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Financial Ratio Analysis at PT Bank Mandiri (Persero) Tbk Over the Period 2018-2022

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Abstract
This research aims to determine the liquidity ratio, solvency ratio and profitability at PT Bank Mandiri (Persero) Tbk for the 2018–2022 period and financial ratios at PT Bank Mandiri (Persero) Tbk based on analysis of the liquidity, solvency and profitability ratios for the 2018–2022 period. The method of this research is a quantitative descriptive method. The result of this discussion is an analysis of the financial ratios at PT Bank Mandiri (Persero) Tbk for 2018–2022, summarised as follows: From Bank Mandiri's liquidity ratios for the 2018–2022 period, it can be concluded that Bank Mandiri's liquidity is generally categorised as good. The decline in liquidity in 2020–2022 is normal due to the Covid-19 pandemic. The solvency ratio has also decreased due to Indonesia's economic conditions during the COVID-19 pandemic, but it is still good. Bank Mandiri's profitability ratio experienced a decline during the COVID-19 pandemic in 2020 but increased again, and even in 2022, it achieved the best profitability ratio figure in the five years.

Keywords: Liquidity; Solvency; Profitability; Financial ratios; Bank

1. Introduction

Banks have a massive role in a country's economy. Banks act as trust agents who collect and distribute funds from and to the community. This helps encourage economic activity and improve community welfare. Banks also act as development agents that help finance small and medium businesses, infrastructure projects and economic development. This helps increase investment and economic growth. Banks also serve as service agents that provide financial products and services, such as deposits, savings, credit and payment systems. This helps people overcome financial problems, buy houses and vehicles, and support other economic sectors.

PT Bank Mandiri (Persero) Tbk, one of Indonesia's largest banks, has a large role in the Indonesian economy. The financial performance of PT Bank Mandiri (Persero) Tbk impacts the Indonesian economy. If financial performance is problematic, public confidence will decline, potentially causing massive withdrawals of funds (bank run), which can disrupt the liquidity and stability of the financial system. The ability to distribute credit also decreases, hindering economic growth and investment and increasing the risk of default and non-performing loans. Regarding profitability, if PT Bank Mandiri (Persero) Tbk's financial performance is problematic and its profits decrease, it can potentially reduce the value of shares and dividends for shareholders and reduce Bank Mandiri's contribution to state revenues.

According to Septariza (2019), a company's financial performance is a description of the financial condition of a company, which is analysed using analytical tools that can determine whether a company's financial condition is good or bad and can reflect work performance in a certain period. Financial performance can measure and determine growth and prospects for a company's opportunities to develop by utilising existing resources to the maximum extent possible (Digdowiseiso & Santika, 2022). Bank performance, in general, is a reflection of the achievements achieved by the bank in its operational business activities. Financial performance describes the bank's financial condition in a certain period, including collecting and distributing funds and practical and efficient operational financial management (Rombe & Shinta, 2023).

A company's financial performance is analysed from the financial reports published by the company. This is the signalling theory first proposed by Spence (1973). This signal theory explains that companies use financial reports to provide positive or negative signals to users of financial reports. Good company performance can also be reflected in good financial reports.

According to Raymond Budiman (2021), a financial report is a document that describes a company's financial position and performance over a certain period. Financial reports are records of a company's financial information in an accounting period that can be used to describe the company's performance (Rombe & Shinta, 2023). Meanwhile, according to the Statement of Financial Accounting Standards (PSAK) No. 1 of 2022, Paragraph 9 explains the meaning of financial reports as a structured presentation of an entity's financial position and financial performance. From financial reports, we can analyse financial ratios.

Financial ratio analysis is one of the main tools in analysing financial reports and observing indices related to the results contained in financial reports, including balance sheets, profit and loss reports, and cash flow reports, to assess company performance from a financial perspective (Seto et al., 2023).

Tompoh et al. (2023) have conducted research entitled Analysis of Bank Financial Performance Seen from the Aspects of Liquidity, Solvency and Profitability of PT Bank Mandiri Tbk with a research period of 3 years, namely from 2018 to 2020. Fadillah et al. (2023), in research entitled Financial Analysis of PT Bank Mandiri (Persero) Tbk on the Ability to Pay

Debts During the COVID-19 Pandemic for the 2019-2021 Period, also carried out a financial analysis for three years. Analysis of the Financial Performance of PT Bank Mandiri (Persero) Tbk Listed on the Indonesian Stock Exchange by Zainudin et al. (2023) analysed finances from 2020 to 2022 or within three years. In this regard, the author believes that analysis of a bank's financial ratios over three years needs to provide a complete picture of the development of the bank's financial performance. The appropriate period for analysing a bank's financial ratios is five years because this period can provide a relatively complete picture of the development of the bank's financial performance and can show the impact of various external and internal factors, such as macroeconomic conditions, industrial competition, business strategy, and risk management. From this description, a problem formulation arises: How can we analyse the financial ratios of PT Bank Mandiri (Persero) Tbk over the last five years or the period 2018 to 2022? So, this research aims to find out the results of the financial ratio analysis of PT Bank Mandiri (Persero) Tbk over the last five years or the period 2018 to 2022.

According to Kasmir (2019), financial ratio analysis compares the numbers in financial reports by dividing one number by another to conclude the company's financial position and condition in a certain period. The financial ratio categories are as follows:

The liquidity ratio is a ratio that describes the company's ability to fulfil short-term obligations (debt) significantly when it has matured (Kasmir, 2019). The liquidity ratio consists of (1) Quick Ratio is used to measure the bank's ability to fulfil its obligations to depositors (owners of checking deposits, savings and time deposits) with the most liquid assets owned by the bank; (2) Banking Ratio, namely the ratio used to measure bank liquidity by comparing the amount of credit disbursed with the amount of deposits held; (3) Loan to Asset Ratio is the ratio used to measure the amount of credit disbursed with the assets owned by the bank; (4) Loan Deposit Ratio is the ratio used to measure the composition of the amount of credit given compared to the amount of public funds and capital used.

The solvency ratio is a ratio that measures the company's ability to determine the extent to which the company's assets are financed with debt (Kasmir, 2019). The solvency ratio consists of the following: (1) Primary Ratio, namely the ratio used to measure the ability of a bank's capital to cover the decline in its assets due to various unavoidable losses; (2) Capital Adequacy Ratio, namely a ratio that shows the bank's ability to maintain sufficient capital and the ability of bank management to identify, measure, monitor and control risks that arise, which can affect the size of the bank's capital (Kuncoro & Suhardjono, 2011); (3) Profitability Ratio (Profitability Ratio) is a ratio used to assess a company's profit-making ability. This ratio also measures a company's level of management effectiveness (Kasmir, 2019); (4) Gross Profit Margin, the ratio used to determine the presentation of profits and pure business activities of the bank after deducting costs; (5) Net Profit Margin is a ratio used to measure a bank's ability to generate net income from the bank's main operational activities; (6) Return on Equity is a ratio used to measure bank management's ability to manage existing capital to obtain net income; and (7) Return on Assets, namely the ratio used to measure bank management's ability to manage assets.

2. Research Methods

This research method is descriptive quantitative research. The quantitative descriptive research method is a method that aims to create a picture or description of a situation objectively using numbers, starting from data collection, interpretation of the data, and the appearance and results. The research data source is the subject from which data can be obtained (Digdowiseiso, 2017). This research uses secondary data. Secondary data is data received or collected by researchers from various existing sources (Digdowiseiso, 2017). Researchers use data from the Consolidated Financial Report of PT Bank Mandiri (Persero) Tbk and its Subsidiaries for 2018 to 2022, which independent auditors have audited. In this research, the formula used to calculate the financial ratios of PT Bank Mandiri (Persero) Tbk is as follows:

2.1. Liquidity Ratio

Quick Ratio

$$QR = \frac{Kas\ dan\ Setara\ Kas}{Total\ Simpanan\ Nasabah} \times 100\%$$

The higher the Quick Ratio percentage indicates, the higher the bank's liquidity level; in other words, the bank will be better if it has a high Quick Ratio level.

Banking Ratio

$$BR = \frac{Kredit\ yang\ diberikan}{Total\ Simpanan\ Nasabah} \times 100\%$$

The higher the banking ratio, the smaller the bank's liquidity level because the amount of funds it has to provide credit becomes smaller.

Loan to Asset Ratio

$$LAR = \frac{Kredit\ yang\ diberikan}{Total\ Aset} \times 100\%$$

The higher the loan-to-asset ratio, the lower the bank's liquidity level. On the other hand, the lower the Loan to Asset Ratio percentage value, the better the bank's liquidity level.

Loan to Deposit Ratio

$$LDR = \frac{Kredit\ yang\ diberikan}{Total\ Simpanan\ Nasabah + Total\ Ekuitas} \times 100\%$$

This ratio measures the composition of the amount of credit given compared to the amount of public funds and capital used. According to government regulations, the maximum loan-to-deposit ratio is 110%.

2.2. Solvency Ratio

Primary Ratio

$$PR = \frac{Total\ Ekuitas}{Total\ Aset} \times 100\%$$

This ratio determines whether the capital owned is adequate or to what extent the decline in total assets can be covered by own capital. So, the higher the value, the better.

Capital Adequacy Ratio

$$CAR = \frac{Modal}{Aset\ Tertimbang\ Menurut\ Resiko} \times 100\%$$

The capital adequacy ratio is a ratio that measures the ability of existing capital to cover possible losses that may occur as a result of credit activities and securities. The greater the ratio produced by the capital adequacy ratio, the greater the bank's capital ability to cover possible losses resulting from credit activities and trading in securities.

2.3. Profitability Ratio

Gross Profit Margin

$$GPM = \frac{Pendapatan\ Operasional}{Pendapatan\ Operasional - Beban\ Operasional} \times 100\%$$

The greater the gross profit margin, the better the operational condition of the bank.

Net Profit Margin

$$NPM = \frac{Laba\ Bersih}{Pendapatan\ Operasional} \times 100\%$$

Following the Bank Indonesia Circular Letter (No.6/23/DPNP dated 31 May 2004), a good NPM standard is 5%. The greater the NPM, the more productive the company's performance will be, and investor confidence in investing capital in the company will increase.

Return on Assets

$$RoA = \frac{Laba\ Bersih}{Total\ Aset} \times 100\%$$

The higher the return on assets, the greater the profit or profits the bank achieves. This shows that the bank's position regarding asset use is improving.

Return on Equity

$$RoE = \frac{Laba\ Bersih}{Total\ Ekuitas} \times 100\%$$

Based on Bank Indonesia Circular Letter (No.6/23/DPNP dated 31 May 2004), a good ROE standard is 12%. The greater the ROE, the greater the return obtained by capital owners on the capital they have invested.

3. Results and Discussion

Liquidity Ratio

	Year				
	2018	**2019**	**2020**	**2021**	**2022**
Quick Ratio	16.28%	14.21%	20.09%	17.36%	21.22%
Banking Ratio	100.23%	104.73%	88.13%	85.87%	85.52%
Loan to Asset Ratio	63.86%	64.64%	56.88%	55.50%	55.61%
Loan to Deposit Ratio	80.73%	83.70%	73.09%	71.60%	71.58%

On average, PT Bank Mandiri (Persero) Open's Quick Ratio is good (above 10%). However, there was a decline between 2018 to 2019 and 2020 to 2021, but the value is still relatively good. It is proven that 2022 the quick ratio will increase by almost 4% to 21.22%. If this quick ratio value is compared with the minimum capital requirement for commercial banks set by Bank Indonesia, then the quick ratio figure for PT Bank Mandiri (Persero) Tbk is good.

For the Banking Ratio, in the 2018 and 2019 periods, the amount of credit provided by the Bank was almost the same as the amount of customer deposits. However, from 2020 to 2022, the banking ratio fell to around 80%, meaning the amount of customer savings (savings, current accounts and customer deposits) was more significant than credit provided by banks. This was caused by the Covid-19 pandemic and the impact of the lockdown, which resulted in the economy's slowdown. At that time, Indonesia's economic growth had fallen to only 2.07%.

The loan-to-asset ratio of PT Bank Mandiri (Persero) Tbk in the period before the COVID-19 pandemic was higher than during the period when the COVID-19 pandemic occurred. This happened because, from 2020 to 2022, the percentage of credit provided by the bank decreased while the bank's assets increased.

Likewise, for the loan-to-deposit ratio of PT Bank Mandiri (Persero) Tbk, there are differences in the period before and during the Covid-19 pandemic. The loan-to-deposit ratio before the pandemic was higher than during the pandemic. This also indicates that before the pandemic, the credit provided by banks was higher than during the pandemic. During the pandemic, most Indonesians kept their money in banks, so total customer deposits at Bank Mandiri increased.

Solvency Ratio

	Year				
	2018	2019	2020	2021	2022
Primary Ratio	15.38%	15.51%	13.28%	12.87%	12.66%
Capital Adequacy Ratio	20.96%	21.39%	19.90%	19.60%	19.46%

The Primary Ratio of PT Bank Mandiri (Persero) Tbk in the 2018 – 2022 period is, on average, good (more than 10%); this indicates that the Bank's capital equity can still cover the risk of a decline in assets owned by the Bank. In the 2020-2022 period, during the COVID-19 pandemic, there was a decline, but it was still within reasonable limits, considering that Indonesia's economic growth at that time was also declining.

The capital adequacy ratio, or in Bank Indonesia regulations called the Minimum Capital Requirement (KPMM) for Bank Mandiri in the 2018-2022 period, is still far above the amount required by Bank Indonesia, namely a minimum of 8%. Before the Covid-19 pandemic, Bank Mandiri's CAR was above 20%, whereas during the Covid-19 pandemic, Bank Mandiri's CAR only decreased by 1% to around 19%. This is categorised as good.

Profitability Ratio

	Year				
	2018	2019	2020	2021	2022
Gross Profit Margin	39.86%	36.91%	35.08%	38.65%	44.33%
Net Profit Margin	21.72%	22.04%	13.42%	21.57%	27.91%
Return on Assets	2.15%	2.02%	1.19%	1.77%	2.26%
Return on Equity	13.98%	13.00%	8.99%	13.75%	17.82%

In the pre-pandemic period in 2019, Bank Mandiri's gross profit margin decreased from 2018 due to a significant increase in operational expenses. Although operating income increased, the amount was less critical than the expenses incurred, so the gross profit margin decreased. Furthermore, during the COVID-19 pandemic in 2020, Bank Mandiri's gross profit margin decreased again, but the amount was smaller than in 2019. In 2021 and 2022, Bank Mandiri reduced its operational expenses to increase the gross profit margin.

Bank Mandiri's net profit margin experienced a very significant decline in 2020 because, during the COVID-19 pandemic, Bank Mandiri's net profit decreased very sharply, namely by 35% from the previous year, so the net profit margin decreased. However, in 2021 and 2022, Bank Mandiri increased its net profit again, so its net profit margin also increased.

Bank Mandiri's return on assets also experienced a significant impact in 2020, from around 2% down to 1%. However, in line with the normalisation of the Indonesian economy and the increase in Bank Mandiri's net profit in 2021 and 2022, the return on assets will increase, and even in 2022, it will be better than before the COVID-19 pandemic.

Like gross and net profit margins and return on assets, Bank Mandiri's return on equity was also affected by the COVID-19 pandemic in 2022, so it experienced a very significant decline, reaching a single-digit figure of 8.99%. However, like other ratios, in 2021, Bank Mandiri succeeded in increasing the return on equity to 13.75%. In 2022, Bank Mandiri will even be able to increase its return on equity figure to 17.82%, the best in the last five years.

4. Conclusion

From Bank Mandiri's liquidity ratio for 2018 – 2022, it can be concluded that Bank Mandiri's liquidity is generally categorised as good. The decline in liquidity from 2020 to 2022 is considered normal because the economic conditions at that time were 90% stopped due to the lockdown. The solvency ratio has also decreased due to Indonesia's economic conditions during the COVID-19 pandemic, but it is still good. Likewise, Bank Mandiri's profitability ratio decreased during the COVID-19 pandemic in 2020, but after that, it increased again, and even in 2022, it was able to increase the profitability ratio figure to the best in the five years. From the results of this research, the development of PT Bank Mandiri (Persero) Tbk's financial performance can be seen more accurately. The influence of external conditions that influence it can also be seen more clearly.

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