05 has no effect to the dependent variable.
  2. The significant value of F is less than 0.05 has effect to the dependent variable.

Table 4.8 F - Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	89395404.26	6	14899234.04	20.456	<.001[b]
	Residual	16751773.92	23	728337.996		
	Total	106147178.2	29			

a. Dependent Variable: Stock Price

b. Predictors: (Constant), Return On Equity, Collection Period, Return On Assets, Equity to Assets, Total Assets Turnover, Cash Ratio

(**Source:** Author's Analysis)

Table above shows the results of F test was 0.001 which means the combination of independent variables that consist of Cash Ratio (x2), Collection period (x3), Total Asset Turnover (x4), Equity of Asset (x5), Return on Asset (x6), Return on Equity (x7) have the effect on dependent variables which is stock price (Y).

- **Partially Test (T-Test)**
  The partially test or known as T test is used to analyzed whether or not each independent variable have the effect to dependent variable. The circumstance is:
  1. If the probability value of independent variable less than 0.05 then the partially variable has significant effect on the dependent variable.
  2. If the coefficients have a positive value, then the partially variable has positive significant effect on the dependent variable and vice versa.

Table 4.8 T - Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	539.234	799.929		.674	.507
	Cash Ratio	1466.476	1618.543	.151	.906	.374
	Collection Period	-.011	5.272	.000	-.002	.998
	Total Assets Turnover	8845.795	1430.845	.894	6.182	<.001
	Equity to Assets	-4795.783	1625.307	-.403	-2.951	.007
	Return On Assets	796.737	1638.398	.059	.486	.631
	Return On Equity	-.029	25.153	.000	-.001	.999

a. Dependent Variable: Stock Price

(**Source:** Author's Analysis)

According to the table above, independent variable with significant value less than 0.05 are total asset turnover (x4) and equity to asset (x5). Therefore, H1 accepted in total asset turnover (x4), Moreover, H1 rejected in equity to asset due to minus in standardized coefficients beta for -0.403 but affected to the stock price because it has significant value less than 0.05.

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- **Coefficient Determination**

The coefficient determination test is to determine the weight of independent variables simultaneously effect toward the dependent variable. The table below shows the result of coefficient determination.

Table 4.9 Coefficient Determination Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.918[a]	.842	.801	853.42721

a. Predictors: (Constant), Return On Equity, Collection Period, Return On Assets, Equity to Assets, Total Assets Turnover, Cash Ratio

(**Source:** Author's Analysis)

The adjusted R square of six independent variable which included Cash Ratio (X2), Collection Period (X3), Total Asset Turnover (X4), Equity to Asset (X5), Return on Asset (X6), and Return on Equity (X7) simultaneously affect the dependent variable of Stock Price (Y) for 0.801 or 80% and the rest 20% is influenced by the others variables beside the regression model.

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The condition of financial health based on the decree resulted in PT Telekomunikasi Indonesia has the best financial health condition due to obtained AA category for the period 2017-2021 and classified as healthy year on year. PT Indosat Ooredoo obtained the BBB category in 2017 and 2019, it decreased to B category in 2018 and 2020 which resulted as the less healthy classification from 2017 to 2020, Moreover, it improved to A category in 2021 due to enormous increase in return on equity ratio which resulted the healthy classification on that year. PT XL Axiata obtained less healthy classification for the period 2017 – 2021, the lowest score was in 2018 due to negative in return on asset and return on equity which resulted as B category, the rest of the year are BB category.

The correlation between financial ratios and stock prices based on multiple linear regression test shows that the partially ratios which affected to the stock price are total assets turnover and total equity to total asset with the significant value below 0.1. Moreover, the simultaneously ratios have a positive effect to the stock price with the weight of adjusted R square 0.801 or 80% and the others 20% affected by the other variables beside the regression model.

5.2 Recommendation

According to the result of author analysis, there are two ratios that affect to the stock price from the seven ratios that have been analyzed by the author. The ratios are total asset turnover ratio and equity to asset ratio. Based on the comparison total asset turnover ratio of PT Telekomunikasi, PT Indosat Ooredoo, and PT XL Axiata. Referring to the total asset turnover ratio analysis, PT Telekomunikasi has the highest ratio. From the composition of total asset point of view, cash and cash equivalents is higher compared to the others which has an average of 10% for five years, PT Indosat Ooredoo has an average of 5% for five years, and PT XL Axiata has an average of 3% for five years. In order to optimized the composition of total assets especially in PT Telekomunikasi Indonesia, it has to reduce cash and cash equivalents and invested in productive asset to generate revenue. Thus, the total asset turnover can be higher and stock price will increase.

From financial health condition analysis, the healthiest financial condition was PT Telekomunikasi Indonesia with the average is AA category for the period 2017-2021 compared to PT Indosat Ooredoo and PT XL Axiata. This financial health category can be considered as one of the factors for decision making by the investor to determine whether or not they have to invest in the company.

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