International Journal of Economics, Management, Business and Social Science (IJEMBIS)
Peer Reviewed – International Journal
Volume 5, Issue 2, May 2025
E-ISSN: 2774-5376
https://cvodis.com/ijembis/index.php/ijembis

Analysis of Solvency and Profitability Ratios of Financial Statements to Assess the Financial Performance of PT Bank Rakyat Indonesia, Tbk.

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Citation: Musadat, I.A., & Putri, D.Y. (2025). Analysis of Solvency and Profitability Ratios of Financial Statements to Assess the Financial Performance of PT Bank Rakyat Indonesia, Tbk. INTERNATIONAL JOURNAL OF ECONOMICS, MANAGEMENT, BUSINESS AND SOCIAL SCIENCE (IJEMBIS), 5(2), 164–168.
https://cvodis.com/ijembis/index.php/ijembis/article/view/461

Received: March 23 2025
Accepted: April 20, 2025
Published: May 24, 2025

Abstract
Assessment of a company's financial condition can be carried out by analyzing its financial statements. To determine whether the financial condition of the company is in good shape, various analyses can be conducted, one of which is ratio analysis. The purpose of this study is to evaluate the financial performance of PT. Bank Rakyat Indonesia Tbk based on financial ratio analysis. The analytical method used is descriptive analysis using solvency and profitability ratios. The data and information for this study were obtained from the Indonesia Stock Exchange. Based on the solvency ratio, PT. Bank Rakyat Indonesia Tbk is in a good position, meaning the company is able to pay its debts on time (solvable). From the profitability ratio perspective, there is a decline in profits from 2022 to 2023, indicating that the company has failed to generate increasing profits year over year.

Keywords: Analysis, Financial Statements, Financial Performance.

1. Introduction

Financial statements are one of the most important pieces of information in assessing a company's development, as they can also be used to evaluate the achievements of a company in the past, present, and its plans for the future, since these statements are generally presented to provide information about a company's financial position, performance, and cash flows over a specific period, which is useful for most users of financial reports in making informed decisions. Typically, financial statements consist of the balance sheet, income statement, statement of changes in equity, and cash flow statement; however, in accordance with the Statement of Financial Accounting Standards (SFAS) No. 1 (Revised 2009) concerning the presentation of financial statements, the components include: (a) a statement of financial position at the end of the period; (b) a statement of comprehensive income for the period; (c) a statement of changes in equity during the period; (d) a cash flow statement for the period; and (e) notes to the financial statements.

The 1997 Indonesian economic crisis significantly impacted the country's financial landscape, causing the one-month interest rate of Bank Indonesia Certificates (SBI) to increase from 10.5% in June 1997 to 70.8% in July 1998, and the Rupiah to depreciate sharply from an exchange rate of IDR 2,360 per USD 1 on January 2, 1997, to IDR 16,950 per USD 1 by June 17, 1998, which, according to monetary statistics, led to a drastic drop in Indonesia's economic growth to -3.02% by the end of 1997. This economic downturn affected the banking sector, which encountered disruptions in fulfilling its financial intermediation role, and one of the most severely impacted banks was PT Bank Rakyat Indonesia (Persero) Tbk (Bank BRI), which experienced a significant decline in financial performance marked by a Non-Performing Loan (NPL) ratio that surged to 52.92% in 1998, largely due to currency depreciation and rising interest rates that increased loan and interest burdens, and further evidenced by a negative Net Interest Margin (NIM) of -3.2% in 1998, indicating that total interest expenses exceeded total interest income.

To evaluate a company's financial performance—whether in healthy condition or not—financial ratio analysis is utilized, with the ratios generally classified into four categories: liquidity ratios, which measure a company's ability to meet short-term obligations using current assets; solvency ratios, which assess the company's ability to meet all its obligations using total assets; activity ratios, which evaluate the effectiveness of asset utilization for operational activities; and profitability ratios, which show the company's ability to generate profit from the capital employed.

According to SFAS No. 1 of 2015, a financial statement is a systematic presentation of an entity's financial position and performance, reflecting its financial history in monetary terms, where a complete financial report typically includes the balance sheet, income statement, statement of changes in financial position (such as cash flow or fund flow statements), and explanatory notes that are an integral part of the financial statement. Baridwan (2004), in *Intermediate Accounting*, defines financial statements as a summary of the recording process that reflects financial transactions occurring over an accounting period, while the Indonesian Institute of Accountants (2009) states that the purpose of financial statements is to provide information regarding the financial position, performance, and changes in financial position of a company that are useful for stakeholders in making economic decisions.

Furthermore, Soemarso S.R. (1996) explains that financial statement analysis involves linking one figure in the financial report with another to identify trends or patterns of change, where these figures become more meaningful when analyzed comparatively, thereby enabling stakeholders to better interpret the company's financial condition. Ultimately, company performance results from various business processes involving multiple resources, including financial resources, and improvements in performance can be observed through the intensity of operational activities aimed at generating optimal profits, where the level of profit attained depends largely on the company's scale and industry sector, making financial ratio analysis a critical tool for assessing the relationships between financial statement components in order to measure company performance, evaluate resource management capabilities, and forecast future conditions.

1.1. Management

Management comes from the Italian Imaneggiare which means " to control ", especially in the context of controlling a horse, which comes from the Latin manus meaning hand. The French then adopted this word from English to management, which means the art of performing and organizing" Pratama (2020). Meanwhile, according to Hasan et al. (2022), management is a process or framework that involves guiding or directing a group of people towards organizational goals or real intentions.

1.2. Financial Management

Financial management is a process in regulating activities or financial activities in an organization, which includes planning, analyzing, and controlling financial activities that are usually carried out by financial manager Sa'adah (2020). Meanwhile, according to Hasan et al (2022), financial management is one part of the basic concepts of accounting or accounting theory.

1.3. Risk Management

Risk Management is a set of policies, a complete procedure that an organization has, to manage, monitor, and control an organization against risks Arta et al (2021). Overall, risk management theory not only helps organizations manage the risks associated with fraud in financial statements, but also strengthens controls and processes that can reduce the likelihood of fraud or the occurrence of such financial statements.

1.4. **Financial Statement Fraud**

Financial Statement Fraud is an intentional or unintentional act in financial reporting that misleads users of financial statements in decision-making and policies Jao et al (2020). Meanwhile, according to Hutapea (2022), Financial Statement Fraud is an act of misleading financial statements carried out deliberately by Hutapea (2022). Financial Statement Fraud is proxied or measured by the Baneish M-Score Model as follows:

$$\text{SCORE} = -4.840 + 0{,}920 \times \text{DSRI} + 0{,}528 \times \text{GMI} + 0{,}404 \times \text{AQI} + 0{,}892 \times \text{SGI} + 0{,}115 \times \text{DEPI} - 0{,}172 \times \text{SGAI} + 4{,}697 \times \text{TATA} - 0{,}327 \times \text{LVGI}$$

Formula 1 Model Baneish M-Score

1.5. Financial Statements

Financial statement is a written document or record that conveys business activities or activities and financial performance in a company. Meanwhile, according to Hayat et al (2021), financial statements reflect the company's financial performance which includes information such as assets, debt, revenue, profit, and cash flow. Financial statements are the final result of the accounting process, in which all transactions that occur will be recorded, classified, summarized and then compiled into a financial report

1.6. Financial Target

Financial Target is excessive pressure on management to achieve financial targets set by the board of directors or management Jao et al (2020). Meanwhile, according to Putra (2022), Financial Target is the nominal profit given to the management is a benchmark for the performance of a business entity that meets expectations. Financial Target is proxied or measured through ROA or Return On Asset as follows

$$\text{ROA} = \frac{Net\ Profit}{Total\ Assets}$$

Formula 2 *Return On Asset*

1.7. Financial Stability

Financial stability is a state that describes a company's financial condition in a stable state, Kurniati et al (2020). Meanwhile, according to Putra (2022), Financial Stability is a factor that is a demand for management to protect financial stability in an entity. Financial Stability is proxied by Achange as follows:

$$\text{ACHANGE} = \frac{Total\ assets_{(t)} - Total\ assets_{(t-1)}}{Total\ assets_{(t-1)}}$$

Formula 3 ***Achange***

2. Research Method

This research employs a descriptive study approach, which involves collecting data with the aim of testing hypotheses or answering questions related to the current condition of the research subject (Kuncoro, 2009:12).

The data used in this research is secondary data, defined as "data collected by other parties" (Kuncoro, 2009:148). The secondary data in this research consists of documents obtained from the IDX/Indonesia Stock Exchange via the internet, which are relevant to the research topic. The data analyzed are the financial reports of PT Bank Rakyat Indonesia for the period 2022 to 2023.

The analysis method applied is horizontal analysis. According to Kasmir (2008:69), horizontal analysis is carried out by comparing financial statements from several periods, thereby illustrating the development of the company from one period to another.

3. Results And Discussions

Solvency Ratios can be calculated with the following formulas: a. Debt to Assets Ratio = Total Debt ÷ Total Assets b. Debt to Equity Ratio = Total Debt ÷ Total Equity Profitability Ratios are calculated using the following methods: a. Net Profit Margin = Net Income ÷ Sales b. Return on Assets (ROA) = Net Income ÷ Total Assets c. Return on Equity (ROE) = Net Income ÷ Equity d. Gross Profit Margin = Gross Profit ÷ Sales e. Operating Profit Margin = Earnings Before Interest and Taxes ÷ Sales

These financial ratio analyses are then interpreted by referring to the items in the financial statements. The results of the calculations are used to evaluate and measure the company's performance.

4. Conclusion

Based on the research results regarding solvency ratios, the performance of PT Bank Rakyat Indonesia, Tbk. shows a good condition. This is evident from the decrease in the debt-to-assets ratio and debt-to-equity ratio from 2022 to 2023. The debt-to-assets ratio decreased from 42.83% in 2022 to 42.20% in 2023, while the debt-to-equity ratio experienced a decline from 74.90% in 2022 to 74.79% in 2023. Thus, PT Bank Rakyat Indonesia, Tbk. is in a solvable condition, meaning it is able to meet its debt obligations on time without experiencing significant financial constraints.

The lower this ratio, the less optimal the company's performance will be. Overall, the profitability ratios of PT Bank Rakyat Indonesia, Tbk. show a positive condition. This is reflected in the increase in profitability ratios, which indicates that the company's ability to generate profit each year is increasing.

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