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Financial Performance Assessment of A Bank: An Analysis of Financial Ratio at PT Bank Pembangunan Daerah Papua Period 2018-2022

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ABSTRACT

This research aims to analyze financial ratios to assess the financial performance of PT Pembangunan Daerah Papua for the 2018-2022 period. The research method is quantitative analysis with liquidity ratios, solvency ratios and profitability ratios, with the data used in this research being secondary data obtained from the company's official website. The results of this research reveal that the liquidity ratio results do not meet financial performance standards, while the company's solvency ratio and profitability ratio meet standards, although overall financial performance is still below the banking industry average.

1. INTRODUCTION

Background

In economic conditions that continue to develop, the banking sector has great potential and opportunities and has the potential to become a source of financing for society and its business sector. The public and business sector, as the most important users of bank services, generally always respond to various forms of services provided by each bank to attract the sympathy of its customers. Banks as institutions that rely heavily on customer trust will of course continue to improve their services amidst competition with many other financial service providers.

Bank Pembangunan Daerah (BPD) as one of the banks in the national banking system has an important function and role in the context of regional economic development because BPD is able to open service networks in areas where it is economically impossible for private banks to do so. PT. Bank Pembangunan Daerah (BPD) Papua is one of the banks based in the Papua region, Bank Papua can grow and become one of the best banks in Papua. The role of Bank Papua as a bank or financial intermediary institution between parties who have funds and parties who need funds, as well as an institution that functions to facilitate payment traffic.

The financial crisis that hit Indonesia in 2019 had a very pessimistic impact on public confidence in the banking sector. One of them is that widespread public trust in banking has decreased drastically. Due to these conditions, to ensure that banks in Indonesia continue to exist and operate continuously, each bank management is required to be more active in controlling all the potential resources it has. In this case, financial reports are one of the appropriate instruments. to be studied in studying and measuring the company's financial performance because it contains important information including financial information about business results and the financial position of the bank company.

The current phenomenon is that the stability of banking financial performance depends on the bank's ability to manage internal risks, adapt to external changes, and utilize technological innovation. Banks that have strong risk management, adequate capital, and are able to adapt to changes in the business environment tend to be more stable in the long term.

One of the reasons for carrying out analysis of financial reports is to assess the company's performance at PT. Papua Bank Pembangunan Daerah, to determine whether or not the bank's financial performance is stable for the 2018 - 2022 period, which can be analyzed using financial ratios where ratio calculations are carried out to determine the level of efficiency and effectiveness of the company. Apart from that, financial ratios are an activity that compares the numbers contained in financial reports which is done by dividing one number by another number. These numbers can be compared in the form of numbers in one period or several periods.[2]

Based on the above, the author is interested in conducting research on the financial performance of PT Bank Pembangunan Daerah Papua which can then be described in the research title "Financial Ratio Analysis to Assess Financial Performance at PT Bank Pembangunan Daerah Papua for the 2018 - 2022 Period".

Research Objectives

Based on the problem formulation, the objectives of this research are as follows:

1. To determine the level of liquidity, solvency and profitability of PT Bank Papua according to available financial reports for the 2018-2022 period
2. To determine the financial performance of PT Bank Pembangunan Daerah Papua for the 2018-2022 period.

Benefits of Research

Benefits for the author from completing undergraduate studies (S1) and gaining knowledge to analyze financial reports at PT Bank Pembangunan Daerah Papua for the period 2018 – 2022. Meanwhile, the benefits for the Alma Mater are as additional information for students and can also be used as reference material for further research

Scope of research

The scope that will be discussed in this writing is by analyzing the financial reports for 2018, 2019, 2020, 2021 and 2022, at PT Bank Pembangunan Daerah Papua. The ratios used as analysis tools are:

a. Liquidity ratio using the cash ratio and loan to deposit ratio formula,
b. Solvency ratio using debt to asset ratio and debt to equity ratio formulas, and also
c. Profitability ratio using return on equity and return on investment formulas. from the period studied 2018 – 2022.

It is hoped that this research will provide information and be useful for those who need it.

2. METHOD

This research uses quantitative analysis techniques, where the data obtained can be processed or measured so that it becomes systematic and accurate information about the company being studied. The type of research is a case study with the research object at PT. Papua Bank Pembangunan Daerah using financial report data on the official Papua Bank website with the website address www.bankpapua.co.id for the 2018-2022 period.

Data analysis instruments are all the tools used in data processing, such as data for making comparisons, tools for measuring certain values. Financial ratios are a measuring tool used to assess the performance and financial condition of a company by calculating ratios using the company's financial reports.[1] Apart from that, financial ratios are an activity that compares the numbers contained in financial reports which is done by dividing one number by another number. These numbers can be compared in the form of numbers in one period or several periods.[2] The tool for measuring this research uses ratios consisting of liquidity, solvency and profitability.[1]

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1. **Liquidity Ratio (liquidity ratio)**

Liquidity Ratio (liquidity ratio) is a ratio that describes the company's ability to fulfill current ratio obligations or short-term debt. The types of liquidity ratios used include:

A. Cash Ratio is a tool used to measure how much cash is available to pay debts.

$$Cash\ Ratio = \frac{Likuid\ Aset}{\text{Obligations that must be paid immediately}}\ x100\%$$

B. **Loan to Deposit Ratio (LDR)**

This is a ratio to measure the composition of the amount of credit given with the amount of public funds and own capital used. According to the government, the maximum loan to deposit ratio is 110%.

$$Loan\ to\ Deposit\ Ratio = \frac{\text{Kredit}}{\text{Third} - \text{party funds}}\ x100\%$$

2. **Solvency Ratio**

The solvency ratio (*Leverage Ratio*) is a ratio that is used to measure the extent to which a company's assets are financed with debt

a. **Debt to Asset Ratio (DAR)** is a debt ratio used to measure the comparison between total debt and total assets. In other words, how much of the company's assets are financed by debt or how much of the company's debt has an influence on asset management. The greater the ratio, the greater the funds taken from outside.
The formula for finding the debt to asset ratio (DAR):

$$Debt\ To\ Asset = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100\%$$

b. **Debit to Equity Ratio (DER)** is a ratio used to assess debt versus equity. This ratio is useful for knowing the amount of funds provided by the borrower (creditor) and the company owner.
Formula for finding debt to equity:

$$Debt\ To\ Equity = \frac{\text{Total Debt}}{\text{Equity}} \times 100\%$$

3. **Profitability Ratio**

The profitability ratio is often called business profitability, this ratio is used to measure the level of business efficiency and profit achieved by the bank, based on the 2004 Bank Indonesia Circular letter.

a. Return on Equity (ROE)

Return on Equity (ROE) Ratio is a ratio to measure bank management's ability to manage existing capital to obtain net incoe.
Formula for getting Return On Equity (ROE)

$$Return\ On\ Equity = \frac{\text{Net Profit}}{\text{total modal}} \times 100\%$$

b. Return Of Investment (ROI)

Bank Indonesia Circular Letter 2004, Return Of Investment is a ratio to measure management's ability to generate income from managing assets.
Formula for finding Return of Investment.

$$Return\ of\ Invest = \frac{\text{Net Profit}}{\text{Active}} \times 100\%$$

3. RESULTS AND DISCUSSION

Liquidity Ratio

The liquidity ratio is a tool for measuring the company's true ability and strength to fulfill or pay debts that must be paid on time. Based on the results of the liquidity ratio analysis in Appendix 2, the following results were obtained:

Table 1, Liquidity Ratio Results for the 2018-2022 period.

1. Current Ratio

Year	Current Assets	Current Liabilities	Current Ratio	Percentage	Industry Average	Note
2018	22.573.484	18.196.619	1,241	124%	>= 200%	P
2019	44.508.336	24.783.702	1,796	180%		P
2020	29.168.983	21.450.039	1,360	136%		P
2021	29.289.170	21.407.490	1,368	137%		P
2022	32.779.237	32.402.016	1,012	101%		P

Note: VG = Very Good and P = Poor

This shows that the current ratio is still below the average for banking companies in general, namely below 200%.

2. Cash Ratio

Year	Cash	Current liabilities	Cash Ratio	Percentage	Industry Average	Note
2018	996.585	18.196.619	0,055	5%	>= 50%	P
2019	1.700.444	24.783.702	0,069	7%		P
2020	1.546.450	21.450.039	0,072	7%		P
2021	1.503.245	21.407.490	0,070	7%		P
2022	1.380.956	32.402.016	0,043	4%		P

Note: VG = Very Good and P = Poor

This shows that the Cash Ratio is still below the average for banking companies in general, namely below 50%.

Solvency Ratio

The Solvency Ratio is a ratio used to measure the extent to which PT Bank Pembangunan Daerah Papua's corporate activities are financed with debt. Based on the results of the solvency ratio analysis in Appendix 2, the following results were obtained:

Table 2. Solvency Ratio Results for the 2018-2022 period

1. Debt to Aset Ratio (DAR)

Year	Total Amoun of Debt	Total Assets	Debt to Aset Ratio	Percentage	Industry Average	Note
2018	19.445.079	22.573.484	0,861	86%	$\leq$ 35%	VG
2019	26.172.440	44.508.336	0,588	59%		VG
2020	22.681.007	29.168.983	0,778	78%		VG
2021	22.725.164	29.289.170	0,776	78%		VG
2022	26.172.440	32.779.237	0,798	80%		VG

Note: VG = Very Good and P = Poor

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This shows that the Debt to Asset Ratio is above the industry average for banking companies, namely above 35%.

Table 3. Solvency Ratio Results for the 2018-2022 period

2. Debt to Equity Ratio (DER)

Year	Total Amoun of debt	Equity	Debt to Equity Ratio	Percentage	Industry Average	Note
2018	19.445.079	7.074.424	2,749	275%	≤ 80%	VG
2019	26.172.440	11.003.208	2,379	238%		VG
2020	22.681.007	3.472.219	6,532	653%		VG
2021	22.725.164	3.503.755	6,486	649%		VG
2022	32.779.237	3.491.725	9,388	939%		VG

Note: VG = Very Good and P = Poor

This shows that the Debt to Equity Ratio is still above the industry average, namely above 80% for banking companies in general.

Profitability Ratio

Profitability ratios are ratios that measure a company's ability to generate profitability at certain levels of sales, assets and share capital. This ratio also provides an overview of the level of management effectiveness of a company. Based on the results of the profitability ratio analysis in Appendix 2, the following results were obtained:

Table 4. Profitability Ratio Results for the 2018-2022 period

1. Return of Equity (RoE)

Tahun	Laba Bersih	Ekuitas	RoE	Percentage	Industry Average	Note
2018	317.399	7.074.424	0,045	4%	>= 40%	P
2019	247.511	11.003.208	0,022	2%		P
2020	549.144	3.472.219	0,158	16%		P
2021	475.982	3.503.755	0,136	14%		P
2022	521.726	3.491.725	0,149	15%		P

Note: VG = Very Good and P = Poor

If we look at the Profitability Ratio, it is still below the average for the banking services industry in general

2. Return of Investment (RoI)

Tahun	Labar Bersih	Aktiva	RoI	Persentase	Industry Average	Ket
2018	317.399	22.573.484	0,014	1%	>= 30%	P
2019	247.511	44.508.336	0,006	1%		P
2020	549.144	29.168.983	0,019	2%		P
2021	475.982	29.289.170	0,016	2%		P
2022	521.726	32.779.237	0,016	2%		P

Note: VG = Very Good and P = Poor

This shows that the Return of Investment is still below 30% of the industry average for existing banking services in general.

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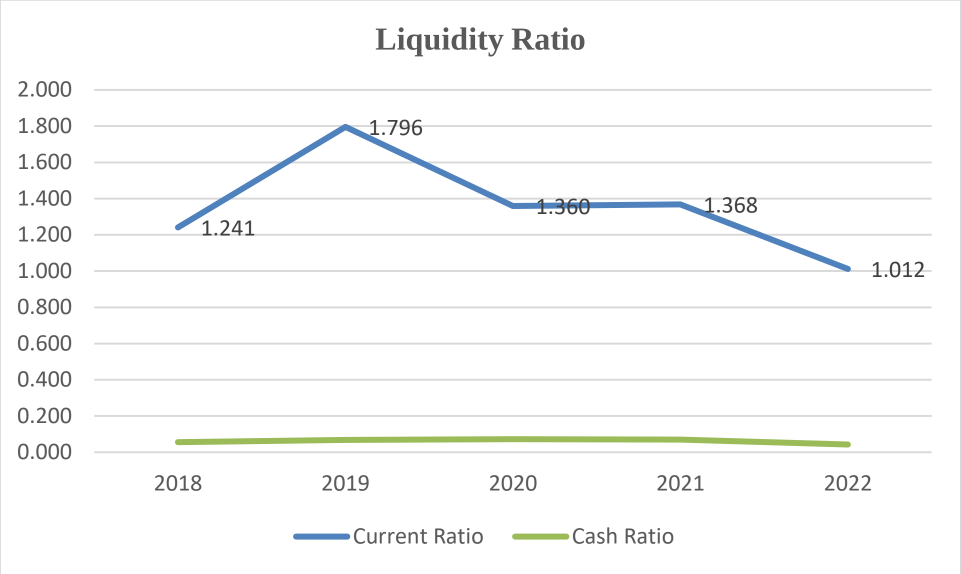
Discussion

Based on the results of data processing obtained, we can discuss the results as follows:

1. **Liquidity Ratio**

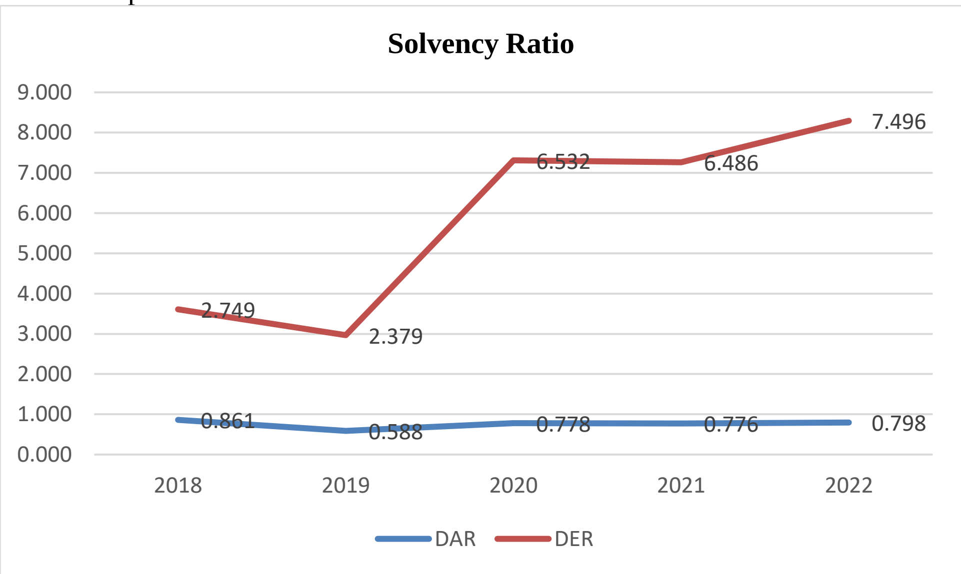
   The liquidity ratio is an important measuring tool for companies because it can be seen that the company is able to pay or meet debts that must be paid on time. At the company PT Bank Pembangunan Daerah Papua, the results of the liquidity ratio experienced fluctuations (up and down) during the 2018-2022 period. It can be said that companies do not always experience good financial performance or vice versa. These results can be illustrated in the following graph:



Picture 1. Liquidity Ratio

2. **Solvency Ratio**

   The solvency ratio is one of the ratios that must be paid attention to because with this ratio you can see the company's ability to meet all its debts using the company's assets and capital. At PT Bank Pembangunan Daerah Papua, the results of the solvency ratio experienced fluctuations (up and down) during the 2018-2022 period. It can be said that companies do not always experience good financial performance or vice versa. These results can be illustrated in the following graph:



Picture 2. Solvency Ratio

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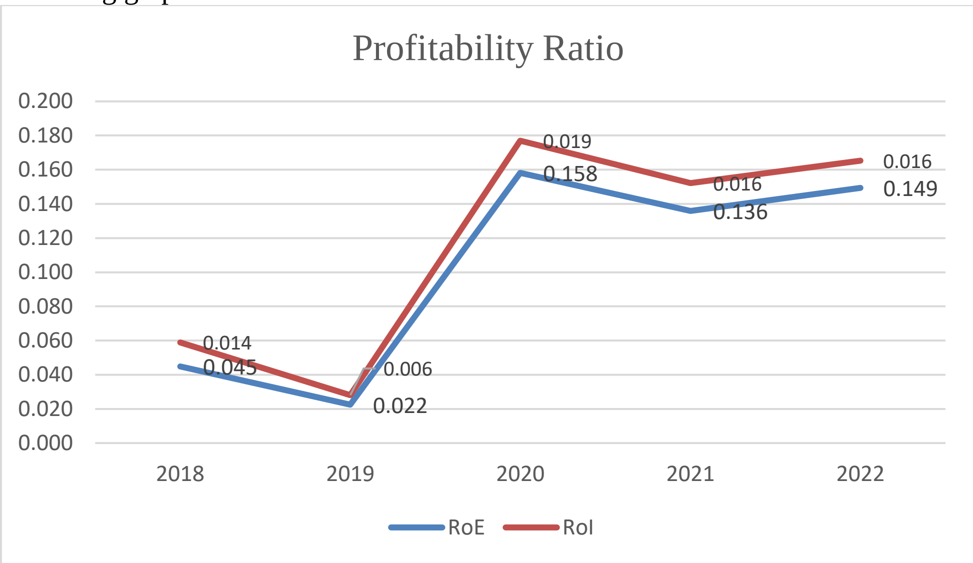
3. Rasio Profitabiltas

The profitability ratio shows the company's ability to earn profits. Therefore, this is considered important considering that a person's goal in establishing a company is to make a profit. At the company PT Bank Pembangunan Daerah Papua, the profitability ratio results experienced fluctuations (up and down) during the 2018-2022 period. It can be said that companies do not always experience good financial performance or vice versa. These results can be illustrated in the following graph:



Picture 3. Profitability Ratio

4. Financial performance

From the discussion regarding the results of liquidity, solvency and profitability ratios, it can be stated that PT Bank Pembangunan Daerah Papua has poor financial performance when viewed from the results of its liquidity and profitability ratios because of the 5 (five) periods, namely in 2018-2022, the results of the liquidity ratios have not yet been completed. meet financial performance standards. However, if we look at the solvency ratio of the company, PT Bank Pembangunan Daerah Papua has good financial performance because it does not meet financial performance standards.

The effectiveness and efficiency of the Papua Bank Pembangunan Daerah's performance for the 2018-2022 period as a whole can be said to still be quite good if seen from the financial ratios that have been researched, especially in the discussion of the results of liquidity, solvency and profitability ratios. So, these results can prove that the company has quite good financial performance when viewed from the results of the liquidity ratio.

4. CONCLUSIONS AND RECOMMENDATIONS

a. Conclusions

Based on the data obtained, the liquidity ratio at PT Bank Pembangunan Daerah Papua does not meet financial performance standards due to the current ratio and cash ratio. The solvency ratio and profitability ratio at PT Bank Pembangunan Daerah Papua have met financial performance standards (above the industry average)

Apart from that, the company's overall financial performance is not good because it tends to be below the industry average (not yet meeting financial performance standards). However, if we look at the liquidity, solvency and profitability ratio values, the best financial performance is PT Bank Pembangunan Daerah Papua. However, what tends to be above the industry average is the liquidity ratio, which means the company is still able to pay its short-term debt using current assets and company cash. For its development during the 2018-2022 period, PT Bank Pembangunan Daerah Papua experiences fluctuations in the ratio value every year, meaning that the company does not always have good financial performance or vice versa.

b. Recommendations

1. For companies, it is hoped that more attention will be paid to the total value of their assets and debts so that in the future the company can cover losses with the assets owned by the company because based on the data obtained, the ratio value tends to still be below the industry average and total debts are greater than assets. company.
2. For future researchers, it is hoped that they will add other variables besides financial ratios.

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