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Financial Ratio Analysis To Assess The Financial Performance At Islamic Rural Bank (Irb) Bumi Rinjani Kepanjen

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Abstract: *The Islamic Rural Bank (IRB) Bumi Rinjani Kepanjen is a financial institution that has Sharia principles in carrying out its activities conventionally. In improving the development of financial institutions, it is necessary to assess the company's financial performance. Thus, researchers want to know how the financial performance of IRB Bumi Rinjani Kepanjen during the 2016-2020 period. The method taken in formulating the calculation of this financial performance assessment uses financial ratio analysis including profitability ratios, liquidity ratios, solvency ratios. Data acquisition is carried out through documentation in the form of IRB Bumi Rinjani Kepanjen financial reports for 2016-2020. From the results of the data obtained, a description is carried out using quantitative descriptive research. Thus, it will be known how big the financial performance level of IRB Bumi Rinjani Kepanjen is during the 2016-2020 period.*

Keywords: *Financial Ratios, Financial Performance, Islamic Rural Bank.*

I. Introduction

In the current era of modernization, financial performance assessment is the initial stage for investors in determining cooperation. One of the companies taken is a financial institution. The Islamic Rural Bank (IRB) is a financial institution that carries out all conventional activities based on Sharia principles and has a function as a financial intermediary institution, especially in the national microfinance system. Various kinds of benefits are felt by the community with the existence of The Islamic Rural Bank (IRB) especially for the lower middle class because they are easy to reach. The number of new financial institutions that have emerged does not defeat the existence of The Islamic Rural Bank (IRB) because they already have recognition from the public.

The existence of the bank is expected to provide maximum profit from the business carried out through other interested parties. Other parties outside the bank have an interest in establishing cooperative relationships in the business sector by looking at the condition of the bank's stability through the results of the financial statements. The results will be evaluated whether the condition is healthy or unhealthy. It is very important for other parties to see the financial condition of the bank in order to distribute capital for investors or debtors who will borrow capital.

Evaluation of the Bank's financial condition can be seen through financial statement data according to Whalen and Thomson (1988). According to them, there are two parts of bank differences, including non-problem banks and troubled banks. As for how to see these conditions using the ratio of each bank, so that the results obtained will show the bank's ranking on the achievements obtained from the condition of its financial data. The benchmark used in analyzing financial statements can use ratios or indexes.

Companies (financial institutions) will report their financial data for a certain period. The application of the assessment criteria at Bank Indonesia to other financial institutions is very different. Assessment of financial performance at Bank Indonesia uses several elements including Capital, Asset Quality, Management, Earning, Liquidity, and Sensitivity. In contrast to financial institutions, in terms of financial performance assessment using the calculation of the ratio of profitability, solvency, and liquidity obtained based on financial document.

Table 1. Remaining Operating Results
at The Islamic Rural Bank (IRB) Bumi Rinjani Kepanjen

Tahun	ROR (Rp)
2016	3.237.311.739
2017	3.088.952.111
2018	1.591.660.463
2019	2.034.045.343
2020	2.103.883.361

Based on the remaining operating results (ROR) at The Islamic Rural Bank (IRB) Bumi Rinjani Kepanjen during the 2016 to 2020 period, it showed a significant decrease in 2018 of IDR 1,497,291,648. In 2019 there was an increase in the remaining operating results of Rp. 442,384,880. The remaining operating results show an increase again in 2020 by Rp 69,838,018. For five years running, the remaining operating results at The Islamic Rural Bank (IRB) Bumi Rinjani showed the highest results, namely in 2016.

II. Literature Review

a. Financial statements

In the book Analysis of Financial Statements (Bambang, 2012: 02) The process of accounting records ends in financial statement data. Financial statement data describes the details of transactions that have been carried out by the company during a certain period or one financial year. The management of the company is responsible for carrying out its financial reports to the owner of the company. The existence of financial reports can also facilitate the company in fulfilling its objectives as reporting to related external parties.

Financial report data describes information about the company's financial performance in the previous year which can be used as a reference for determining policies for the following year. Basically, the company's financial statements can also be a communication tool for financial institutions with external parties who are in need of company financial data.

b. Banking Performance

According to Prasanugraha (2007: 67) in the assessment of financial performance, the measurements used are adjusted to the organizational unit that will be assessed and how the goals will be achieved. At the strategy formulation stage, the targets set refer to the strategic management process, namely always paying attention to the level of profitability, cost measurement, market share, or from various other sizes where the company actually uses it as a performance measurement tool during strategy implementation. The performance of financial institutions (banks) can also be explained as the results achieved by a financial institution (banks) in managing the management of the resources contained therein effectively and efficiently as possible which are useful for achieving the goals that have been set.

Assessment of the level of soundness needs to be carried out on financial institutions because it is very important and important, through auditing the company's finances it will have an effect on increasing or decreasing the country's economy (Prasanugraha, 2007: 52). Performance appraisal at financial institutions can use calculations through data analysis from the company's financial statements.

c. Ratio Analysis

In his book, Kariyoto with the title Analysis of Financial Statements (2017: 34) explains the notion of ratios, namely techniques for analyzing financial statements that are often used and an instrument that can be a way out and describe the symptoms of a situation. The use of ratio analysis can be a basis for comparison to show conditions that cannot be detected if we only look at the components themselves.

1. Profitability Ratio

   From the book Analysis of Financial Statements by Kasmir (2019: 114) it is explained that the profitability ratio can be used to assess the company's ability to seek profit (profit) in a certain period. The calculation of the profitability ratio can be used to determine the level of effectiveness of a company through profits on sales or investment income obtained.

   a) Return on Equity (ROE)

      In his book Kasmir, 2019:206 explains that Return on Equity is used to measure net income obtained after taxes and own capital. Efficiency shown by using own capital at this ratio. The results of the calculation of the higher ratio, the stronger and better.

b) Return on Assets (ROA)

In his book Sofyan in 2013 page 305 explains the Return on Assets which is described from asset turnover as measured by sales volume. The greater the calculation results, the better the company is in earning a profit. This is because the company can rotate assets more quickly and make a profit.

c) Net Profit Margin (NPM)

In Kasmir's 2019 book, page 202, it is explained about the Net Profit Margin whose profit size calculation is obtained from the comparison between net profit after tax and interest with sales. The calculation of this ratio shows the net income earned by the company on the sales made.

2. Liquidity Ratio

The liquidity ratio in his book Kasmir (2019:110) explains the company's ability to meet its short-term obligations. Liabilities (debts) will be paid by the company in the short term at the time of collection. The calculation used in the liquidity ratio uses the current ratio and the cash ratio.

a) Current Ratio

It is explained in his book Kasmir (2019: 134) about the current ratio, namely the company's ability to pay short-term obligations that will soon mature. This ratio also measures the margin of safety within the company. In the calculation using a comparison between the total of current assets with the total of the company's current debt.

b) Cash Ratio

It is explained in his book Kasmir (2019: 138) that the cash ratio (Cash Ratio) is a measurement of the size of the cash available in the company for payment of company debt. The cash ratio describes the company's ability to pay short-term debt.

3. Solvency Ratio

The solvency ratio in his book Kasmir (2019: 153) explains that this ratio is used to measure the level of company assets financed by debt. This means that the company's debt burden is greater than the company's assets. In a broad sense, the solvency ratio describes the company's ability to pay its short-term and long-term obligations if the company is liquidated. In calculating the solvency ratio, two types of ratios are used, namely Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR).

Debt to Equity Ratio (DER)

The Debt to Equity Ratio explained in his book Kasmir (2019: 159), namely this ratio uses a measurement of debt with equity. Comparing the total debt owned by the company, including current debt with the company's total equity. In calculating this ratio it is very useful to know the amount of funds that will be prepared and provided by creditors with company owners. The calculation formula uses a comparison of the company's total debt with the company's total equity.

1) Det to Asset Ratio (DAR)

The Debt to Asset Ratio explained in his book Kasmir (2019: 158), namely the measurement using a comparison between the company's total debt and the company's total assets. The amount of assets owned by the company that are financed by debt or how much debt the company has affects the management of assets.

III. Research Methods

a. <u>Rural Bank (RB)</u>

The implementation of conventional business activities in the financial sector using Sharia principles is the definition of Rural Banks. In implementing this RB, it does not provide payment traffic services as stipulated in the banking law. Based on Number: 20/POJK. 03/2014 in the regulation of the Financial Services Authority is also contained in relation to Rural Banks. Several new policies were also included in strengthening the supervision of these institutions. The establishment of a RB also includes the amount of paid-up capital and is determined by the Financial Services Authority (OJK) which is divided into four zones of BPR operation areas.

b. Place and time of research

The location used in the implementation of this research at The Islamic Rural Bank (IRB) Bumi Rinjani which is located on Jl. A. Yani No.130 Kepanjen, on Thursday 7 January 2021.

c. Types and sources of document

This type of research used primary document and secondary document. Primary document described by Sugiyono (2013: 137) can be obtained directly from objects at the research location. Secondary data is also explained that it can be obtained from company documents that are read, then studied and understood which can use several literary media or books. The use of data sources in this study uses financial report documents for the period 2016 to 2020 at The Islamic Rural Bank (IRB) Bumi Rinjani with the approval of the management and supervisors.

1. Document Collection Technique

Library research and Field Work Research are techniques in collecting document and materials for research conducted. In the implementation of library research using library research to find out the problems that are being carried out for research. In the implementation of Filed Work Research using interview research, observation and documentation

2. Document Analysis Technique

Quantitative descriptive analysis is a technique used by researchers to analyze research document. The method used is gradual, starting from collecting research document, classifying, conducting data analysis, and interpreting the data that has been obtained. Thus, the technique can provide complete information results and can solve problems.

IV. Results And Discussion

After the document calculation is completed, the results and discussion will be presented and used by researchers to determine the financial performance at The Islamic Rural Bank (IRB) Bumi Rinjani using ratio analysis. The analysis used consists of profitability ratios, liquidity ratios, and solvency ratios. The following is a description of the results of each ratio, as follows:

a. Profitability Ratio

1. Return on Equity (ROE)

Table 2. Return on Equity Result For The 2016 -2020 Period

Year	Remaining Operating Results (Rp)	Owners Equity (RP)	ROE (%)
2016	3.237.311.739	13.000.000.000	25
2017	3.088.952.111	13.000.000.000	24
2018	1.591.660.463	15.000.000.000	11
2019	2.034.045.343	15.000.000.000	14
2020	2.103.883.361	15.000.000.000	14
	Average		17,6

Source : Processed Document 2021.

The Return on Equity results for five years (2016 – 2020) in Table 2 show a different percentage in each year. The highest percentage of Return on Equity was in 2016 at 25%. This shows the criteria for very healthy. These criteria are the same as the return on Equity results in 2017. The higher the ratio, the better. Thus the assets can be rotated faster and make a profit. In contrast to the Return on Equity results in the last three years (2018 – 2020) which showed a low percentage, so that the results were in a fairly healthy criteria. The average Return on Equity result shows a percentage of 17.6% with healthy criteria. The results of this study are in line with research conducted by (Zahara, 2014) which also shows the average return on equity is healthy / good.

2. *Return on Asset* (ROA)

Table 3. Return on Asset Result For The 2016 -2020 Period

Year	Remaining Operating Results (Rp)	Total Assets (RP)	ROA (%)
2016	3.237.311.739	58.441.204.011	6
2017	3.088.952.111	59.878.687.792	5
2018	1.591.660.463	67.178.132.833	2

2019	2.034.045.343	67.048.459.251	3
2020	2.103.883.361	67.023.021.956	3
	Average		3,8

Source : Processed Document 2021.

The results of Return on Assets for five years (2016 – 2020) in Table 3 show a different percentage in each year. The highest percentage result of 6% was in 2016 with fairly healthy criteria. The lowest percentage of Return on Assets was in 2018 at 2%. This includes the criteria for unhealthy, thus showing the inability of management in Return on Assets. These criteria show the difference in Return on Equity results in the following year due to an increase in the percentage of 1%. The greater the result of this ratio, the better. The average for the five periods (2016-2020) was 3.8% with the criteria of being quite healthy. This research is in line with research conducted by Maikel (2016) which shows the Return on Assets criteria are quite healthy.Thus, it shows an increase in changes in the company's ability in management to earn profits.

3. *Net Profit Margin* (NPM)

Table 4. Net Profit Margin Result For The 2016 -2020 Period

Year	Remaining Operating Results (Rp)	Income (Rp)	NPM (%)
2016	3.237.311.739	13.266.550.150	24
2017	3.088.952.111	14.274.429.640	22
2018	1.591.660.463	15.528.247.542	10
2019	2.034.045.343	15.458.412.293	13
2020	2.103.883.361	14.446.424.072	15
	Average		16,8

Source : Processed Document 2021.

The results of Net Profit Margin for five years (2016 – 2020) in Table 4 show a different percentage each year. The years 2016 and 2017 showed very healthy criteria. It decreased by 12% in 2018 and in 2019 it increased by 3% with healthy criteria. The increase occurred again by 2% so that the criteria became very healthy. The average percentage result is 16.8% with very healthy criteria. This is not in line with the research conducted by Septi (2016) which shows the average Net Profit Margin with healthy criteria.

b. Likuidity Ratio

1. *Current Ratio*

Table 5. Current Ratio Result For The 2016 -2020 Period

Year	Current Asset (Rp)	Current Liabilities (Rp)	*Current Ratio* (%)
2016	74.142.456.282	14.240.754.676	521
2017	76.624.206.887	13.006.371.119	589
2018	83.721.903.000	15.240.920.632	549
2019	86.177.796.101	16.338.567.041	527
2020	85.185.313.358	16.124.796.461	528
		Average	542,8

Source : Processed Document 2021.

The results of the Current Ratio for five years (2016 – 2020) in Table 5 show different percentages in the same category each year. A category that shows unhealthy results over the past five years. This result is not in line with the research conducted by Septi (2016) which shows the average Current Ratio results in a good category.

2. *Cash Ratio*

Table 6. Cash Ratio Result For The 2016 -2020 Period

Tahun	Cash + Bank (Rp)	Current Liabilities (Rp)	*Cash Ratio* (%)
2016	12.912.443.306	14.240.754.676	91
2017	11.040.335.388	13.006.371.119	85
2018	15.452.741.762	15.240.920.632	101

2019	14.547.075.956	16.338.567.041	89
2020	15.522.560.167	16.124.796.461	96
	Average		92,4

Source : Processed Document 2021.

The results of the five-year Cash Ratio (2016 – 2020) in Table 6 show that the percentage in 2017 decreased by 6% in the less healthy category. There was an increase in 2018 by 16% in the fairly healthy category. However, it decreased again in 2019 by 11%, indicating the unhealthy category. In 2020, it increased again by 7% but remained in the same category as the previous year. The results of this study are not in line with research conducted by Jacob (2015) which shows the average results of the Cash Ratio in the Healthy category.

c. Solvency Ratio

1. *Debt to Equity Ratio* (DER)

Table7. Debt to Equity Ratio Result For The 2016 -2020 Period

Year	Total Debt (Rp)	Owners Equity (Rp)	*DER* (%)
2016	49.486.814.449	13.000.000.000	381
2017	48.855.371.585	13.000.000.000	376
2018	26.842.500.716	15.000.000.000	179
2019	53.733.642.744	15.000.000.000	358
2020	53.582.369.227	15.000.000.000	357
	Average		330,2

Source : Processed Document 2021.

The results of the Debt to Equity Ratio for five years (2016 – 2020) in Table 7 show the difference in the percentage yield each year. 2016 and 2017 are in the no category. However, in 2018 the percentage decreased by 197% and showed an unhealthy category. In 2019 and 2020 there was an increase in the percentage and showed an unhealthy category. The average results for five years also show an unhealthy category where this Rural Bank has a debt risk that cannot be guaranteed by capital. This study is not in line with Ilham's research (2018) which shows the average Debt to Equity Ratio is less healthy.

2. *Debt to Asset Ratio* (DAR)

Table 8. Debt to Asset Ratio Result For The 2016 -2020 Period

Year	Total Debt (Rp)	Total Assets (RP)	*DAR* (%)
2016	49.486.814.449	58.441.204.011	85
2017	48.855.371.585	59.878.687.792	82
2018	26.842.500.716	67.178.132.833	40
2019	53.733.642.744	67.048.459.251	80
2020	53.582.369.227	67.023.021.956	80
	Average		73,4

Source : Processed Document 2021.

The results of the Debt to Asset Ratio for five years (2016 – 2020) in Table 8 show the difference in the percentage yield each year. The years 2016 and 2017 were in the unhealthy category. In 2018, the percentage decreased by 38%, indicating a healthy category. But in the following year it has the same percentage and unhealthy category. For five years, the Debt to Asset Ratio has a percentage yield of 73.4% and indicates an unhealthy category. The results of this study are in line with research conducted by Dedi (2018).

V. Conclusions And Suggestions

After carrying out the calculations in each ratio, conclusions are obtained from the research that has been carried out at the Bumi Rinjani Kepanjen Sharia Rural Bank. The results of the profitability ratio on Return on Equity (ROE) during the period (2016-2020) with an average percentage of 17.6% indicate healthy criteria. Thus the assets can be rotated faster and make a profit. The profitability ratio on Return on Assets (ROA) for the period (2016-2020) with an average percentage of 3.8% indicates a fairly healthy criterion. Thus, it is necessary to increase the change in the company's ability in management to earn profits for the following year. The profitability ratio on the Net Profit Margin (NPM) for the period (2016-2020) with an average percentage of

16.8% indicates very healthy criteria. This shows a very significant increase in the company in obtaining the company's net income on sales.

The results of the conclusion of the liquidity ratio on the Current Ratio during the period (2016-2020) with an average percentage of 542.8% indicate unhealthy criteria. This shows the need to increase the company's ability to cover its short-term obligations. The liquidity ratio in the Cash Ratio during the period (2016-2020) with an average percentage of 92.4% shows the criteria for being less healthy. This shows that the company's cash availability is still lacking to cover the company's debt payments.

From the results of the solvency ratio in the Debt to Equity Ratio (DER) for the period (2016-2020) with an average percentage of 330.2%, it shows the unhealthy criteria. This will have an impact on creditors because the greater the ratio, the greater the risk borne for failures that may occur in the company. The solvency ratio in the Debt to Asset Ratio (DAR) for the period (2016-2020) with an average percentage of 73.4% indicates the criteria for being less healthy. From the results of the larger ratio, it means that funding with debt is increasing, so it is increasingly difficult for companies to obtain additional loans because it is very feared that the company has not been able to cover its debts with its assets.

From the conclusions above, the researchers have suggestions given to companies including: 1) it is necessary to increase the company's performance in carrying out its activities, especially regarding financial performance so that in the next period it can experience a better improvement and give confidence to external parties to join and cooperate with Rural Banks Bumi Rinjani Kepanjen Sharia. 2) It is necessary to increase cooperation with external parties in developing the company.

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