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Financial Ratios as Performance Indicators: Empirical Analysis at PT. Bank Nagari Period 2019-2023

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Abstract

This research aims to analyze PT Bank Nagari financial performance. Ratio analysis was used in this research for the 2019-2023 period. The research method used is a case study, where data is taken from PT Bank Nagari financial reports. PT Bank Nagari was analyzed using various financial ratios. Financial performance analysis is carried out by calculating liquidity, profitability and solvency ratios. The liquidity ratios analyzed include the Quick Ratio, Loan to Asset Ratio (LAR), and Loan to Deposit Ratio (LDR). The profitability ratios used are Return on Assets (ROA), Return on Equity (ROE), Operating Expenses to Operating Income (BOPO), and Net Interest Margin (NIM). Meanwhile, the solvency ratios analyzed include the Capital Adequacy Ratio (CAR) and debt-to-equity ratio (DER). The research results show that the financial ratio analysis of PT. Bank Nagari, during the 2019-2023 period, complies with applicable regulations and does not experience significant obstacles—the economic performance of PT. Bank Nagari shows consistent stability and improvement during the analysis period, reflecting the bank's ability to maintain its liquidity, profitability and solvency.

Keyword: Financial Ratio Analysis, Financial Performance, PT Bank Nagari

1. INTRODUCTION

Banking plays a vital role in the modern economy, especially in supporting economic development through the provision of credit and other financial services. Banks function as intermediary institutions that connect parties who need funds with parties who have surplus funds (Berger & Bouwman, 2017). In this context, assessing a bank's financial performance is crucial to ensure its operational stability and efficiency. Even though a lot of research has been conducted to evaluate bank financial performance, there still needs to be a research gap, especially those that focus on regional banks such as PT Bank Nagari in Indonesia. Ratio analysis was used in this research.

PT. Bank Nagari, also known as the Regional Development Bank (BPD) of West Sumatra, is one of the regional banks that plays a vital role in economic development in the West Sumatra region. This bank was founded with the aim of assisting local governments in managing finances and improving community welfare through various banking products and services. Over the years, PT. Bank Nagari has developed into a credible and trusted financial institution in its region, offering different services ranging from savings and credit to digital banking services. In recent years, PT. Bank Nagari has experienced various challenges, including regulatory changes and fluctuating global economic conditions. These multiple things can influence banking financial performance (García-Herrero, Gavilá, & Santabárbara, 2015; Lee & Hsieh, 2015).

Most previous research focused more on large and national banks, while in-depth studies on regional banks such as PT. Bank Nagari still need to be completed. This research aims to fill this gap by analyzing PT. Bank Nagari financial performance. Bank Nagari, during the 2019-2023 period, uses financial ratios. Financial ratio analysis is an effective tool for assessing a bank's economic health and its ability to meet short and long-term obligations (Petria, Capraru, & Ihnatov, 2015; Menicucci & Paolucci, 2016). The financial ratios used in this research include liquidity, profitability and solvency ratios.

Liquidity ratios, such as the Quick Ratio, Loan to Asset Ratio (LAR), and Loan Deposit Ratio (LDR), measure a bank's ability to meet its short-term obligations. The Quick Ratio shows how quickly current assets can be converted into cash to pay short-term liabilities (Kosmidou, 2018; Almazari, 2015). LAR assesses liquidity and the efficiency of using bank assets in providing loans. LDR, on the other hand, measures how much funds are disbursed as credit compared to the total deposits received by the bank (Sufian & Chong, 2016; Javaid & Allawi, 2018).

Profitability ratios, such as Return on Assets (ROA), Return on Equity (ROE), Operating Expenses-to-Operating Income Ratio (BOPO), and Net Interest Margin (NIM), are used to measure a bank's effectiveness in generating profits from the assets it owns. ROA measures the profit generated per unit of assets, while ROE measures the profit generated per unit of equity (Berger & Bouwman, 2017; Trujillo-Ponce, 2015). BOPO measures a bank's efficiency by comparing total operating expenses to total operating income. NIM shows the difference between interest income earned and interest costs paid, which reflects management efficiency in managing net interest income (Dietrich & Wanzenried, 2020).

Solvency ratios, such as the Capital Adequacy Ratio (CAR) and Debt to Equity Ratio (DER), are used to measure a bank's ability to fulfill its long-term obligations and maintain financial stability. CAR shows the level of bank capital adequacy to cover the risk of possible losses (Athanasoglou et al., 2016). DER, on the other hand, measures how much bank funding comes from debt compared to equity (Lee & Hsieh, 2015; Dietrich & Wanzenried, 2015).

The problem formulation in this research is how the financial performance of PT Bank Nagari during the 2019-2023 period is measured using liquidity, profitability and solvency ratios. The aim of this research is to measure and analyze the financial performance of PT Bank Nagari using financial report data taken from a predetermined period. This research also aims to evaluate whether the financial performance of PT Bank Nagari during this period complies with applicable standards and regulations.

The primary motivation for this research is to provide a more comprehensive picture of PT Bank Nagari financial performance. This analysis is expected to help bank management make better strategic decisions and provide references for academics and financial practitioners regarding the application of financial ratio analysis in evaluating bank performance (Dietrich & Wanzenried, 2020; García-Herrero, Gavilá, & Santabárbara, 2015). In addition, this research aims to assess whether the financial performance of PT. Bank Nagari, during this period, complies with applicable standards and regulations.

This research is different from previous research because it does not only evaluate the financial performance of PT. Bank Nagari also compares it with applicable regulations to ensure compliance and effectiveness. The results of this research indicate that PT. Bank Nagari has succeeded in maintaining stable performance in accordance with relevant laws, in contrast to several previous studies which showed instability in financial performance at other banks during the same period (Ramadan, Kilani, & Kaddumi, 2015; Gul, Irshad, & Zaman, 2015. Thus, this research provides a new contribution to the literature regarding bank financial performance analysis, especially in Indonesia.

1.1. Liquidity Ratio

Liquidity ratios are essential tools in financial analysis to assess a company's ability to meet its short-term obligations. This ratio shows how quickly current assets can be converted into cash to pay short-term debt when it falls due. Several liquidity ratios are commonly used, including the Quick Ratio, Loan to Asset Ratio, and Loan to Deposit Ratio.

a. *Quick Ratio*

Quick Ratio or Quick Ratio is a ratio that measures a company's ability to meet its short-term obligations using the most liquid current assets. According to Kasmir (2013), the Quick Ratio describes the comparison between the most liquid current assets (such as cash and cash equivalents) and current liabilities. The Quick Ratio formula is:

$$\boxed{QR = \frac{\text{Cash + Placements with BI + Placements with Other Banks}}{\text{Total Deposits}} \times 100\%}$$

Table 1
The Criteria of Quick Ratio

Description	Criteria
Very Healthy	≤ 10%
Healthy	10% ≤ 15%
Moderately Healthy	15% ≤ 25%
Less Healthy	25% ≤ 50%
Unhealthy	> 50%

b. *Loan to Asset Ratio*

The Loan-to-Asset Ratio (LAR) measures the bank's ability to fulfill credit requests using the total assets owned. This ratio shows how large the loan provided by the bank is compared to the total assets owned. According to Rahardjo (2007), LAR is a ratio that shows the company's ability to meet short-term obligations. The LAR formula is the criteria for the Quick Ratio.

$$\boxed{\mathrm{LAR} = \frac{\text{Total Loans}}{\text{Total Assets}} \times 100\%}$$

Table 2
The Criteria of Loan to Asset Ratio

Description	Criteria
Very Healthy	LAR ≤ 75%
Healthy	75% < LAR ≤ 85%
Moderately Healthy	85% < LAR ≤ 100%
Less Healthy	100% < LAR ≤ 120%
Unhealthy	LAR > 120%

c. *Loan to Deposit Ratio*

Loan Deposit Ratio (LDR) is the ratio between the total credit provided by the bank and the funds received from the public. LDR measures the bank's ability to repay withdrawals made by depositors relying on the credit provided. According to Kasmir (2013), this ratio is used to assess bank liquidity. The LDR formula is:

$$\boxed{\mathrm{LDR} = \frac{\text{Loans Provided}}{\text{Total Deposits}} \times 100\%}$$

Table 3
The Criteria of Loan to Deposit Ratio

Description	Criteria
Very Healthy	50% < LDR ≤ 75%
Healthy	75% < LDR ≤ 85%
Moderately Healthy	85% < LDR ≤ 100%
Less Healthy	100% < LDR ≤ 120%
Unhealthy	LDR > 120%

1.2. Profitability Ratio

Profitability ratios are ratios used to measure a company's ability to generate profits compared to specific sales, assets or equity during a particular period. This ratio is essential for assessing how effectively a company manages its assets to generate profits.

a. *Return on Assets (ROA)*

Return on Assets (ROA) is a ratio that measures a company's ability to generate net profits from the assets it owns. ROA shows the company's efficiency in using its assets to generate profits. According to Kasmir (2013), the ROA formula is as follows:

$$\boxed{\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%}$$

Table 4
The Criteria of Return on Assets (ROA)

Description	Criteria
Very Healthy	≥ 2%
Healthy	1.5% - 1.99%
Moderately Healthy	1% - 1.49%
Less Healthy	0.5% - 0.99%
Unhealthy	< 0.5%

b. *Return on Equity (ROE)*

Return on Equity (ROE) is a ratio that measures a company's ability to generate net profits from the equity it owns. ROE shows how effectively a company uses capital from shareholders to generate profits. According to Rahardjo (2007), the ROE formula is as follows:

$$\boxed{\text{ROE} = \frac{\text{Net Income}}{\text{Total Equity}} \times 100\%}$$

Table 5
The Criteria of Return on Equity (ROE)

Description	Criteria
Very Healthy	≥ 15%
Healthy	10% - 14.99%
Moderately Healthy	5% - 9.99%
Less Healthy	1% - 4.99%
Unhealthy	< 1%

c. *Net Interest Margin (NIM)*

Net Interest Margin (NIM) is a ratio that measures the difference between interest income earned and interest costs paid. NIM shows the bank's efficiency in managing its net interest income. According to Fahmi (2011), the NIM formula is as follows:

$$\boxed{\text{NIM} = \frac{\text{Net Interest Income}}{\text{Earning Assets}} \times 100\%}$$

Table 6
The Criteria of Net Interest Margin (NIM)

Description	Criteria
Very Healthy	≥ 3%
Healthy	2.5% - 2.99%
Moderately Healthy	2% - 2.49%
Less Healthy	1.5% - 1.99%
Unhealthy	< 1.5%

d. *Operating Expenses to Operating Income (BOPO)*

BOPO is a ratio that measures the operational efficiency of a bank by comparing total operational expenses to total operating income. This ratio assesses how efficient bank management is in controlling operational costs relative to the revenue generated. According to Kasmir (2013), the BOPO formula is as follows:

$$\boxed{\text{BOPO} = \frac{\text{Total Operating Expenses}}{\text{Total Operating Income}} \times 100\%}$$

Table 7
The Criteria of Operating Expenses to Operating Income

Description	Criteria
Very Healthy	< 70%
Healthy	70% - 80%
Moderately Healthy	80% - 90%
Less Healthy	90% - 100%
Unhealthy	> 100%

1.3. Solvency Ratio

The solvency ratio measures a company's ability to fulfill its long-term obligations. It shows how much of the company's assets are financed by debt and how much of its own capital is used to fund these assets. Several commonly used solvency ratios include the Capital Adequacy Ratio (CAR) and the debt-to-equity ratio (DER).

a. *Capital Adequacy Ratio (CAR)*

Capital Adequacy Ratio (CAR) is a ratio used to measure the adequacy of bank capital to cover the risk of losses that may occur. CAR shows how much bank capital is relative to risk-weighted assets (RWA). According to Kasmir (2013), the CAR formula is as follows:

$$\boxed{\mathrm{CAR} = \frac{\text{Capital}}{\text{Risk-Weighted Assets (RWA)}} \times 100\%}$$

Table 8
The Criteria of Capital Adequacy Ratio (CAR)

Description	Criteria
Very Healthy	≥ 12%
Healthy	8% - 11.99%
Moderately Healthy	6% - 7.99%
Less Healthy	4% - 5.99%
Unhealthy	< 4%

b. *Debt to Equity Ratio (DER)*

Debt to Equity Ratio (DER) is a ratio used to measure how much a company is funded by debt compared to its capital. DER shows the proportion between the total debt and total equity of the company. According to Rahardjo (2007), the DER formula is as follows:

$$\boxed{\mathrm{DER} = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%}$$

Table 9
The Criteria of Debt to Equity Ratio (DER)

Description	Criteria
Very Healthy	≤ 100%
Healthy	100% - 150%
Moderately Healthy	150% - 200%
Less Healthy	200% - 300%
Unhealthy	> 300%

2. METHOD

This research was conducted to analyze PT. Bank Nagari financial performance. Bank Nagari, during the 2019-2023 period, uses financial ratios. The research design used is a quantitative method with a descriptive approach. The data used in this research is secondary data obtained from financial reports and annual reports of PT. Bank Nagari for the 2019-2023 period, including financial position reports, income statement reports, notes to financial reports, and information in annual reports. This five-year research period allows for a more comprehensive and in-depth analysis of the bank's financial performance. The data that has been collected is then analyzed using financial ratios, which include liquidity, profitability, and solvency ratios. The financial ratios used in this research are Quick Ratio, loan-to-deposit ratio (LDR), Loan to Asset Ratio (LAR), Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), Operating Expenses to Operating Income (BOPO), Capital Adequacy Ratio (CAR), and debt-to-equity ratio (DER). The research model used is the financial ratio analysis model. This model was chosen because it is relevant and appropriate for measuring bank financial performance. Financial ratio analysis is an effective tool for assessing a bank's financial health and ability to meet short and long-term obligations.

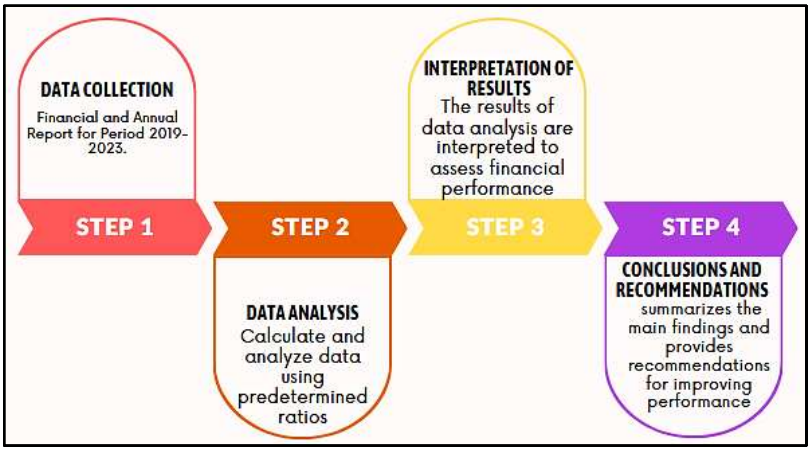
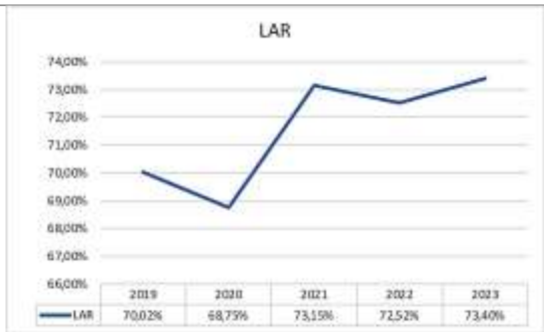
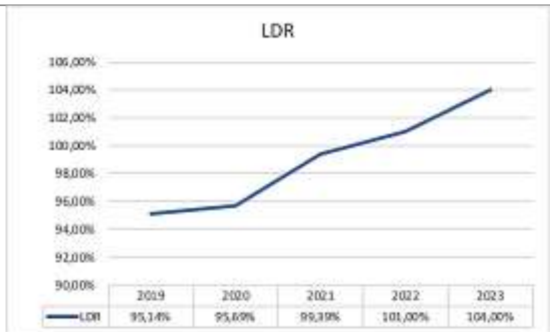
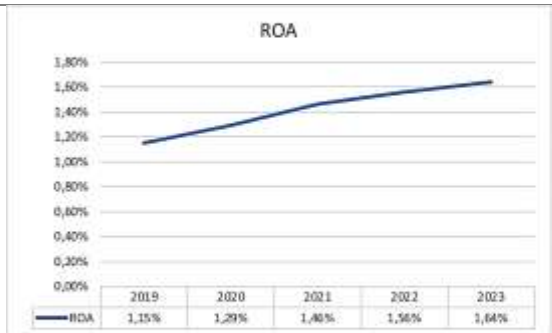


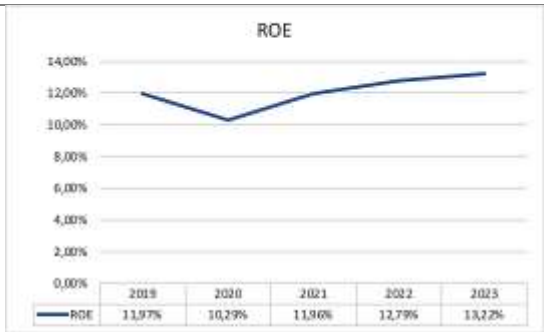
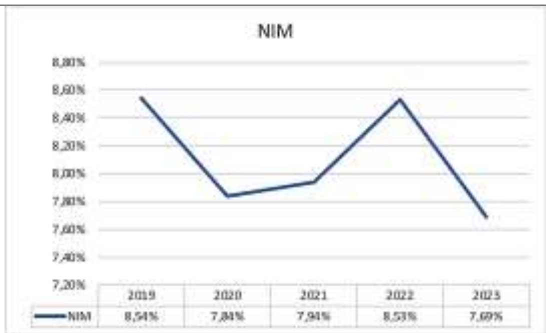
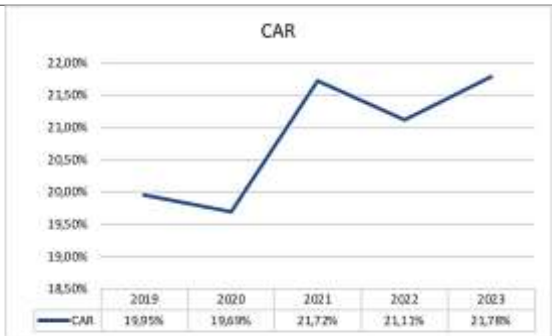
Figure 1. Stages of the Research Process

3. RESULTS AND DISCUSSION

This research aims to look at the financial performance of Bank Nagari for the 2019-2023 period. The ratios below were found from the data processing we carried out.

Table 9
The Financial Ratio of PT. Bank Nagari 2019-2023 Period

Ratio	2019	2020	2021	2022	2023	Chart
Liquidity Ratio						
QR	9.39%	9.38%	13.60%	11.74%	14.45%	
LAR	70.02%	68.75%	73.15%	72.52%	73.40%	
LDR	95.14%	95.69%	99.39%	101%	104%	
Profitability Ratio						
ROA	1.15%	1.29%	1.46%	1.56%	1.64%	

ROE	11.97%	10.29%	11.96%	12.79%	13.22%	
BOPO	82.69%	84.30%	81.93%	81.43%	79.07%	
NIM	8.54%	7.84%	7.94%	8.53%	7.69%	
Solvency Ratio						
CAR	19.95%	19.69%	21.72%	21.11%	21.78%	
DER	624.6%	629.3%	648.0%	636.2%	615.4%	

3.1. Liquidity Ratio.

In assessing the liquidity of PT. Bank Nagari, this research uses the Quick Ratio, Loan to Deposit Ratio (LDR), and Loan to Asset Ratio (LAR). From table 9 above, it can be seen that the Quick Ratio at PT. Bank Nagari in 2019-2023 experienced fluctuations. In 2021, there was an increase in the Quick Ratio value from the previous year, where the Quick Ratio value in 2021 reached 13.60%. However, in 2022, this value decreases to 11.74% and then rises again 2023 to 14.45%. These fluctuations indicate changes in PT Bank Nagari capabilities to fulfill its short-term obligations. According to the bank liquidity health criteria table, a healthy Quick Ratio value is in the range of 10% to 15%. Thus, in 2021 and 2023, PT. Bank Nagari is in the "Healthy" category, while in 2022, the Quick Ratio decreases but remains in the same category. An increase in the Quick Ratio in 2021-2023 indicates an increase in liquid assets to cover short-term liabilities. However, a high value can also suggest less effective use of liquid assets. This was caused by a significant increase in current assets and a significant increase in current liabilities.

In 2019 and 2020, PT. Bank Nagari is very good at utilizing its assets. Loan to Asset Ratio (LAR) also experienced fluctuations during the 2019-2023. In 2021, the LAR value increased significantly from 68.75% to 73.15%, indicating improvements in revenue management. However, in 2020, the LAR value reached its lowest point due to the impact of the COVID-19 pandemic, which disrupted the Indonesian economy. Apart from that, PT Bank Nagari Loan to Deposit Ratio (LDR) value tends to experience an increase during the 2019-2023 period, indicating a decline in the company's performance in meeting its short-term obligations. The high LDR value is caused by bank illiquidity and spontaneous withdrawals by customers. According to bank liquidity health criteria, a healthy LDR value is 75% to 85%. An increase in LDR above this limit indicates that PT. Bank Nagari needs to improve at meeting its short-term obligations. PT. Bank Nagari has planned to reduce the LDR value that exceeds the limit set by Bank Indonesia by maximizing the collection of funds from savings and current accounts.

According to Bank Indonesia Regulation No. 18/14/PBI/2016, the Loan Deposit Ratio (LDR) is healthy at 75% to 85% (Bank Indonesia, 2016). If LDR PT. Bank Nagari exceeds this range, the bank faces challenges in meeting its short-term obligations. A high LDR indicates poor bank liquidity in the short term. Compared with the Indonesian banking industry, the average LDR for conventional banks in Indonesia at the beginning of 2024 was reported to be 84.05% (S&P Global, 2024). This value is slightly above the healthy limit set by Bank Indonesia.

This shows that many banks in Indonesia experience liquidity challenges similar to those of PT. Nagari Bank.

3.2. Profitability Ratio.

In assessing the profitability of PT. Bank Nagari, this research uses the ratios of Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and Operating Expenses to Operating Income (BOPO). From table 9 above, it can be seen that in 2019-2023, ROA at PT. Bank Nagari tends to experience an increase. In 2019, the ROA value of PT. Bank Nagari is 1.15%; in 2023, it will increase to 1.64%. This means the ROA value increased by 0.49% over the last five years. This increase in ROA was caused by credit growth, which was balanced by maintaining quality, especially in 2022 and 2023, where the assets of PT. Bank Nagari rose by 7.54% and 4.16%, with a decrease in the non-performing loan ratio. This shows that PT. Bank Nagari can utilize its assets well to generate profits; The higher the ROA value, the better the bank's profitability. Based on the bank health table, an ROA value above 1.5% is categorized as "Healthy," indicating that PT. Bank Nagari was in a suitable category during this period.

ROE at PT. Bank Nagari in 2019-2023 tends to experience an increase. In 2020, ROE PT. Bank Nagari experienced a decline of around 2% from 2019 due to the COVID-19 pandemic, which affected the growth of the banking economy in Indonesia. However, in 2021-2023, PT. Bank Nagari can re-manage its capital to obtain higher profits, with profits increasing by 1% in 2022 and 2023. This shows that the bank's capital management is improving to generate shareholders' profits. According to the bank health table, an ROE value above 10% is categorized as "Healthy," so PT. Bank Nagari performs well in managing its equity.

BOPO at PT. Bank Nagari in 2019-2023 experienced fluctuations. In 2020, BOPO PT. Bank Nagari experienced an increase in value of around 2% from 2019 due to the COVID-19 pandemic, which affected the community's economic cycle, especially in the banking sector—however, operational costs at PT. Bank Nagari is gradually experiencing a decline. In 2023, the BOPO value will decrease to 79.07%, which shows that the smaller the BOPO value, the better the bank is at carrying out its operational activities. Based on the bank health table, BOPO values below 80% are categorized as "Healthy," so PT. Bank Nagari shows good operational efficiency.

NIM at PT. Bank Nagari in 2019-2023 also experienced fluctuations. NIM experienced a decline in 2020 and 2021 by approximately 1%. In 2019, the NIM value was 8.54%; in 2023, it decreased to 7.69% from the previous 8.53% in 2022. This decrease in the NIM value occurred due to pressure on high benchmark interest rates. Interest rates are expected to remain high until the end of 2024, with the Federal Reserve System (United States Central Bank) stating that it is unlikely that interest rate cuts will be made shortly. The decline in NIM shows that banking management needs to be more robust to manage its productive assets to obtain net interest income. According to the bank's health table, a NIM value above 3% is categorized as "Healthy," so despite a decline, PT. Bank Nagari is still in the excellent category.

Overall, the profitability analysis of PT. Bank Nagari shows that the company experienced fluctuations in its ability to generate profits during 2019-2023. Even though there are external challenges, such as the COVID-19 pandemic, which has significantly impacted the company's financial performance, PT. Bank Nagari increased ROA and ROE during this period. However, the decline in NIM shows the need for better management of productive assets. Therefore, PT. Bank Nagari needs to continue to monitor and adjust its profitability strategy to ensure the sustainability and stability of its operations. Optimizing capital management and controlling operational costs can help companies achieve better profitability.

According to the OJK, ROA above 1.5%, ROE above 10%, NIM above 3%, and BOPO below 80% are indicators of healthy bank performance (Otoritas Jasa Keuangan, 2017). In comparison with the Indonesian banking industry as a whole, the average ROA in Indonesian banks tend to be around 1.5%-2%, the average ROE is around 12%-15%, and the average NIM is between 5% and 8%. % (Azmy, 2018; Effendi et al., 2017). Thus, PT. Bank Nagari has a competitive performance compared to the industry average.

3.3. Solvency Ratio.

Based on Table 9, in assessing the solvency of PT. Bank Nagari, this research uses the Capital Adequacy Ratio (CAR) and Debt to Equity Ratio (DER). From this table, it can be seen that the CAR value at PT. Bank Nagari in 2019-2023 is increasing every year. In 2021, the CAR value of PT. Bank Nagari achieved more than 20%, exceeding the set target. In 2020, the CAR value was 19.69%, indicating the bank's ability to overcome the risk of company losses. An increase in the CAR value shows the bank's ability to utilize capital to fund operational activities and provide sufficient funds to overcome losses caused by non-performing loans. Based on the bank health criteria table, a CAR value above 12% is categorized as "Very Healthy," which indicates that PT. Bank Nagari was in excellent condition during that period. A high CAR value also shows the bank's ability to bear the risk of any risky credit or productive assets. This reflects PT. Bank Nagari capabilities in bearing and covering the risk of operational losses on available equity. A high level of capital adequacy increases public confidence in bank performance so that the profits earned by the company also grow.

DER value at PT. Bank Nagari in 2019-2023 experienced fluctuations, but tended to be stable at around 630%. This value shows that PT. Bank Nagari is still safe in using capital to fulfill bank obligations. Based on the bank health criteria table, a low DER value indicates that the company can meet its obligations with the equity it has, even though the DER value of PT. Bank Nagari is high; this does not necessarily indicate a bad condition because the bank is still able to fulfill its obligations with the capital it has. Overall, the solvency analysis of PT. Bank Nagari shows that the company is in a healthy and stable condition during the 2019-2023 period. Every year, an increase in the CAR value indicates a good ability to overcome the risk of loss and utilize capital to fund bank operations. A stable DER value shows that PT. Bank Nagari can fulfill its obligations with the equity it has. Therefore, PT. Bank Nagari needs to continue to maintain and improve its capital management strategy to ensure the sustainability and stability of its operations in the future.

According to OJK, a healthy CAR value is above 12%, and a safe DER value is below ten times equity capital (Otoritas Jasa Keuangan, 2017). Compared with the Indonesian banking industry, the average CAR of banks in Indonesia is around 20% or higher, indicating that PT. Bank Nagari has a competitive and stable performance. Nagari's solvency ratio value was confirmed by Bank Indonesia and Financial Services Authority (OJK) regulations, which shows that the company was in excellent condition during that period.

4. CONCLUSION AND IMPLICATIONS

This study aims to analyze the financial performance of PT. Bank Nagari during the 2019-2023 period used various financial ratios: liquidity, profitability, and solvency. The results showed that PT. Bank Nagari maintained stability and improved economic performance during the analysis period. In the liquidity aspect, Quick Ratio, Loan-to-deposit ratio (LDR), and Loan-to-asset ratio (LAR) show fluctuations that reflect the ability of banks to fulfil their short-term obligations. Quick Ratio and LAR showed an increase that signifies the management of effective liquid assets, while high LDRs show the need for improvements in bank liquidity. In terms of profitability, return on assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and Operating Expenses to Operating Income (BOPO) show various results. ROA and ROE showed a consistent increase, signifying the ability of banks to utilize assets and equity to generate profits.

However, NIM has decreased due to high benchmark interest rate pressure, showing the need for better management of productive assets. In the aspect of solvency, Capital Adequacy Ratio (CAR) shows a significant increase, indicating the ability of banks to bear the risk of loss and provide sufficient funds for operations. The stable DER value shows that PT. Bank Nagari can fulfil its obligations with its equity. Overall, PT. Bank Nagari is healthy and stable during the 2019-2023 period, with consistent performance improvement in various financial aspects.

This research has several limitations. First, the data used only covers 2019-2023, so the result not reflect long-term conditions. Second, this research only uses secondary data from financial statements that may only partially reflect the actual condition of the bank. Third, this analysis also needs to consider the influence of external factors such as macroeconomic conditions and regulation changes. Therefore, subsequent research is advised to extend the analysis period to better understand the bank's financial performance in the long run. In addition, further research can also consider the use of primary data through interviews or surveys to get a broader perspective. More in-depth research on the effect of external factors, such as macroeconomic conditions and changes in regulation, on bank financial performance is also highly recommended.

The results of this study have several practical implications—first, the management of PT. Bank Nagari can use the results of this analysis to evaluate and improve its liquidity, profitability, and solvency management strategies. Second, this finding can also be a reference for regulators and policy makers in assessing the financial performance of regional banks in Indonesia. Third, academics and financial practitioners can use the results of this study as a reference for further research on bank financial performance analysis. Overall, this study contributed to the literature on the financial performance analysis of regional banks and offered valuable insight to various stakeholders in the banking industry.

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