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THE EFFECT OF INTERCONNECTION EXPENSES ON THE CURRENT PERIOD PROFIT OF XL AXIATA DURING THE 2020–2024 PERIOD

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ABSTRACT

This study analyzes the effect of interconnection expenses on current-period profit at PT. XL Axiata Tbk. Financial data is taken from quarterly financial reports and analyzed using simple linear regression. Interconnection expenses are among the operating cost components in the telecommunications industry. Using analytical descriptive methods and quantitative approaches, the study indicates that interconnection expenses have a positive and significant effect on current-period profit. The resulting linear regression equation shows that an increase in interconnection expenses by one unit will increase current period profit by 1.621247003 units. This study concludes that efficient management of interconnection expenses is crucial to increasing company profitability.

Keywords: Interconnection Expenses, Profit For The Period, Telecommunication.

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1. INTRODUCTION

The telecommunications industry in Indonesia has experienced rapid development in recent years, particularly due to increasing demand for internet-based communication services and digital connectivity. Telecommunication companies are required to continuously improve service quality and network infrastructure to remain competitive in a highly dynamic market environment. One of the major telecommunications companies in Indonesia is PT XL Axiata Tbk., which provides voice, SMS, and data services to millions of customers throughout the country.

In the telecommunications industry, operational efficiency is essential because companies incur significant operating expenses related to infrastructure maintenance, network operations, and interconnection services. Interconnection expenses arise when one operator uses another operator's network to complete communication traffic between customers. These expenses represent an important component of operating costs because they directly affect company profitability and operational sustainability (Kasmir, 2019).

According to Fahmi (2017), operating expenses are costs incurred to support the company's primary business activities and generate revenue. In telecommunications companies, interconnection expenses are categorized as direct operational costs that fluctuate depending on network usage volume and communication traffic between operators. Efficient management of these expenses is therefore necessary to maintain financial performance and profitability.

Current-period profit, commonly referred to as net income, reflects the company's ability to generate earnings after deducting all operational and non-operational expenses during a specific accounting period. Profit is an important indicator used by management, investors, and stakeholders to evaluate company performance and operational effectiveness (Hery, 2020). An increase in operational activity may increase interconnection expenses, but at the same time may also contribute to higher revenue generation and profitability.

Previous studies generally explain that operational cost efficiency significantly influences company profitability. However, in the telecommunications sector, interconnection expenses may indicate increasing operational activities and customer usage intensity, which potentially contributes positively to company earnings. Therefore, understanding the relationship between interconnection expenses and current-period profit becomes important for evaluating operational efficiency and financial performance.

This study aims to analyze the effect of interconnection expenses on the current-period profit of PT XL Axiata Tbk. during the 2020–2024 period using quantitative methods and simple linear regression analysis. The results of this study are expected to provide insights regarding operational cost management and profitability improvement strategies in the telecommunications industry.

2. LITERATURE REVIEW

2.1 Telecommunications Industry

The telecommunications industry is a sector that provides communication services through voice, text, and internet-based data transmission. According to Kasmir (2019), the telecommunications industry is highly capital-intensive because it requires substantial investment in infrastructure such as fiber-optic networks, satellites, and Base Transceiver Stations (BTS). The development of digital technology has shifted customer preferences from conventional voice services toward internet-based communication services, creating increasingly competitive market conditions.

PT XL Axiata Tbk. is one of the major telecommunication operators in Indonesia whose operational performance depends on service quality, technological innovation, and cost efficiency. To maintain competitiveness, telecommunication companies must effectively manage operational costs while simultaneously expanding network coverage and improving service quality.

2.2 Interconnection Expenses

Interconnection expenses are costs incurred by telecommunications operators when using another operator's network to deliver communication traffic. According to regulations issued by the Indonesian Ministry of Communication and Information Technology, operators are required to pay interconnection fees for off-net communication services. These expenses are classified as direct operating costs because they are directly related to network usage and communication traffic volume.

Fahmi (2017) explains that operating expenses represent expenditures necessary to support business operations and revenue generation. In telecommunications companies, interconnection expenses fluctuate depending on customer usage intensity and inter-operator traffic volume. Higher communication traffic generally leads to higher interconnection expenses. However, increased operational activity may also indicate higher service demand and revenue growth.

Efficient management of interconnection expenses is important because uncontrolled operational costs may reduce company profitability. According to Hanafi and Halim (2018), cost efficiency enables companies to maximize profits and improve operational performance. Therefore, companies must continuously monitor and evaluate interconnection cost structures to maintain operational effectiveness.

2.3 Current-Period Profit

Current-period profit, commonly known as net income, is the difference between total revenue and total expenses incurred during an accounting period. According to Hery (2020), profit is a primary indicator used to assess management performance and company financial health. Higher profits indicate better operational efficiency and stronger financial performance.

Harahap (2018) states that profitability reflects management effectiveness in utilizing company resources to generate earnings. In the telecommunications industry, profitability is influenced by several factors, including operating revenue, infrastructure investment, operational costs, and interconnection expenses.

Financial statement analysis is commonly used to evaluate company profitability and operational performance. According to Ghozali (2018), quantitative analysis methods such as regression analysis can be used to identify relationships between operational variables and company earnings. In this study, simple linear regression is applied to analyze the relationship between interconnection expenses and current-period profit.

2.4 Previous Studies

Several previous studies have examined the relationship between operational costs and company profitability. Research conducted by Hery (2020) and Hanafi and Halim (2018) found that operational cost efficiency significantly affects company financial performance. Meanwhile, studies in the telecommunications sector indicate that increasing operational activity often leads to higher operational expenses but may simultaneously contribute to revenue growth and increased profitability.

Based on these theoretical perspectives, this study develops the hypothesis that interconnection expenses significantly influence the current-period profit of PT XL Axiata Tbk. during the 2020–2024 period..

3. RESEARCH METHODS

This study applies a descriptive-analytical method with a quantitative approach. According to (Sugiyono, 2019)A quantitative approach is based on the philosophy of positivism and is used to examine specific populations or samples to test hypotheses empirically. This method was chosen to objectively analyze and describe the functional relationship between interconnection expenses and XL Axiata's current-period profit using numerical data analysis.

The study involves two main variables. The independent variable (X) is interconnection expenses, which represent the costs incurred by the company for using other operators' networks. The dependent variable (Y) is the current-period profit, which serves as the primary indicator of the company's financial performance. Current period profit was selected as the dependent variable because it reflects the outcome of the company's operational and financial activities.

The data used in this research are secondary data obtained from the audited quarterly financial statements of XL Axiata published on the Indonesia Stock Exchange. According to (Sugiyono, 2019)Secondary data are data collected indirectly through documents or intermediary sources. The use of officially published financial statements ensures the validity and reliability of the data analyzed in this study.

Furthermore, the data analysis technique employed is simple linear regression to measure the extent to which interconnection expenses affect changes in the company's net income. Data processing was conducted digitally using Microsoft Excel. Referring to (Ghozali, 2018)The analysis process includes classical assumption testing to ensure the feasibility of the regression model, followed by significance testing to determine whether interconnection expenses have a statistically significant effect on XL Axiata's current-period profit.

4. RESULTS AND DISCUSSION

The research data used to analyze the effect of Interconnection Expenses on the Current Period Profit of XL Axiata are presented in the table. At the same time, the data processing is

consolidated into a single table by classifying Interconnection Expenses and Current Period Profit every quarter.

Table 1. Interconnection Expenses and Current Period Profit for 2020–2024 (Quarterly)

No.	Period (Year/Quarter)	Current Period Profit	Interconnection Expenses
1	2024/Q4	Rp 1,847,631,000,000	Rp 527,027,000,000
2	2024/Q3	Rp 1,334,932,000,000	Rp 385,261,000,000
3	2024/Q2	Rp 1,037,165,000,000	Rp 270,356,000,000
4	2024/Q1	Rp 547,430,000,000	Rp 123,746,000,000
5	2023/Q4	Rp 1,284,448,000,000	Rp 633,594,000,000
6	2023/Q3	Rp 1,018,583,000,000	Rp 465,481,000,000
7	2023/Q2	Rp 657,524,000,000	Rp 311,374,000,000
8	2023/Q1	Rp 204,175,000,000	Rp 149,344,000,000
9	2022/Q4	Rp 1,121,188,000,000	Rp 497,586,000,000
10	2022/Q3	Rp 988,772,000,000	Rp 345,503,000,000
11	2022/Q2	Rp 617,012,000,000	Rp 231,859,000,000
12	2022/Q1	Rp 139,092,000,000	Rp 115,997,000,000
13	2021/Q4	Rp	Rp 527,604,000,000

		1,287,807,000,000	
14	2021/Q3	Rp 1,016,399,000,000	Rp 403,881,000,000
15	2021/Q2	Rp 715,958,000,000	Rp 277,286,000,000
16	2021/Q1	Rp 320,513,000,000	Rp 138,461,000,000
17	2020/Q4	Rp 371,598,000,000	Rp 704,709,000,000
18	2020/Q3	Rp 2,175,006,000,000	Rp 549,731,000,000
19	2020/Q2	Rp 1,743,519,000,000	Rp 384,538,000,000
20	2020/Q1	Rp 1,519,709,000,000	Rp 211,941,000,000

Results of Simple Linear Regression Analysis

The simple linear regression analysis produced the following equation:

$$\text{Net Income} = 4.0429 + 1.6212(\text{Interconnection Expenses})$$

The Adjusted R Square value of 0.2249 indicates that interconnection expenses explain 22.49% of the variation in current-period profit, while other variables outside the research model explain the remaining 77.51%. The F-test significance value of 0.0199, which is lower than $\alpha=0.05$, shows that the regression model is statistically significant.

Interconnection expenses have a positive and significant effect on current-period profit, with a regression coefficient of 1.6212 and a p-value of $0.0199 < 0.05$. This means that each additional unit of interconnection expenses increases current-period profit by 1.6212 units.

From an accounting perspective, the increase in interconnection expenses reflects higher operational activity and network usage, which is generally accompanied by greater revenue growth. Therefore, rising interconnection expenses may indicate business growth and contribute positively to the company's profitability.

5. CONCLUSION

Interconnection expenses have a positive and significant effect on current-period profit. From an accounting perspective, this indicates that interconnection expenses increase along with higher operational activities and company revenues. However, this positive relationship should be interpreted carefully because, conceptually, expenses are expected to reduce profit. The findings suggest that interconnection expenses may primarily reflect increased business activity, whereas the main driver of profit growth is revenue, which was not included in the research model. Furthermore, the relatively low Adjusted R-Square value indicates that other variables outside the model more strongly influence profit. Therefore, these results reflect an operational relationship between activity and expenses rather than a direct causal relationship between expenses and profit.

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