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Literature Review of Financial Performance of Telecommunications Sub Sector Companies Before and During the Covid-19 Pandemic

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ABSTRACT

This scientific paper is the first part of a series of research on the impact of the COVID-19 pandemic on the financial performance of telecommunication subsector companies listed on the Indonesia Stock Exchange. This paper describes the current conditions before the covid pandemic and the arguments for the covid pandemic. This paper is important because it will be the basis for further empirical research. The research objects analyzed are profitability ratios, liquidity ratios, leverage ratios, and activity ratios. The results of this literature review show that there is a tendency for differences before the pandemic and during the pandemic. The results of this literature review are the basis for deriving the hypothesis. In further research, the existence of the hypothesis in this paper will be tested empirically. The profitability ratio is suspected to have changed before and during the covid19 pandemic, the liquidity ratio is suspected to have changed before and during the covid-1 pandemic, the leverage ratio is suspected to have changed before and during the covid-1 pandemic, and the activity ratio is suspected to have changed. before and during the covid-19 pandemic.

Keywords: Activity Ratio, Financial Performance, Leverage Ratio, Liquidity Ratio, Profitability Ratio

JEL Classification: M41, L96, L90

INTRODUCTION

The Covid-19 pandemic has been going on for two years around the world. This pandemic has changed a new paradigm in several aspects of human life. Indonesia itself is one of the countries most affected by the economic sector. This is the impact of causality between the increase in positive confirmed cases of Covid-19, so that one of the government's solutions to suppress the spread of the virus is to apply the Emergency Micro Activity Restriction scheme. Based on this scheme, it can be confirmed that all forms of company operational activities other than the essential sector must carry out Work from Home (WFH) activities. This condition reduces the efficiency and production capacity of each company, with this unstable economic condition there are still several sectors that experience significant growth, one of which is the information and technology sector. The positive growth of the information and communication sector is closely related to the policy of restricting activities and mobility plays an important role in increasing internet use, which in general all community activities must be carried out online.

The development of information and communication technology as well as the increasing demand for telecommunications needs provide a stimulus in improving the performance of telecommunication issuers. This happens because every activity that is carried out every day requires technology that can support it without having to pay attention to distance and time. Based on (Achjari & Suryaningsum, 2008) there are information technology and technology have a role in economic growth based on three channels. First, advances in technology and communication encourage a new, more massive investment paradigm. Second, the use of information and communication technology, especially the convergence of information and communication technology can encourage technical progress and increase in Total Factor Productivity (TFP), both TFP as an ICT service provider itself and TFP in aggregate as a whole. Finally, information and communication technology can help increase the productivity of other sectors that use information and communication technology.

The Covid-19 pandemic has provided an opportunity for telecommunication companies to maintain and even improve their performance. The performance of telecommunications companies in Indonesia recorded a positive performance throughout 2020. Several telecommunications providers, especially those listed on the Indonesia Stock Exchange (IDX) are projected to continue to grow, but according to Dian Swarini, President Director & CEO of XL Axiata TBK, telecommunication companies face business uncertainty. despite recording a positive performance during this pandemic. Companies exist to achieve several goals. These objectives generally include the rate of return on assets that have been invested as well as optimal benefits from carrying out the company's operational activities (Ramdhan & Harfain, 2020). One of the ratios used in measuring company performance is the profitability ratio. Profitability ratios are ratios that measure the company's ability to generate profits and measure the rate of return on investments made. Profitability ratios also reflect the company's operating performance. Various profitability ratios including ROA, ROE and NPM. In addition to using profitability ratios, financial performance can also be assessed through liquidity ratios, leverage or solvency ratios, and activity ratios. Research on comparative analysis of company financial performance during this pandemic is very interesting to study. The results of this study can describe how the company's performance in dealing with a phenomenon. The financial ratios above are indicated to be able to assess the company's financial performance. The object of research used in this study is a telecommunications company listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Financial Statement Analysis

According to (Ikatan Akuntan Indonesia, 2012) the definition of financial statements is to present structure of financial position and financial performance within an entity. Financial statements are reports that report activities that have been carried out by the company in a certain period. These activities have been stated in the form of numbers. Financial statement analysis is an activity carried out to find out the company's financial condition in depth. The results of the analysis of financial statements can explain whether the company has achieved its targets or not. In addition, the results of the analysis of financial statements also provide information about the weaknesses and strengths of the company (Kasmir, 2015). In conducting financial statement analysis, appropriate analytical methods and techniques are needed. The goal is that financial statements can provide maximum results and make it easier for users of the results of the analysis to interpret them. The methods that are often used to analyze financial statements are vertical analysis (static) and horizontal analysis (dynamic) (Kasmir, 2015). Vertical analysis is used only in one financial reporting period. While the horizontal analysis is done by comparing the financial statements for several periods. Horizontal analysis can see the changes that occur in each component. There are various financial statement analysis techniques, including comparative analysis of financial statements, trend analysis, ratio analysis, and credit analysis.

Financial Performance

Financial performance is a tool used to assess the process of implementing the company's financial resources (Surya & Asiyah, 2020). This shows how the performance of management in running and managing the company. According to (Munawir, 2018), the company's financial performance is one of the foundations regarding the assessment of the company's financial condition. Financial performance is an analysis to find out the company's progress which is carried out using financial performance rules properly and correctly (Fahmi, 2012 in Suryaningsum et al., 2016). The results of the analysis of the company's performance are used by the management as a basis for decision making and as a tool for evaluating management performance. A good company's financial performance will encourage economic growth in the region (Achjari & Suryaningsum, 2008). According to Suryaningsum et al. (2017) financial performance is a description of the company's financial condition in a certain period regarding aspects of fund raising and distribution of funds, which are usually measured by indicators of capital adequacy, liquidity, and profitability. Assessment of a company's financial performance is very important to assess the effectiveness and efficiency of the company. The company's financial performance can be said to be healthy or unhealthy, it can be seen from the financial developments and the results of the activities that have been achieved by the company (Setiawan & Putra, 2019). Measuring the financial performance of a company is very beneficial for various stakeholders such as investors, creditors, analysts, financial consultants, brokers, government, and its own management (Harjito & Martono, 2008).

Profitability

Profitability shows the company's ability to generate profits. The profitability ratio is the ratio used to measure the company's ability to generate profits or profits within a certain period (Kasmir, 2015). This ratio shows the level of management effectiveness of a company which is indicated by the profit generated from sales. A company is said to have good profitability if it is able to meet the profit target that has been set using its assets or capital.

According to Kasmir (2015) the types of profitability ratios that can be used by companies such as Profit Margin on Sales, Return on Assets (ROA). Return on Equity (ROE), Earnings per Share of Common Stock In this study, the indicator used to measure the company's profitability is Return on Assets (ROA). This is because ROA is able to measure the effectiveness of the company in generating profits using assets owned by the company. The higher the ROA shows the better profitability.

Liquidity
Liquidity is the company's ability to pay its short-term obligations. The liquidity ratio is the ratio used to measure the company's ability to meet maturing obligations (Kasmir, 2015). A company is said to be in a liquid condition if it has current assets that are greater than its current liabilities (Aisyah et al., 2017). Liquidity can be used to assess financial performance. If the company is in a liquid condition, the company is said to have good financial performance. So that the company does not experience a shortage of funds in meeting its short-term obligations. The types of liquidity ratios that companies can use to measure their ability are Current Ratios, Quick Ratios, Cash Turnover Ratios. In this study, the level of liquidity is measured by the current ratio (CR). This ratio is able to measure the company's ability to pay its short-term obligations using its current assets. In addition, this ratio reflects the company's security level.

Leverage
According to Supriyanto et al. (2017) leverage refers to the use of fixed costs to increase (lever-up) a company's profitability. Meanwhile, according to Subramanyam (2017) leverage refers to the amount of debt funding in the company's capital structure. In carrying out operational activities, companies usually use debt and capital funding. However, creditors are not willing to provide unsecured debt provided by capital funding. Leverage shows the extent to which the company's assets are financed by debt (Kasmir, 2015). This means how much debt the company uses to finance its business activities compared to its own capital. Conceptually, leverage is divided into two types of leverage, namely operational leverage and financial leverage. Operating leverage shows changes in net income due to an increase in sales. Meanwhile, financial leverage shows the company's ability to pay its debts. Leverage can show the company's ability to pay off its debts obtained from creditors (Eminingtyas, 2017).

According to Kasmir (2015) the types of leverage ratios that can be used are Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), Long Term Debt to Equity Ratio (LTDtER), Times Interest Earned Ratio, Fixed Charge Coverage (FCC). The ratio used to measure leverage in this study is the Debt-to-Equity Ratio (DER). DER can measure every rupiah of own capital that is used as debt guarantee. So that it can determine the company's ability to pay its debts with its capital. The bigger this ratio, the better for the company. Because the lower the capital provided by the owner as a security for his debts. In addition, this ratio provides general guidance regarding the feasibility and financial risk of the company (Kasmir, 2015).

Company Activities
Company activity refers to the company's ability to carry out daily activities. The activity ratio is the ratio used to measure the level of efficiency in the utilization of company resources (Kasmir, 2015). The results of the activity ratio measurement can see whether the company's asset management is efficient and effective or vice versa. This ratio can measure company performance through company activities. According to Kasmir (2015), the types of activity ratios that companies can use are Receivable Turn Over, Inventory Turn Over, Working Capital Turn Over, Fixed Assets Turn Over), Total Assets Turn Over.

RESEARCH METHOD

This research is a literature review of the financial performance of companies in the telecommunications sub-sector in understanding the impact of the COVID-19 pandemic. The impact of the COVID-19 pandemic is analyzed to reveal an in-depth study on the financial performance of the telecommunications sub-sector company. This research is research with a qualitative model. This is according to (Sugiyono, 2016). This research is important because there is a phenomenon that has a very extraordinary effect on all joints of the country's economy and the world, namely the phenomenon of the COVID-19 pandemic. The phenomenon that is considered important, namely the phenomenon of the Covid-19 pandemic, is a phenomenon that has a very extraordinary effect on all aspects of human life, including the economy and business. This is the focus of the analysis of this research.

The object is a telecommunications company. Telecommunications companies are considered important to research because they are businesses that have been heavily affected by the COVID-19 pandemic. This influence is perhaps a very positive influence on the financial performance of companies in the telecommunications industry sector. This study uses a qualitative research approach where qualitative research as a scientific method is often used and carried out by a group of researchers in the social sciences, including education sciences. Qualitative research is carried out to build knowledge through understanding and discovery.

This study focuses on the financial performance of the telecommunications subsector companies before and during the covid-19 pandemic, which is relevant to using qualitative research because it meets the characteristics of qualitative research, especially in terms of in-depth data disclosure through analysis of profitability ratios, liquidity ratios, leverage ratios, and activity ratios. The results of this literature review are the initial/basic step in terms of hypothesizing which will be carried out after this literature analysis study is completed.

RESULTS

The results of the study of literature review in this study state that financial performance is a description of the company's condition in achieving predetermined targets. The company's financial performance can be seen from the financial statements issued by the company. However, it is necessary to analyze the financial statements first in order to obtain the appropriate information.

Financial statement analysis is an activity to examine financial statements using certain methods and techniques. Company performance can be measured using financial ratios. The financial ratios are profitability ratios, liquidity ratios, leverage ratios, and activity ratios. In this study, a literature review of financial performance was conducted on telecommunication companies. A telecommunications company is a company that provides telecommunications services. This company is also affected by the Covid-19 pandemic.

The financial performance of telecommunication companies is suspected to have increased. This happens because of changes in human behavior. Daily activities that were originally carried out in person have now turned into online. With this change, it is suspected that it will improve the financial performance of telecommunications companies as measured by financial ratios.

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Profitability

Profitability is suspected to be affected by the Covid-19 pandemic. The Covid-19 pandemic has an impact on all types of industries, both positive and negative impacts on company performance. Telecommunications companies have a great opportunity to improve their financial performance during this COVID-19 pandemic. This is evidenced by the growth that occurred in this sector. There is a change in behavior in daily life. This change encourages the higher use of information technology. So that telecommunications companies tend to generate higher sales. This affects the company's performance during the Covid-19 pandemic.

Profitability is the company's ability to generate profits in a certain period. Profitability can be used to assess the financial performance of a company. In this study, profitability is measured by ROA. During this pandemic, telecommunications company profits are expected to tend to increase. This shows that the Covid-19 pandemic is affecting the performance of telecommunication companies. Research results from Prasetya (2021) show that ROA in pharmaceutical companies has changed during this pandemic. This further supports that the pandemic affects the company's performance.

Researchers believe that **the profitability of telecommunications companies is statistically different before the pandemic and during the Covid-19 pandemic. For further research, researchers will test the difference in profitability statistically on the achievements of quarter 1, quarter 2, and quarter 3 for before the pandemic and during the Covid-19 pandemic.**

Liquidity

The Covid-19 pandemic has an impact on all types of industries, both positive and negative impacts on company performance. Telecommunications companies have a great opportunity to improve their financial performance during this COVID-19 pandemic. This is evidenced by the growth that occurred in this sector. There is a change in behavior in daily life. This change encourages the higher use of information technology. So that telecommunications companies tend to generate higher sales. This affects the company's performance during the Covid-19 pandemic.

Liquidity is the company's ability to pay short-term obligations that are due soon. In this study, liquidity is measured using the current ratio (CR). During this pandemic, the company's liquidity is suspected to have changed. This shows that the company's financial performance is affected by the Covid-19 pandemic. This phenomenon is supported by research from Harahap et al. (2021) which proves that the liquidity of the company PT Eastparc Hotel Tbk is in good condition.

Researchers believe that **the liquidity of telecommunications companies is statistically different before the pandemic and during the Covid-19 pandemic. For further research, researchers will test the difference in liquidity statistically on the achievements of quarter 1, quarter 2, and quarter 3 for before the pandemic and during the Covid-19 pandemic.**

Leverage

The Covid-19 pandemic has an impact on all types of industries, both positive and negative impacts on company performance. Telecommunications companies have a great opportunity to improve their financial performance during this COVID-19 pandemic. This is evidenced by the growth that occurred in this sector. There is a change in behavior in daily life. This change encourages the higher use of information technology. So that telecommunications companies tend to generate higher sales. This affects the company's performance during the Covid-19 pandemic.

Leverage is a ratio used to measure the company's ability to pay all its obligations, both short term and long term (Kasmir, 2015). In this study leverage is measured by the Debt-to-Equity Ratio (DER). This ratio can compare between debt and company capital. The leverage of telecommunications companies during the pandemic is suspected to have changed. This shows that the company's financial performance is affected by the Covid-19 pandemic. This phenomenon is supported by research from Harahap et al. (2021) which proves that the leverage or solvency of the company PT Eastparc Hotel Tbk is in good condition.

Researchers believe that the leverage of telecommunications companies is statistically different before the pandemic with the time of the Covid-19 pandemic. For further research, the researcher will test the difference in leverage statistically on the achievements of quarter 1, quarter 2, and quarter 3 for pre-pandemic and during the Covid-19 pandemic. Further testing until the 3rd quarter is carried out because the researcher will soon continue this research in December 2021. In December 2021, of course, the achievements of the 4th quarter of 2021 have not been published.

Activity Ratio
The Covid-19 pandemic has an impact on all types of industries, both positive and negative impacts on company performance. Telecommunications companies have a great opportunity to improve their financial performance during this COVID-19 pandemic. This is evidenced by the growth that occurred in this sector. There is a change in behavior in daily life. This change encourages the higher use of information technology. So that telecommunications companies tend to generate higher sales. This affects the company's performance during the Covid-19 pandemic.

Company activities describe the company's ability to manage assets owned to generate income. In this study the company's activities are calculated using the ratio of Total Assets Turn Over (TATO). Sales of telecommunications companies have increased during the pandemic. This proves that the financial performance of telecommunications companies is affected by the Covid-19 pandemic. This phenomenon is supported by research from Prasetya (2021) which shows that sales of pharmaceutical companies during the pandemic are increasing. This affects the company's financial performance during the pandemic.

The researcher believes that the activity ratio of telecommunication companies is statistically different before the pandemic with the time of the Covid-19 pandemic. For further research, researchers will test the difference in the ratio of activity statistically to the achievements of quarter 1, quarter 2, and quarter 3 for pre-pandemic and during the Covid-19 pandemic. Further testing until the 3rd quarter is carried out because the researcher will soon continue this research in December 2021. In December 2021, of course, the achievements of the 4th quarter of 2021 have not been published.

DISCUSSION

Further research, namely empirical data testing is expected to result in an assessment of company performance based on profitability, liquidity, solvency, and company activities. **Quantitative approach is a method that will be used in further research. For further research, it has been designed using empirical data.** The type of data used is secondary data obtained from the Indonesia Stock Exchange in the form of financial statements of listed telecommunication sub-sector companies and presents financial report data on the Indonesia Stock Exchange in 2018 and 2019 as a reflection of conditions before the Covid-19 pandemic and reports financial year 2020 and 2021 as a reflection of conditions during the Covid-19 pandemic. Further testing of the mean average achievement of each quarter, namely quarter 1, quarter 2, and until quarter 3 before being tested is different from during the pandemic. This period was chosen as a further research design because the researcher will immediately continue this research in December 2021. In December 2021, of course, the results of the 4th quarter of 2021 have not been published.

CONCLUSION

1. Initial research on this phenomenon shows that the financial performance of telecommunication companies as measured using profitability ratios, liquidity ratios, leverage ratios, and activity ratios has changed before and during the Covid-19 pandemic.
2. This research will be continued by using statistical tests so as to obtain empirical evidence whether the variables of profitability ratios, liquidity ratios, leverage ratios, and activity ratios have changed before and during the Covid-19 pandemic.
3. The Covid-19 pandemic has had an economic impact on the telecommunications industry sector because human behavior has changed.
4. The telecommunications industry sector experienced an increase in financial performance during the Covid-19 pandemic. This is because this sector supports the changing daily activities of humans, where all activities are carried out online at home.

LIMITATION

This research is literature review research. According to the purpose of this research, that is the first step of a whole series of research on the effect of the COVID19 pandemic on the performance of the telecommunications sub-sector company. The results of this study are able to make an analytical study to make initial assumptions or hypotheses. **This research still needs to be equipped with empirical testing.** This hypothesis certainly needs to be tested statistically. Testing based on data on financial performance analysis of telecommunication sub-sector companies listed on the Indonesia Stock Exchange before and during the Covid-19 pandemic.

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DECLARATION OF CONFLICTING INTERESTS

The author declares that there is no conflict of interest.

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