

Analysis of Liquidity Ratios, Solvency Ratios and Profitability Ratios to Assess Financial Performance at PT Bank Jago Tbk for the Period 2020-2023

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Article Information		Abstract
Submission date	January 2, 2025	<p>Research aim : This study was conducted with the aim of determining the impression of the liquidity ratio, solvency ratio, and profitability ratio on the financial performance of a digital bank, namely PT Bank Jago Tbk during the 2020-2023 period.</p> <p>Design/Method/Approach : This research uses a quantitative approach with descriptive research methods. The technique used in collecting data in this study is a literature study. Where data is obtained from financial reports on the Indonesia Stock Exchange (IDX) and data from the official website of PT Bank Jago Tbk, namely www.jago.com.</p> <p>Research Finding : In previous studies, it was known that PT Bank Jago Tbk was in a bad position and continued to experience losses. And there is not much research related to financial ratios in digital banks.</p> <p>Theoretical contribution/Originality : It is expected that this research can add in-depth information about financial ratio analysis and information about financial performance at PT Bank Jago Tbk.</p> <p>Practitioner/Policy implication : For bank management, it is expected that this study can provide input in the form of suggestions and information to evaluate bank performance and make strategies. For readers, it is expected that this study can be used as a reference source for further similar research.</p> <p>Research limitation : The limitation in this study is that in assessing financial performance only uses financial ratio analysis which generally analyzes financial ratios using historical data so that it does not reflect the current or future condition of the bank.</p> <p>Keywords : Liquidity Ratio, Solvency Ratio, Profitability Ratio, Bank, Financial Performance.</p>
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1. Introduction

The rapid development of digital technology has driven significant transformation in the financial industry, especially banking. The digital financial industry is currently rife among the public. In recent years, Indonesia's digital financial industry has been enlivened by

the emergence of digital banks. This is because several large companies are planning to establish digital banks. Digital banks themselves are different from m-banking services. Based on POJK No.12 / POJK.03 / 2021, A digital bank is a bank incorporated in Indonesia where business activities, especially activities carried out through electronic channels, are carried out without the need for a physical office other than a head office or a limited number of physical offices.[1] Meanwhile, according to Patrick Johnson (2020) a digital bank is a business organization that offers online banking activities that were previously only available at bank branch offices.[2] Digital banking is an innovation in banking that makes it possible to access and manage finances online through a smartphone or computer. Unlike conventional banks that have many physical branches, digital banks rely more on technology to provide fast, easy, and flexible banking services. The busy news related to digital banks has caused the share prices of digital banks to show a lot of price increases throughout 2021. This is also influenced by the understanding that in general the financial industry will rise after the crisis along with economic improvement. To avoid buying fried stocks, it is necessary to know the fundamental conditions of these companies. Moreover, these companies have relatively no physical assets that can be used as collateral in the event of liquidation. One of the digital banks that is currently popular in Indonesia is PT Bank Jago Tbk. Known for its innovative features, especially in financial management with the closest people. In 2016 PT Bank Jago Tbk officially listed on the Indonesia Stock Exchange.

Financial performance is an important indicator of a company's financial health and success in achieving its business objectives. Through in-depth analysis of financial statements, it can be seen the company's capability to generate profits, manage assets, fulfill obligations, and generate positive cash flow. The purpose of this research is to identify and examine the impression of liquidity, solvency and profitability ratios on the company's financial performance. The liquidity ratio shows a company's ability to fulfill its obligations, namely short-term obligations.[3] There are several financial ratios used to measure the liquidity of a company, such as Current Ratio (CR), Cash Ratio (CR) and Loan to Deposit Ratio (LDR). Current Ratio (CR) is a ratio used to assess a company's capability in financing its short-term liabilities using the company's current assets. Cash Ratio (CR) is a financial ratio used to determine a company's capability in meeting its current liabilities without using receivables and inventory. Loan to Deposit Ratio (LDR) is a ratio used to determine the amount of credit provided with funds received.

The solvency ratio shows a company's ability to fulfill its obligations, namely long-term obligations.[4] The solvency of a company can be measured using financial ratios including Debt to Equity Ratio (DER), Debt to Asset Ratio (DAR), and Interest Coverage Ratio (ICR). Debt to Equity Ratio (DER) is a ratio used to assess the amount of a company's assets that can be funded through debt compared to its own capital. Debt to Asset Ratio (DAR) is the ratio used to assess how far a company uses debt to finance its company assets. Interest Coverage Ratio (ICR) is a ratio used to see the amount of income available to pay interest on debts owned by the company.

Profitability ratios reflect how efficient a company is in its efforts to earn profit margins. In an effort to assess the profitability of a company, financial ratios are needed, including Return on Assets (ROA), Return on Equity (ROE), Operating Expenses Operating Income (BOPO), and Net Interest Margin (NIM).[5] Return on Asset (ROA) is a ratio used to assess how much capability a company has in obtaining a net margin based on a certain level

of assets. Return on Equity (ROE) is a ratio that describes the capability to provide margin for ordinary shareholders by showing available net income. Operating Expenses Operating Income (BOPO) is a ratio used to assess the capability and how efficient a company is in operating its company. Net Interest Margin (NIM) is a ratio used to assess the capability to obtain net interest income from the management of productive assets.

Based on previous research conducted by Muhammad Ridwan, M. Yusuf, and Purwati (2023), it proves that the company's management performance in managing the finances of PT Bank Jago Tbk during the 2016-2020 period in terms of profitability ratios is not stable and efficient enough to carry out the company's daily operations.[6] Based on the percentage that has been studied, the Operating Cost Ratio (BOPO), Return On Assets (ROA), and Return On Equity (ROE) at PT Bank Jago Tbk are in a bad position, seen from the calculations obtained, it is known that the company continues to experience losses based on the average standard of Bank Indonesia assessment, while based on the Net Interest Margin (NIM) at PT Bank Jago Tbk is in a very good position, seen from the calculations obtained that the company is capable to obtain large net interest income based on the average standard of Bank Indonesia assessment. The net interest margin earned by the company through productive activities can be said to be quite high and the company is capable to use its productive assets well.

In line with research conducted by Alfarizi et al., (2024) suggests that Seabank has good and healthy financial performance as shown by the results of a comprehensive financial ratio analysis.[7] From the results of the liquidity ratio analysis, it indicates a downward trend in terms of fulfilling short-term obligations by the company. However, the company is stated to still have a good ability to fulfill its obligations as indicated by the value of the Current Ratio (CR) and Quick Ratio (QR). Meanwhile, in terms of solvency, it indicates that the company still has the capability to easily fulfill its obligations as indicated by the value of the Debt to Assets Ratio (DAR) and although the Debt to Equity Ratio (DER) value continues to fluctuate in the last 3 years, it is still in a stable range with an average value below 4. Analysis of profitability ratios shows that there is a decrease in the value of Return On Assets (ROA) and Return On Equity (ROE), on the other hand, the value of Net Interest Margin (NIM) actually shows an upward trend.

On the other hand, Hamida Hasan's research (2021) shows that the company's financial performance value continues to change every year.[8] In the liquidity ratio analysis, it shows that the average value of the Current Ratio (CR), Quick Ratio (QR) and Cash Ratio (CR) is far above when compared to the average value of the industry, which means that financial performance in terms of liquidity shows good performance. Meanwhile, the profitability ratio analysis shows that the average value of Return On Assets (ROA), Operating Profit Margin (OPM) and Net Profit Margin (NPM) is far below when compared to the average value of the industry, which means that financial performance in terms of profitability indicates poor performance. Conversely, the average value of Return On Equity (ROE) and Gross Profit Margin (GPM) is far above when compared to the average value of the industry, which means that financial performance in terms of profitability shows good performance.

In previous research on PT Bank Jago Tbk, only financial statement analysis was carried out using one type of financial ratio, namely the profitability ratio to assess the company's capability to obtain margins during the period 2016 - 2020. Therefore, there is an

interest in assessing financial performance by analyzing the financial statements of PT Bank Jago based on the types of financial ratios liquidity, solvency ratios and profitability ratios during the period 2020 - 2023 to find out whether the company's financial performance has changed for the better or vice versa. It is known that during the period 2016 - 2020 the financial performance of PT Bank Jago Tbk in terms of profitability ratios is not good enough and efficient to carry out the company's daily operations.

Financial performance can be seen through the level of ratios owned. Financial ratios are comparing numbers that are processed by dividing by other numbers in the financial statements.[9] Financial ratios are a very useful instrument for measuring the financial performance of a company by comparing various items in the financial statements. Through financial statement analysis, it can be seen the financial position, financial performance, and financial strength of the company.[10] By analyzing financial ratios, a clearer picture of how healthy and efficient a company is operating can be seen. Information related to the bank's financial performance is expected to increase public confidence in banking. The development of the bank's financial performance will be seen from year to year.

1.1. Statement of Problem

Financial analysis of a company is very important to do, as in PT Bank Jago Tbk, it can be seen that the company continues to experience losses based on the average standard of Bank Indonesia assessment during the period 2016 - 2020. Financial analysis can identify company financial problems that may be hidden, such as decreased profitability or also increased debt. By knowing these problems early, the company can take corrective action. Financial analysis helps companies understand their overall financial condition. By analyzing financial statements, companies can find out whether they are financially healthy, profitable, and have enough liquidity. Based on this background, the problem formulation in this study is, how does the analysis of liquidity ratios, solvency ratios, and profitability ratios affect the financial performance of PT Bank Jago Tbk for the period 2020-2023.

1.2. Research Objectives

The research objectives based on the background and problem formulation are to analyze the liquidity ratio, solvency ratio, and profitability ratio at PT Bank Jago Tbk for the period 2020-2023 in order to evaluate the company's capability to maintain business continuity, pay debts, and generate sustainable profits.

2. Method

This research uses a quantitative approach with descriptive research methods. Descriptive research is research that aims to describe or explain a phenomenon or situation systematically, factually, and accurately then the results are presented in the form of a research report.[11] The data collection technique used in this research is literature study, which is in the form of relevant data in accordance with the analysis raised from various sources. This study uses secondary data as a data source. Secondary data is data obtained from books, records, magazines in the form of company publication financial reports, government reports, articles. Secondary data used in this study to analyze liquidity, solvency, and profitability ratios.[12] The data used in this study are financial reports on PT Bank Jago

Tbk for the period 2020-2023 and data from the official website of PT Bank Jago Tbk, namely www.jago.com.

This study uses data analysis techniques in the form of financial ratio analysis. Financial ratio analysis is a method for assessing the financial condition and financial performance of a company by linking various estimates in financial statements.[13] The analysis of financial statements in this study is the analysis of liquidity ratios, solvency ratios and profitability ratios. Liquidity ratio is a ratio that reflects a company's capability in fulfilling its short-term obligations.[3] Here are some types of liquidity ratios used by banks:

- a) Current Ratio = $\frac{\text{Current Asset}}{\text{Current Liabilities}}$
- b) Cash Ratio = $\frac{\text{Cash+Securities}}{\text{Current Liabilities}}$
- c) Loan to Deposit Ratio = $\frac{\text{Credit}}{\text{Third Party Funds}}$

Solvency ratio is a ratio to calculate the company's leverage.[3] Here are some types of solvency ratios used by banks:

- a) Debt to Equity Ratio = $\frac{\text{Total Debt}}{\text{Total Equity}}$
- b) Debt to Aset Ratio = $\frac{\text{Total Debt}}{\text{Total Assets}}$
- c) Interest Coverage Ratio = $\frac{\text{Operating Profit}}{\text{Interest Expense}}$

Profitability ratio is a ratio to assess the company's capability to obtain margin in a certain period.[14] Here are some types of profitability ratios used by banks:

- a) Return on Asset = $\frac{\text{Net Profit}}{\text{Total Assets}}$
- b) Return on Equity = $\frac{\text{Net Profit}}{\text{Total Equity}}$
- c) Operating Expense Ratio = $\frac{\text{Operational Costs}}{\text{Operating Income}}$
- d) Net Interest Margin = $\frac{\text{Net Interest Income}}{\text{Earning Assets}}$

3. Results and Discussion

When a company can maintain its financial performance to remain stable in any economic condition, the company can be declared healthy, which can be seen from the company's capability in fulfilling financial obligations and operational stability and from time to time can still maintain the sustainability of its business development.[15]

Through the analysis of a company's financial statements, a summary of the company's balance sheet and income statement will be known in a certain period. By analyzing the liquidity ratio we will know the bank capabilities in efforts to fulfill its short-term

obligations. The solvency ratio is used to assess the bank's capability in fulfilling all company obligations, both short-term and long-term. While the profitability ratio is to assess the bank's capability to obtain margins.

The following are the results of the calculation in the form of a percentage of the liquidity ratio, solvency ratio and profitability ratio at PT Bank Jago Tbk for the period 2020-2023:

Table 1. Results of Calculation of Liquidity Ratio at PT Bank Jago Tbk for the Period 2020-2023

Liquidity Ratio	Year			
	2020	2021	2022	2023
CR	202%	284%	173%	149%
CR	49,7%	118%	59%	27%
LDR	103%	143%	111%	106%

Source: Data processed (2024)

Based on this table, it can be seen that the calculation results of the liquidity ratio analysis at PT Bank Jago Tbk in 2020-2023 show a fluctuating trend. Based on the percentage of Current Ratio (CR) at PT Bank Jago Tbk in 2020, it is 202%, which means that the bank has current assets of 202% of total current liabilities or in other words that every IDR 1 current liability is guaranteed by IDR 2.02 current assets. In 2021 CR increased to 284%, which means that the bank has current assets of 284% of total current liabilities or in other words that every IDR 1 current liability is guaranteed by IDR 2.84 current assets. In 2022 CR decreased to 173% which means that the bank has 173% current assets from total current liabilities or in other words that every IDR 1 current liability is guaranteed by IDR 1.73 current assets and in 2023 CR decreased to 149% which means that the bank has 149% current assets from total current liabilities or in other words that every IDR 1 current liability is guaranteed by IDR 1.49 current assets. Based on the calculations obtained, it is known that the higher the Current Ratio (CR) value, the greater the bank's ability to meet its short-term financial obligations. However, based on the calculation, it is known that there was a decrease in the Current Ratio (CR) value at PT Bank Jago Tbk during 2022-2023 due to an increase in the amount of debt not balanced with an increase in the amount of assets. Despite the decline, the bank still has a good ability to meet its short-term obligations.

Based on the calculation results of the Cash Ratio (CR) in four years, it shows a fluctuating trend. Based on the percentage of Cash Ratio (CR) at PT Bank Jago Tbk in 2020, it is 49.7%, which means that the bank has cash as much as 49.7% of its total current liabilities or in other words that every IDR 1 current liability is only guaranteed by IDR 0.49 cash. In 2021 CR increased to 118% which means that the bank has as much cash as 118% of its total current liabilities or in other words that every IDR 1 current liability is only

guaranteed by IDR 1.18 cash. In 2022 CR decreased to 59% which means that the bank has 59% cash from its total current liabilities or in other words that every Rp 1 current liability is only guaranteed by Rp 0.59 cash and in 2023 CR decreased to 27% which means that the bank has 27% cash from its total current liabilities or in other words that every Rp 1 current liability is only guaranteed by Rp 0.27 cash. Based on the calculation results, it is known that there was a decrease in 2022-2023 due to an increase in the amount of debt not balanced with an increase in the amount of bank cash. However, based on BI assessment standards, the bank is in a good position because the calculation results show more than 4.05%.

Based on the calculation of the Loan to Deposit Ratio (LDR) in four years, it shows a fluctuating trend. Based on the percentage of Loan to Deposit Ratio (LDR) at PT Bank Jago Tbk in 2020, it is 103%, which means that the bank has disbursed 103% of its total third party funds. In 2021 LDR has increased to 143%, which means that the bank has disbursed 143% of its credit from total third party funds. In 2022 LDR decreased to 111%, which means that the bank has disbursed 111% of its credit from total third party funds. and in 2023 LDR decreased to 106%, which means that the bank has disbursed 106% of its credit from total third party funds. Based on the calculation results, it is known that there was a very significant increase in 2021 of 143%. This shows a high risk of bad credit in 2021, where customers are unable to repay their loans. In 2022-2023 there was a decrease in LDR, which shows that the bank's overall financial condition tends to improve, but if based on BI assessment standards, the bank is still in a bad position because it exceeds 102.25%.

Table 2. Solvency Ratio Calculation Results at PT Bank Jago Tbk for the 2020-2023 Period

Solvency Ratio	Year			
	2020	2021	2022	2023
DER	76,9%	47,9%	98,9%	155%
DAR	43,5%	32,1%	48,2%	60,8%
ICR	730%	-16,8%	-8,6%	-28%

Source: Data processed (2024)

Based on this table, it can be seen that the calculation results of the solvency ratio analysis at PT Bank Jago Tbk in 2020-2023 show a fluctuating trend. Based on the percentage of Debt to Equity Ratio (DER) at PT Bank Jago Tbk in 2020 is 76.9%, which means that the total debt of PT Bank Jago Tbk is equivalent to 76.9% of the bank's core capital. In 2021 DER decreased to 47.9%, which means that the amount of bank debt is equivalent to 47.9% of the bank's core capital. In 2022 DER increased to 98.9%, which means that the amount of bank debt is equivalent to 98.9% of the bank's core capital and in 2023 DER increased to 155%, which means that the amount of bank debt is equivalent to 155% of the bank's core capital. Too high a Debt to Equity Ratio (DER) value may indicate greater financial risk. During the period 2020-2023, it shows that in 2023 it has a higher financial risk of 155%. This shows that the increase in the amount of debt is not balanced with the increase in the amount of bank capital.

Based on the calculation of the Debt to Asset Ratio (DAR) in four years, it shows a fluctuating trend. Based on the percentage of Debt to Asset Ratio (DAR) at PT Bank Jago

Tbk in 2020, it is 43.5%, which means that the total assets of PT Bank Jago Tbk are 43.5% financed by debt. In 2021 DAR decreased to 32.1%, which means that the bank's total assets of 32.1% were financed by debt. In 2022 DAR increased to 48.2%, which means that the bank's total assets of 48.2% were financed by debt and in 2023 DAR increased to 60.8%, which means that the bank's total assets of 60.8% were financed by debt. Too high a Debt to Asset Ratio (DAR) value may indicate greater financial risk. During the 2020-2023 period, it shows that in 2023 it has a higher financial risk of 60.8%.

Based on the calculation of the Interest Coverage Ratio (ICR) in four years, it shows a fluctuating trend. Based on the percentage of Interest Coverage Ratio (ICR) at PT Bank Jago Tbk in 2020, it is 730%, which means that the bank has a very large capability to pay its interest expense, this shows that the bank is in a very healthy financial position. In 2021 the ICR experienced a very significant decline to -16.8%, in 2022 the ICR increased to -8.6% and in 2023 the ICR decreased to -28%. Based on the calculations obtained, it can be seen that the bank experienced a very significant decline during 2021-2023 which shows that the bank has difficulty paying its interest expense.

Table 3. Results of the Calculation of Profitability Ratios at PT Bank Jago Tbk for the 2020-2023 Period

Profitability Ratio	Year			
	2020	2021	2022	2023
ROA	-8,7%	0,68%	0,08%	0,33%
ROE	-15,4%	1,02%	0,17%	0,85%
BOPO	264%	84%	71,7%	72,3%
NIM	3,9%	5,27%	9,04%	7,53%

Source: Data processed (2024)

Based on this table, it can be seen that the calculation results of the profitability ratio analysis at PT Bank Jago Tbk in 2020-2023 show a fluctuating trend. Based on the percentage of Return On Assets (ROA) at PT Bank Jago Tbk in 2020 is -8.7%, which means that bank management suffered a loss of 8.7% of its total assets. In 2021 ROA increased to 0.68%, which means that every IDR 1 of total assets contributed to creating IDR 0.0068 of net profit. In 2022 ROA decreased to 0.08%, which means that every IDR 1 total asset contributed to creating IDR 0.008 net profit and in 2023 ROA increased to 0.33%, which means that every IDR 1 total asset contributed to creating IDR 0.0033 net profit. Based on the calculations obtained, it can be seen that the bank suffered a loss in 2020 and experienced an increase and decrease in the following three years. Based on the calculation, it is known that the results of the calculation of ROA for four years are below the average good assessment according to Bank Indonesia (BI), which is more than 1.25%. The decline that occurred showed that the performance of bank management in managing assets to earn profits was not going well.

Based on the results of the calculation of Return On Equity (ROE) in four years, it shows a fluctuating trend. Based on the percentage of Return On Equity (ROE) at PT Bank Jago Tbk in 2020, it is -15.4%, which means that bank management suffered a loss of 15.4% of its core capital. In 2021 ROE has increased to 1.02%, which means that every IDR 1 equity

contributes to creating IDR 0.01 net profit. In 2022 ROE decreased to 0.17%, which means that every IDR 1 equity contributed to creating IDR 0.0017 net profit and in 2023 ROE increased to 0.85%, which means that every IDR 1 equity contributed to creating IDR 0.0085 net profit. Based on the calculations obtained, it can be seen that the company experienced a loss in 2020 and experienced an increase and decrease in the following three years. Based on the calculation, it is known that the results of the calculation of ROE for four years are below the average good assessment according to Bank Indonesia (BI), which is more than 12.5%.

Based on the calculation of the Operating Cost Ratio (BOPO) in four years, it shows a downward trend. Based on the percentage of BOPO at PT Bank Jago Tbk in 2020, it is 264%, which means that the operating costs incurred by bank management are 264% of total operating income. In 2021 BOPO decreased to 84% which means that the operating costs incurred by bank management amounted to 84% of total operating income, in 2022 BOPO decreased to 71.7% which means that the operating costs incurred by bank management amounted to 71.7% of total operating income and in 2023 BOPO increased to 72.3% which means that the operating costs incurred by bank management amounted to 72.3% of total operating income. Based on the calculation results, it is known that the percentage of BOPO obtained is below 94% based on the standard criteria set by Bank Indonesia. This indicates that the level of management capability of bank operating costs in obtaining operating income is not good during 2020-2023.

Based on the calculation of the Net Interest Margin (NIM) in four years, it shows a fluctuating trend. Based on the percentage of NIM at PT Bank Jago Tbk in 2020, it is 3.9%, which means that of the total productive assets owned by the bank, 3.9% of them were successfully converted into net interest income. In 2021 NIM increased to 5.27%, which means that of the total productive assets owned by the bank, 5.27% of them were successfully converted into net interest income. In 2022 NIM increased to 9.04%, which means that of the total productive assets owned by the bank, 9.04% were successfully converted into net interest income and in 2023 NIM decreased to 7.53%, which means that of the total productive assets owned by the bank, 7.53% were successfully converted into net interest income. Based on the results of these calculations, it can be seen that the bank is capable to obtain a large net interest income and is above the average good assessment according to Bank Indonesia, which is more than 2%. The net interest income earned by the bank through productive assets can be said to be quite high and the bank is capable to use its productive assets very well.

4. Conclusion

The value of the financial performance of PT Bank Jago Tbk during the 2020-2023 period as measured through liquidity, solvency, and profitability ratios has changed every year. Based on the calculation results of the liquidity ratio, it is considered to be in a fairly good position. Based on the Current Ratio (CR) and Cash Ratio (CR) there was a decrease but based on BI assessment standards, the bank is still in a good position. Meanwhile, based on the results of the calculation of the Loan to Deposit Ratio (LDR) in 2022-2023 there was a decrease in LDR, but based on BI assessment standards, the bank is in a bad position because it exceeds 102.25%. Based on the calculation results of the solvency ratio, it is considered to be in a bad position. Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) values that

are too high can indicate greater financial risk. Based on the calculation results of the Interest Coverage Ratio (ICR), it can be seen that the bank experienced a very significant decline which indicates that the bank has difficulty paying its interest expense, thereby increasing the risk of default.

From the calculation of the profitability ratio of Return On Assets (ROA) and Return On Equity (ROE) it is known that the calculation results are below the average good assessment according to Bank Indonesia (BI). Based on the calculation results it is known that the percentage of BOPO obtained is below 94% based on the standard criteria set by Bank Indonesia. Based on the results of the Net Interest Margin (NIM) calculation, it can be seen that the bank is capable to obtain a large net interest income and is above the average good assessment according to Bank Indonesia, which is more than 2%. Net interest income earned by banks through productive assets can be said to be quite high and banks are able to use their productive assets very well.

This study shows that the financial performance of PT Bank Jago Tbk during the 2020-2023 period is in a bad position. However, there has been an increase in several financial ratios which indicates an improvement in financial performance. The results of this study can also be used to identify things that need to be improved by the bank and as information for making investment decisions for investors. It is expected that the management of PT Bank Jago Tbk to pay more attention to the debt aspect and maximize the use of assets and capital to increase profit achievement.

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