

Analysis of The Influence of Liquidity on Investment on Investment: Comparison of Petrosea Data 2022-2023

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Abstract. This study aims to examine the influence of liquidity on investment at PT Petrosea Tbk during the period of 2022-2023. Liquidity is measured using the current ratio, quick ratio, and cash ratio, which reflects the company's ability to meet short-term obligations as well as support investment activities. The research data were obtained from the company's annual financial reports and relevant market information. A quantitative method was employed to analyze the relationship between liquidity and investment levels, while also considering other variables such as profitability and company size. The results indicate that liquidity has a positive and significant effect on investment. Improved liquidity encourages the growth of the company's investments, which ultimately contributes to business development. These findings highlight the importance of effective liquidity management as a strategic approach to supporting sustainable investment and provide recommendations for management in formulating optimal investment policies.

Keywords: Investment, Liquidity, PT Petrosea Tbk.

1. INTRODUCTION

Liquidity is one of the fundamental indicators in a company's financial analysis that reflects the company's ability to meet its short-term obligations. In the context of investment decision-making, liquidity plays an important role because it provides flexibility for companies to allocate resources to strategic projects. Optimal liquidity levels allow companies to take advantage of investment opportunities without having to rely on external funding sources. Conversely, low liquidity can limit a company's room to maneuver in making investment decisions, especially in dynamic market conditions.[1]

liquidity plays a crucial role in supporting business strategy and technology development. The company is known as one of the main players in the mining and construction sector in Indonesia. A study by[2]shows that companies with high liquidity tend to have a greater ability to invest in productive projects. In addition, research by[3]revealed that adequate liquidity can be a financial buffer that protects companies from systematic risk and market uncertainty.

However, the relationship between liquidity and investment is not always linear. Too high a level of liquidity is often considered a negative signal by investors because it indicates inefficiency in managing funds. Excess cash that is not utilized can create agency problems, where management may use the funds for personal interests rather than for productive activities. Companies with excess liquidity tend to face pressure to allocate funds efficiently so as not to lose market confidence.

PT Petrosea Tbk. has demonstrated its commitment to strategic investment through increased capital expenditure during 2022-2023. The company's main focus is to strengthen the Engineering, Procurement, and Construction (EPC) business line and mining contracts. According to Petrosea's annual report (2023), this increase in capital expenditure aims to

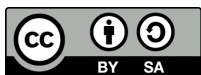
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increase profit margins and competitiveness in the global market, indicating that Petrosea's investment strategy during the period is supported by a stable level of liquidity.[4]

In addition to the financial aspect, Petrosea has also adopted digital technology through the Minerva platform to improve operational efficiency and reduce investment costs. The implementation of this technology is in line with the global trend where digitalization is used as a tool to optimize resource management. Adopting digital technology can significantly improve operational efficiency. Companies that invest in digital technology tend to have better financial performance.

In addition, PT Petrosea Tbk. has demonstrated its commitment to the Environmental, Social, and Governance (ESG) principles in its investment strategy during 2022-2023. According to Petrosea's ESG report (2023), the implementation of this principle aims to create sustainable value for stakeholders while improving the company's reputation in the international market. Companies that implement ESG principles tend to have better financial performance in the long term. Positive relationship between ESG practices and company profitability.[5]

Theoretical Basis

Liquidity is often measured through financial ratios such as the current ratio, cash ratio, and quick ratio, which reflect the extent to which a company's current assets can cover its current liabilities. According to signaling theory, liquidity provides investors with important information about a company's financial stability and its ability to survive uncertain market conditions.[6]. The higher the liquidity ratio, the greater the company's ability to meet its short-term obligations, which ultimately increases investor confidence in the company.[1]

In the context of investment decision making, liquidity plays an important role as a determinant of financial flexibility. Based on the Liquidity Preference Theory developed by Keynes, the level of liquidity of a company affects management's preference in holding cash or allocating it for investment. The interest rate is also a key factor in this theory, where the opportunity cost of holding cash can encourage companies to invest their assets in productive projects.[7]. Thus, this theory emphasizes that liquidity not only functions as a tool to meet obligations but also as a strategic resource to support growth through investment.

In addition, the Trade-off Theory explains that companies must determine the optimal level of cash holdings by considering the marginal cost and marginal benefit of liquid assets. Holding too much cash can lead to lower returns because the assets are not used productively. However, having sufficient cash reserves provides protection against uncertainty and unexpected financial crises.[8]. Therefore, management needs to find a balance between maintaining sufficient liquidity and maximizing the use of assets for investment.

Liquidity also has a direct relationship with systematic risk and stock returns. Research by[9]shows that stocks with low liquidity tend to have large bid-ask price spreads, thus increasing transaction costs for investors. This makes investors expect higher returns to compensate for the liquidity risk. Thus, liquidity affects not only internal company decisions but also investors' expectations of the potential returns of their investments.

Overall, the theoretical basis of liquidity and its impact on investment shows that liquidity is a multifunctional element in financial management. In addition to providing short-term financial stability, liquidity also acts as a strategic tool to support investment decisions and attract investor interest. Therefore, analyzing the relationship between liquidity and investment is important to understand how companies can optimize their resources in facing global economic challenges.

2. LITERATURE REVIEW

Liquidity serves as a key indicator of a company's ability to meet short-term obligations and support strategic investments.[10]shows that liquidity plays an important role in reducing financial risk and increasing flexibility in investment decision making. In addition, research by[11]revealed that liquidity can moderate the relationship between operating expenses and financial performance, especially in the face of economic uncertainty.

Petrosea prioritizes business diversification as a key step to maintain business sustainability. In 2023, the company increased capital expenditure by 30% compared to the previous year. This diversification includes the development of the Engineering, Procurement,

and Construction (EPC) business line which grew significantly by 87.82%, as well as strengthening the mining contract business line which increased by 7.09%. This step aims to record higher profit margins and strengthen the company's competitiveness.[12]

Studies[10] confirms that liquidity has a positive relationship with investment decisions during periods of economic uncertainty such as the COVID-19 pandemic. This finding is consistent with the pattern seen in Petrosea during the 2022–2023 period. In addition, research by (Airout et al) shows that liquidity can moderate the relationship between operating expenses and the financial performance of small and medium-sized enterprises (SMEs), providing additional insights into the importance of liquidity in different economic sectors.

Petrosea has adopted digital technology through the Minerva platform to improve productivity and operational efficiency. This move is in line with the global trend where technology is used to reduce investment costs and improve company competitiveness.[13]. ESG implementation is also an important part of Petrosea's long-term investment strategy.

Optimal liquidity management should be a priority for Petrosea to ensure the ability to fund strategic investments without financial stress. In addition, continued investment in ESG technology and practices can strengthen the company's position in the global market and increase its competitiveness.[14]

3. RESEARCH METHODS

This study aims to analyze the effect of liquidity on investment of PT Petrosea Tbk. during the period 2022-2023. Liquidity is measured using the current ratio and quick ratio, and the cash ratio which reflects the company's ability to meet short-term obligations and support investment activities. The data used are sourced from the annual financial report of PT Petrosea Tbk. and relevant market information. The analysis method applied is a quantitative method where the results of the financial ratio calculation will be compared with industry standards to assess the company's financial performance.

The results of the analysis show that liquidity has a positive and significant effect on the investment level of PT Petrosea Tbk. This finding indicates that increasing the company's liquidity can encourage increased investment, which can further contribute to the company's development. Therefore, this study emphasizes the importance of effective liquidity management in investment decision making and the need for companies to maintain sufficient liquidity levels as a strategy to support sustainable investment, providing important insights for management and stakeholders in formulating better investment policies.

4. Results and Discussion

Results

Financial Report of PT. Petrosea Tbk

a. Balance Sheet 2022-2023

Balance Sheet Report of PT. Petrosea Tbk from 2022-2023, as follows:

<i>Balance Sheet (Million IDR except Par Value)</i>			December 2021
<i>Cash</i>	<i>&</i>	<i>Cash</i>	Rp150,788,000
<i>Equivalents</i>			
<i>Receivables</i>			Rp111,863,000
<i>Inventories</i>			Rp18,456,000
<i>Current Assets</i>			Rp352,025,000
<i>Fixed Assets</i>			Rp230,824,000
<i>Total Assets</i>			Rp863,956,000

<i>Current Liabilities</i>	Rp225,907,000
<i>Long term liabilities</i>	Rp155,118,000
<i>Total Liabilities</i>	Rp381,025,000
<i>Authorized Capital</i>	Rp. 33,438,000
<i>Paid up Capital</i>	Rp. 33,438,000
<i>Retained Earning</i>	Rp277,351,000
<i>Total Equity</i>	Rp344,227,000

b. Income Statement 2022-2023

The profit and loss report of PT. Petrosea Tbk, from 2022-2023, is as follows:

<i>Income Statements (Million IDR except Par Value)</i>	<i>December 2021</i>
<i>Total Revenues</i>	Rp. 128,206,000
<i>Cost of Revenues</i>	Rp. 111,489,000
<i>Gross Profit</i>	Rp. 16,717,000
<i>Expenses (Income)</i>	Rp. 10,870,000
<i>Income before Tax</i>	Rp. 3,371,000
<i>Tax</i>	Rp. 354,000
<i>Profit for the Period</i>	Rp. 3,017,000
<i>Comprehensive Income</i>	Rp. 1,631,000
<i>Comprehensive Attributable</i>	Rp. 2,957,000

Financial Liquidity Analysis 2022-2023 at PT. Petrosea Tbk

1. Current Ratio= Current Assets : Current Liabilities

$$2022 = 257,653 : 221,917 = 1,161$$

$$\text{Year 2023} = 352,025 : 225,907 = 1,558$$

So it can be interpreted that the Financial Report based on the Current Ratio is increasing, because the current cash is greater than the debt.

2. Quick Ratio= (Current Assets – Inventory) : Current Liabilities

$$2022 = (257,653 - 18,517) : 221,917 = 1.077$$

$$2023 = (352,025 - 18,453) : 225,907 = 1.476$$

So it can be interpreted that the Financial Report based on the Quick Ratio is increasing, because the current cash is greater than the debt.

3. Cash Ratio= Cash or Cash Equivalents : Current Liabilities

$$2022 = 61,760 : 221,917 = 0.278$$

$$\text{Year 2023} = 150,788 : 225,907 = 0.667$$

So it can be interpreted that the Financial Report based on the Cash Ratio is increasing, because the current cash is greater than the debt.

Discussion

The analysis conducted on the effect of liquidity on investment in PT Petrosea Tbk during the period 2022 to 2023 revealed that liquidity has a positive and significant effect on the company's investment level. This finding is consistent with the results of previous studies

which show that healthy liquidity increases the company's ability to meet short-term obligations while supporting strategic and targeted investment decision-making. In this study, liquidity is measured using the current ratio, quick ratio, and cash ratio indicators, all of which show a significant increase from 2022 to 2023. This increase reflects PT Petrosea Tbk's ability to manage its current assets more efficiently, so that the company is able to allocate resources to investment projects more optimally and on time.

This improved liquidity condition not only strengthens the company's short-term financial position, but also provides greater financial flexibility in supporting business expansion and development. With maintained liquidity, PT Petrosea can more freely plan and execute various strategic investment projects that have the potential to increase the company's value and competitiveness in the market. This shows that effective management of current assets is an important foundation in ensuring the continuity and growth of sustainable investments, while maintaining the trust of stakeholders and investors in the company's future prospects.

In addition to liquidity factors, PT Petrosea Tbk is also actively adopting digital technology to improve its operational efficiency. This step is in line with the global trend of utilizing technological advances to reduce investment costs while improving overall company performance. One of the main innovations implemented is the Minerva digital platform, which is designed to integrate various business processes from upstream to downstream in real-time. The use of Minerva has been proven to increase productivity by up to 15 percent and significantly improve operational efficiency. In the face of increasingly fierce competition in the mining and EPC sectors, the ability to integrate advanced technologies such as artificial intelligence, smart sensors, and machine learning gives PT Petrosea a real competitive advantage. With this digital transformation, the company is not only able to reduce costs and increase operational speed, but also strengthen its strategic position in the growing global market.

The application of Environmental, Social, and Governance (ESG) principles in investment strategies is now a crucial aspect that can strengthen a company's position in the international market. Companies that consistently integrate ESG values into their operations and investment policies tend to show more stable and sustainable financial performance in the long term, while providing significant added value to all stakeholders. Various studies and research reveal that companies with good ESG practices are more in demand by investors, given the increasing global awareness of the importance of sustainability and social responsibility in investment decision making. This encourages companies to not only focus on financial profits, but also pay attention to the social and environmental impacts of their business activities, thereby creating a more responsible and highly competitive business ecosystem in the global market.

Overall, the analysis results show that healthy and well-managed liquidity is the main factor supporting profitable investment decisions at PT Petrosea Tbk. Effective management in managing liquidity provides a solid foundation for the company to carry out various strategic investment projects optimally. In addition, the application of cutting-edge technology and the integration of Environmental, Social, and Governance (ESG) principles further strengthen the company's position in facing increasingly complex market dynamics and challenges. Therefore, maintaining liquidity levels at ideal levels must be the company's main focus in order to ensure sustainability and consistent investment growth in the long term. This em-

phasizes the importance of mature and structured financial planning as a foundation for corporate strategy, in order to optimize the use of resources and maximize value for stakeholders amidst increasingly tight industry competition.

The relationship between liquidity and investment is not always simple or linear. In some cases, excessive liquidity can actually send a negative signal to investors, as it often reflects inefficiencies in the management of a company's funds. When a company holds excessive cash without allocating it productively, this can create an agency problem, where management may use the funds for personal interests or activities that do not add value to the company. Therefore, it is very important for companies to find the right balance between maintaining sufficient liquidity to meet short-term obligations and ensuring optimal use of assets for investments that can drive long-term growth and profits. Thus, prudent liquidity management will help companies improve operational efficiency while maintaining investor confidence in their business prospects.

In the context of investment decision making, liquidity plays an important role as a factor that determines the level of financial flexibility of a company. According to the Liquidity Preference Theory proposed by John Maynard Keynes, the level of liquidity owned by a company greatly influences management's choice in determining whether the funds will be kept in cash or allocated to productive investments. This theory explains that the decision is also greatly influenced by the interest rate, where the opportunity cost of holding cash - which does not produce returns - encourages companies to invest their assets in projects that provide higher returns. In other words, the higher the interest rate, the greater the incentive for companies to reduce idle cash and divert funds into investments that can increase the company's value and support long-term growth.

Liquidity is closely related to systematic risk and stock returns in the capital market. Research shows that stocks with low liquidity levels usually experience wider bid-ask price spreads, which means higher transaction costs for investors. This condition makes investors demand higher returns as compensation for the liquidity risk they bear. Thus, liquidity not only plays a role in the company's internal decision-making regarding fund management and investment, but also influences investor perceptions and expectations of the potential profits from the stock. This confirms that liquidity is an important factor that must be considered by both company management and investors in determining the value and attractiveness of a stock in the capital market.

Effective liquidity management must be a top priority for PT Petrosea Tbk to ensure the company's ability to fund various strategic investments without experiencing excessive financial pressure. The company's success in maintaining healthy liquidity allows for the implementation of major projects and business expansion optimally, while maintaining operational stability amidst changing market dynamics. In addition, continuous investment in the development of digital technology and the implementation of Environmental, Social, and Governance (ESG) practices are key factors that strengthen Petrosea's position in the global market and significantly increase its competitiveness. This approach not only supports efficiency and productivity, but also reflects the company's commitment to sustainability and social responsibility which are increasingly becoming a concern for stakeholders and investors. Therefore, conducting an in-depth analysis of the relationship between liquidity and investment is essential to understanding how PT Petrosea can optimize the use of its resources in facing complex

and dynamic global economic challenges. With a planned and integrated strategy, the company can continue to grow sustainably and strengthen market and investor confidence, as reflected by significant achievements such as increasing contract value, fundraising through bonds and sukuk, and expanding the business portfolio that has been achieved in recent years.

5. CONCLUSION

Based on the results of the analysis of PT Petrosea Tbk's financial data for the period 2022 to 2023, it can be concluded that increasing liquidity plays an important role in driving the company's investment growth. The increase in the current ratio, quick ratio, and cash ratio over the past two years indicates the company's ability to manage current assets effectively, so that it is able to meet short-term obligations and at the same time provide more space to invest in strategic projects. This condition shows that optimal liquidity management not only strengthens the company's financial position but also increases flexibility in making investment decisions that can support future business development.

In addition, the results of this study also emphasize the importance of careful liquidity management as part of the company's strategy to achieve sustainable growth. By maintaining adequate liquidity levels, PT Petrosea Tbk can reduce dependence on external funding and be better prepared to face uncertain market dynamics. These findings provide valuable input for management and stakeholders in formulating better investment policies, as well as highlighting the need for structured financial planning to keep the company competitive in the mining and construction industry.

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