USE OF RATIOS IN FINANCIAL ANALYSIS TO MEASURE FINANCIAL PERFORMANCE AT PT BANK MANDIRI TBK

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Abstract. *The purpose of this study was to determine the financial performance of PT Bank Mandiri, Tbk using ratio analysis. The data used in this study used secondary data from 2019 to 2023. The data analysis technique uses ratio analysis techniques, the aspects used are liquidity ratios with Current Ratio and Quick Ratio measuring instruments, solvability ratios with Debt to Total Asset Ratio measuring instruments, and profitability ratios with Return On Asset and Return On Equity measuring instruments. This study uses Descriptive Quantitative research methods whose data is taken from the annual report website of PT Bank Mandiri, Tbk. The results is Financial performance as measured by liquidity ratios (Current Ratio and Quick Ratio) is not good, Financial performance as measured by the solvency ratio (Debt to Total Asset Ratio) is not good, Financial performance as measured by profitability ratios (Return On Asset) is in poor condition while (Return On Equity) is in good or healthy condition.*

Keywords: *Financial Performance, Liquidity Ratio, Solvability Ratio, Profitability Ratio.*

1. INTRODUCTION

In 1998, Indonesia's economy experienced a downturn that caused a sharp decline in asset prices, commonly referred to as a banking crisis, which had negative impacts on the financial institutions and banking sector. A bank is a financial institution that collects funds from the public and then redistributes them to the public in the form of loans or credit. The success of the economy in Indonesia is closely related to the banking sector, which creates competition in business.

This competition compels banking actors or management, who have a stake in decision-making, to improve company performance. This company performance can be analyzed through financial performance evaluation. The financial performance of banks can be found in financial statements, commonly referred to as annual reports, owned by banking companies. To assess whether the company's operations are profitable or not, one can look at the balance sheet and income statement. A common analytical tool used to determine financial performance is financial ratios (Kurniawan, 2017).

In analyzing financial performance, the researcher focuses on several financial ratios, including liquidity ratios as measured by Current Ratio and Quick Ratio, solvency ratios as measured by Debt to Total Assets Ratio, and profitability ratios as measured by Return on Assets (ROA) and Return on Equity (ROE).

This research uses these ratios to assess the financial performance of PT Bank Mandiri, Tbk for the period of 2019-2023. The researcher chose to use the 2019-2023 period because they want to obtain performance measurements based on data collected over the last five years to ensure accuracy in reflecting current conditions. Additionally, this allows for a comparison from year to year.

2. LITERATURE REVIEW

2.1 Financial Perfomance

According to Fahmi (2012), “Financial Performance is a reflection of the company’s succes, which can be interpreted as the result achieved from various activities that have been undertaken.

2.2 Financial Ratio Analysis

According to Hutabarat (2020), “Financial ratios are calculations where financial statements serve as indicators of a company's financial position and performance.' After conducting the analysis, results will be obtained, and from those results, one can conclude whether a company's financial performance is progressing well or otherwise. Meanwhile, according to Wiratna (2017), “states that financial performance is the result of an evaluation of work that has been completed, the results of the work are compared with criteria that have been set together. Every job that has been completed needs to be assessed or measured periodically.” From the two studies it can be concluded that, financial performance reflects the achievements of the company in a certain period, which shows the level of financial health of the company through various important indicators such as capital adequacy, liquidity, and profitability levels.

a. Liquidity Ratio

Liquidity ratio is a ratio that indicates a company’s ability to settle all of its short- term debts. This ratio can be calculated using information sources about working capital, specifically the current asset positions. Some of these liquidity ratios are as follows:

1) Current Ratio

Current Ratio is the comparison between current assets and current liabilities. The higher the current ratio, the greater the company’s ability to pay off debts that mush be settled using current assets.

$$Current\ Ratio = \frac{Total\ Current\ Assets}{Total\ Current\ Liabilities}\ x\ 100\%$$

2) Quick Ratio

Quick Ratio is a liquidity tool used to assess a bank's ability to quickly settle its current liabilities.

$$Quick\ Ratio = \frac{Cash\ Asset}{Total\ Deposit}\ x\ 100\%$$

b. Solvability Ratio

According to Syahyunan (2013), “Solvency Ratio is a measure of a bank’s ability to obtain funding sources to finance its activities. It can also be said that this ratio serves as a tool to assess the bank’s wealth to evaluate effciency for the bank’s management.”

1) Debt to Total Assets Ratio

The debt ratio is used to measure the percentage of funding sourced from debt compared to the total assets owned.

$$Total\ Debt\ to\ Asset\ Ratio = \frac{Total\ Assets}{Total\ Liabilities}\ x\ 100\%$$

c. Profitability Ratio

According to Kasmir (2016), “Profitability ratios are also referred to as ratios used to assess a company’s ability to generate profits. This ratio also provides a measure of the level of effectiveness of a company’s management.

1) Return on Assets

According to Yuningsih (2018), “Return On Asset is used to measure a company’s ability to generate profit after tax or profit available to sareholders based on total assets or investmens owned.

$$Return\ On\ Assets = \frac{Net\ Income}{Total\ assets}\ x\ 100\%$$

2) Return on Equity

Return On Equity is used to measure how efficienly an entity uses owner's equity to generate profits.

$$ROE = \frac{Net\ Income}{Average\ TotalEquity}\ x\ 100\%$$

3. RESEARCH METHODS

This research method uses quantitative descriptive analysis. Quantitative descriptive research is used to analyze data by describing the collected data. The data analysis in this study is based on financial statements or annual reports available on PT Bank Mandiri, Tbk's website, which includes the balance sheet, income statement, and equity. The financial data collected spans a period of five years from 2018 to 2023. In this study, the data analysis technique utilizes ratio analysis, including liquidity ratios, solvency ratios, and profitability ratios.

4. RESULTS AND DISCUSSION

RESULT

a. Liquidity Ratio

1) Current Ratio

Table 1. Calculation of Current Ratio

Year	Current Asset	Current Liabilities	*Presentase*
2019	269,040,557	911,678,923	29,51%
2020	388,673,263	1,034,728,762	37,56%
2021	375,339,407	1,164,117,149	32,24%
2022	435,106,572	1,344,189,594	32,37%
2023	426,865,954	1,402,812,587	30,43%
Average			32%
According to industry standards, the ideal Current Ratio is 200%.			

(Source: Processed Data Year 2024)

In 2019, the Current Ratio showed a figure of 29.51%, indicating that the company could only meet about 30% of its short-term debts with cash or readily liquidable assets. This is considered very low, as the company may face difficulties in paying debts, especially if it needs to do so quickly.

In 2020, the Current Ratio increased to 37.56%. The company was more capable of paying its debts compared to the previous year, although it still falls short of the ideal (200%). This indicates a positive step, likely due to increased sales or better management.

In 2021, the Current Ratio dropped again to 32.24%. The company faced liquidity challenges once more, possibly due to a surge in short-term debt outpacing current assets.

In 2022, the Current Ratio slightly increased to 32.37%. This stability could suggest that the company has started to improve its management. However, it remains far from the ideal target.

In 2023, the Current Ratio decreased slightly to 30.43%. While it still indicates the ability to pay short-term debts, this ratio needs to be monitored, as it could be a red flag concerning the company's short-term financial resilience.

The average Current Ratio over the past five years stands at 32%. The company consistently finds itself in a concerning liquidity situation. Although they have the capacity to settle debts, the value significantly below 200% indicates a lack of resilience in facing urgent financial issues.

2) Current Ratio

Table 2. Calculation of Quick Ratio

Year	***Cash Asset***	**Total Deposit**	***Presentase***
2019	91,571,533	884,471,814	10%
2020	104,962,840	1,002,591,893	10%
2021	148,413,638	1,128,079,105	13%
2022	182,371,902	1,310,423,338	14%
2023	171,643,152	1,369,132,929	13%
Average			12%
The standard value set by Bank Indonesia for the health levels of the quick ratio is 15% - 17%, according to Bank Indonesia Circular Letter No. 6/1/23/DPNP in 2004.			

(Source: Processed Data Year 2024)

In 2019, the Quick Ratio indicated that only 10% of total deposits could be met with the available cash. This figure is low, suggesting that the bank may have difficulty meeting short-term obligations to depositors.

In 2020, the Quick Ratio remained at 10%. This indicates that despite an increase in cash, the bank still holds a relatively weak position to fulfill obligations quickly.

In 2021, the Quick Ratio improved to 13%, showing a slight enhancement. However, this is still below the health standard set by Bank Indonesia (15%-17%). The bank needs to make further efforts in liquidity management.

In 2022, the Quick Ratio increased to 14%, indicating further improvement. Nevertheless, this position is still below ideal levels. The lack of sufficient liquidity from other assets could be one of the causes.

In 2023, the Quick Ratio slightly decreased to 13%. Although it may appear stable, this decline indicates that the bank is still struggling to enhance its liquidity compared to total deposits available.

The average Quick Ratio is 12%. This suggests that over the past five years, the bank has consistently fallen below the health standard recommended by Bank Indonesia. Being below 15% means the bank needs to focus more on financial management to maintain its liquidity health.

b. Solvability Ratio
1) Debt to Total Asset Ratio
2)

Table 3. Calculation of Debt to Total Asset Ratio

Year	Total Liabilities	Total Aset	Presentase
2019	1,051,606,233	1,411,244,042	75%
2020	1,186,905,382	1,541,964,567	77%
2021	1,326,592,237	1,725,611,128	77%
2022	1,544,096,631	1,992,544,687	77%
2023	1,660,442,815	2,174,219,449	76%
Average			76%
The standard Debt to Asset Ratio (DAR) according to Kasmir (2019) is < 35%			

(Source: Processed Data Year 2024)

In 2019, the Debt to Total Assets Ratio indicated that 75% of total assets were financed by debt. This is well above the standard (>35%), indicating that the company is heavily reliant on debt financing. This is a high-risk signal, as any issues with cash flow could make it difficult for the company to repay its debts.

In 2020, the Debt to Total Assets Ratio rose to 77%, indicating that the company's dependence on debt was increasing. This suggests that more assets are being financed by debt, bringing even greater risk.

In 2021, the Debt to Total Assets Ratio remained steady at 77%. Although there was no increase, the figure above 70% indicates a risky financial position. The company should conduct further evaluations regarding its funding strategy and debt management. In 2022, the Debt to Total Assets Ratio continued to show a stable figure of 77%.

The unchanged ratio reveals that the proportion of debt remained relatively constant, despite the increase in total assets. The company should consider reducing its reliance on debt and increasing equity.

In 2023, the Debt to Total Assets Ratio experienced a slight decrease to 76%. This figure is still far above the recommended standard. The company needs to explore the possibility of reducing debt in order to improve its financial position.

The average Debt to Total Assets Ratio stands at 76%, meaning that over the past five years, the company has consistently maintained a debt level well above the recommended standard (<35%). This indicates that the company is highly vulnerable to financial risk, especially if economic conditions change.

c. Profitability Ratio
1) Return on Asset

Table 4. Calculation of Return on Asset

Year	Net Income	Total Aset	***Presentase***
2019	36,431,366	1,411,244,042	2.58%
2020	18,398,928	1,541,964,567	1.19%
2021	30,551,097	1,725,611,128	1.77%
2022	44,952,368	1,992,544,687	2.26%
2023	60,051,870	2,174,219,449	2.76%

Average	2.11%
The standard value set by Bank Indonesia for the health levels of Return on Assets (ROA) is 1.25% - 1.5%, according to Bank Indonesia Circular Letter No. 13/24/DPNP in 2011.	

(Source: Processed Data Year 2024)

In 2019, the Return On Assets (ROA) was 2.58%, indicating that the company was able to generate 2.58% of net profit based on its total assets. This is very good, as the company began to show efficiency in utilizing its assets.

In 2020, there was a decline in ROA to 1.19%. This indicates that the company faced difficulties in using its assets to generate profit, possibly due to an increase in assets without a corresponding increase in profits.

In 2021, despite a slight improvement with ROA rising to 1.77%, this figure still reflects challenges in generating profit from the owned assets.

In 2022, ROA increased to 2.26%. There are indications of improved performance in leveraging assets for profit, suggesting that the strategies implemented may be starting to yield results.

In 2023, the highest ROA during this period reached 2.76%. This indicates that the company has become more efficient in generating profit from its assets and shows positive growth.

The average Return On Assets over the past five years shows that the company has, on average, generated a profit of around 2.11% from its total assets. This is a relatively good figure compared to the minimum standard.

2) Return on Equity

Table 5. Calculation of Return on Equity

Year	Net Income	Total Equity	Presentase
2019	36,431,366	218,852,069	16.65%
2020	18,398,928	204,699,668	8.99%
2021	30,551,097	222,111,282	13.75%
2022	44,952,368	252,245,455	17.82%
2023	60,051,870	287,494,962	20.89%
Average			15,62%
The standard value set by Bank Indonesia for the health level regarding Return on Equity (ROE) is between 12.51% - 20% according to Bank Indonesia Circular Letter No. 13/24/DPNP of 2011.			

(Source: Processed Data Year 2024)

In 2019, the Return On Equity (ROE) was 16.65%. The company succeeded in generating good profits from its equity. This figure indicates that the company is efficient in using its capital to achieve profits.

In 2020, there was a significant decrease in ROE to 8.99%. This suggests that the profit generated from equity declined, possibly due to a decrease in net income while equity remained relatively stable.

In 2021, ROE increased again to 13.75%. Although it has not yet reached optimal recovery levels, this indicates that the company is beginning to improve its performance in generating profits from equity.

In 2022, ROE saw a significant increase to 17.82%. This demonstrates the company's enhanced ability to generate profits from equity. It is a positive sign that the company is regaining efficiency in equity management.

In 2023, ROE reached 20.89%, marking the highest period in this analysis. This indicates that the company is in a very good position and is efficient in using equity to generate profits.

The average Return On Equity over the past five years shows that, overall, the company has a good ability to generate profits from equity. The average, which is higher than the minimum standard (12.51%), indicates solid performance.

RESULT

Table 6. Recapitulation of Research Findings on the Financial Ratio Analysis of PT Bank Mandiri, Tbk for the Period 2019-2023.

Financial Ratios	2019	2020	2021	2022	2023	Average
Liquidity Ratio						
Current Ratio	29,51%	37,56%	32,24%	32,37%	30,43%	32%
Quick Ratio	10%	10%	13%	14%	13%	12%
Solvability Ratio						
Debt to Total Asset Ratio	75%	77%	77%	77%	76%	76%
Profitability Ratio						
ROA	2.58%	1.19%	1.77%	2.26%	2.76%	2.11%
ROE	16.65%	8.99%	13.75%	17.82%	20.89%	15.62%

(Source: Processed Data Year 2024)

Based on the data in the table above, the following can be described:

1. The financial performance of PT Bank Mandiri, Tbk through liquidity ratio (Current Ratio and Quick Ratio)

a. The Current Ratio indicates that the bank has a poor position in terms of liquidity, as the figure is far below the ideal level of 200% for the current ratio in the industry standard. This signifies that the bank needs to make greater efforts to improve liquidity to be better prepared for various financial risks. It is crucial for management to identify strategic steps to enhance the structure of current assets, which includes better cash management, increasing revenue from more liquid products, or reducing short-term debt.

b. Quick Ratio

1) In 2019 and 2020, the quick ratio remained at 10%. This reflects a weak liquidity position, as the bank only has 10% of its total short-term debts that can be quickly liquidated. This could be a risk signal if there is an urgent need to meet financial obligations.

2) In 2021, the quick ratio increased to 13%. Despite this improvement, the ratio is still low and indicates that the bank is not fully prepared to face potential urgent obligations.

3) In 2023, the quick ratio returned to 13%. This indicates stability in the bank's

liquidity management, although it still does not meet the minimum standard.

2. The financial performance of PT Bank Mandiri, Tbk through solvability ratio analysis (Debt to Total Assets Ratio)

a. In 2019, the Debt to Total Assets Ratio was 75%, indicating that a significant portion of the bank's total assets was financed by debt. This is a high ratio, reflecting significant reliance on debt for the bank's operations.
b. In 2020, the Debt to Total Assets Ratio increased to 77%, indicating that reliance on debt was on the rise. This could signal a risk, especially during periods of market uncertainty.
c. In 2021 and 2022, the ratio remained stable at 77%. This shows that the company maintained a high level of reliance on debt, which could increase exposure to financial risk.
d. In 2023, the ratio slightly decreased to 76%. Although this is a minor improvement, the figure remains high and indicates that the company is still quite vulnerable to potential financial issues related to debt. The ratio far above the standard (76% compared to <35%) indicates that PT Bank Mandiri has a very high dependency on debt to finance its assets, which can pose significant risks if the economic situation worsens or if there are cash flow difficulties

3. The financial perfomance of PT Bank Mandiri, Tbk through profitability ratio in analysis (Return on Assets and Return On Equity)

a. Return On Asset
   1) This shows the company's ability to generate profit from all its owned assets. Despite some fluctuations, such as a sharp decline in 2020, there has been a positive trend towards 2023 where ROA reached 2.76%
   2) The average Return on Assets of 2.11% indicates that the bank is quite efficient in utilizing its assets to generate profits, although it is still below the minimum standard set by Bank Indonesia (1.25% - 1.5%). This suggests that there is room for improvement in profit generation with the existing assets.

b. Return on Equity
   1) Return On Equity indicates how well the company generates profit from the equity held by shareholders. The ROE perfomance in 2023 shws the best result at 20.89%, far exceeding the standard set by Bank Indonesia (12,51% - 20%).
   2) The average ROE of 15,62% indicates that the company has successfully provided good return to shareholders and shows a solid improvement year on year following a decline in 2020.

CONCLUSION

1. The financial performance of PT Bank Mandiri, Tbk based on liquidity ratios (Current Ratio and Quick Ratio)
   a. The Current Ratio reflects a poor liquidity position as it is still far from the ideal level set in the industry standards. This indicates the need for improvement in managing current assets so that the bank is better prepared to face financial risks in the future.
   b. The Quick Ratio remains low, with stability only at 13% in both 2021 and 2023, indicating challenges in quickly meeting short-term obligations. The low Quick Ratio reflects a high dependence on current assets that may not be sufficiently liquid.

2. The Financial Performance of PT Bank Mandiri, Tbk based on solvability ratios (Debt

to Total Asset Ratio)

a. The Debt to Total Assets Ratio is significantly above the recommended standard, indicating a substantial risk to the bank's financial stability, especially if economic conditions worsen. Dependence on debt needs to be monitored and managed more appropriately.

3. The financial Performance of PT Bank Mandiri, Tbk based on profitability ratios (Return On Assets and Return On Equity)
   a. Return On Assets (ROA) reflects a poor profitability position. This figure is still below the minimum standard set by Bank Indonesia (1.25% - 1.5%).
   b. Return On Equity (ROE) shows very good performance. The company has successfully provided good returns to shareholders, with solid improvement.

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