



ANALYSIS OF THE PROFITABILITY RATIO ON PT. BANK NAGARI WEST SUMATRA

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ABSTRACT

This study examines the profitability level of PT. Bank Nagari, West Sumatra using a quantitative approach. The analysis relies on secondary data taken from the bank's financial statements for 2022-2024. The findings show that ROA improved over the study period, indicating more effective and efficient use of assets to generate profit. ROE also increased, which suggests that the bank became more capable of turning its own capital into earnings. NPM likewise rose from 2022 to 2024, reflecting stronger profit generation through better control of operating costs. BOPO also remained in the very healthy category, showing that the bank was able to manage operating expenses efficiently. Overall, the profitability indicators point to a very good financial condition for PT. Bank Nagari, West Sumatra.

Keywords: Profitability, ROA, ROE, NPM and BOPO

Submit : 30th April 2026

Acceptance : 1th Mei 2026

INTRODUCTION

The banking sector in Indonesia is currently passing through a period of adjustment shaped by post-pandemic economic recovery and the rapid growth of financial technology. As business activity returns to normal, credit distribution continues to move upward. Even so, the industry still faces pressures from inflation and uncertain global economic conditions. The increase in credit distribution remains important because it supports business expansion, asset acquisition, and investment activities.

At the same time, digital transformation is pushing conventional banks to redesign their business models so they can improve service quality and operate more efficiently. Under these circumstances, assessing bank performance becomes essential.

Financial statements are a set of reports that present information about an entity's financial position, operating results, and cash flows over a certain period. For managers, shareholders, creditors, and regulators, this information is important because it supports decision-making and accountability (Kasmir, 2018). In banking, financial statements do not only show loans and deposits, but also describe asset quality, liquidity, and capital adequacy that must be monitored regularly (Azwar, 2021). To obtain maximum benefit from financial statement information, a structured and systematic analysis is needed so that the bank's condition can be understood more thoroughly.

One of the most common tools used to assess bank performance is the profitability ratio. This ratio is used to measure the bank's ability to generate profit. In banking analysis, several ratios are frequently applied, namely Return On Assets (ROA) to measure the profitability of assets, Return On Equity (ROE) to assess the return on shareholders' capital, Net Profit Margin (NPM) to show the proportion of net profit to revenue, and BOPO to evaluate operational efficiency through the comparison of operating expenses and operating income. When these ratios are reviewed together, they provide a more complete picture of asset management effectiveness, cost efficiency, and the ability to sustain profits in banking institutions (Latif & Fernos, 2019). This combined analysis also makes it possible to compare trends across periods and to identify the influence of internal and external factors on profitability.

For regional banks such as PT. Bank Nagari West Sumatra, a strong level of profitability reflects the bank's ability to finance community businesses, maintain regional financial stability, and remain competitive amid intense market dynamics and macroeconomic pressures. For that reason, examining the profitability ratios of PT. Bank Nagari West Sumatra is relevant for showing the bank's financial performance during the observed period.

Financial Statements

Financial statements summarize the recording of transactions carried out during a certain period. They are prepared by management as a form of accountability to the owner for the activities and resources entrusted to them. In general, financial statements can be understood as official documents that present a company's financial information for a specific period (Afriyeni & Marlius, 2019).

According to PSAK No. 1 of 2015 regarding the presentation of financial statements, the main components of financial statements consist of the statement of financial position, the profit or loss statement, the statement of changes in equity, the cash flow statement, and the notes to the financial statements.

Financial Statement Analysis

Financial statement analysis is a systematic process used to review and evaluate accounting information contained in the balance sheet, income statement, and cash flow statement. Its purpose is to measure the company's performance and provide comprehensive



information about its financial position as a basis for objective decision-making (Ningsih et al., 2022).

According to Aznedra & Putra (2020), financial statement analysis is the process of breaking down each item in the financial statements into more detailed information and then examining the relationship between those items, both quantitatively and qualitatively. The aim is to understand the company's financial condition more deeply so that decisions can be made more accurately.

Financial Ratios

Financial ratios are tools used to compare the components contained in a company's financial statements. Through ratio analysis, the company's financial condition can be identified and management performance can be evaluated over a certain period (Aisyah, 2023).

According to Indah et al. (2020), financial ratios are grouped into four major categories. Liquidity ratios measure the company's ability to meet short-term obligations using current assets, with common indicators such as the current ratio, quick ratio, and cash ratio. Solvency ratios assess the company's ability to meet all obligations, both short-term and long-term, while also showing the extent to which debt is used as a source of funding, with indicators such as the debt-to-assets ratio and debt-to-capital ratio. Activity ratios are used to measure how efficiently resources are used to support operations, especially in generating revenue, with indicators such as inventory turnover and working capital turnover. Profitability ratios measure the company's ability to generate profit in a certain period and reflect management effectiveness in managing resources, including ROA, ROE, NPM, and BOPO.

Profitability

According to Widarjo (2009), profitability is the outcome of the policies and decisions taken by a company in carrying out its business activities. This ratio is used to assess the company's ability to earn profit from every rupiah of sales.

Khrisnawati & Saputri (2022) define profitability as the company's ability to generate profit by using its resources as effectively as possible. Harahap (2009) explains that profitability reflects the company's ability to earn profit through the use of available resources such as sales, assets, and capital. From these opinions, profitability can be understood as the company's capacity to produce maximum profit through the management and utilization of all resources it owns, whether derived from sales, assets, or capital. Therefore, profitability is one of the key indicators for assessing financial performance and the success of the company in reaching its operational goals.

Profitability is used to assess a company's effectiveness and efficiency in managing its assets, capital, and resources to generate profits. The higher a company's profitability, the better its profit-generating performance. Profitability analysis aims to measure a company's ability to generate profits, determine the efficiency of asset and capital management, and serve as a basis for management decision-making and performance assessment.

Types of Profitability Ratios

Return On Assets (ROA)

Return On Assets (ROA) is a ratio used to measure a bank's ability to generate profit from all of its assets. This ratio shows how effectively the company uses its assets to create earnings (S&Novianti, 2017). The formula for calculating Return On Assets (ROA) is as follows:

Table 1. ROA Level Assessment Criteria Matrix

ROA Percentage	Remarks
$>1.50\%$	Very Healthy
$1.25\% < ROA \leq 1.50\%$	Healthy
$0.51\% < ROA \leq 1.25\%$	Quite Healthy
$0\% \leq ROA \leq 0.50\%$	Unhealthy
$< 0\%$	Unhealthy

Source : POJK No.4/POJK.3/2016

Return On Equity (ROE)

Return On Equity (ROE) is a ratio used to measure the bank's ability to use its own capital or equity to generate profit (S&Novianti, 2017). This ratio indicates how efficiently shareholder funds are converted into earnings. The formula for calculating Return On Equity (ROE) is as follows:

Table 2. ROE Level Assessment Criteria Matrix

Percentage ROE	Remarks
$\geq 20\%$	Very Healthy
$12.5\% \leq ROE < 20\%$	Healthy
$5\% \leq ROE < 12.5\%$	Quite Healthy
$0\% \leq ROE < 5\%$	Unhealthy
$< 0\%$	Unhealthy

Source : POJK No.4/POJK.3/2016

Net Profit Margin (NPM)

Net Profit Margin (NPM) is a ratio used to measure the relationship between net profit and total operating income earned by a company. This ratio shows the bank's ability to produce net profit from its operating activities. A higher NPM means that the bank is able to retain more profit from every amount of revenue generated. The formula for calculating Net Profit Margin (NPM) is as follows:

Table 3. NPM Level Assessment Criteria Matrix

NPM Percentage	Remarks
$>20\%$	Very Healthy
$10\% < NPM \leq 20\%$	Healthy
$5\% < NPM \leq 10\%$	Quite Healthy



NPM Percentage	Remarks
$0\% < \text{NPM} \leq 5\%$	Unhealthy
$\leq 0\%$	Unhealthy

Source : POJK No.4/POJK.3/2016

Operating Costs to Operating Income (BOPO)

Operating Costs to Operating Income (BOPO) is a ratio used to assess how efficiently a bank carries out its operations. The ratio is obtained by comparing total operating expenses with total operating income. The formula for calculating BOPO is as follows:

Table 4. BOPO Level Assessment Criteria Matrix	
BOPO Percentage	Remarks
$< 90\%$	Very Healthy
$< 90\% - < 94\%$	Healthy
$< 94\% - < 96\%$	Quite Healthy
$< 96\% - < 100\%$	Unhealthy
$> 100\%$	Unhealthy

Source : POJK No.4/POJK.3/2016

RESEARCH METHODS

This research applies a quantitative descriptive approach to explain the company's financial performance using numerical data. The object of the study is PT. Bank Nagari Sumatera Barat, with secondary data drawn from the income statement and balance sheet for the 2022-2024 period. Financial report data was obtained from the West Sumatra Nagari Bank website. Data were collected through field studies and literature studies. Field studies were used to obtain information directly from relevant sources, while literature studies were conducted by reviewing books, journals, and other scientific references related to the topic. The analysis uses profitability ratios, namely Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Operating Expenses to Operating Income (BOPO). Each ratio is calculated for every year and then compared to identify changes in the bank's financial performance over time. The results are then assessed using the criteria matrix in POJK No. 4/POJK.3/2016 so that the profitability level can be placed into the appropriate bank health category.

Table 5. Measurement Variable	
Variables	Formula
ROA	$\frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$
ROE	$\frac{\text{Net Profit}}{\text{Equity}} \times 100\%$

Variables	Formula
NPM	$\frac{\text{Net Profit}}{\text{Operating Income}} \times 100\%$
BOPO	$\frac{\text{Operating Expenses}}{\text{Operating Income}} \times 100\%$

RESULTS AND DISCUSSION

The financial statement development data of PT. Bank Nagari West Sumatra for the 2022-2024 period are presented in Table 5 below:

**Table 6. Financial Statement Data PT. Bank Nagari West Sumatra
Period 2022-2024
(in Rp. 000,-)**

No	Keterangan	2022	Tahun 2023	2024
1	Net Profit	471.272.601	523.768.467	538.068.947
2	Operating Income	1.861.850.206	1.803.037.496	1.779.702.725
3	Total Asset	30.096.359.098	31.914.699.371	32.957.814.905
4	Own Capital	3.682.782.535	3.960.669.338	4.178.374.673
5	Operating Expenses	1.526.493.765	1.372.744.515	1.374.373.970

Source : PT. Bank Nagari West Sumatra, Processed Data

Return On Assets (ROA)

Return on Assets (ROA) is a profitability ratio used to assess a bank's ability to generate net income from total assets. It reflects how effectively all assets are utilized to produce profit (S&Novianti, 2017).

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\%$$

**Table 7. Development of Return On Assets (ROA) PT. Bank Nagari West
Sumatra
Period 2022-2024
(in Rp. 000,-)**

Remarks	2022	2023	2024
Net Profit	471.272.601	523.768.467	538.068.947
Total Asset	30.096.359.098	31.914.699.371	32.957.814.905

Source : PT. Bank Nagari West Sumatra, Data Processed



Year 2022 :

$$ROA = \frac{\text{Rp } 471.272.601}{\text{Rp } 30.096.359.098} \times 100\% = 1,56\%$$

In 2022, the ROA value reached 1.56%. Based on the assessment criteria matrix, this result falls into the very healthy category. This indicates that Bank Nagari was able to use its assets effectively to generate profit.

Year 2023 :

$$ROA = \frac{\text{Rp } 523.768.467}{\text{Rp } 31.914.699.371} \times 100\% = 1,64\%$$

In 2023, the ROA value increased to 1.64%. Based on the assessment criteria matrix, this result is still included in the very healthy category. This shows that Bank Nagari continued to manage its assets effectively in generating profit.

Year 2024:

$$ROA = \frac{\text{Rp } 538.068.947}{\text{Rp } 32.957.814.905} \times 100\% = 1,63\%$$

In 2024, the ROA value was 1.63%. Based on the assessment criteria matrix, this figure remains in the very healthy category. This means that Bank Nagari maintained an effective level of asset utilization in producing profit.

Return On Equity (ROE)

Return On Equity (ROE) is a ratio used to measure how well bank management uses its own capital or equity to produce net profit (S&Novianti, 2017). This ratio shows how effectively shareholder funds are turned into earnings.

$$ROE = \frac{\text{Net Profit}}{\text{Equity}} \times 100\%$$

Table 8. Development of *Return On Equity* (ROE) PT. Bank Nagari West Sumatra

Period 2022-2024

(in Rp. 000,-)

Year	2022	2023	2024
Net Profit	471.272.601	523.768.467	538.068.947
Own Capital	3.682.782.535	3.960.669.338	4.178.374.673

Source: PT. Bank Nagari West Sumatra, Data Processed

Year 2022:

$$\text{ROE} = \frac{\text{Rp } 471.272.601}{\text{Rp } 3.682.782.535} \times 100\% = 12,80\%$$

Based on the calculation results for 2022, the ROE value was 12.80%. According to the assessment criteria matrix, this result is included in the quite healthy category. This suggests that the bank was reasonably able to use its own capital to generate profit.

Year 2023:

$$\text{ROE} = \frac{\text{Rp } 523.768.467}{\text{Rp } 3.960.669.338} \times 100\% = 13,22\%$$

Based on the calculation results for 2023, the ROE value was 13.22%. According to the assessment criteria matrix, this result falls into the healthy category. This means that the bank was relatively effective in using its own capital to generate profit.

Year 2024:

$$\text{ROE} = \frac{\text{Rp } 538.068.947}{\text{Rp } 4.178.374.673} \times 100\% = 12,88\%$$

Based on the calculation results for 2024, the ROE value was 12.88%. According to the assessment criteria matrix, this result is included in the quite healthy category. This indicates that the bank remained fairly capable of using its own capital to generate profit.

Net Profit Margin (NPM)

Net Profit Margin (NPM) is a ratio used to measure the proportion of net profit compared with total operating income earned by the company. This ratio indicates the bank's ability to obtain profit from its operating activities. A higher NPM value shows that the bank keeps a larger share of profit from the revenue it generates. The formula for calculating Net Profit Margin (NPM) is as follows:

$$\text{NPM} = \frac{\text{Net Profit}}{\text{Operating Income}} \times 100\%$$



Table 8
Development of *Net Profit Margin* (NPM)
PT. Bank Nagari West Sumatra
Period 2022-2024
(in Rp. 000,-)

Remarks	2022	2023	2024
Net Profit	471.272.601	523.768.467	538.068.947
Operating Income	1.861.850.206	1.803.037.496	1.779.702.725

Source : PT. Bank Nagari West Sumatra, Data Processed

Year 2022 :

$$\text{NPM} = \frac{\text{Rp } 471.272.601}{\text{Rp } 1.861.850.206} \times 100\% = 25,31\%$$

In 2022, the NPM value was 25.31%. According to the assessment criteria matrix, this result is classified as very healthy. This shows that the bank was able to produce a relatively high net profit from the operating income it earned.

Year 2023 :

$$\text{NPM} = \frac{\text{Rp } 523.768.467}{\text{Rp } 1.803.037.496} \times 100\% = 29,06\%$$

In 2023, the NPM value was 29.05%. According to the assessment criteria matrix, this result remains in the very healthy category. This indicates that the bank generated a strong level of net profit from its operating income.

Year 2024 :

$$\text{NPM} = \frac{\text{Rp } 538.068.947}{\text{Rp } 1.779.702.725} \times 100\% = 30,23\%$$

In 2024, the NPM value reached 30.23%. According to the assessment criteria matrix, this result is still included in the very healthy category. This shows that the bank succeeded in generating a high net profit from the operating income it obtained.

Operational Costs To Operational Income (BOPO)

Operating Costs to Operating Income (BOPO) is a ratio used to evaluate the efficiency of a bank's operational activities. This ratio compares total operating expenses with total operating income. The formula for calculating BOPO is as follows:

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

**Table 9. Development of BOPO PT. Bank Nagari West Sumatra
Period 2022-2024
(in Rp. 000,-)**

Remarks	2022	2023	2024
Operating Expenses	1.526.493.765	1.372.744.515	1.374.373.970
Operating Income	1.861.850.206	1.803.037.496	1.779.702.725

Source : PT. Bank Nagari West Sumatra, Data Processed

Year 2022 :

$$\text{BOPO} = \frac{1.526.493.765}{1.861.850.206} \times 100\% = 81,98\%$$

In 2022, the BOPO value was 81.98%. According to the assessment criteria matrix, this result falls into the very healthy category. This shows that Bank Nagari managed its operating costs effectively, allowing its operations to run efficiently.

Year 2023 :

$$\text{BOPO} = \frac{1.372.744.515}{1.803.037.496} \times 100\% = 76,13\%$$

In 2023, the BOPO value was 76.13%. According to the assessment criteria matrix, this result also falls into the very healthy category. This indicates that Bank Nagari continued to control its operating expenses efficiently.

Year 2024 :

$$\text{BOPO} = \frac{1.374.373.970}{1.779.702.725} \times 100\% = 77,22\%$$



In 2024, the BOPO value was 77.22%. According to the assessment criteria matrix, this result remains in the very healthy category. This shows that Bank Nagari was still able to manage its operating costs efficiently.

CONCLUSION

For the 2022-2024 period, PT. Bank Nagari West Sumatra can be concluded to be in generally good financial condition and to have shown stable performance. This can be seen from the profitability ratios analyzed in this study. ROA showed a positive trend, rising from 1.56% in 2022 to 1.64% in 2023 and remaining relatively stable at 1.63% in 2024. These results indicate that the bank was able to use its assets efficiently to generate profit, which reflects effective asset management. ROE also improved in 2023 to 13.22% compared with 12.80% in 2022, although it declined slightly to 12.88% in 2024. Even with that decrease, the ratio remained relatively stable and stayed within the quite healthy category. This shows that the bank was still able to use its own capital effectively to generate earnings.

In addition, NPM increased significantly throughout the study period. The ratio was 25.31% in 2022, rose to 29.05% in 2023, and increased again to 30.23% in 2024. Based on the assessment criteria matrix, these values fall into the very healthy category because they are above 20%. This indicates that the bank managed its revenue and operating costs very well, resulting in higher net profit. Meanwhile, BOPO also showed a good level of operational efficiency. The ratio was 81.98% in 2022, dropped to 76.13% in 2023, and then slightly rose to 77.22% in 2024. Because BOPO remained below 90%, the bank can be considered efficient in controlling operating expenses during its activities.

ACKNOWLEDGMENT

The author would like to thank the management and all employees of PT. Bank Nagari Sumatera Barat who have been willing to take the time and provide assistance in providing the data needed for the preparation of this final project.

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