

## Analysis of Financial Performance Using the Trend Approach

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**ABSTRACT:** The development of the profitability ratio achieved can show the projection of long-term profitability. This research will use trend analysis (least square method), where the trend line will describe the development of profitability. The data used are roa and roe 8 years (2010-2017). The results of this study indicate the performance of pt. The west kalimantan regional development bank, which is proxied by the roa and roe ratios for 2010-2017, tends to decline. And prediction or forecasting the performance of pt. The west kalimantan regional development bank in 2018-2021 shows a decrease in the profitability ratio both in terms of roa and roe.

**Keywords:** Financial Performance; Financial Statements; Trends.

### I. INTRODUCTION

Information about an entity's finances is indispensable for users or parties who need this information, both from external and internal parties. Financial information presented from the financial statements of an entity shows whether the entity is progressing or vice versa. So that the financial statements become because they can describe the condition of an entity, especially in banking. As collectors and distributors of society, information from the financial statements of a bank is of course important and at the same time the center of attention of interested parties on this information.

Apart from that, banks also have an important role in the economy, so that every country will continue to strive so that banks are always in a safe, healthy and stable condition. Banks have a role in current economic development. Banks as intermediary institutions play an important role in mobilizing public funds to be rotated as a major source of financing for the business world, both for investment and production, in order to encourage economic growth.

The role of the Bank as a payment system traffic service provider to accelerate economic activity. An efficient, safe and smooth payment system will have an impact on the running of the economy well. In addition, banks also function as a medium for accelerating monetary policy issued by the central bank which aims to maintain price stability and economic growth.

Seeing that the role of the Bank is quite large in the economic development of a country, it is important to see and assess the performance of a bank, especially banks owned by the state or region. The performance of an entity can be illustrated in its profitability ratio, so that the profitability ratio can be used as an assessment of the performance of an entity, because the profitability ratio can describe the level of the entity's ability to generate income or income that is reflected in company profits, the management as executor of an entity responsibility will take place. Research Veno and Syamsudin (2016) and Indrawati (2017) use Return On Equity as a measure of entity performance. In addition, the management has the responsibility, namely the responsibility to obtain funds to finance assets and the responsibility to use the assets owned by the company in order to earn income (Prastowo, 2002: 38).

However, profitability is one of the ratio analyzes that only compares several account values in the financial statements, this is a weakness in ratio analysis so that the analyzed data is not detailed on each account. The weakness of ratio analysis can be overcome through trend analysis of financial statements. Trend analysis is able to compare all the values in the financial statements according to what you want to compare. The advantage of trend analysis is that the analysis method is carried out by comparing financial reports for several years (periods), so that developments and trends can be seen, this analysis is able to compare the same items for different years or periods because this method moves from year to year (Prastowo and Julianty, 2005: 59). Meanwhile, ratio analysis only shows the relationship between one element and another in the financial statements. The relationship between the elements of the financial statements is expressed in simple mathematical form, or comparing accounts with each other in one period and multiplied by 100 percent (Jumingan, 2009: 118). Concluding from the two literatures above, the trend method will be used in this study.

According to Munawir (2010: 64), analyzing the relationship of a post in a financial report is the basis for being able to interpret the financial condition and results of operations of a company. By using comparable reports, including data on changes in rupiah amounts, percentages and trends, the analyzer considers that individual ratios will assist in analyzing and interpreting the financial position of a company.

According to Maryati (2010; 129), a trend is a movement (tendency) to go up or down in the long term, which is obtained from the average change over time. The rate of change can increase or decrease. If the rate of change increases, it is called a positive trend or the trend has an upward tendency. Conversely, if the average change decreases, it is called a negative trend or a trend that has a downward trend.

Trend is a prediction of a variable with time independent variables or the movement of a periodic series over several years and tends to go in a direction, where the direction can go up, horizontally, or down (Ibrahim, 2003). Forecasting has the meaning as an estimate or prediction of something that will happen in the future based on past events that are scientifically analyzed, especially using statistical methods. One of the statistical tools that can be used to estimate the state of a business in the future based on past data is a trend (Veno and Syamsudin, 2016).

This study aims to determine the trend of the financial performance of Bank Kalbar as a bank owned by the Regional Government of West Kalimantan. By looking at the development of the profitability ratio achieved by Bank Kalbar and to project in the long term using trend analysis (least square method), where the trend line will describe the development of profitability.

The demand for improved performance in an entity, especially in banking which has an important role in the development of the country's economy, encourages analysis of the development of financial performance in an entity because it can illustrate the entity's ability to earn profits or income for the entity, especially in entities owned by the entity. regional government. Based on this, this research wants to try to see how the trend of Bank Kalbar's financial performance? and predicting or estimating the ratio of Return On Asset (ROA) and Return On Equity (ROE) which will be obtained by Bank Kalbar for 2020 and 2021.

## II. METHODS

This research method is a descriptive method, by collecting data, compiling data, classifying data, and interpreting data so that the data collected can provide a clear picture of the condition of the company regarding the problem to be studied.

The type of data used in this study is secondary data. Data in the form of Bank Kalbar's financial ratios, the processed financial statements of Bank Kalbar for the 2010-2017 period that have been audited and then published. The ratios used are Return on Equity (ROE) and Return on Assets (ROA).

Purnomo (1998) states that stock prices are sensitive to changes in ROE. Profitability ratio is a ratio that describes the company's ability to generate profits by using the capital that is embedded in it. Return on Equity (ROE) profitability ratio. This ratio measures the company's ability to earn available profits by the company's shareholders. Return on Equity (ROE) is calculated using the formula (Prihadi, 2010: 160):

$$\text{Return on Equity (ROE)} = \text{net profit} / \text{own capital}$$

ROA is a ratio that measures how efficient a company is in managing its assets to generate profits during a period. ROA calculations can be calculated with the following formula (Prihadi, 2010; 152):

$$\text{Return on Assets (ROA)} = \text{Net profit after Tax} / \text{Total Assets (or average Total Assets)}$$

The data analysis technique in this study is a data analysis method that is related to formulas and numbers related to financial ratio analysis:

1. Calculating the financial ratios of Bank Kalbar regarding profitability ratios, especially ROA and ROE;
2. Creating a table of Bank Kalbar financial ratios;
3. Analyze the financial profitability ratios of Bank Kalbar using time series analysis; and
4. Conclude the results of the analysis method using time series analysis, namely the Least Square Method. The linear equation for time series analysis is ;

$$Y = a + bx$$

Information :

y = dependent variable (not independent) whose trend is sought.

x = independent variable (free) using time (usually in years).

a = constant value

b = coefficient indicating the average change in y for each one x change

Meanwhile, to find the constant values a and b, the equation can be used:

$$a = \sum y / n \quad \text{and} \quad b = \sum xy / \sum x^2$$

### III. RESULTS

The long-term financial performance of the company can be seen by the profitability achieved by the company. Profitability is the ability to generate profits (profit) during a certain period by using productive assets or capital, both capital as a whole and own capital (Van Horn and Wachowicz, 1997: 148-149).

Sartono (2001: 119) defines profitability as the company's ability to earn profits in relation to sales, total productive assets and own capital. This profitability ratio will provide an overview of the level of effectiveness of company management. The greater the profitability, the better, because the prosperity of the owner of the company increases with the greater the profitability.

The following is the financial development obtained by PT. West Kalimantan Regional Development Bank for the last 8 years.

**Table 1. Financial Development PT. West Kalimantan Regional Development Bank.**

Description	2010	2011	2012	2013	2014	2015	2016	2017
Total assets	5.868.875	7.126.170	8.394.579	9.640.826	11.215.933	13.035.213	14.006.975	16.575.747
Third-party funds	4.677.054	6.188.699	6.880.752	8.080.189	9.355.433	10.907.226	11.227.152	13.710.510
Credit Given	3.944.684	4.796.968	5.972.213	7.045.648	8.148.044	9.020.153	9.733.167	10.637.856
Paid in capital	239.823	307.301	388.441	471.581	624.793	743.054	811.194	961.694
Current year profit	168.745	173.899	216.089	245.669	262.602	289.520	307.704	338.212

Source: PT. West Kalimantan Regional Development Bank, 2018

The development of the financial performance of PT. The West Kalimantan Regional Development Bank from 2010 to 2017 shows an increase. It can be seen that the number of assets, funds from third parties, loans, paid-in capital and profit for the current year has increased for 8 consecutive years. This indicates that PT. West Kalimantan Regional Development Bank shows maximum performance achievements. However, if the above indicators are compared with one another, not all of them have a good proportion. This means that the magnitude of the increase in one indicator is not the same as the increase in other indicators. This can be seen from several financial ratios that show the development of the performance of PT. West Kalimantan Regional Development Bank obtained from its financial reports.

One of the bases for measuring the company's financial performance is by looking at the level of profitability, because business attractiveness can be used with profitability levels such as ROA, ROE and NPM, therefore the probability level becomes an important indicator in business competition. Van Horn and Wachowicz, (1997: 148-149), suggest that there are two types of profitability ratios, namely profitability related to sales (NPM ratio) and profitability related to investment (ROA and ROE).

**Table 2. Financial Ratio of PT. West Kalimantan Regional Development Bank (in percent).**

Financial Ratio	2010	2011	2012	2013	2014	2015	2016	2017
CAR	17,53	17,74	16,87	17,63	19,21	21,76	20,66	21,59
LDR	84,34	77,51	86,80	87,20	87,09	82,70	86,69	77,59
ROA	4,17	3,45	3,33	3,42	3,19	2,91	2,88	2,94
ROE	39,77	28,93	26,20	25,80	22,14	19,96	18,58	18,03
BOPO	70,23	76,97	71,33	70,12	71,77	73,20	72,80	71,84
NPL-Gross	0,13	0,15	0,17	0,35	0,48	0,56	0,70	1,16
NPL-Net	0,03	0,04	0,04	0,11	0,10	0,12	0,15	0,17

Source: PT. West Kalimantan Regional Development Bank, 2018

Table 2 shows part of the financial ratios that are owned shows the financial performance of PT. West Kalimantan Regional Development Bank. The tendency of the financial ratios shown in Table 2 shows that from 2010 to 2017 the values of these ratios have decreased. Although the current asset ratio has increased, other ratios tend to fluctuate and lead to a decline.

Financial ratios are very important for users of financial statements (equity investors and creditors), especially profitability ratios. Profitability ratio describes the company's ability to generate profits using the capital that is embedded in it. Profit is a determining factor for changes in the value of securities / securities. Measuring and forecasting earnings is an important job for equity investors. Meanwhile, creditors consider operating profit and cash flow to be a source of interest payments.

The process of determining how well business activities are carried out in achieving strategic objectives, eliminating waste, and presenting information in a sustainable and timely manner is an assessment of

profitability. So that for good strategy, what the company can do is one of them by estimating or forecasting the condition of the company in the future, in this study the profitability ratios used are ROA and ROE at Bank Kalbar for the future using historical data that has been used. happened in Bank Kalbar from 2010-2017 using the least square method to predict or forecast future profitability ratios.

Return on Assets (ROA) or the rate of return on assets is the ratio of profitability which shows the percentage of profit (net income) obtained by the company in relation to overall resources or the average number of assets. This ratio measures how efficient a company is in managing its assets to generate profits during a period. So the purpose of company assets is to generate income and of course also generate profits or profits for the company itself.

The ROA or Return on Assets ratio can help management and investors to see how well a company is able to convert its investment in assets into profit or profit. This rate of return on assets is considered a return on investment for a company because in general capital assets are often the largest investment for most companies. In other words, money or capital is invested into capital assets and the rate of return or returns is measured in terms of the profit or profit it receives.

Investors view the ROA or Return on Assets ratio as very important information for investors to make investment decisions. So that from the historical data on the company's ROA, investors can estimate or predict the ROA of a company in the future.

**Table 3. Data Return On Asset (ROA) PT. West Kalimantan Regional Development Bank.**

N	Year	X	ROA (Y)	X <sup>2</sup>	XY
1	2010	-7	4,17	49	-29,19
2	2011	-5	3,45	25	-17,25
3	2012	-3	3,33	9	-9,99
4	2013	-1	3,42	1	-3,42
5	2014	1	3,19	1	3,19
6	2015	3	2,91	9	8,73
7	2016	5	2,88	25	14,4
8	2017	7	2,94	49	20,58
<b>Jumlah</b>			<b>26,29</b>	<b>168</b>	<b>-12,95</b>

**Source: Processed Data, 2019**

Table 3 above provides information to form a trend line equation to predict ROA in 2020 and 2021, which is as follows:

$$a = \sum y / n \text{ and } b = \sum xy / \sum x^2$$

$$a = 26.29 / 8 \text{ } b = -12.95 / 168$$

$$a = 3.29 \text{ } b = -0.78$$

then the trend line equation is

$$Y = a + bX$$

$$Y = 3.29 - 0.78X$$

The trend line equation shows a negative slot, meaning that the ROA movement at PT. The West Kalimantan Regional Development Bank tends to experience a decline from year to year. From this equation, the ROA Financial Ratio in 2020 and 2021 can be predicted as follows:

$$Y = a + bX$$

$$Y = 3.29 - 0.78X$$

The value of X in 2020 is 13 then,

$$Y = 3.29 - 0.78 (13)$$

$$Y = 3.29 - 0.10$$

$$Y = 2.29$$

The value of X in 2021 is 15 then,

$$Y = 3.29 - 0.78 (15)$$

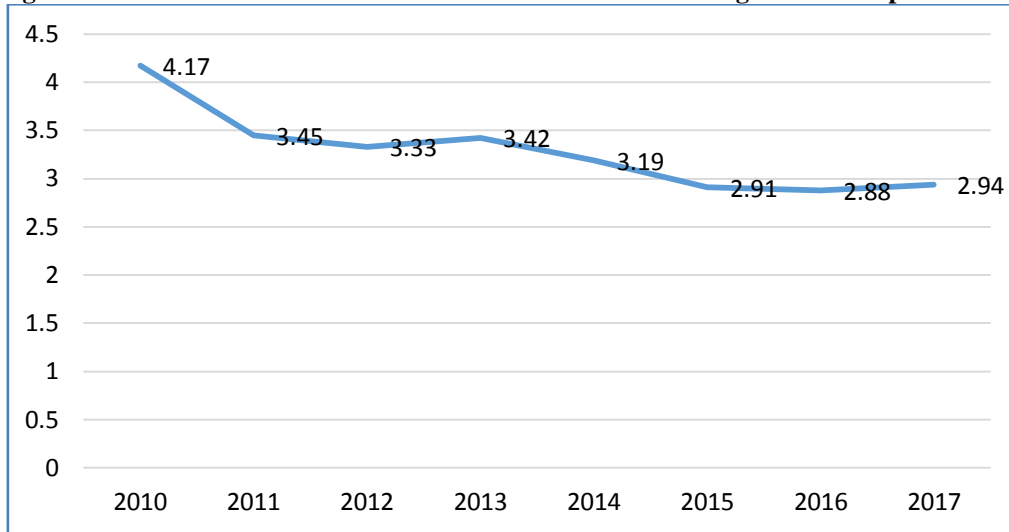
$$Y = 3.29 - 1.16$$

$$Y = 2.13$$

The trend line equation shows that the ROA of PT. West Kalimantan Regional Development Bank for 2020 and 2021 amounted to 2.29% and 2.13%, respectively. This indicates PT. The West Kalimantan Regional Development Bank is less effective in managing its assets to generate higher profits or profits. So that

PT. The West Kalimantan Regional Development Bank needs to make a better policy or statejik in asset management in order to determine maximum future profits.

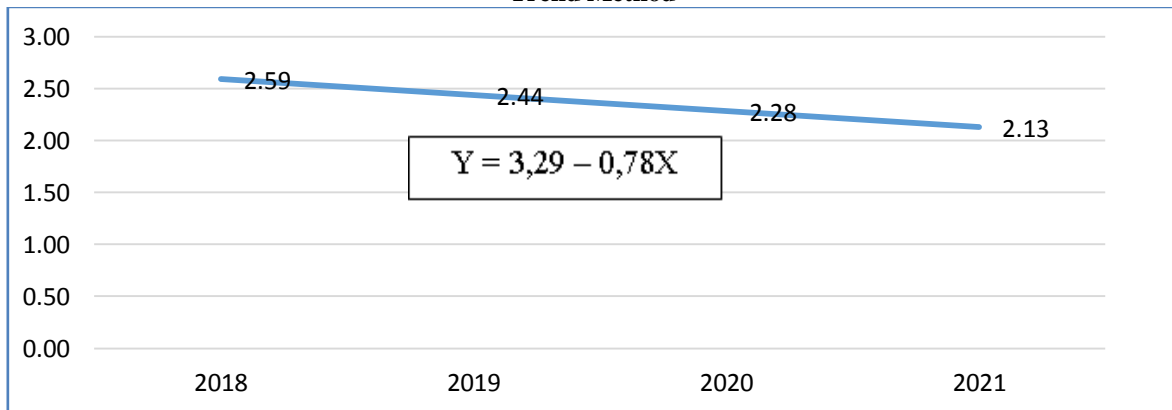
**Figure 1. The movement of the ROA of PT. West Kalimantan Regional Development Bank**



Source: PT. West Kalimantan Regional Development Bank, 2018

The movement of the ROA ratio of PT. The West Kalimantan Regional Development Bank shows a downward movement from year to year. The lowest ROA occurred in 2016 which shows the ability of assets to earn a profit or profit of only 2.88%, while the ROA figure for 2018-2021 is a predictive figure using the trend line equation. This downward movement indicates that PT. West Kalimantan Regional Development Bank needs to continue to improve the management and utilization of assets owned in order to increase profits or profits that can be obtained by the company.

**Figure 2. Predicted ROA of PT. West Kalimantan Regional Development Bank using the 2018-2021 Trend Method**



Source: Processed Data, 2019

Apart from ROA, another ratio that is important for users of corporate financial information is the ROE (Return on Equity Ratio) ratio. ROE is a profitability ratio that measures a company's ability to generate returns from shareholder investments in the company. In other words, this ROE shows how much profit a company can generate from every one dollar invested by shareholders. So that this ratio is important for investors, especially those who invest their funds in a company. Therefore, it is possible to predict the value of the ROE ratio for the future.

**Table 4. Data Return On Equity (ROE) PT. West Kalimantan Regional Development Bank.**

N	Year	X	ROE	X <sup>2</sup>	XY
1	2010	-7	39,77	49	-278,39
2	2011	-5	28,93	25	-144,65
3	2012	-3	26,2	9	-78,6
4	2013	-1	25,8	1	-25,8
5	2014	1	22,14	1	22,14
6	2015	3	19,96	9	59,88
7	2016	5	18,58	25	92,9
8	2017	7	18,03	49	126,21
<b>Jumlah</b>			<b>199,41</b>	<b>168</b>	<b>-226,31</b>

**Source: Processed Data, 2019**

Table 4 above provides information to form a trend line equation to predict ROE in 2020 and 2021, which is as follows:

$$a = \frac{\sum y}{n} \text{ and } b = \frac{\sum xy}{\sum x^2}$$

$$a = 199.41 / 8 \quad b = -226.31 / 168$$

$$a = 24.93 \quad b = -1.35$$

then the trend line equation is

$$Y = a + bX$$

$$Y = 24.93 - 1.35X$$

The trend line equation shows a negative slot, meaning that the ROE movement in PT. The West Kalimantan Regional Development Bank tends to experience a decline from year to year. From this equation, the ROE Financial Ratio in 2020 and 2021 can be predicted as follows:

$$Y = a + bX$$

$$Y = 24.93 - 1.35X$$

The value of X in 2020 is 13 then,

$$Y = 24.93 - 1.35 (13)$$

$$Y = 24.93 - 17.51$$

$$Y = 7,414$$

The value of X in 2021 is 15 then,

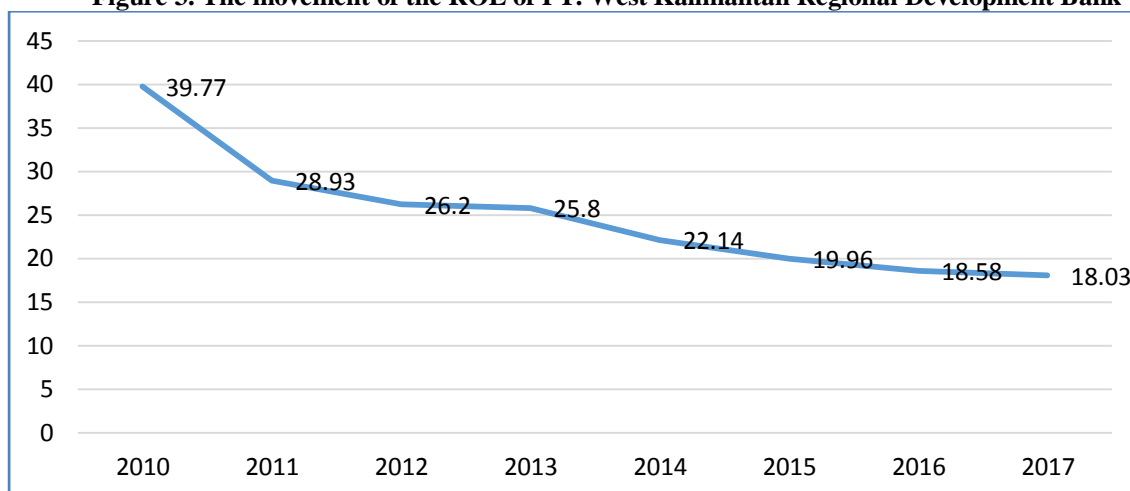
$$Y = 24.93 - 1.35 (15)$$

$$Y = 3.29 - 20.21$$

$$Y = 4.72$$

The trend line equation shows that the ROA of PT. West Kalimantan Regional Development Bank for 2020 and 2021 amounted to 7.414% and 4.72%, respectively. This indicates PT. The West Kalimantan Regional Development Bank is less efficient in using money from shareholders to generate profits and grow the company. This ratio is a ratio that is viewed based on the shareholder's point of view. So the shareholders' expectations of how much money can return to shareholders from the investment that has been made. Because the owner of the company in PT. The West Kalimantan Regional Development Bank is a district city government in the province of West Kalimantan, so surely the main goal of the company is how to be the growth and welfare of the region, namely West Kalimantan. So that ROE can be used to determine the development and ability of the company to maintain revenue trends that occur at PT. West Kalimantan Regional Development Bank.

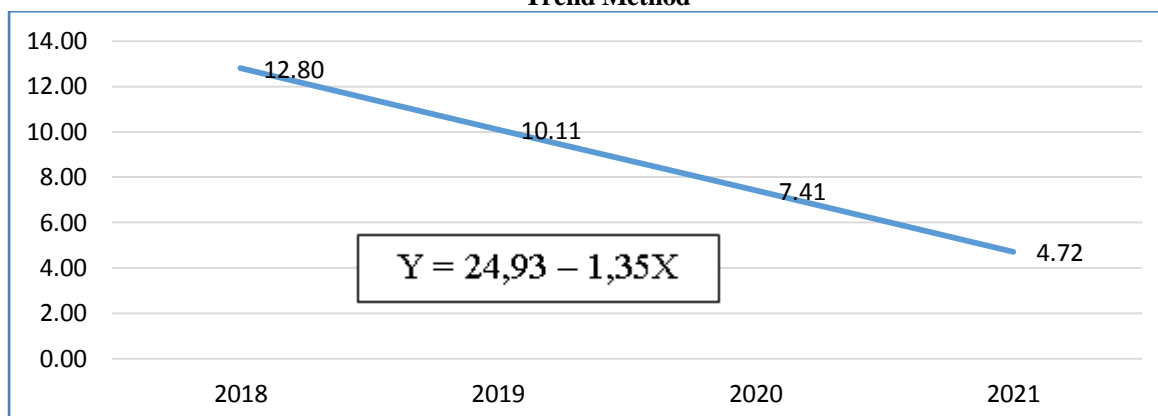
**Figure 3. The movement of the ROE of PT. West Kalimantan Regional Development Bank**



Source: PT. West Kalimantan Regional Development Bank, 2018

The movement of the ROE of PT. The West Kalimantan Regional Development Bank is the same as the ROA movement, which has decreased. ROE in 2014 was the largest decrease compared to the decline that occurred in the previous 4 years or 3 years after. This shows that in 2014 from the shareholder's point of view, PT. The West Kalimantan Regional Development Bank has been less effective in maintaining the trend of company-owned revenues.

**Figure 4. Prediction of ROE of PT. West Kalimantan Regional Development Bank with the 2018-2021 Trend Method**



Source: Processed Data, 2019

#### IV. CONCLUSION

The results of the study concluded that:

1. The performance of PT. The West Kalimantan Regional Development Bank, which is proxied by the ROA and ROE ratios for the years 2010-2017, tends to decline.
2. Predict or forecast the performance of PT. The West Kalimantan Regional Development Bank in 2018-2021 shows a decrease in the profitability ratio both in terms of ROA and ROE.
3. Profitability ratios that show a decline indicates the need for increased performance by PT. West Kalimantan Regional Development Bank to be more effective and efficient in asset management and utilization of equity held.

Suggestions that can be given from the results of this study are as follows:

1. The level of financial ratios of PT. West Kalimantan Regional Development Bank which tends to show a downward trend, this indicates the low level of public confidence in investing in PT. West Kalimantan Regional Development Bank, so a policy or strategy is needed to increase public trust.
2. PT. The West Kalimantan Regional Development Bank must pay more attention to the capital and assets owned so that it can be more optimal in generating company profits.

3. Further research is recommended to use the overall profitability ratio, not only the ROA and ROE ratios, so that the measurement of company performance is more comprehensive.

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