

Financial Ratio Approach to Analyze Financial Performance: Comparison Before and After Merger

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Abstract-A merger is the process of combining two or more companies, where one company is maintained and the other is dissolved, with the assets of the dissolved company being transferred to the remaining company without liquidating it first. This study aims to determine the differences in financial performance at PT Bank CIMB Niaga Tbk before and after the merger by using a general financial analysis method, namely financial ratio analysis. The data used in this research is secondary data in the form of annual financial statements of PT Bank CIMB Niaga Tbk, taken from the period before the merger (2006-2007) and after the merger (2008, 2019, 2020). The type of data used in this study is quantitative research data. Quantitative data refers to data presented in the form of numbers that can be calculated with specific units. Financial performance is assessed using 4 indicators: Current Ratio, Debt to Equity, Net Profit Margin, and Total Asset Turnover. Based on the results of this study, it shows that from the four ratios calculated, two ratios had a positive change: the liquidity ratio measured using the Current Ratio and the profitability ratio measured using Net Profit Margin. There are two ratios that experienced negative changes after the merger: the solvency ratio measured using Debt to Equity Ratio and the activity ratio measured using Total Asset Turnover. The overall result from the calculations of these four ratios shows that there is a significant difference in financial performance before and after the merger. A limitation in this study is the ratio-based approach, where each financial ratio is measured individually. As a result, this study cannot be generalized to other studies.

Keywords: Merger; Financial Performance; Liquidity; Solvency; Profitability; Activity

1. INTRODUCTION

In the midst of increasing competition caused by the era of globalization and Indonesia's economic growth, every company must maintain or even develop new business strategies to remain competitive and survive. One strategy that can be used by companies is the merger of existing businesses. Companies that want to expand their operations by merging with other companies can do so. The process of merging two or more companies is called a merger. After the merger, only one company will continue to operate as a legal entity, while the others dissolve or cease operations. The company that continues to operate will increase its assets by taking over the assets and liabilities of the dissolved company. However, an acquisition is the merging of two companies. In this case, the acquiring company buys a portion of the shares of the acquired company, thus giving the acquiring company control over the management of the acquired company. However, both companies continue to operate as independent legal entities. (OJK, 2014). In addition to improving efficiency, competitiveness, and performance, bank mergers aim to increase capital, resulting in a strong, solid, and effective banking structure. Bank mergers must also protect the interests of management, customers, employees, creditors, and shareholders, especially minority shareholders. All aspects of the merger, such as employee additions and reductions, changes in business types, and so on, may be affected by the implementation of the merger.

Based on Government Regulation Number 28 of 1999 concerning Bank Mergers, Consolidations, and Acquisitions, it is stated that mergers in Indonesia are carried out without prior liquidation. As a result, the shareholders of the merging bank become shareholders of the merged bank, and the assets and liabilities of the merging bank are legally transferred to the merged bank. Merging banks does not always mean that the resulting bank will be financially healthy. Finding a complementary and synergistic partner that complies with regulations is one of the many factors that must be considered when conducting a bank merger to achieve synergy (Agus Prihartono, 2018).

The successful merger of Bank CIMB Niaga and Bank Lippo into Bank CIMB Niaga on November 1, 2008, created new synergies with substantial assets and contributed to national economic growth. This merger marked a significant advancement in the Southeast Asian banking industry, positioning Bank CIMB Niaga as a competitive bank in terms of assets, funding, credit, and branch network. The merger between Bank Niaga and Bank Lippo successfully generated synergies from both business and financial aspects. This is evident from the improved performance after the merger, where the corporate value of Bank CIMB Niaga post-merger was higher than the combined value of Bank Niaga and Bank Lippo before the merger (Wisnu et al., 2023).

According to (Johan, 2018) a merger is the combination of two or more companies, where one company continues to exist as a legal entity, while the others cease their operations or dissolve. A merger involves the integration of two or more companies by retaining one company's existence while dissolving the others without prior liquidation (Kustiningsih & Farhan, 2022). Based on this definition, it can be concluded that a merger is the process of combining two or more companies while maintaining one company and dissolving the others, transferring the assets of the dissolved companies into the surviving company without prior liquidation. In principle, there are two main motives driving a company to engage in mergers and acquisitions: economic and non-economic motives. Economic motives relate to the core objectives

of the company, such as increasing company value or maximizing shareholder wealth. Non-economic motives are not based on the company's core objectives but rather stem from the subjective desires or personal ambitions of the owners or management. A merger or business combination is one of the restructuring strategies that holds strong appeal in the business world and among entrepreneurs. This process involves various aspects, including legal aspects, which play a role throughout the entire merger process from start to finish (Siregar, 2021).

The reason companies pursue mergers is the "added benefits" they expect to gain, though this assumption doesn't always hold true. Specifically, the advantages and benefits of mergers and acquisitions include: Gaining a management system and employees with better skills and capabilities, saving on resource costs, such as raw materials, acquiring an existing customer base, which allows for cross-selling products, and merging different work cultures to improve overall company performance, enabling faster and more effective company growth compared to starting a new company from scratch. However, alongside these advantages, mergers and acquisitions also have drawbacks, including; A high risk of failure if integration is not successful, expensive third-party costs, the lengthy process of obtaining regulatory approvals, tax costs due to asset revaluation, the risk of a decline in company value if integration fails and challenges in accurately valuing the company if integration is unsuccessful (Siregar, 2021). A merger is a more efficient way to grow a business without spending excessive money or time. Through a merger, a company can expand without facing initial difficulties or bearing all the risks of failure.

Financial performance analysis aims to assess the implementation of a company's strategy in terms of mergers and acquisitions. Performance, in this context, refers to the achievements of financial management in reaching the company's goals of generating profits and increasing company value. Many studies have been conducted on financial performance following merger announcements. Bank performance can be measured using financial ratios, including liquidity ratios, solvency ratios, profitability ratios, and activity ratios. Financial ratio analysis provides insights into a company's performance and helps evaluate its financial health (Nurriyah et al., 2022). The purpose of this study is to analyze the financial performance of PT. Bank CIMB Niaga, Tbk before and after the merger.

The definition of financial statements, according to Sirait (2017), states that financial statements are quantitative financial information about an entity over a specific period, generated through the accounting process. The purpose of financial statements is to provide financial information about an entity to stakeholders, who are the primary users, to assist them in making economic decisions.

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According to (Akbar & Fahmi, 2020) In his research, it is explained that financial performance is an analysis conducted to assess the extent to which a company has implemented appropriate financial management practices, such as preparing financial statements that meet standards and regulations like the Financial Accounting Standards or GAAP. Financial performance is a process of critically reviewing financial performance, which includes the examination of financial data, calculations, measurements, interpretation, and providing solutions to the company's financial problems over a specific period (Hery, 2016). According to (Efendi & Dewianawati, 2021) Financial performance refers to the ability to generate sales, the ability to return business capital, and the ability to use debt for acquiring assets. Therefore, it can be concluded that financial performance is an overview to assess the condition of a company by analyzing its financial statements, which will later provide solutions to the company's financial problems. There are many ways to assess business performance, but the most fundamental is by looking at both financial and non-financial aspects. Customer satisfaction, employee satisfaction, and business activity progress are non-financial aspects, while financial statements represent the financial aspect. Stable financial performance attracts investors to invest capital, so financial performance must be one of the company's goals (Dandy & Nugroho, 2020). Financial statements are used to show financial performance. There are several objectives for assessing a company's performance (Hutabarat, 2020); 1) to determine the level of profitability, 2) to determine the level of liquidity, 3) To determine the level of solvency, and 4) To determine the level of business stability.

Financial Ratio Analysis, according to (Halim & Hanafi, 2016) is a ratio that is essentially created by combining figures from within or between the income statement and the balance sheet. Financial statement analysis is the process of understanding and evaluating the financial condition of a company, both in the past and currently, with the aim of assessing its current performance and estimating its future performance (V.Wiratna Sujarweni, 2017). According to (Samryn, 2015) financial ratio analysis is a method for comparing a company's financial data in a beneficial way. It uses financial ratios to assess the company's financial health, which includes liquidity, management's ability to generate profit, fund investments, and the returns received by shareholders from investments. Financial ratio analysis is an analysis that links the balance sheet and income statement estimates to one another, providing an overview of the company's history and an assessment of the condition of a particular company (Samryn, 2015). In conclusion, financial ratio analysis is a

type of analysis that connects various estimates found in an organization's financial statements. The results of this analysis are used as a basis for analysis and decision-making.

Types of Financial Ratios, according to (Hery, 2016) can generally be divided into 5 (five) types of financial ratios that are commonly used to assess a company's financial condition and performance. These five types of financial ratios are: Liquidity Ratios, Solvency Ratios, Activity Ratios, and Profitability Ratios. Liquidity ratios are ratios that illustrate a company's ability to meet its short-term obligations that are due soon. Liquidity ratios are necessary for credit analysis or financial risk analysis. Liquidity ratios consist of; Current ratio, which calculates how much of a company's current assets can finance its current liabilities. This ratio determines the ability of current assets to meet current liabilities. Quick ratio / Acid test ratio, which calculates a company's ability to meet its obligations by excluding inventory, since inventory takes relatively longer to be converted into cash compared to other current assets

Solvency ratios, according to (Kasmir, 2019) are ratios that illustrate a company's ability to meet all of its obligations. Similar to liquidity ratios, solvency ratios are also necessary for credit or financial risk analysis. Solvency ratios consist of; Debt Ratio, which compares total liabilities to total assets of a company. This ratio shows the company's ability to repay its total obligations with the total assets it holds. Debt to Equity Ratio, which compares total liabilities to total equity of a company. This ratio indicates the company's ability to repay its total obligations with the capital owned by the company. Long-Term Debt to Equity Ratio, which compares total long-term debt to the company's equity. Times Interest Earned Ratio, which measures the company's ability to pay interest on its debt. Operating Income to Liabilities Ratio, which shows the company's ability to settle its obligations. This ratio is calculated based on the company's operating income.

Activity Ratios are ratios used to measure the level of efficiency in utilizing the resources owned by the company or to assess the company's ability to carry out its daily operations. Activity Ratios consist of: Accounts Receivable Turnover, which measures the relationship between the accounts receivable balance and sales, resulting in a ratio over a period based on the receivables held by the company. Inventory Turnover, which measures the cost of goods sold by the company in relation to its inventory. This ratio is used to determine the turnover of inventory sold during one accounting period (*typically one year*). Working Capital Turnover, which measures how efficiently the company's working capital generates sales. This ratio is calculated by dividing net sales by average working capital. Fixed Assets Turnover, which measures sales generated through the use of a company's fixed assets. This ratio is effective for assessing how well a company controls the effectiveness of its fixed asset use in generating profit reflected in sales. Total Assets Turnover, which measures sales in relation to the total assets of a company. This ratio indicates how effectively the company utilizes its entire investment in assets to generate sales with the goal of making a profit.

Profitability analysis can be used to measure a company's profit and assess its performance. A company's profitability is expected to increase every year. This is because investors look at financial statements through profitability ratios. According to (Kasmir, 2019) profitability ratios are ratios that assess a company's ability to generate profit and also provide a measure of how effective the company's management is. This is reflected in investment income and sales. Essentially, the use of these ratios shows how efficient an organization is. In this study, profitability is also important because a company's ability to generate profit will affect its operations. In line with the objectives to be achieved, there are several types of profitability ratios that can be used. Each type of profitability ratio is used to assess and measure the company's financial position over a certain period or for several periods.

According to (Hery, 2016) the types of profitability ratios commonly used in practice to measure a company's ability to generate profit include: 1) Return on Assets (ROA); 2) Return on Equity (ROE); 3) Gross Profit Margin; 4) Operating Profit Margin; and 5) Net Profit Margin. Based on the background above, the objectives of the research on the disclosure of sustainability reports on the profitability of food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the period 2021-2022 are: 1) To determine the effect of sustainability reports in the economic category on the profitability of food and beverage companies listed on the Indonesia Stock Exchange (IDX); 2) To determine the effect of sustainability reports in the environmental category on the profitability of food and beverage companies listed on the Indonesia Stock Exchange (IDX); and 3) To determine the effect of sustainability reports in the social category on the profitability of food and beverage companies listed on the Indonesia Stock Exchange (IDX). Meanwhile, the discussion on profitability ratios is limited to the Return on Assets (ROA) and Return on Equity (ROE) ratios, which are the focus of the discussion in this research study.

2. RESEARCH METHODS

The object of this research is the company that merged on November 1, 2008, namely PT. Bank CIMB Niaga and PT. Bank Lippo. In this study, the author analyzes data in the form of financial statements of the company before and after the merger. The type of data used in this study is quantitative research data. According to (Sugiyono, 2018), secondary data is a source of data that does not directly provide data to the data collector, for example, through other people or documents. Quantitative data refers to data presented in the form of numbers that can be calculated with specific units. This quantitative data is derived from the financial statements of PT. Bank CIMB Niaga before and after the merger. The data source used in this study is secondary data obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id). The data collection technique used in this study is through literature review and documentation study. The analysis used in this study is quantitative analysis from the financial statements of PT. Bank CIMB Niaga, Tbk, to

assess the company's performance before and after the merger. The financial statement data will be analyzed using 4 ratio analysis techniques, namely:

- a. Liquidity Ratios: In this research, liquidity ratios are measured using the current ratio, which is used to assess the company's ability to meet its short-term liabilities. Below is the formula used to calculate the current ratio.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\% \tag{1}$$

- b. Solvency Ratio: In this study, the solvency ratio is measured using the debt to equity ratio, which is used to assess the comparison between total debt and total equity. An increase in the Debt to Equity Ratio (DER) indicates an increase in the company's risk after the acquisition due to a higher average total debt compared to equity. Below is the formula used to calculate the debt to equity ratio.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\% \tag{2}$$

- c. Profitability Ratio: In this study, the profitability ratio is measured using the net profit margin (NPM), which is used to assess the percentage of net profit over net sales. The higher the NPM, the better the company's ability to generate high profits. Below is the formula used to calculate the net profit margin (NPM).

$$\text{Net Profit Margin} = \frac{\text{Net Profit After Tax}}{\text{Net Sales}} \times 100\% \tag{3}$$

- d. Activity Ratio: In this study, the activity ratio is measured using the total asset turnover, which is used to assess how much sales are generated from every rupiah of funds invested in total assets. Below is the formula used to calculate the total asset turnover ratio.

$$\text{Total Asset Turn Over} = \frac{\text{Net Sales}}{\text{Total Assets}} \tag{4}$$

3. RESULTS AND DISCUSSION

3.1 Research Results

The following are the accounts used and obtained from the annual financial statements of PT Bank CIMB Niaga, Tbk. The periods of 2006, 2007, and 2008 are the years when the merger took place. The periods of 2019 and 2020 are sample periods after the merger.

Table 1. Financial Statement Accounts

(In Million Rupiah)

Descriptions	Year				
	2006	2007	2008	2019	2020
Current Assets	75.846.919	89.874.123	98.705.587	258.675.228	264.774.766
Total Assets	79.891.925	93.797.189	103.197.574	274.467.227	280.943.605
Current Liabilities	67.842.318	80.419.496	88.808.238	224.113.237	233.416.643
Total Liabilities	71.748.169	84.661.444	93.836.346	231.173.061	239.890.554
Net Sales	1,925,711	2,098,129	1,287,308	4,933,747	2,853,855
Total Equity	8.138.861	9.081.875	9.302.467	43.294.166	41.053.051
Net Profit/Loss After Tax	1.154.587	1.508.386	678.189	3.642.935	2.001.254

Based on the account data used in this study, the accounts consist of real accounts and nominal accounts, including Current Assets, Total Assets, Current Liabilities, Total Liabilities, Total Equity, Net Sales, and Net Profit/Loss After Tax. The total value of each account in the period before the merger, specifically in 2006 and 2007, showed an overall increase. However, during the merger in 2008, the values of Net Sales and Net Profit After Tax declined compared to 2007. In the first year after the merger, which was in 2019, the account values increased again. However, in 2020, Net Sales, Total Equity, and Net Profit After Tax experienced another decline due to the situation in which the business sector in Indonesia and other countries was affected by the COVID-19 pandemic.

3.2 Discussion

The researcher used several financial ratio analyses to assess the financial performance of PT Bank CIMB Niaga, Tbk. before and after the merger. These included the Liquidity Ratio using Current Ratio (CR), Solvency Ratio using Debt to Equity Ratio (DER), Profitability Ratio using Net Profit Margin (NPM), and Activity Ratio using Total Assets Turnover Ratio (TATO).

3.2.1 Liquidity Ratio

Below is the calculation of the Current Ratio before and after the merger at PT Bank CIMB Niaga, Tbk.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100\%$$

Calculation:

$$\text{Current Ratio 2006} = \frac{75.846.919}{67.842.318} \times 100 \% = 111,79 \%$$

$$\text{Current Ratio 2007} = \frac{89.874.123}{80.419.496} \times 100 \% = 111,75 \%$$

$$\text{Current Ratio 2008} = \frac{98.705.587}{88.808.238} \times 100 \% = 111,14 \%$$

$$\text{Current Ratio 2019} = \frac{258.675.228}{224.113.237} \times 100 \% = 115,42 \%$$

$$\text{Current Ratio 2020} = \frac{264.774.766}{233.416.643} \times 100 \% = 113,43 \%$$

Table 2. Calculation of Current Ratio for PT Bank CIMB Niaga Before and After the Merger

Year	Description	Results CR (%)
2006	Before Merger	111,79%
2007		111,75%
		111,77%
2008	During the Merger	111,14%
2019	After Merger	115,42%
2020		113,43%
		114,42%

The calculation of the Current Ratio for PT Bank CIMB Niaga, Tbk shows that in 2006 it was 111.79%, meaning that every IDR 1 of current liabilities was backed by IDR 1.11 of current assets, or the ratio of current assets to current liabilities was 1.11:1. The Current Ratio for this year is considered to be in poor condition because it is below the industry standard average of 200%. In 2007, the ratio was 111.75%, meaning that every IDR 1 of current liabilities was backed by IDR 1.11 of current assets, or the ratio of current assets to current liabilities was 1.11:1. The Current Ratio for this year is also considered to be in poor condition because it is below the industry standard average of 200%.

In 2008, the ratio was 111.14%, where every IDR 1 of current liabilities was backed by IDR 1.11 of current assets, or the ratio of current assets to current liabilities was 1.11:1. The Current Ratio for this year is considered to be in poor condition because it is below the industry standard average of 200%. In 2019, the ratio was 115.42%, meaning that every IDR 1 of current liabilities was backed by IDR 1.15 of current assets, or the ratio of current assets to current liabilities was 1.15:1. The Current Ratio for this year is considered to be in poor condition because it is still below the industry standard average of 200%. In 2020, the ratio was 113.43%, meaning that every IDR 1 of current liabilities was backed by IDR 1.13 of current assets, or the ratio of current assets to current liabilities was 1.13:1. This year's Current Ratio is also considered to be in poor condition because it is still below the industry standard average of 200%.

Looking at the industry standard average Current Ratio commonly used by companies, it can be said that the liquidity level of PT Bank CIMB Niaga is in poor condition, which shows that the company's financial performance is less effective in managing current assets. The company still struggles to pay its high current liabilities. The findings of this study show a difference compared to the study by (Sari et al., 2018), which calculated liquidity ratios during the period from 2012 to 2017. The research explained that PT Bank CIMB Niaga, Tbk was in a liquid condition using the Quick Ratio approach, which showed that over six years, the bank was in a good/healthy condition based on the average Cash Ratio of 90.5% over the last six years, as it met the Bank Indonesia ratio standards. The study by (Mendrofa et al., 2024) conducted a case study on PT Bank CIMB Niaga, Tbk using financial data from the period of 2021-2022. Based on the company's liquidity ratio, it was stated to be good, with the Current Ratio (CR) for PT Bank CIMB Niaga Tbk in 2021 being above the ratio standard of > 200%. In 2022, the CR for PT Bank CIMB Niaga Tbk also exceeded the ratio standard of > 200%. Thus, the bank achieved the highest Current Ratio level of 509.05%.

Based on the three periods before and after the merger, with varying research periods, it can be concluded that the results of this research are influenced by external factors, particularly the emergence of COVID-19, which impacted all sectors, including the banking sector. The pandemic caused significant disruptions in financial operations, and the public became more cautious in facing the situation. During the 2020 period, the national banking industry faced significant challenges, including decreased capital, reduced credit distribution, and an increase in problematic loans. Referring to financial principles, mergers are generally expected to result in better conditions than before the merger (Wardana & Nurita, 2022).

3.2.2 Solvency Ratio

The following is the calculation of the Debt to Equity Ratio before and after the merger at PT Bank CIMB Niaga, Tbk.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

Calculating:

$$\text{Debt to Equity Ratio 2006} = \frac{71.748.169}{8.138.861} \times 100\% = 881,15\%$$

$$\text{Debt to Equity Ratio 2007} = \frac{84.661.444}{9.081.875} \times 100\% = 932,20\%$$

$$\text{Debt to Equity Ratio 2008} = \frac{93.836.346}{9.302.467} \times 100\% = 1.008,72\%$$

$$\text{Debt to Equity Ratio 2019} = \frac{231.173.061}{43.294.166} \times 100\% = 533,95\%$$

$$\text{Debt to Equity Ratio 2020} = \frac{239.890.554}{41.053.051} \times 100\% = 584,34\%$$

Table 3. Calculation of *Debt to Equity Ratio* PT Bank CIMB Niaga Before and After Merger

Year	Description	Result DER (%)
2006	Before Merger	881,15%
2007		932,20%
Average DER Before Merger		906,67%
2008	During the Merger	1.008,72%
2019	After Merger	533,95%
2020		584,34%
Average DER After Merger		559,14%

The calculation results of the Debt to Equity Ratio show that in 2006 it was 881.15%, meaning that every Rp 1 of total debt was secured by Rp 8.81 of total equity owned by the company. The Debt to Equity Ratio this year is considered to be in poor condition as it exceeds the industry standard average of 90%. In 2007, the Debt to Equity Ratio was 932.20%, meaning that every Rp 1 of total debt was secured by Rp 9.32 of total equity. The ratio this year is also considered unfavorable as it surpasses the industry standard of 90%. In 2008, the Debt to Equity Ratio reached 1.008.72%, indicating that every Rp 1 of total debt was secured by Rp 10.08 of total equity. This year, the ratio remained in poor condition, exceeding the industry standard of 90%.

In 2019, the Debt to Equity Ratio was 533.95%, meaning that every Rp 1 of total debt was backed by Rp 5.33 of total equity. This year, the ratio was still considered unfavorable as it exceeded the industry standard of 90%. In 2020, the Debt to Equity Ratio increased to 584.34%, meaning that every Rp 1 of total debt was secured by Rp 5.84 of total equity. Again, the ratio was deemed poor as it exceeded the industry standard of 90%.

Considering the industry standard average for the Debt to Equity Ratio commonly used by companies, it can be stated that PT Bank CIMB Niaga's solvency level is in poor condition. This indicates that the company's financial performance is ineffective due to the excessively high percentage of debt's influence on capital management. This research aligns with the study conducted by (Faizah & Tahir, 2023) on financial performance in the banking sector. They suggest that solvency ratio measurement can also be viewed through the Debt to Asset Ratio, in addition to the Debt to Equity Ratio. The Debt to Asset Ratio reflects that the higher the ratio, the better a bank's ability to pay off long-term debt. Meanwhile, the Debt to Equity Ratio measures the extent to which a company's assets are financed by debt, whether short-term or long-term debt (Choirunisa, 2024).

When viewed from the Debt to Equity Ratio, if the ratio approaches or exceeds the banking industry standard limit, the company is considered to be in poor condition, with an increased risk of bankruptcy. However, in Islamic banking, a bank is still considered Sharia-compliant if the proportion of interest-based debt does not exceed 45% of the bank's total debt (Faizah & Nurmalia, 2020). Solvency ratios also impact other financial variables, such as Earnings Per Share (EPS) (Siddiq et al., 2020), meaning that if the solvency ratio increases, EPS will also rise. Apart from EPS, the Debt to Equity Ratio can also affect Return on Assets (ROA). Research by (Aryani, 2022), (Antwi, 2019) and (Sofian & Nurhayati, 2020) states that DER has a negative impact on ROA, meaning that when DER increases, ROA tends to decrease (Setia & Ermawati, 2024), found that DER influences ROA positively, indicating that the lower the DER, the higher the company's ability to meet its obligations. A low DER suggests that liabilities are smaller compared to the company's total assets, which is beneficial in unfavorable conditions such as bankruptcy.

3.2.3 Profitability Ratio

Below is the calculation of the Net Profit Margin (NPM) before and after the merger at PT Bank CIMB Niaga, Tbk.

$$\text{Net Profit Margin} = \frac{\text{Net Profit After Tax}}{\text{Net Sales}} \times 100\%$$

Calculating:

$$\text{Net Profit Margin 2006} = \frac{1.154.587}{1.925.711} \times 100 \% = 59,95 \%$$

$$\text{Net Profit Margin 2007} = \frac{1.508.386}{2.098.129} \times 100 \% = 71,89 \%$$

$$\text{Net Profit Margin 2008} = \frac{678.189}{1.287.308} \times 100 \% = 52,68 \%$$

$$\text{Net Profit Margin 2019} = \frac{3.642.935}{4.933.747} \times 100 \% = 73,83 \%$$

$$\text{Net Profit Margin 2020} = \frac{2.001.254}{2.853.855} \times 100 \% = 70,12 \%$$

Table 4. Calculation of *Net Profit Margin* PT Bank CIMB Niaga Before and After Merger

Year	Description	Result NPM (%)
2006	Before Merger	59,95%
2007		71,89%
Average NPM Before Merger		65,92%
2008	During the Merger	52,68%
2019	After Merger	73,83%
2020		70,12%
Average NPM After Merger		71,97%

The calculation of the Net Profit Margin shows that in 2006, the figure was 59.95%, meaning that for every Rp 1 of net sales, Rp 0.59 was generated as net profit. The Net Profit Margin for this year is considered very good as it is above the industry standard average of >20%. In 2007, the figure increased to 71.89%, meaning that for every Rp 1 of net sales, Rp 0.71 was generated as net profit. The Net Profit Margin for this year is also considered very good as it remains above the industry standard of >20%. In 2008, the figure was 52.68%, meaning that for every Rp 1 of net sales, Rp 0.52 was generated as net profit. The Net Profit Margin for this year is still considered very good as it remains above the industry standard of >20%. In 2019, the figure rose to 73.83%, meaning that for every Rp 1 of net sales, Rp 0.73 was generated as net profit. The Net Profit Margin for this year is considered very good as it is above the industry standard of >20%. In 2020, the figure was 70.12%, meaning that for every Rp 1 of net sales, Rp 0.70 was generated as net profit.

The Net Profit Margin for this year is also considered very good as it exceeds the industry standard of >20%. Based on the industry standard average Net Profit Margin used by companies, PT Bank CIMB Niaga’s profitability level is considered very good, demonstrating the company’s financial performance is effective as it can generate high net profits through its sales activities. Economically, the Net Profit Margin can influence the company's profit growth.

The research conducted by (Susyana & Nugraha, 2021) states that Net Profit Margin (NPM) affects profit growth. The higher this ratio, the better; however, it should be considered as a representative measure because the profit earned must also be compared to the amount of funds used to generate that profit (Ridwan & Hermana, 2024).

3.2.4 Activity Ratio

Below is the calculation of Total Asset Turnover (TATO) before and after the merger at PT Bank CIMB Niaga, Tbk.

$$\text{Total Asset Turn Over} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

Calculating:

$$\text{Total Asset Turn Over 2006} = \frac{1.925.711}{79.891.925} = 0,024 \text{ times}$$

$$\text{Total Asset Turn Over 2007} = \frac{2.098.129}{93.797.189} = 0,022 \text{ times}$$

$$\text{Total Asset Turn Over 2008} = \frac{1.287.308}{103.197.574} = 0,012 \text{ times}$$

$$\text{Total Asset Turn Over 2019} = \frac{4.933.747}{274.467.227} = 0,017 \text{ times}$$

$$\text{Total Asset Turn Over 2020} = \frac{2.853.855}{280.943.605} = 0,010 \text{ times}$$

Table 5. Calculation of *Total Asset Turnover* PT Bank CIMB Niaga Before and After Merger

Year	Description	Result TATO (times)
2006	Before Merger	0,024
2007		0,022
Average TATO Before Merger		0,023
2008	During the Merger	0,012
2019		0,017
2020	After Merger	0,010
Average TATO After Merger		0,013

The calculation results for Total Asset Turnover indicate that in 2006, it was 0.024 times, meaning every Rp 1 of assets generated Rp 0.024 in sales. The Total Asset Turnover for this year is considered to be in poor condition as it falls below the industry standard of >2 times, indicating weak financial performance. In 2007, it was 0.022 times, meaning every Rp 1 of assets generated Rp 0.022 in sales. The Total Asset Turnover for this year is also considered to be in poor condition as it remains below the industry standard of >2 times, indicating weak financial performance.

In 2008, it was 0.012 times, meaning every Rp 1 of assets generated Rp 0.012 in sales. The Total Asset Turnover for this year is considered to be in poor condition as it is below the industry standard of >2 times, indicating weak financial performance. In 2019, it was 0.017 times, meaning every Rp 1 of assets generated Rp 0.017 in sales. The Total Asset Turnover for this year is also considered to be in poor condition as it remains below the industry standard of >2 times, indicating weak financial performance. In 2020, it was 0.010 times, meaning every Rp 1 of assets generated Rp 0.010 in sales. The Total Asset Turnover for this year is considered to be in poor condition as it is below the industry standard of >2 times, indicating weak financial performance. Total Asset Turnover is influenced by the size of sales and total assets, both current and fixed. Therefore, Total Asset Turnover can be improved by increasing assets on one hand, while on the other hand, efforts should be made to ensure that sales increase relative to asset growth, or by reducing sales along with a relative reduction in assets (Pardede et al., 2023). Previous research conducted by (Damayanti & Sitohang, 2019) stated that the Total Asset Turnover variable has a negative and significant impact on financial performance.

Looking at the average industry standard for Total Asset Turnover commonly used by companies, it can be said that the activity level of PT Bank CIMB Niaga is in poor condition, indicating that the company's financial performance is less effective due to its inability to generate sales, which impacts the total assets.

Based on the results and discussion, a summary of the financial performance research of PT Bank CIMB Niaga, Tbk. before and after the merger was made.

Table 6. Summary of Research Results

Ratio	Average Before Merger	Average After Merger
<i>Current Ratio</i>	111,77%	114,42%
<i>Debt to Equity Ratio</i>	906,67%	559,14%
<i>Net Profit Margin</i>	65,92%	71,97%
<i>Total Asset Turnover</i>	0,023 times	0,013 times

The results of the calculations before and after the merger in the table can be concluded that there was an increase and decrease after the merger. The Current Ratio before the merger was lower than after the merger, at 111.77%, and experienced an increase of 2.65%, making the Current Ratio of Bank CIMB Niaga 114.42%. This increase occurred because, after the merger, the company had more current assets than current liabilities. The Debt to Equity Ratio before the merger was higher than after the merger, at 906.67%, and experienced a decrease of 347.53%, resulting in a Debt to Equity Ratio of 559.14% for Bank CIMB Niaga after the merger, as the total debt after the merger was higher than the total equity. The Net Profit Margin before the merger was lower than after the merger, at 65.92%, and experienced an increase of 6.05%, making the Net Profit Margin of Bank CIMB Niaga 71.97% after the merger, as the company earned more net profit from its sales. The Total Asset Turnover before the merger was higher than after the merger, at 0.023 times, and experienced a decrease of 0.010 times, so the Total Asset Turnover of Bank CIMB Niaga became 0.013 times after the merger. This happened because, after the merger, the total assets increased more than the net sales.

Based on the discussion of the four ratios calculated, there are two ratios that show positive changes: the liquidity ratio measured using the Current Ratio and the profitability ratio measured using the Net Profit Margin. There are two ratios that show negative changes after the merger: the solvency ratio measured using the Debt to Equity Ratio and the activity ratio measured using the Total Asset Turnover. The overall results from the calculation of these four ratios indicate a significant difference in financial performance before and after the merger.

4. CONCLUSION

Based on the data processing results and the discussion above, it can be concluded that the results of this study are: first, the financial performance of PT Bank CIMB Niaga before the merger was in a poor condition as measured by liquidity, solvency, and activity levels. However, its profitability level was in very good condition because it was able to generate

high net profit through sales activities. Second, the financial performance of PT Bank CIMB Niaga after the merger showed improvement from before the merger in terms of liquidity, measured by the Current Ratio, where there was a merger of more current assets than current liabilities. The profitability level after the merger also increased, measured by the Net Profit Margin, where there was a merger of more net profit than net sales. Meanwhile, there was a decrease in solvency, measured by the Debt to Equity ratio, as there was a merger of more total debt than total equity. Additionally, there was a decrease in activity levels, measured by the Total Asset Turnover, where there was a merger of more total assets than net sales. Based on the conclusions above, the suggestions that can be given are as follows: the company is expected to carefully consider the decision to conduct a merger. Due to the decline in certain financial ratios, the company should maintain and improve the factors that caused the decline. For future researchers, it is expected that they will understand this method and also incorporate additional methods to conduct research and gain a deeper understanding of financial performance in the future. A limitation of this study is the ratio-based approach, where each financial ratio is measured individually. As a result, this study cannot be generalized to other studies.

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