



RESEARCH ARTICLE

# Effects of Liquidity and Solvency on Stock Investment Returns in PT Telkom Indonesia Tbk for the 2014-2025 Period

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## Abstract

This study analyzes the effects of liquidity and solvency on stock investment returns in PT Telkom Indonesia Tbk for the 2014-2025 period. A quantitative design is applied using secondary data from the company's annual financial statements and year-end stock closing prices. Liquidity is measured by the current ratio, while solvency is measured by the debt to equity ratio. Stock investment return is calculated from yearly stock price changes. The data are tested through multiple linear regression with SPSS version 26. The findings show that liquidity and solvency have no significant effect on stock investment returns, either individually or jointly. The coefficient of determination reaches 45.2%, meaning that both financial ratios explain less than half of the variation in stock investment returns. The remaining 54.8% is linked to other factors outside the model. This result suggests that a healthy liquidity or solvency position does not automatically lead to higher stock returns. Investors need to compare these ratios with profitability, dividend policy, interest rates, market sentiment, and industry conditions before making investment decisions.

## Keywords

Liquidity; Solvency; Stock Investment Returns.

## 1 | INTRODUCTION

The capital market supports national economic activity by moving funds from savers to firms that need financing for productive projects. This function helps companies expand capacity, improve operations, and create value, while investors gain access to instruments with different risk and return profiles. Stocks remain attractive because they may generate capital gains and dividends, but their higher return potential comes with price volatility. For this reason, investors should not rely only on market trends or short-term sentiment. They need to read financial statements and assess whether a company has sufficient liquidity, manageable debt, stable earnings, and sound operating performance. Fundamental data can shape investor confidence and influence stock returns, although interest rates, inflation, industry pressure, and market expectations may also drive price movements. Rahman (2023) argues that stock returns are linked to company fundamentals reflected in published financial reports.

In making investment decisions, investors usually use fundamental analysis to assess whether a company has financial strength that can support future stock performance. Financial ratios help investors read accounting data in a more practical way, although these ratios should not be treated as the only basis for judgment. Ari Sudrajat *et al.* (2023) state that liquidity and solvency ratios are often used to evaluate a company's financial condition. Liquidity reflects the company's ability to meet short-term obligations through current assets, such as cash, receivables, and inventories. Solvency shows the company's capacity to manage total liabilities and maintain long-term financial stability. Adequate liquidity may reduce payment risk, while a controlled debt structure can lower financial pressure. Widiyasari (2024) argues that these conditions may create a positive signal for investors because they indicate financial health and readiness to face business risk, although market conditions may still affect investment returns.

PT Telkom Indonesia Tbk is a relevant research object because it is one of Indonesia's largest telecommunications firms and a blue chip issuer on the Indonesia Stock Exchange. Its market position makes the company widely observed by investors, regulators, and business analysts. Telkom also plays a key role in supporting national digital transformation through broadband networks, data services, and digital infrastructure. However, its strong position does not remove business risk. The company must respond to rapid technological change, tighter competition, shifting consumer needs, and pressure to maintain service quality. Global economic movements, interest rates, and investment costs may also influence its financial decisions. These conditions can affect operating performance, liquidity, solvency, and stock market response over the long term. Widiyasari (2024) states that such business dynamics may influence the company's financial condition.

Based on PT Telkom Indonesia Tbk's financial statements for 2014-2024, the current ratio, debt to assets ratio, and stock return moved unevenly from year to year. This pattern indicates that liquidity and debt policy may shape how investors assess risk, but the link should not be accepted too quickly. Stock return often reacts not only to financial ratios, but also to dividends, interest rates, industry competition, and market expectations. Supatmin (2021) argues that liquidity and solvency can influence stock returns because investors use financial health as one basis for judging risk. For this reason, research on PT Telkom Indonesia Tbk needs to test whether those ratios truly explain return movements. The results can help investors read financial statements more carefully before relying on them as signals for investment decisions, rather than treating ratio changes as automatic predictors of future gains.

If a company is unable to manage its investments properly, this condition can negatively affect its performance and may lead to losses. Therefore, companies need to evaluate and manage investments effectively to maintain financial stability and improve performance (K *et al.*, 2025). One tool that can be used to analyze a company's financial condition and performance is financial ratio analysis. Financial ratios are used to assess a company's ability to manage assets, meet obligations, generate profits, and measure operational efficiency and effectiveness (Retno Dwi Astutik, 2023). Through financial ratio analysis, investors and company management can obtain information about the company's financial condition as a basis for making investment decisions and formulating company policies (Pratika *et al.*, 2024). This study aims to determine the extent to which liquidity and solvency affect stock investment returns in PT Telkom Indonesia Tbk.

Recent international studies indicate that liquidity and solvency still matter in explaining stock returns, but the direction and strength of their effects remain debated. Rahman (2025) found that higher liquidity can improve investor confidence and increase stock returns because firms appear more capable of meeting short-term obligations. However, Saputra and Suryantini (2025) showed that liquidity does not always become a strong signal, especially when investors pay more attention to earnings growth, dividends, or market risk. Evidence on solvency also varies. Rante (2025) found that solvency may affect stock prices through profitability, meaning debt can support value only when it improves income generation. In contrast, Widiyanto and Batara (2025) reported mixed effects of solvency on stock returns, depending on industry risk and capital structure. These differences show that prior findings are not fully settled. Further testing is needed in the telecommunications sector, where high investment needs and rapid technological change may alter investor responses and shape risk perceptions in the market.

Previous studies on the relationship between liquidity, solvency, and stock returns have produced inconsistent findings. Rahman and Alam (2023) found that liquidity and leverage significantly affect stock returns in telecommunications companies listed on the Indonesia Stock Exchange. In contrast, Supatmin (2021) reported that

liquidity and solvency did not significantly influence company performance and investment outcomes. Similarly, Widiyasari (2024) found varying effects of liquidity and solvency across telecommunications firms. These findings indicate a research gap regarding the effect of liquidity and solvency on stock investment returns, particularly in the telecommunications sector. In addition, few studies have specifically examined PT Telkom Indonesia Tbk over a long observation period. Therefore, this study aims to analyze the effect of liquidity and solvency on stock investment returns in PT Telkom Indonesia Tbk during the 2014-2025 period.

## 2 | BACKGROUND THEORY

### 2.1 Liquidity

Liquidity describes a company's capacity to pay short-term obligations without disrupting daily operations. Paramata, Hinelo, and Hamin (2024) state that liquidity reflects management's ability to maintain operational stability through timely fulfillment of current liabilities. A firm with adequate current assets can settle debts, pay suppliers, and support working capital needs more safely. For investors, this condition may reduce concern over financial pressure and cash flow risk. Sri Sindi Paramata, Raflin Hinelo, and Hamin (2024) argue that good liquidity can create a positive signal because it indicates healthier financial management and lower short-term risk. In Signaling Theory, information from financial ratios helps investors assess firm prospects before buying or holding shares. A higher liquidity ratio may strengthen trust, since the firm appears better prepared to meet near-term obligations. This trust can influence demand for shares and may affect stock investment returns. However, liquidity should still be assessed with profitability and debt structure to avoid an incomplete judgment by prudent investors today.

H1: Liquidity affects stock investment returns.

### 2.2 Solvency

Solvency measures a company's ability to meet its financial obligations, including debts due in the short and long term. This ratio helps investors assess how much the company relies on debt to finance assets and business activities. Alfiansyah *et al.* (2025) explain that solvency reflects the firm's capacity to guarantee its obligations to creditors and investors. A controlled debt level may indicate safer financial management because the company has lower pressure from interest expenses and repayment schedules. Investors often respond positively to this condition since lower debt risk can support confidence in future returns. However, high solvency does not always mean better performance. Excessive debt can reduce flexibility, weaken profit growth, and increase market concern. In stock investment, solvency may influence returns because investors consider debt structure before buying or holding shares. Based on this argument, solvency is expected to affect stock investment returns.

H2: Solvency affects stock investment returns.

### 3.3 Stock investment returns

Stock investment return refers to the gain or loss received by investors from owning shares within a certain period. This return can arise from capital gains when the selling price is higher than the purchase price, or from dividends paid by the company to shareholders. Salsabillah and Kharismar (2022) explain that stock return reflects the reward received from funds placed in the capital market. Investors use this indicator to assess whether an investment decision produces an acceptable result compared with its risk. A high return may attract investors, but it does not always indicate strong company fundamentals, since stock prices can also move due to market sentiment, interest rates, and industry conditions. For this reason, liquidity and solvency need to be tested together to determine whether both ratios can explain changes in stock investment returns.

H3: Liquidity and solvency simultaneously affect stock investment returns.

## 3 | METHOD

This study uses a quantitative research method to examine the effect of liquidity and solvency on stock investment returns in PT Telkom Indonesia Tbk. A quantitative method is suitable because the research uses numerical data and statistical testing to assess the relationship between variables in a measurable way (Maulida, 2026). This approach also reduces subjective interpretation, although the results still depend on the accuracy of data, variable measurement, and model selection. The independent variables in this study are liquidity and solvency, while the dependent variable is stock investment return. The population consists of PT Telkom Indonesia Tbk's annual financial statements and year-end stock closing prices during the 2014-2025 period. Since the study uses annual data, the total number of observations is 12 years. The sample includes balance sheet data, income statement

data, and annual closing stock prices obtained from published company reports and Indonesia Stock Exchange records. The data collection technique uses secondary data because the information has been officially released and can be checked by other researchers. The analysis includes classical assumption tests to assess whether the regression model meets statistical requirements. Multiple linear regression is then used to test the effect of liquidity and solvency on stock investment returns. The coefficient of determination measures how far both variables explain return changes. Hypothesis testing uses t-tests and F-tests with SPSS version 26 (Hasanudin, 2022). This method supports empirical testing, but the findings still need careful interpretation because stock returns may also respond to market sentiment, interest rates, dividends, and industry pressure.

## 4 | RESULTS AND DISCUSSION

### 4.1 Results

The results of data processing using SPSS version 26 serve as the basis for assessing the proposed hypotheses. The analysis covers descriptive statistics, classical assumption tests, multiple linear regression, Coefficient of determination, t-tests, and F-tests. These procedures examine whether liquidity and solvency have a measurable effect on stock investment returns in PT Telkom Indonesia Tbk during the 2014-2025 period. The findings must be interpreted carefully because statistical output is not only a matter of significance values. It also reflects the strength of the model, the direction of the relationship, and the extent to which financial ratios explain stock return movements.

Table 1. Results of the Normality Test One-Sample Kolmogorov-Smirnov

Test Component	Indicator	Unstandardized Residual
N		12
Normal Parameters	Mean	0.000000
Normal Parameters	Std. Deviation	16.21166217
Most Extreme Differences	Absolute	0.167
Most Extreme Differences	Positive	0.156
Most Extreme Differences	Negative	-0.167
Test Statistic		0.167
Asymp. Sig. (2-tailed)		0.201

Based on Table 1, the One-Sample Kolmogorov-Smirnov test records an Asymp. Sig. (2-tailed) value of 0.201, above the 0.05 threshold used in this study. This result supports the normality assumption for the residuals, so the regression analysis can continue to the next stage. Even so, the interpretation should remain careful because the sample contains only 12 observations, which makes model testing sensitive to data changes across years observed overall.

Table 2. Multicollinearity Test Results

Model	Variable	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	Constant	42.131	89.400	-	0.511	0.714	-	-
1	Liquidity	0.301	0.510	0.313	0.671	0.616	0.501	2.031
1	Solvency	-0.791	0.811	-0.457	-0.979	0.413	0.501	2.031

Dependent Variable: Stock Investment Returns

Based on Table 2, the Tolerance values for the Current Ratio and Debt to Asset Ratio are 0.501. These values are above 0.10, indicating that the regression model does not show symptoms of multicollinearity. The Variance Inflation Factor (VIF) values also support this result. Liquidity has a VIF value of 2.031, and solvency also has a VIF value of 2.031. Both values are below 10, meaning that there is no strong correlation between the independent variables in this study. Based on these results, the regression model is considered free from multicollinearity problems. Therefore, the regression analysis can be continued because the independent variables can be tested without serious bias caused by excessive correlation.

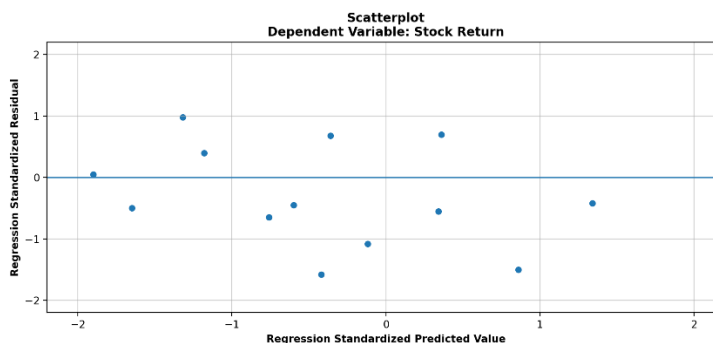


Figure 1. Scartterplot Results of Stock Investment PT. Telkom Indonesia Tbk

Based on Figure 2, the dots are randomly scattered and do not form a clear pattern. The dots are also spread above and below the zero line. This result indicates that there is no heteroscedasticity problem in the regression model. Therefore, the regression model is considered suitable for analyzing the relationship between liquidity, solvency, and stock investment returns based on the independent variables used in this study.

Table 3. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.784	0.452	0.234	19.41836	2.315

Dependent Variable: Stock Investment Returns

Based on Table 3, the Durbin-Watson value is 2.315. This value indicates that the regression model does not show a serious autocorrelation problem because it is still near the acceptable range around 2. The R Square value of 0.452 shows that liquidity and solvency explain 45.2% of the variation in stock investment returns. The remaining variation may come from other factors outside this research model.

Table 4. Multiple Linear Regression Test Results

Model	Variable	B	Std. Error	Beta	t	Sig.
1	Constant	42.131	89.400	-	0.466	0.653
1	Liquidity	0.301	0.510	0.313	0.671	0.616
1	Solvency	-0.791	0.811	-0.457	-0.979	0.413

Dependent Variable: Stock Investment Returns

Based on Table 4, the regression equation shows a constant value of 42.131. Liquidity has a positive coefficient of 0.301, meaning that an increase in liquidity tends to raise stock investment returns. However, its significance value of 0.616 is above 0.05. Solvency has a negative coefficient of -0.791 with a significance value of 0.413. These results indicate that liquidity and solvency do not have a significant partial effect on stock investment returns in this research model overall.

Table 5. ANOVA Test Results

Model	Source	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1534.981	3	711.796	2.364	0.234
1	Residual	3586.913	9	457.999	-	-
1	Total	5121.894	12	-	-	-

Dependent Variable: Stock Investment Returns

Predictors: Constant, Liquidity, Solvency

Based on Table 5, the ANOVA test records an F value of 2.364 and a significance value of 0.234. Since this value exceeds 0.05, liquidity and solvency do not jointly affect stock investment returns at a significant level. This result suggests that both ratios have weak explanatory power in this model. Investors should also consider profitability, dividends, interest rates, business risk, and market sentiment when assessing returns more carefully over time.

Table 6. Determination Coefficient Test Results (R<sup>2</sup>)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.784	0.452	0.234	19.41836

Based on Table 6, the R value of 0.784 indicates a strong relationship between liquidity, solvency, and stock investment returns. The R Square value of 0.452 means that both independent variables explain 45.2% of return variation. The Adjusted R Square of 0.234 shows weaker explanatory power after adjustment. The remaining variation may come from profitability, dividends, interest rates, market sentiment, and industry conditions outside this regression model overall.

#### 4.2 Discussion

The regression result shows that liquidity has a positive coefficient of 0.301, while its significance value reaches 0.616. The coefficient suggests that an increase in the Current Ratio tends to move in the same direction as stock investment return. However, the significance value exceeds the 0.05 threshold. Based on that result, liquidity does not provide enough statistical evidence to explain annual stock return changes in PT Telkom Indonesia Tbk during 2014-2025. The first hypothesis is not supported. The finding deserves careful interpretation. Liquidity describes short-term financial capacity, especially the ability to meet current liabilities through current assets. For investors, adequate liquidity can reduce concern about payment risk and working capital pressure. Even so, the stock market does not always treat a stronger Current Ratio as a reason to raise share valuation. Investors often view liquidity as a basic requirement for a mature and large issuer. PT Telkom Indonesia Tbk operates in the telecommunications industry, which requires large capital expenditure, network expansion, digital infrastructure, spectrum allocation, and continuous service improvement. Under such conditions, market participants may pay stronger attention to earnings growth, cash flow quality, dividend consistency, return on assets, and long-term business prospects.

The result differs from Ari Sudrajat *et al.* (2023), who examined liquidity and solvency in relation to stock returns. Akbar (2024) also placed liquidity, solvency, and profitability as variables related to share prices in LQ45 companies. Hasanudin (2022) linked Current Ratio, Debt to Equity Ratio, and Return on Assets with stock returns. The different result may stem from the characteristics of PT Telkom Indonesia Tbk as a large telecommunications issuer. A higher Current Ratio does not automatically indicate stronger return potential when investors expect growth from operating performance, dividend capacity, and digital business expansion. Liquidity may protect financial stability, yet stock return reflects market expectations about future income and risk. Liquidity also needs to be read together with profitability. Saputra and Suryantini (2025) examined liquidity and leverage on stock returns with profitability as a mediating variable in telecommunications companies. Their research direction supports the argument that liquidity becomes more relevant when it strengthens profit creation. Alfiansyah *et al.* (2025) also used profitability as a mediating variable when studying liquidity, solvency, and stock returns in oil and gas companies. Those studies suggest that investors may not respond to liquidity alone. They may respond when liquidity supports sales growth, operational efficiency, net income, and dividend ability. In the case of Telkom, a stronger Current Ratio may reduce short-term risk, but it does not always create a visible signal for capital gain.

The solvency result shows a negative coefficient of -0.791 with a significance value of 0.413. The negative coefficient indicates that a higher debt ratio tends to move in the opposite direction of stock investment return. Yet the significance value remains above 0.05. Based on that result, solvency does not have a statistically significant partial effect on stock investment return. The second hypothesis is not supported. The negative direction still has financial meaning. A higher level of debt can increase interest burden, reduce financial flexibility, and raise investor concern when borrowed funds do not produce sufficient earnings. Telecommunications companies often use debt to finance network infrastructure, data services, and technology renewal. Debt can support growth when management converts financing into higher revenue and profit. Debt can also pressure market valuation when investors doubt the return from large capital spending. For that reason, solvency should not be judged only from the debt ratio. Investors need to assess whether debt produces better operating income, stable cash flow, and stronger competitiveness.

The result is consistent with the mixed pattern reported in previous studies. Rendiyansyah and Kresnandra (2025) studied liquidity, solvency, and profitability in relation to stock prices among infrastructure companies. Sari (2025) examined profitability, solvency, and market ratios in relation to stock returns. Widiyanto and Batara (2025) also studied liquidity, profitability, and solvency as determinants of stock returns. Such research directions show that solvency can affect market performance, but its effect depends on industry risk, financing structure, and profit conversion. For Telkom, debt may not receive a uniform market response because investors may tolerate leverage when it supports network expansion and future service demand. The simultaneous test reports an F value of 2.364 with a significance value of 0.234. Since the significance value exceeds 0.05, liquidity and solvency do not jointly affect stock investment returns at the accepted statistical level. The third hypothesis is not supported. Even so, the R Square value of 0.452 indicates that liquidity and solvency explain 45.2 percent of variation in stock investment return. The Adjusted R Square value of 0.234 gives a more cautious reading because the model uses only twelve annual observations. A small sample can make the regression result sensitive to yearly shocks, dividend announcements, changes in interest rates, inflation, investor sentiment, and sector competition.

The remaining variation should receive serious attention. Stock return does not depend only on liquidity and solvency. Razak *et al.* (2020) linked financial performance with stock returns in Indonesian companies. Salsabillah and

Kharismar (2022) studied financial ratios as return predictors. Bradrania, Peat, and Satchell (2022) connected liquidity costs and idiosyncratic volatility with expected stock returns. Safara and Nekky (2024) examined business risk, liquidity, solvency, and profitability, while Zefriyenni (2023) placed profitability as a moderating variable between solvency, liquidity, and stock returns. Those references support a broader model that includes profitability, business risk, market risk, and macroeconomic indicators. The findings give a clear lesson for investors. Liquidity and solvency remain useful as early screening tools. Both ratios help assess financial safety, debt pressure, and working capital condition. Yet they should not be used as stand-alone predictors of return. Investors need to compare those ratios with Return on Assets, Return on Equity, Earnings per Share, dividend payout, operating cash flow, inflation, interest rates, and market valuation. Maulida (2026) already examined Current Ratio and Debt to Equity Ratio on stock returns at PT Telkom Indonesia Tbk, so further research can extend the model by adding profitability and macroeconomic variables.

## 5 | CONCLUSIONS AND FUTURE WORK

This study concludes that liquidity and solvency do not have significant effects, either partially or simultaneously, on stock investment returns in PT Telkom Indonesia Tbk during the 2014-2025 period. These findings indicate that investors should not rely only on liquidity and solvency ratios when making stock investment decisions. Stock returns may be shaped more strongly by profitability, dividend policy, macroeconomic conditions, interest rates, inflation, industry competition, and market sentiment. For this reason, PT Telkom Indonesia Tbk needs to continue maintaining liquidity and managing debt levels carefully so that its financial position remains stable and investor confidence can be strengthened. For investors, the results suggest the need to assess financial ratios together with other financial and market indicators before buying or holding shares. Investment decisions will be more reasonable when investors compare liquidity and solvency with profitability, earnings growth, dividend policy, and external economic conditions. Future researchers are advised to add other variables, such as Return on Assets, Return on Equity, Earnings per Share, inflation, and interest rates. Future studies may also use a longer research period and include companies from other sectors listed on the Indonesia Stock Exchange to obtain broader and more reliable results.

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