

Analysis of Financial Statements Using Solvency Ratios to Assess Financial Stability

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Abstract. This study aims to analyze the use of solvency ratios in assessing the financial stability and long-term financial performance of companies. A quantitative descriptive approach was employed using secondary data obtained from the 2024 consolidated financial statements of PT Telkom Indonesia (Persero) Tbk. The analysis focuses on four key solvency indicators: Debt to Asset Ratio (DAR), Debt to Equity Ratio (DER), Long-Term Debt to Equity Ratio (LTDER), and Times Interest Earned (TIE). These ratios were selected because they provide comprehensive information regarding a company's capital structure, debt management, and ability to fulfill long-term financial obligations. The results show that the company recorded a Debt to Asset Ratio of 45.77%, a Debt to Equity Ratio of 84.42%, a Long-Term Debt to Equity Ratio of 37.18%, and a Times Interest Earned ratio of 8.25 times. These findings indicate that PT Telkom Indonesia (Persero) Tbk maintains a relatively healthy capital structure, a well-controlled level of long-term debt, and a strong capacity to meet interest payment obligations through operating income. Therefore, solvency ratio analysis can serve as an effective tool for evaluating financial resilience, supporting strategic business decision-making, and providing valuable insights for investors, creditors, and other stakeholders in assessing the company's long-term financial sustainability.

Keywords: Capital Structure; Financial Performance; Financial Stability; PT Telkom Indonesia (Persero) Tbk; Solvency Ratio.

1. BACKGROUND

The long-term survival of a company is largely determined by its ability to manage its capital structure prudently and responsibly. In the midst of increasingly uncertain global economic dynamics, including interest rate fluctuations, exchange rate volatility, and inflationary pressures, companies are required to maintain a balance between the use of debt as a source of funding on the one hand, and the ability to pay these obligations on the other. This inability to manage this balance often leads to financial difficulties (*financial distress*) which has a systemic impact on all stakeholders, from creditors, investors, to employees (Altman, 2007).

In this context, the analysis of financial statements is an irreplaceable instrument in the process of evaluating the company's financial condition and performance. Financial statements consisting of financial position (balance sheet) statements, comprehensive income statements, and cash flow statements contain quantitative information that is crucial for various parties in making rational economic decisions. However, the raw data in the financial statements is only fully meaningful when analyzed and interpreted using the right analytical tools, one of which is financial ratio analysis. (Arsela & Panggiarti, 2020). Solvency ratios, also known as *leverage ratios*, are one of the most fundamental financial ratio groups in assessing a company's long-term financial health. This ratio measures the extent to which a company's assets are financed

by debt, and how much a company is able to meet all of its obligations, both short-term and long-term, including in the scenario of the company being liquidated. For creditors, the solvency ratio is a barometer of credit risk. The higher the debt-to-asset or equity ratio, the greater the risk incurred. For management and investors, this ratio reflects the effectiveness of funding policies and their impact on the company's value in the long run. (Force, 2021)

2. THEORETICAL STUDIES

Financial Statement Analysis

Financial statement analysis is a systematic process to evaluate the financial position, performance, and changes in the financial condition of an entity based on the information available in the financial statements. Financial statements present information regarding assets, liabilities, equity, revenue, expenses, profits, and cash flow. This information is used to assess the company's ability to generate profits, meet obligations, and maintain business sustainability. (Kasmir, 2019).

In practice, the analysis of financial statements can be done through horizontal analysis, vertical analysis, trend analysis, and ratio analysis. Ratio analysis is widely used because it is able to simplify complex financial data into indicators that are easier to understand. Financial ratios also help compare between years, between companies, and against industry standards. (Dominggus et al., 2025)

Solvency Ratio

The solvency ratio, or leverage ratio, measures a company's ability to meet all financial obligations and shows the proportion of a company's financing derived from debt. This ratio is different from the liquidity ratio. Liquidity assesses the ability to pay short-term liabilities, while solvency assesses the financial resilience of a company more broadly and long-term (Journal & Nusantara, 2025).

The use of debt can provide benefits if the company is able to generate returns that are higher than the cost of debt. However, the use of too large debt can increase financial risk. Therefore, management needs to maintain a balance between debt and equity so that the capital structure remains healthy. The solvency ratio is an important measurement tool for reading the balance. (1, 2, 1, 2, 2025).

Solvency Ratio Indicator

Debt to Asset Ratio (DAR)

The Debt to Asset Ratio measures the proportion of total assets financed by total liabilities. This ratio is calculated by dividing total liabilities by total assets. The higher the

value of DAR, the greater the company's dependence on financing from creditors.(Ritonga et al., 2025)

Debt to Equity Ratio (DER)

The Debt to Equity Ratio compares total liabilities to total equity. This ratio shows the amount of debt used for each unit of capital itself. An excessively high DER indicates a greater risk of capital structure.(Putri et al., 2025)

Long-Term Debt to Equity Ratio (LTDER)

The Long-Term Debt to Equity Ratio measures the proportion of long-term liabilities to total equity. This ratio is important for reading the long-term financing expense and the capacity of the equity to bear long-term liabilities.

Times Interest Earned (TIE)

Times Interest Earned measures the ability of earnings before interest and taxes to cover interest expenses. The higher the value of the TIE, the stronger the company's ability to pay interest expense from operating profit.

Financial Solvency and Stability Ratio

A company's financial stability can be understood as a condition when the company is able to maintain a balance between funding sources and the use of funds, meet financial obligations on time, and maintain business sustainability. The solvency ratio helps to read the stability because it shows the level of debt burden and the company's ability to bear fixed liabilities. A healthy solvency value indicates that the company has a balanced capital structure, a lower risk of default, and better room to maintain operations in the long term.(Rasio et al., 2025)

3. RESEARCH METHODS

Qualitative research with literature data sources is also called literature study or literature research. In this study, researchers will collect data from various literature, such as books, journals, and existing researches. This study conducted a literature study and secondary data analysis related to the theory and function of Islamic confntionism. This data can be obtained from various literature, such as books, journals, and existing researches. Compile and examine the results of previous research related to consumer behavior and preferences, as well as economic theories that support the indifference curve approach. This will provide a theoretical basis and strengthen the analysis in the research. Through this qualitative data collection technique, the research is expected to produce a comprehensive and in-depth analysis.

4. RESULTS AND DISCUSSION

This section presents the results of the solvency ratio calculation based on financial data of PT Telkom Indonesia (Persero) Tbk in 2024. The calculation is carried out to determine the level of asset financing by liabilities, the composition of debt to equity, long-term debt burden, and the ability of operating profit to cover interest expenses.(Kumay et al., 2025)

Company Financial Data

Table 1. Financial Data of PT Telkom Indonesia (Persero) Tbk in 2024.

No.	Financial Components	Value (Rp Billion)	Remarks
1	Total Assets	299.670	Balance Sheet
2	Total Liability (Total Debt)	137.170	Balance Sheet
3	Short-Term Liability	76.760	Balance Sheet
4	Long-Term Liability	60.410	Balance Sheet
5	Total Equity	162.490	Balance Sheet
6	Consolidated Revenue	149.960	Profit and Loss
7	Two Rods / EBIT	42.990	Profit and Loss
8	EBITDA	75.630	Profit and Loss
9	Financial Expenses / Interest Expenses	5.210	Profit and Loss
10	Net Profit for the Year	23.650	Profit and Loss

Source: Consolidated Financial Statements of PT Telkom Indonesia (Persero) Tbk, December 31, 2024, processed by the author.(Bursa & Indonesia, 2025).

Calculation of Solvency Ratio

Debt to Asset Ratio (DAR)

$$\text{DAR} = \text{IDR } 137,170 \text{ billion} / \text{IDR } 299,670 \text{ billion} = 0.4577 \text{ or } 45.77\%$$

Debt to Equity Ratio (DER)

$$\text{DER} = \text{IDR } 137,170 \text{ billion} / \text{IDR } 162,490 \text{ billion} = 0.8442 \text{ or } 84.42\%$$

Long-Term Debt to Equity Ratio (LTDER)

$$\text{LTDER} = \text{IDR } 60,410 \text{ billion} / \text{IDR } 162,490 \text{ billion} = 0.3718 \text{ or } 37.18\%$$

Times Interest Earned (TIE)

$$\text{TIE} = \text{IDR } 42,990 \text{ billion} / \text{IDR } 5,210 \text{ billion} = 8.25 \text{ times.}$$

Table 2. Recapitulation of the Results of the Solvency Ratio Calculation.

No.	Solvency Ratio	Value	General Standards	Remarks
1	DAR	45,77%	< 50%	Healthy
2	THE ER	84,42%	< 100%	Healthy
3	LTDER	37,18%	< 50%	Healthy
4	TIE	8.25 times	> 2.00 times	Very Powerful

Source: Results of the author's calculations.

Discussion

A DAR value of 45.77% indicates that less than half of the company's assets are financed by liabilities. This condition indicates that PT Telkom Indonesia's asset structure is still supported by a strong portion of internal funding. DARs below 50% also indicate that the risk of financing assets through debt is relatively under control.(Menunjang et al., 2020). The

DER value of 84.42% indicates that the company's total liabilities are still below the total equity. This means that the company's equity is still greater than the total debt used. This structure can be considered healthy because the company does not place the financing burden predominantly on debt.(Brigham & Houston, n.d.).

The LTDER value of 37.18% indicates that the company's long-term liabilities are still at a relatively low level compared to equity. This ratio signals that the company has enough room to assume long-term liabilities. Long-term financing risks are also still under control as the equity base remains strong.(Management, 2021). A TIE value of 8.25 times indicates that the company's operating profit is able to cover interest expense more than eight times. These results show strong interest payment capabilities. The higher the TIE, the less pressure the interest expense will have on operating profits. This condition strengthens the assessment that PT Telkom Indonesia has good financial stability in 2024.(Dewi et al., 2025). In general, all four solvency indicators show healthy results. The company has a controlled level of debt dependency, a relatively strong capital structure, and adequate interest-bearing capabilities. Thus, the company's financial stability can be assessed to be in good condition based on the solvency ratio approach.(Hasibuan, 2025).

5. CONCLUSIONS AND SUGGESTIONS

Based on the results of the research, it can be concluded that consumption is a form of financial stability of the company. An analysis of PT Telkom Indonesia (Persero) Tbk in 2024 shows that the company has a DAR of 45.77%, a DER of 84.42%, an LTDER of 37.18%, and a TIE of 8.25 times. The four results show a healthy capital structure, the use of debt that is still under control, and a strong ability to pay interest expenses. These findings show that PT Telkom Indonesia has good financial stability in terms of solvency. The company is less reliant on debt financing and still has a strong equity base. These results also confirm that solvency ratios can assist management, investors, and creditors in reading long-term financial risks and supporting more rational decision-making. Further research is suggested adding liquidity, profitability, activity, and cash flow ratios to make the assessment of financial stability more comprehensive. In addition, follow-up research can also compare the ratio of companies with similar companies in the telecommunications industry so that the interpretation of results is stronger sectorally.

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