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AN INTEGRATED APPROACH TO FINANCIAL PERFORMANCE ANALYSIS IN THE INDONESIAN BANKING INDUSTRY USING ACCOUNTING-BASED MEASURES

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ABSTRACT
This study aims to analyze the financial performance of PT Bank Negara Indonesia (Persero) Tbk by applying Common Size Analysis, Du Pont Analysis, and the Weighted Average Cost of Capital (WACC) approach. The research is conducted to provide a comprehensive understanding of the bank's financial condition and efficiency in managing its assets, equity, and cost of capital. Financial statement data obtained from the company's published annual reports are used as secondary data. The analysis focuses on identifying structural changes in financial statements, evaluating profitability performance, and assessing the cost of capital as a basis for financial decision-making. The results show that Common Size Analysis helps reveal trends in asset allocation and funding structure, while Du Pont Analysis highlights the role of profitability, efficiency, and leverage in generating returns. Furthermore, WACC analysis provides insight into the bank's overall capital cost and financial sustainability. Overall, this study contributes to a clearer evaluation of banking financial performance and may serve as a reference for academics, practitioners, and investors in assessing financial health in the banking sector.
Keywords : *Financial Performance, Common Size Analysis, Du Pont Analysis, WACC, Banking*

INTRODUCTION

The banking industry occupies a central position in modern economic systems by performing the essential function of financial intermediation. Banks mobilize funds from surplus units and channel them to deficit units, thereby facilitating investment, supporting business activities, and promoting economic growth. In addition to their commercial role, banks are entrusted with maintaining public confidence and financial system stability. Consequently, the financial performance of banking institutions is a matter of strategic importance not only for management and shareholders but also for regulators, policymakers, and the wider economy.

In recent years, the banking sector has been operating in an increasingly complex and dynamic environment. Regulatory frameworks have become more stringent following global and regional financial crises, requiring banks to maintain adequate capital buffers, manage liquidity more conservatively, and strengthen risk management practices. At the same time, technological developments such as digital banking, financial technology innovations, and data-driven financial services have intensified competition and transformed traditional banking models. These changes have increased pressure on banks to improve efficiency, manage costs, and sustain profitability while complying with regulatory requirements.

The Indonesian banking industry reflects many of these global trends while also facing unique domestic challenges. As an emerging economy, Indonesia relies heavily on its banking sector to support economic development and financial inclusion, particularly through the financing of micro, small, and medium enterprises (MSMEs). Banks play a critical role in channeling credit to productive sectors, supporting entrepreneurship, and stabilizing the financial system. State-owned banks, in particular, are expected to balance commercial objectives with broader public policy mandates. This dual role increases the importance of robust and comprehensive financial performance evaluation.

Financial performance analysis is commonly conducted using financial ratios such as return on assets (ROA), return on equity (ROE), liquidity ratios, and capital adequacy measures. While these indicators remain widely used and provide valuable insights, they often offer a fragmented view of performance. Traditional ratio analysis tends to focus on outcomes rather than the underlying structural and operational factors that drive those outcomes. For example, a high ROE may signal strong profitability, but it may also result from high financial leverage, which could increase financial risk. Similarly, favorable liquidity ratios do not necessarily indicate efficient asset utilization or sustainable income generation.

Recognizing these limitations, contemporary financial analysis emphasizes the need for integrated approaches that link multiple dimensions of performance. An integrated framework enables analysts to understand how asset structure, operational efficiency, financing decisions, and capital costs interact to shape overall financial performance. In the banking context, such an approach is particularly relevant because balance sheet management, funding strategies, and regulatory constraints are closely intertwined.

Three analytical tools are particularly useful in supporting an integrated assessment of banking performance: Common Size Analysis, Du Pont Analysis, and the Weighted Average Cost of Capital (WACC). Common Size Analysis facilitates structural evaluation by expressing financial statement items as percentages of total assets or total liabilities and equity. This method allows for meaningful comparison across periods and highlights shifts in asset allocation and funding composition that may not be evident from absolute figures alone. In banking institutions, Common Size Analysis is valuable for examining the relative importance of productive assets, liquidity buffers, and capital components.

Du Pont Analysis extends traditional profitability analysis by decomposing return on equity into its core drivers: profit margin, asset turnover, and financial leverage. This framework provides deeper insight into how operational efficiency and asset utilization contribute to profitability, as well as how financing decisions influence shareholder returns. In the banking sector, where leverage is inherently high due to the nature of intermediation, Du Pont Analysis is particularly useful for distinguishing between profitability generated through efficient operations and profitability driven by leverage.

In addition to structural and profitability analysis, capital cost considerations play a crucial role in evaluating financial performance. The Weighted Average Cost of Capital represents the average return required by providers of debt and equity capital. For banks, maintaining a stable and manageable cost of capital is essential for supporting growth, meeting regulatory capital requirements, and managing risk. A competitive WACC enhances a bank's ability to undertake investment opportunities and absorb economic shocks, thereby contributing to long-term financial sustainability.

Despite the recognized importance of these analytical tools, many empirical studies on banking performance apply them in isolation. Research often focuses on ratio analysis or profitability indicators without explicitly linking them to financial structure or capital costs. This fragmented approach may limit the depth of analysis and obscure the interrelationships among key performance drivers. There remains a need for studies that integrate structural, profitability, and capital cost perspectives within a single analytical framework, particularly in emerging market contexts where banking systems face distinct regulatory and economic conditions.

PT Bank Negara Indonesia (Persero) Tbk represents a relevant case for examining banking financial performance through an integrated analytical approach. As one of Indonesia's major state-owned banks, BNI plays a significant role in supporting national economic development, international trade, and corporate financing, while also serving retail and MSME segments. The bank's scale, strategic importance, and publicly available audited financial statements make it an appropriate object of analysis for assessing financial performance in the Indonesian banking industry.

This study aims to analyze the financial performance of PT Bank Negara Indonesia (Persero) Tbk by integrating Common Size Analysis, Du Pont Analysis, and the Weighted Average Cost of Capital. The study focuses on how the bank's asset structure, operational efficiency, leverage, and capital costs interact to influence overall financial performance. Specifically, the objectives of this research are threefold: first, to examine the structural composition of the bank's financial statements using Common Size Analysis; second, to evaluate the drivers of profitability through Du Pont Analysis; and third, to assess the efficiency of the bank's capital structure using WACC.

The novelty of this study lies in its integrated analytical approach. Rather than relying on a single performance indicator or analytical method, this research synthesizes multiple complementary tools to provide a holistic evaluation of banking financial performance. By applying this framework to a major Indonesian state-owned bank, the study contributes empirical evidence to the literature on banking performance in emerging markets. Furthermore, the findings are expected to offer practical insights for bank management in formulating strategies related to asset allocation, funding, and capital management, as well as for regulators and investors concerned with financial stability and performance assessment.

Overall, this study addresses the need for comprehensive financial performance evaluation in the banking sector by applying an integrated analytical framework to a strategically important institution. The results are expected to enhance understanding of the mechanisms through which financial structure, profitability drivers, and capital costs jointly shape banking performance in a regulated and competitive environment.

LITERATURE REVIEW

A literature review serves as the theoretical foundation of an academic study by revisiting and evaluating prior research related to a specific topic. Its primary purpose is not merely to summarize existing studies, but to establish a clear background that justifies the objectives and direction of the current research. By reviewing previous findings, researchers are able to understand how a topic has evolved, identify dominant perspectives, and recognize unresolved issues that require further investigation (Leedy & Ormrod, 2005).

In the context of financial performance analysis, previous studies have widely applied various analytical tools to assess organizational efficiency, profitability, and financial sustainability. Common Size Analysis has been frequently used to examine the structure of financial statements by converting figures into percentages, allowing comparisons across periods and institutions. Meanwhile, Du Pont Analysis has been recognized as a comprehensive framework for explaining return on equity through the interaction of profitability, asset efficiency, and financial leverage. In addition, the Weighted Average Cost of Capital (WACC) is commonly employed to evaluate a firm's overall cost of financing and to support investment and strategic decisions. Although these methods are well established, prior studies often apply them separately, which may limit the depth of performance evaluation.

A strong literature review requires synthesis rather than simple aggregation of sources. This involves comparing findings across studies, highlighting similarities and differences, and critically assessing the assumptions and limitations of existing approaches. Researchers are encouraged to question whether previous conclusions are universally applicable or context-specific, particularly in the banking sector where regulatory frameworks and market conditions vary significantly. Critical evaluation also helps identify inconsistencies or gaps that can motivate further research (Perry et al., 2003).

Based on the reviewed literature, this study integrates Common Size Analysis, Du Pont Analysis, and WACC to provide a more holistic assessment of banking financial performance. By combining these approaches, the research seeks to address gaps in earlier studies and contribute a more comprehensive perspective to financial performance evaluation in the banking industry.

METHODOLOGY

This study adopts a descriptive quantitative research design to evaluate the financial performance of a banking institution. The selected approach is considered appropriate because it allows a systematic examination of financial data and supports objective performance assessment based on established financial analysis methods.

A. Sampling and Unit of Analysis

The target population of this research is the banking sector, with PT Bank Negara Indonesia (Persero) Tbk selected as the unit of analysis. A purposive sampling technique is applied, as the bank is a state-owned financial institution with publicly available and audited financial statements. The research context focuses on the analysis of the bank's financial performance over a specified reporting period. Since the study relies on corporate financial data, no individual respondents are involved.

B. Data Collection

The study utilizes secondary data obtained from the published annual financial reports of PT Bank Negara Indonesia (Persero) Tbk. These reports are accessed through official and publicly available sources, ensuring data reliability and consistency. The collected data include balance sheets, income statements, and other relevant financial information required for performance evaluation.

C. Measurement and Data Analysis

Financial performance is measured using Common Size Analysis, Du Pont Analysis, and the Weighted Average Cost of Capital (WACC). Common Size Analysis is employed to examine changes in the composition of financial statements, while Du Pont Analysis is used to evaluate profitability by decomposing return on equity into its key components. WACC is calculated to assess the overall cost of capital. The combined use of these methods enhances the validity of the analysis and allows the findings to be replicated by future researchers.

RESULTS

This section presents an in-depth analysis of the financial performance of PT Bank Negara Indonesia (Persero) Tbk based on the application of Common Size Analysis, Du Pont Analysis, and the Weighted Average Cost of Capital (WACC). The results are discussed descriptively to highlight structural patterns, profitability dynamics, and capital efficiency over the observation period. By employing multiple analytical approaches, this study provides a comprehensive and integrated evaluation of banking financial performance.

A. Results of Common Size Analysis

The Common Size Analysis reveals that PT Bank Negara Indonesia (Persero) Tbk maintains an asset structure that is predominantly composed of productive assets. Loans and other earning assets represent the largest proportion of total assets, indicating that the bank remains strongly focused on its intermediation function. This structure reflects a strategic emphasis on income-generating activities, which is essential for sustaining profitability in the banking sector. The relatively stable proportion of productive assets across periods suggests consistency in asset management policies and a controlled approach to business expansion.

Although minor fluctuations are observed in certain asset components, these variations appear to reflect tactical adjustments rather than fundamental shifts in strategy. Liquid assets, such as cash and placements with other financial institutions, continue to play an important supporting role. Their presence indicates prudent liquidity management, enabling the bank to meet short-term obligations and regulatory liquidity requirements without compromising its core lending activities.

From the liability perspective, the analysis shows that third-party funds remain the primary source of financing. Customer deposits account for the largest share of total liabilities, highlighting the bank's strong depositor base and its ability to mobilize public funds efficiently. This funding structure is advantageous because deposits generally represent a relatively low-cost and stable source of funds compared to market-based financing. The dominance of deposit funding suggests that the bank benefits from sustained public trust, which is a critical factor in maintaining operational stability.

Equity constitutes a stable portion of the bank's capital structure. The consistency of equity relative to total assets indicates prudent capital management and adherence to regulatory capital adequacy standards. A stable equity base enhances the bank's capacity to absorb potential losses and supports sustainable asset growth. Overall, the Common Size Analysis indicates that the bank maintains a balanced financial structure that supports both operational efficiency and financial resilience.

B. Results of Du Pont Analysis

The Du Pont Analysis provides a detailed understanding of the drivers of return on equity by decomposing profitability into profit margin, asset turnover, and financial leverage. This approach allows for a more nuanced interpretation of performance by identifying the relative contribution of operational efficiency, asset utilization, and financing decisions.

The analysis shows that profit margin plays a significant role in determining overall profitability. This finding reflects the bank's ability to manage operating costs and generate income from its core activities. Variations in profit margins across periods may be influenced by changes in interest rate conditions, operating expenses, or competitive pressures within the banking industry. However, the general pattern suggests that profitability remains largely supported by operational performance rather than extraordinary or unsustainable factors.

Asset turnover results indicate that the bank utilizes its assets efficiently to generate revenue. Given the nature of banking operations, where assets are closely tied to lending and investment activities, stable asset turnover suggests effective intermediation and disciplined asset deployment. Minor changes in asset turnover may reflect adjustments in lending volumes or shifts in asset composition, but these do not indicate structural inefficiencies.

Financial leverage also contributes to return on equity, although its influence appears to be carefully managed. The level of leverage suggests a balanced approach to financing, where debt is used to enhance returns without exposing the bank to excessive financial risk. The interaction among profit margin, asset turnover, and leverage demonstrates that return on equity is the result of multiple interconnected factors. This highlights the importance of integrated performance evaluation, as changes in any single component can affect overall profitability.

C. Results of WACC Analysis

The Weighted Average Cost of Capital (WACC) analysis provides insight into the bank's overall cost of financing by considering the relative costs of equity and debt. The results indicate that PT Bank Negara Indonesia (Persero) Tbk maintains a manageable and relatively stable cost of capital. This stability suggests effective capital structure management and a favorable risk perception by investors and creditors.

The composition of funding, which relies heavily on customer deposits, contributes to maintaining a lower cost of debt. At the same time, equity financing ensures compliance with regulatory capital requirements and enhances financial resilience. The balance between these funding sources supports a stable WACC, which is essential for long-term planning and investment decision-making.

A manageable WACC implies that the bank can pursue growth opportunities without imposing excessive pressure on profitability. It also indicates that the bank is able to align its financing strategy with both market expectations and regulatory constraints. Variations in WACC across periods may be influenced by external factors such as interest rate movements or changes in market risk premiums, rather than internal inefficiencies.

D. Integrated Interpretation of Results

When examined collectively, the results from the Common Size Analysis, Du Pont Analysis, and WACC analysis provide a comprehensive picture of the bank's financial performance. Structural stability, as evidenced by balanced asset and funding composition, supports consistent profitability. The Du Pont Analysis explains how operational efficiency and prudent leverage management contribute to shareholder returns, while the WACC analysis highlights the importance of capital cost efficiency in sustaining financial performance.

The integration of these methods reduces the limitations associated with single-approach analysis and enables a deeper understanding of performance drivers. The findings suggest that the bank's financial performance is shaped by the interaction of structural, operational, and financial factors rather than by isolated indicators.

DISCUSSION

The objective of this study was to evaluate the financial performance of PT Bank Negara Indonesia (Persero) Tbk using an integrated framework that combines Common Size Analysis, Du Pont Analysis, and the Weighted Average Cost of Capital (WACC). The discussion interprets the empirical findings in relation to financial theory and prior research, while also highlighting managerial implications and areas for future investigation.

The Common Size Analysis indicates that the bank maintains a structurally balanced financial position characterized by a high proportion of productive assets and a strong reliance on deposit-based funding. This finding is consistent with banking theory, which emphasizes that earning assets and stable funding sources are fundamental to sustainable profitability. Previous studies have shown that banks with well-managed asset structures and low-cost funding are better positioned to withstand economic uncertainty and regulatory pressure. The results of this study reinforce this perspective by demonstrating consistent asset allocation and prudent funding management.

The Du Pont Analysis provides important insight into the sources of profitability. The results suggest that return on equity is driven primarily by operational efficiency and effective asset utilization rather than by excessive leverage. This finding aligns with financial management literature, which argues that profitability derived from core operations is more sustainable than profitability driven by high leverage. Excessive reliance on leverage may enhance short-term returns but increases exposure to financial risk, particularly in periods of economic stress. The controlled leverage observed in this study indicates a cautious approach to risk management.

The WACC analysis further underscores the importance of capital cost management in banking performance. A stable cost of capital enhances strategic flexibility by enabling the bank to evaluate investment opportunities against a consistent benchmark. In a highly regulated industry such as banking, maintaining an optimal cost of capital is critical for balancing growth objectives with regulatory compliance. The findings suggest that the bank's capital structure supports financial sustainability and long-term value creation.

From a managerial perspective, the integrated findings highlight several key implications. First, maintaining a balanced asset structure with a focus on productive assets supports stable income generation. Second, reliance on low-cost deposit funding contributes to cost efficiency and reduces funding risk. Third, prudent leverage and capital management enhance shareholder returns without compromising financial stability. These insights can inform strategic decision-making related to asset allocation, funding strategies, and capital planning.

Despite its contributions, this study has limitations that should be acknowledged. The analysis focuses on a single banking institution and relies on secondary financial data, which may limit the generalizability of the findings. Additionally, the observation period may not fully capture long-term structural changes or the impact of extraordinary economic events. Future research could address these limitations by expanding the sample to include multiple banks, extending the time horizon, or incorporating macroeconomic and qualitative variables.

Overall, the discussion demonstrates that an integrated analytical approach provides a more comprehensive understanding of banking financial performance than single-method evaluations. By linking structural composition, profitability drivers, and capital costs, this study contributes to the literature on financial performance analysis and offers practical insights for banking practitioners and researchers.

CONCLUSION

This study provides a comprehensive evaluation of the financial performance of PT Bank Negara Indonesia (Persero) Tbk by integrating Common Size Analysis, Du Pont Analysis, and the Weighted Average Cost of Capital (WACC). The use of these complementary analytical tools allows the research to move beyond isolated financial ratios and to offer a more holistic understanding of how financial structure, operational efficiency, profitability drivers, and capital costs interact within a banking institution. By focusing on an integrated framework, the study contributes to a deeper and more nuanced interpretation of banking performance in a regulated and competitive environment.

The findings indicate that PT Bank Negara Indonesia (Persero) Tbk maintains a structurally balanced financial position. The Common Size Analysis reveals a dominance of productive assets supported by a stable funding structure that relies primarily on third-party deposits. This composition reflects the bank's core intermediation function and its ability to mobilize public funds efficiently. A stable equity proportion further indicates prudent capital management and compliance with regulatory capital adequacy requirements, which are essential for maintaining financial resilience and public confidence.

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From a profitability perspective, the Du Pont Analysis demonstrates that return on equity is driven by a balanced interaction between profit margin, asset utilization, and financial leverage. The results suggest that profitability is largely supported by operational efficiency and effective asset management rather than by excessive reliance on leverage. This finding is particularly important in the banking sector, where high leverage is inherent but must be carefully managed to avoid heightened financial risk. The controlled use of leverage observed in this study indicates a cautious approach to risk management and a focus on sustainable performance.

The WACC analysis adds a capital market dimension to the evaluation by highlighting the efficiency of the bank's capital structure. A relatively stable and manageable cost of capital suggests that the bank is able to balance the interests of debt and equity providers while maintaining regulatory compliance. This stability enhances the bank's capacity to pursue growth opportunities, evaluate investment decisions effectively, and withstand fluctuations in market conditions. In this sense, WACC serves as an important link between internal financial performance and external market expectations.

Taken together, the integrated findings underscore the value of using multiple analytical approaches in assessing banking financial performance. Structural stability, profitability dynamics, and capital cost efficiency are interrelated elements that jointly shape financial outcomes. Evaluating these dimensions in isolation may lead to incomplete or misleading conclusions, whereas an integrated framework provides a more comprehensive and reliable assessment.

Despite its contributions, this study has certain limitations that should be considered. The analysis is confined to a single banking institution and a specific observation period, which may limit the generalizability of the findings. In addition, the reliance on secondary financial data restricts the ability to capture qualitative factors such as managerial decision-making, strategic orientation, and regulatory dynamics that may influence performance. These limitations do not undermine the internal validity of the study but suggest that the results should be interpreted within the defined research context.

Future research is encouraged to extend this integrated analytical framework to a broader sample of banks, longer time horizons, or different banking segments to enhance comparative insights. Incorporating macroeconomic variables or qualitative indicators may also enrich the analysis and provide a more comprehensive understanding of performance drivers. Such extensions would contribute to the development of more robust models for evaluating banking financial performance.

In conclusion, this study demonstrates that an integrated approach combining Common Size Analysis, Du Pont Analysis, and WACC offers meaningful insights into the financial performance of banking institutions. The findings provide practical implications for bank management in optimizing asset allocation, improving operational efficiency, and managing capital structure, as well as for regulators and investors seeking to assess financial stability and performance. By emphasizing integration rather than isolated indicators, this research contributes to both academic literature and practical financial analysis in the banking sector.

LIMITATIONS

Despite the efforts to conduct this study in a systematic and careful manner, several limitations should be acknowledged. First, the research relies solely on secondary data obtained from published financial statements. Although these data are audited and publicly available, they may not fully capture qualitative factors such as managerial decision-making processes, risk management practices, or internal strategic considerations that could influence financial performance. As a result, the analysis is limited to observable financial outcomes rather than underlying managerial dynamics.

Second, the study focuses on a single banking institution, which restricts the ability to generalize the findings to the broader banking industry. Differences in size, ownership structure, regulatory exposure, and market conditions across banks may lead to varying financial performance patterns. Therefore, the conclusions drawn from this study should be interpreted within the specific context of the analyzed bank.

Finally, the use of Common Size Analysis, Du Pont Analysis, and WACC, while effective for performance evaluation, does not account for external economic shocks or short-term market volatility. These factors may have influenced the financial indicators during the observed period and could partially affect the interpretation of results. Acknowledging these limitations helps clarify the scope of the study and provides direction for future research improvements.

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