

ANALYSIS OF FINANCIAL RATIOS TO ASSESS COMPANY'S FINANCIAL PERFORMANCE

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ABSTRACT

Based on the findings of the company's financial ratio analysis, this study seeks to describe the financial performance of banks. According to the data used, namely secondary data, the method employed in this investigation is a documentation technique, namely data collection techniques by reading, studying, and analysing archives - archives or financial records related to research. The type of research used in this study is descriptive research using secondary data as the primary data. The findings of the banking ratio study indicate that PT Bank Rakyat Indonesia Persero Tbk's financial performance is in very good condition and meets Bank Indonesia criteria.

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1. INTRODUCTION

People in Indonesia are today very reliant on businesses that can manufacture goods and services of high quality. Businesses in the banking industry are just one of the numerous businesses that provide services, namely by providing high-quality services to carry out the intermediate role that supports the national economy.

A bank is a company that collects money from the public in the form of savings and then distributes it to the neighborhood to raise the general population's standard of living. Banks are businesses whose operations depend on the public's faith, and to keep that trust, banks must be as well-prepared as they can be to handle competition in an ethical and healthy way. If a bank performs well and can sustainably and optimally develop its operation to give assurances for customers who save money with the bank, the public will come to trust the banking sector.

When determining how well a firm is doing, its performance is crucial (Jumingan, 2014). Doing a relationship analysis of numerous items in a financial report is the foundation for being able to comprehend a company's financial state and operating outcomes, claim (Maulamin & Sartono, 2021). Financial ratios are the standard measurement method for assessing a company's financial performance. Research on the financial performance of various organizations, including one in the banking industry, may be seen in the financial ratios employed in the analysis of financial statements. Understanding a company's financial performance will increase public confidence, which will benefit both users of financial products and capital investors. A company's ability to generate profits can be determined by examining the representation of the financial situation over a specific time period, which includes both aspects of raising funds and directing funds. This makes financial performance analysis crucial for businesses, including banks.

2. LITERATURE REVIEW

Bank

(Kasmir, 2014, p. 12) claims that a bank can be seen as a financial institution whose main function is to collect money from the public, reinvest it in the community, and offer additional banking services. Financial Accounting Standards (SAK) Number 31 defines a bank as an institution that serves as a financial middleman between parties with surplus cash and parties in need of cash, as well as between institutions interested in facilitating payment flows. With this definition, banks serve a crucial role in the community by bridging the gap between parties with excess and insufficient funds. In addition, banks offer a variety of other banking services. The primary functions of banks are to raise capital (financing), disperse capital (lending), and offer additional banking services (service).

Finance Report Analysis

Calculating ratios to evaluate the firm's financial health in the past, present, and possible future is the core process behind company report analysis. Financial statement analysis, according to (Harahap, 2018, p. 189) entails breaking down financial statement items into simpler information units and examining the relationships that are significant or that have meaning between one another, both between quantitative and non-quantitative data, with the goal of informing deeper financial conditions that are crucial in the process of deciding on the correct options. The company's financial status is examined as part of the financial statement analysis to evaluate performance of business financing. You can learn about and assess a company's financial effectiveness by conducting your own analysis of its accounting records.

Finance Ratio Analysis

Financial ratio analysis is a type of financial analysis used to assess the performance and condition of business entities. It involves converting accounting information and estimates from financial reports into financial ratio figures. Financial ratios, according to Kasmir (2019, p. 104), are operations that compare financial statement statistics by dividing one value by another. One component may be compared to other elements in another financial report or to other components in financial reports. After that, the numbers being compared may come from one time or from several periods. This reasoning leads to the conclusion that financial ratio analysis is a process for comparing the figures in financial statements.

To determine whether the results of the financial ratio analysis can make the company's resources more productive, the results will be compared to the strategies and targets that have already been established. The following are the financial ratios frequently used for bank financial analysis:

a. Bank Liquidity Ratio

As stated by Kasmir (Kasmir, 2019, p. 223). The ratio known as the bank's liquidity ratio is used to assess a bank's capacity to pay its short-term bills when due. In other words, the bank can both grant the requested credit and pay back the depositors' disbursement of funds when billed.

1) Loan to Deposit Ratio (LDR)

The ratio used to determine the makeup of the quantity of credit issued in relation to the amount of public funds and own capital utilized is the loan to deposit ratio.

$$LDR = \frac{\text{total loan}}{\text{total deposit} + \text{equity}} \times 100\%$$

Source: Kasmir (Kasmir, 2019, p. 227)

2) Asset to Loan Ratio (ALR)

The Assets to Loan Ratio is a ratio to measure the amount of credit disbursed by the amount of assets owned by the bank.

$$\text{Asset to Loan Ratio (LAR)} = \frac{\text{total loan}}{\text{Total asset}} \times 100\%$$

Source: Kasmir (Kasmir, 2019, p. 227)

b. Bank Profitability Ratio

Business profitability is another name for ratio profitability. This ratio is used to assess the bank's level of operational effectiveness and profitability (Kasmir, 2019, p. 236). The following ratios describe bank profitability.

1) Return on Asset Ratio (ROA)

This ratio is used to assess the bank management's capacity for profit. The higher a bank's ROA, the higher the level of profit it has generated and the better off it is in terms of asset utilization.

$$ROA = \frac{\text{profit before tax}}{\text{average total assets}} \times 100\%$$

Source: SB BI 13/30/DPNP 16 December 2011

2) Return on Equity (ROE)

This ratio compares net income to capital. The higher the ROE the better because it means the bank can generate profits with its own capital.

$$ROE = \frac{\text{net profit after tax}}{\text{average equity}} \times 100\%$$

Source: SB BI 13/30/DPNP 16 December 2011

3) Net Interest Margin (NIM)

Net Interest Margin (NIM) is the ratio used to analyze how much net interest income is compared to the company's total productive assets.

$$NIM = \frac{\text{net interest income}}{\text{earning assets}} \times 100\%$$

Source: Kasmir (Kasmir, 2019, p. 241)

4) Operational Income/Expenses (BOPO)

This ratio compares operating expenses to operating income. This ratio demonstrates a bank's sufficiency and electivity in focusing operational costs in an endeavor to minimize operating income.

$$BOPO = \frac{\text{total operating expense}}{\text{total operating income}} \times 100\%$$

c. Bank Solvency Ratio

The solvency ratio of a bank measures its capacity to obtain sources of capital to finance its operations. This ratio can also be described as a measurement tool for the bank's wealth and efficiency for the bank's management.

1) Capital Adequacy Ratio (CAR)

This is the capital adequacy ratio, which demonstrates the bank's ability to provide funds to offset potential losses. The higher the CAR value, which measures the bank's ability to handle potential loss, the greater.

$$CAR = \frac{\text{bank capital}}{\text{weighted assets by ratio}} \times 100\%$$

Source: (Kasmir, 2019, p. 235)

2) Debt To Equity Ratio (DER)

This ratio is used to measure a bank's ability to cover part or all of its debts, both in the long and short term, with funds originating from its own capital or core capital.

$$DER = \frac{\text{total debt}}{\text{total equity}} \times 100\%$$

Source: (Kasmir, 2019, p. 159)

3. METHOD

This study employs descriptive research methods. According to (Sugiyono, 2014, p. 86), the descriptive research method is a study undertaken to determine the value of an independent variable, either one or more variables (Independent), without drawing comparisons or connecting with other variables. According to this viewpoint, descriptive research describes specific conditions, such as in this study describing how the bank's financial status is at a given time. The data used in this study came from secondary sources. According to the data, the technique utilized in this study is a documentation technique, specifically a data gathering technique that involves reading, examining, and analyzing data or documents relevant to this research.

4. RESULT AND DISCUSSION

A. Financial Ratio Analysis

1. Bank Liquidity Ratio

a. Loan to Deposit Ratio

Table 1: The results of the calculation of the loan to deposit ratio at PT Bank Rakyat Indonesia Persero Tbk. 2019-2022.

Year	LDR Calculation Results
2019	88.64 %
2020	83.66%
2021	83.67 %
2022	79,17%

According to the table above, PT Bank Rakyat Indonesia Persero Tbk achieved an LDR of 88.64% in 2019. The percentage decrease occurs because PT Bank Rakyat Indonesia Persero Tbk is able to collect

funds from third parties greater than the loans provided in 2020. In 2021, the LDR level tends to be stable at 83.67%, indicating that PT Bank Rakyat Indonesia Persero Tbk can maintain its performance in collecting funds from related parties. The percentage of LDR will then fall to 79.17 in 2022, indicating that receiving cash from third parties is bigger than granting credit.

b. Asset to Loan Ratio (ALR)

Table 2: Results of calculating the asset to loan ratio at PT Bank Rakyat Indonesia Persero Tbk 2019-2022

Year	ALR Calculation Results
2019	64,05%
2020	63,36%
2021	62,15%
2022	61,06%

According to the table above, PT Bank Rakyat Indonesia Persero Tbk was able to maintain a relatively constant LAR with an average LAR value of 62.65% from 2019 to 2022. The LAR value has declined somewhat each year, with the LAR value falling by 0.69% in 2020, 1.21% in 2021, and 1.09% in 2022. As a result, PT Bank Rakyat Indonesia Persero Tbk's LAR value in 2022 is 61.05%, implying that the demand for credit given by PT Bank Rakyat Indonesia Persero Tbk that may be realized is 61.06% of the total assets owned by PT Bank Rakyat Indonesia Persero Tbk.

2. Bank Profitability Ratio

a. Return on Assets (ROA)

Table 3: Calculation results of Return on Assets at PT Bank Rakyat Indonesia Persero Tbk 2019-2022

Year	ROA Calculation Results
2019	3,50%
2020	1,98%
2021	2,72%
2022	3,76%

According to the table above, PT Bank Rakyat Indonesia Persero Tbk had a ROA of 3.50% in 2019. This implies that PT Bank Rakyat Indonesia Persero Tbk had a profit of 3.50% on its total assets. The ROA in 2020 and 2021 has fallen, implying that PT Bank Rakyat Indonesia Persero Tbk's profits have decreased when compared to assets in those years. The ROA of PT Bank Rakyat Indonesia Persero Tbk then improved to 3.76% in 2022, indicating that the profit earned in 2022 has increased in comparison to the total assets for that year.

b. Return on Equity (ROE)

Table 4: Results of calculating Return on Equity at PT Bank Rakyat Indonesia Persero Tbk. 2019-2022

Year	ROE Calculation Results
2019	19,41%
2020	11,05%
2021	16,87%
2022	20,93%

PT Bank Rakyat Indonesia Persero Tbk's ROE in 2019 was 19.41%, implying that the net profit made by PT Bank Rakyat Indonesia Persero Tbk was 19.41% of the total core capital possessed. In 2020, PT Bank Rakyat Indonesia Persero Tbk's ROE was 11.05%, however in 2021 and 2022, the ROE value climbed again, and in 2022, the final ROE value was 20.93%.

c. Net Interest Margin (NIM)

Table 5: Results of calculating Net Interest Margin at PT Bank Rakyat Indonesia Persero Tbk 2019-2022

Year	NIM Calculation Results
2019	6,98%
2020	6,00%
2021	6,89%
2022	6,80%

In 2019, PT Bank Rakyat Indonesia Persero Tbk was able to record a NIM of 6.98%, which means that the net interest income generated by PT Bank Rakyat Indonesia Persero Tbk was 6.98% of its total assets. The NIM of PT Bank Rakyat Indonesia Persero Tbk tends to fluctuate because in 2020 and 2022 the NIM value according to and in 2021 the NIM value will increase.

d. Operational Income/Expenses (BOPO)

Table 6: Calculation results of Operating Expenses/Operating Income at PT Bank Rakyat Indonesia Persero Tbk 2019-2022.

Year	BOPO Calculation Results
2019	70,10%
2020	81,22%
2021	74,30%
2022	64,20%

BOPO at PT Bank Rakyat Indonesia Persero Tbk has decreased every year, which means that every year PT Bank Rakyat Indonesia Persero Tbk can reduce operational expenses and increase operating income. Meanwhile, in 2022 the BOPO value is 64.20%, which means that the operating expenses incurred by PT Bank Rakyat Indonesia Persero Tbk amount to 64.20% of total revenue.

3. Bank Solvency Ratio

a. Capital Adequacy Ratio (CAR)

Table 7: Calculation results of Capital Adequacy Ratio at PT Bank Rakyat Indonesia Persero Tbk 2019-2022

Year	CAR Calculation Results
2019	21,52%
2020	19,59%
2021	24,27%
2022	23,30%

PT Bank Rakyat Indonesia Persero Tbk tends to record unstable CAR values every year, in 2021 the CAR value will increase and in 2020 and 2022 the CAR value will decrease. in 2022 PT Bank Rakyat Indonesia Persero Tbk is able to record a CAR of 13.30%, which means that the capital provided to anticipate losses is 13.30%.

b. Debt to Equity Ratio (DER)

Table 8: Results of calculating the Debt to Equity Ratio at PT Bank Rakyat Indonesia Persero Tbk 2019-2022.

Year	DER Calculation Results
2019	578,58%
2020	601,65%
2021	475,11%
2022	514,92%

The DER value of PT Bank Rakyat Indonesia Persero Tbk fluctuates every year, with the DER value decreasing in 2021 and increasing in 2020 and 2022. Meanwhile, in 2022, PT Bank Rakyat Indonesia Persero Tbk's DER value reaches 514.92%, implying that the debt comparison number is five times the capital owned, implying that using only core capital to cover the debt will be insufficient.

B. Financial Performance

A bank's financial performance can be measured by comparing financial ratios to preset requirements, such as those outlined in Bank Indonesia Circular Letter No. 12/24/DPNP 2011. Ratings components can also be utilized to determine how a bank is performing when analyzing the ratio level. The financial ratios shown below use rating elements to evaluate if a bank's performance is good or bad.

Table 9 Financial Performance

Component	Rating		1	2	3	4	5
	Rating Criteria		50%<LD R<75%	75%<LD R<85%	85%<LD R<100%	100%<LDR <120%	LDR>12 0%
LDR	2019	88.64 %			✓		
	2020	83.66%			✓		
	2021	83.67 %			✓		
	2022	79,17%		✓			
ROA	Rating Criteria		ROA>1,5 %	1,25%<R OA≤1,5%	0,5%<RO A≤1,25%	0%<ROA≤ 0,5%	ROA≤ 0%
	2019	3,50%	✓				
	2020	1,98%	✓				
	2021	2,72%	✓				
2022	3,76%	✓					
ROE	Rating Criteria		ROE>15 %	12,5%<R OE≤15%	5%<ROE ≤12,5%	0%<ROE≤ 5%	ROE≤ 0%
	2019	19,41%	✓				
	2020	11,05%	✓				
	2021	16,87%	✓				
2022	20,93%	✓					
NIM	Rating Criteria		NIM>3%	2%<NIM ≤3%	1,5%<NI M≤2%	1%<NIM≤1 ,5%	NIM≤ 1%
	2019	6,98%	✓				
	2020	6,00%	✓				
	2021	6,89%	✓				
2022	6,80%	✓					
BOPO	Rating Criteria		BOPO≤94 %	94%<BO PO≤95%	95%<BO PO≤96%	96%BOPO ≤97%	BOPO>9 7%
	2019	70,10%	✓				
	2020	81,22%	✓				
	2021	74,30%	✓				
2022	64,20%	✓					
CAR	Rating Criteria		CAR.>12 %	9%≤CAR <12%	8%≤CAR <9%	6%≤CAR<8 %	CAR≤6 %
	2019	21,52%	✓				
	2020	19,59%	✓				
	2021	24,27%	✓				
2022	23,30%	✓					

Description: 1 = very good, 2 = good, 3 = good enough,
4 = not good enough, 5 = not good.

According to the table above, PT Bank Rakyat Indonesia Persero Tbk reported LDR in the range of 79% to 88% from 2019 to 2022, indicating that the asset liquidity ratio at PT Bank Rakyat Indonesia Persero Tbk is in a fairly excellent rating. Meanwhile, the LDR value fell by 79.17% in 2022, resulting in a

strong financial performance in 2022. The ROA of PT Bank Rakyat Indonesia Persero Tbk is at the top level, indicating that the company's financial performance is excellent based on the ROA number. From 2019 to 2022, the ROE of PT Bank Rakyat Indonesia Persero Tbk is greater than 39%, indicating that the financial performance of PT Bank Rakyat Indonesia Persero Tbk is rated extremely well according to BI standard No. 13/24/DPNP 2011. PT Bank Rakyat Indonesia Persero Tbk has the highest NIM, indicating that the bank may generate very high net interest income. It is efficient in terms of converting operational income to operating costs. The CAR of PT Bank Rakyat Indonesia Persero Tbk from 2019 to 2022 is ranked 1 (one), namely the very good CAR level identifies that depositor funds are safe to be deposited at PT Bank Rakyat Indonesia Persero Tbk because there is capital oversight to overcome possible risk of loss.

5. CONCLUSION

PT Bank Rakyat Indonesia Persero Tbk's liquidity. According to the LDR calculation, it indicates very great result from 2019 to 2021 and good performance in 2022. This suggests that PT Bank Rakyat Indonesia Persero Tbk can increase and retain liquidity in the post-Covid-19 environment. 19. The year-on-year decline in the LDR is inextricably linked to the excess of savings throughout the epidemic, even though credit growth has gradually increased.

PT Bank Rakyat Indonesia Persero Tbk's profitability ratios, as measured by ROA, ROE, NIM, and BOPO, show very high business results from 2019 to 2022. As a result, PT Bank Rakyat Indonesia Persero Tbk's efficacy in managing operations on bank performance has been extremely good.

The Solvability Ratio of PT Bank Rakyat Indonesia Persero Tbk from 2019 to 2022, as calculated by the CAR, demonstrates very good financial performance. With this ratio, PT Bank Rakyat Indonesia Persero Tbk can foresee the key risks that occur inside the bank's management, including market risk, credit risk, and operational risk, and encourage additional company growth. lengthy run.

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