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THE INFLUENCE OF LIABILITY TO EQUITY RATIO ON FINANCIAL STABILITY OF PT BANK MANDIRI IN FINANCIAL REPORT AS OF JANUARY 31, 2025

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Abstract

This study analyzes the effect of the debt-to-equity ratio (DER) on the financial stability of PT Bank Mandiri (Persero) Tbk based on the financial report as of January 31, 2025. Bank Mandiri's DER was recorded as high at 6.35, meaning that every Rp1 of equity is supported by Rp6.35 in liabilities, indicating potential liquidity risks and dependence on external funds. However, despite the high DER, Bank Mandiri's financial stability is maintained thanks to good risk management, maintained asset quality, and solid financial performance, including the growth of third-party funds dominated by low-cost funds (CASA) and a low NPL ratio of around 1%. The study uses a descriptive quantitative method with secondary data from Bank Mandiri's balance sheet, including total liabilities and equity and their components. The theoretical study emphasizes the importance of a healthy capital structure with proportional management of liabilities and equity to maintain stability and customer trust and comply with banking regulations. In conclusion, the high DER does contain risks, but with disciplined risk management and good financial management, Bank Mandiri can maintain its financial stability. It is recommended that Bank Mandiri continue to strengthen capital, proactively manage risks, and innovate in financial services to maintain operational sustainability and stability amidst uncertain economic dynamics.

1. INTRODUCTION

A bank is an intermediary financial institution that is generally established with the authority to accept deposits, lend money, and issue promissory notes. The main activity of a bank is to collect funds from the public and distribute them in the form of loans in order to improve people's living standards. Types of banks can be distinguished based on their functions, ownership, and the services they offer. The requirements for each bank in carrying out its main activities are also different, as are the goals of customers in collecting funds at the bank, depending on the type of customer needs. Conventional banks are banks that carry out their business activities conventionally, which in their activities offer several services in their operations according to the procedures and regulations set by the state.

One of the conventional banks in Indonesia is Bank Mandiri. Bank Mandiri is one of the largest banks in Indonesia, which is fully owned by the Indonesian government through BUMN and acts as a provider of banking services, including savings, credit, financing, investment, and digital banking services. Its main focus is to support national economic growth through innovative banking services that are oriented towards the needs of customers, both individuals, corporations, and MSMEs. To maintain customer trust, banks must ensure strong financial stability through good risk management, adequate liquidity, and healthy capital. Financial stability is the main foundation because customers rely on banks as a safe place to store and manage their funds.

The financial stability of banks is the most important indicator of the health of the financial system as a whole. In recent years, the banking industry in Indonesia has faced various challenges such as interest rate fluctuations, credit risk, global economic uncertainty, and tight competition from digital banks. This condition requires banks to maintain a balance between business growth and risk management, one of which is through optimal capital structure management. The bank's capital structure, which is reflected in the composition of liabilities and equity, is a determining factor in assessing financial stability. Liabilities consist of short-term debt and long-term debt. Liquidity is one aspect of a company's ability to pay off all short-term liabilities arising from past transactions at maturity using current assets. Short-term debt is a company's debt that matures within one year; this short-term debt has a lower interest rate.

Long-term debt is a debt product whose payment or settlement is given a fairly long deadline. Another factor that affects a company's profit is equity. Equity, in other words, is the company's own capital or investment invested by the company's owner, which the company continues to strive for sustainability, especially to strengthen the company's capital structure. Own capital is capital that comes from within the company. Equity can be negative or a deficit when the amount of liabilities is greater than the amount of assets. The amount of own equity is reflected in the company's balance sheet, which describes the health of the company. A company can be said to be unhealthy if equity is always negative.

As of January 2025, PT Bank Mandiri (Persero) Tbk faced a challenge, namely the liability to equity ratio (DER) reaching 6.35 as of January 2025, which means that every Rp1 of equity is supported by liabilities of Rp6.35. Financial report data shows that Bank Mandiri's total liabilities are Rp1,661 trillion, while equity is only Rp261 trillion. This condition has the potential to create liquidity risks, excessive attachment to third-party funds, and vulnerability to economic turmoil, such as interest rate fluctuations or mass fund withdrawals. Although Bank Mandiri continues to show solid financial performance with a net profit of IDR4 trillion, the high DER ratio illustrates an unbalanced capital structure and can threaten financial stability in the long term. This risk is increasingly relevant considering the strict regulations from Bank Indonesia and OJK regarding financial ratio limits, such as the Capital Adequacy Ratio (CAR) and Loan to Deposit Ratio (LDR).

Thus, the financial stability of Bank Mandiri, as the largest conventional bank in Indonesia, is highly dependent on optimal capital structure management, including the composition of liabilities (short-term and long-term debt) and equity. Challenges such as interest rate fluctuations, credit risk, and global economic dynamics require banks to maintain a balance between business expansion and risk management. Financial stability is key to ensuring customer trust and the company's long-term health. Therefore, this study aims to analyze the effect of liability-equity imbalance on Bank Mandiri's financial stability, while evaluating the effectiveness of the risk management strategies implemented. The results of the study are expected to provide recommendations for the banking industry in optimizing capital structure and strengthening financial resilience amidst uncertain economic dynamics.

2. LITERATURE REVIEW

In the business world, understanding a bank's financial health is crucial. Kasmir (2012) explains that several important ratios can be used to assess this economic condition. First, there is the liquidity ratio, which shows the bank's ability to pay its short-term debts. Then, there is the equity ratio to measure the proportion of funds that the company has to finance its assets, showing the independent funds used to acquire assets without debt. Finally, the profitability ratio describes the bank's ability to generate profits.

A bank's financial report is the main source of information for assessing its financial condition. This report provides an overview of the bank's financial position and changes, which is very useful for evaluating its financial performance. The banking sector plays a vital role in the Indonesian economy, especially as a source of financing for domestic industry. However, the issue of economic recession can have a significant impact on the bank's financial performance. PT. Bank Mandiri (Persero), Tbk, as one of the government banks listed on the Indonesia Stock Exchange (IDX), is one of the important pillars in the Indonesian economy.

Liability Ratio

Liability Ratio is a company's current obligations arising from past transactions or events, the management of which causes an outflow of company resources and stores benefits (Zahara & Zannati, 2018). This definition is in line with the Financial Accounting Standards Statement (PSAK), which states that liabilities are obligations that arise from past events and their settlement can cause an outflow. Meanwhile, according to the Financial Accounting Standards Board (FASB), liabilities are a form of sacrifice of future economic benefits, which arise due to a current obligation of a business entity, thus requiring the transfer of assets or provision of services to other parties as a consequence of previous transactions or events.

In practice, liabilities are often identified with debt, which is a loan used by a company as a source of funds to finance business operations or expansion. According to the Great Dictionary of the Indonesian Language (KBBI), debt is a loan in the form of money that must be returned to the lender[3]. Meanwhile, Munawir in his book Intermediate Financial Accounting explains that debt is a company's financial responsibility to other parties that has not been fulfilled and also functions as a source of capital from creditors.

From the various explanations of the above understanding, it can be concluded that liabilities are financial consequences that arise due to transactions carried out by the company with external parties. The role of liabilities is crucial in assessing the financial health of a company. On the one hand, the use of liabilities can provide benefits, such as increasing shareholder profits and taking advantage of tax benefits (because debt interest reduces the tax burden). However, on the other hand, excessive debt can increase the financial risk of the company, especially in difficult economic conditions, because payment obligations must still be met even though income is declining. In addition, debt that is too large also has the potential to cause conflict between company owners and creditors.

Based on the period, liabilities can be classified into two types, namely current debt (short-term) and long-term debt. Current debt is an obligation that must be paid off within one year or less from the date the balance sheet is prepared. There are several forms of current debt, namely: trade payables, short-term notes payable, sales tax payables, and accrued expenses. Meanwhile, Long-term debt is an obligation with a maturity of more than one year, generally used to fund expansion projects or long-term investments of the company. Examples of long-term debt include: mortgage debt, bonds payable, and long-term notes payable. By understanding the characteristics and risks of liabilities, companies can optimize debt management to support sustainable business growth.

Equity

Equity refers to the residual rights or interests in the assets of a business entity after deducting all total liabilities. According to Shell (2016), equity describes the owner's rights to the company's assets after deducting liabilities. Meanwhile, Kasmir (2015) states that financing is the provision of funds based on an agreement between a bank and a debtor, with the provision of repayment within a predetermined period by applicable law. Thus, equity and financing play a crucial role in the company's financial structure to support operational continuity and business growth.

In the context of a company, the term equity varies depending on the form of business. In individual companies, equity is called owner's equity, while in partnerships (firms) it is known as (partnership equity), and in corporations it is called stockholders' equity. In general, equity is also known as net assets, which describes the affirmation as the owner of the company's assets after all liabilities have been paid.

The company's capital sources can be classified based on their origin, namely internal capital and external capital. Internal capital comes from the company's owners, usually through the issuance of shares, either privately or publicly. Meanwhile, external capital is obtained from outside parties, such as bonds. The use of external capital causes an obligation to return within a specified period of time as well as additional burdens such as interest or promotional costs.

In reality, equity can be categorized into two main types: investment capital and working capital. Investment capital is used to purchase fixed assets such as land, buildings, machinery, or equipment that are long-term in nature. Its origin often comes from long-term loans, such as bank credit. On the other hand, working capital is funds invested in current assets such as cash, receivables, securities, and inventory. The concept of working capital has two meanings: first, as the company's operating funds, and second, as an investment in liquid short-term assets.

Stability of the Financial System

Financial system stability is a key aspect in supporting the progress of the real sector in Indonesia, because the development of the financial sector is greatly influenced by the condition of the real sector itself. Gunadi stated that financial system stability is a condition in which financial institutions and financial markets function healthily and are interrelated, so that disruption to one component can affect the entire system. In addition, this stability is also closely related to price stability, which is part of monetary stability.

The banking sector plays an important role in maintaining the health of the financial system. Bank Indonesia, as the monetary authority, is responsible for maintaining stability through monetary policy and banking supervision. However, this role does not stand alone because the Financial Services Authority (OJK) also has the authority to supervise the financial services sector as a whole. Therefore, Gunadi emphasized the importance of a synergistic cooperation framework between Bank Indonesia and related institutions to avoid overlapping authorities and maintain financial system stability effectively.

Debt-to-Equity Ratio (DER)

Debt-to-Equity Ratio (DER) is one of the crucial financial report review tools to assess the company's capital structure to show how much collateral the company has to convince creditors (Fahmi, 2013). This ratio measures the proportion between total debt (liabilities) and equity, so it can provide an overview of the extent to which the company is tied to external funding rather than internal capital. The higher the DER value, the greater the company's attachment to debt, which has the potential to increase financial risk. Conversely, a small DER indicates healthier financial stability because the company relies heavily on its capital (Lestari, 2018).

Kasmir (2012) explained that Debt To Equity Ratio (DER) is calculated based on the comparison between all debt components, both short-term and long-term, with the total equity. This ratio is effective in evaluating the extent of creditor contribution rather than the company owners in business funding. A similar opinion was expressed by Harahap (2013), who stated that Debt To Equity Ratio (DER) can assess the level of company involvement in external financing or debt compared to the company's capital capabilities.

Melia et al. (2021) also added that the Debt-to-Equity Ratio (DER) describes the company's ability to fulfill its financial responsibilities. Companies with high DER are at risk of having difficulty paying debts, especially if their income conditions are unstable. However, the use of high debt is sometimes used by companies as a strategy to reduce the tax burden. As explained by Salma et al. (2021), interest expenses from debt can reduce taxable income, so that companies pay lower taxes.

Hery (2016) emphasized that DER is an important indicator in assessing the financial health of a company. Investors tend to view companies with low DER as safer because their financial risks are more controlled. Conversely, DER that is too high can reduce investor confidence, especially if the company is unable to generate enough profit to

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cover its debt obligations. Thus, DER not only affects the capital structure, but also investment decisions and the value of the company's shares in the capital market.

3. RESEARCH METHOD

This study uses a quantitative research type conducted at PT Bank Mandiri with the main target or target of the entire community and students who are interested in researching similar topics in the banking sector. The subjects of this study focused on two main financial aspects, namely liquidity and equity, which were taken from Bank Mandiri's financial data as of January 31, 2025. The research procedure began by accessing official financial data published by Bank Mandiri on that date, then the data was collected as the main research instrument.

The data collection technique used is document analysis, namely by recording and analyzing Bank Mandiri's financial statements in the specified period. Furthermore, the data analysis technique is carried out descriptively and associatively quantitatively, using statistical methods to test the relationship between liquidity and equity variables, and to determine the contribution of both variables to the bank's financial condition.

In addition, this study also pays attention to aspects of data validity and reliability, and conducts classical assumption tests such as normality and multicollinearity tests to ensure the validity of the analysis results, so that it can provide a comprehensive and accurate picture of Bank Mandiri's financial condition in the period studied.

4. RESULTS AND DISCUSSION

The results of the study on the effect of the ratio of liabilities to equity on the financial stability of PT Bank Mandiri (Persero) Tbk. will be presented systematically through financial report data as of January 31, 2025. The analysis was carried out by prioritizing the composition of liabilities and equity, calculating the Debt to Equity Ratio (DER), and its implications for the financial condition and risk management of the bank. The presentation of data is complemented by tables and figures as a form of clarifying how the capital structure occurred during the observation period. The following presentation aims to provide a comprehensive understanding of how the structure of liabilities and equity affects the financial stability of Bank Mandiri, as well as being the basis for formulating strategic recommendations for strengthening the bank's financial resilience in the future.

Table 1. Monthly financial report (balance sheet) of PT Bank Mandiri (Persero) Tbk. January 31, 2025

LAPORAN POSISI KEUANGAN (NERACA) BULANAN
PT BANK MANDIRI (PERSERO) Tbk.
Tanggal 31 Januari 2025

Dalam Jutaan Rupiah

POS-POS	NOMINAL
LIABILITAS DAN EKUITAS	
LIABILITAS	
1.Giro	588.706.161
2.Tabungan	516.707.694
3.Deposito	288.988.112
4.Uang elektronik	2.003.693
5.Liabilitas kepada Bank Indonesia	-
6.Liabilitas kepada bank lain	18.703.046
7.Liabilitas *spot* dan *derivatif /forward*	7.725.724
8.Liabilitas atas surat berharga yang dijual dengan janji dibeli kembali (*repo*)	55.566.572
9.Liabilitas akseptasi	9.360.592
10.Surat berharga yang diterbitkan	27.338.603
11.Pinjaman/pembiayaan yang diterima	99.602.353
12.Setoran jaminan	1.310.872
13.Liabilitas antarkantor	37.317
14.Liabilitas lainnya	45.682.927
TOTAL LIABILITAS	**1.661.733.666**
EKUITAS	
15.Modal disetor	11.666.667
a. Modal dasar	16.000.000
b. Modal yang belum disetor -/-	4.333.333
c. Saham yang dibeli kembali (*treasury stock*) -/-	-
16.Tambahan modal disetor	19.661.550
a. Agio	19.661.550
b. Disagio -/-	-
c. Dana setoran modal	-
d. Lainnya	-
17.Penghasilan komprehensif lainnya	34.156.052
a. Keuntungan	36.063.836
b. Kerugian (-/-)	1.907.784
18.Cadangan	2.333.333
a. Cadangan umum	2.333.333
b. Cadangan tujuan	-
19.Laba/rugi	193.848.104
a. Tahun-tahun lalu	189.842.782
b. Tahun berjalan	4.005.322
c. Dividen yang dibayarkan (-/-)	-
TOTAL EKUITAS	**261.665.706**
TOTAL LIABILITAS DAN EKUITAS	**1.923.399.372**

Based on the Financial Position Report (Balance Sheet) data of PT Bank Mandiri (Persero) Tbk. as of January 31, 2025, it can be seen that Bank Mandiri's financial structure is dominated by liabilities. Total liabilities were recorded at IDR 1,661,733,666 million, while total equity was IDR 261,665,706 million. From this data, the debt-to-equity ratio (DER) can be calculated as follows:

$$\text{DER} = \frac{\textit{Total Liabilitas}}{\textit{Total Ekuitas}} = \frac{1.661.733.666}{261.665.706} = \mathbf{6,35}$$

This ratio shows that for every Rp 1 of equity, Bank Mandiri has liabilities of Rp 6.35. In addition, the composition of liabilities is dominated by current accounts, savings, and deposits, which are the main sources of funds in the banking industry.

The high liabilities to equity ratio at Bank Mandiri shows that the bank is highly dependent on funding from third parties, especially the public in the form of current accounts, savings, and deposits. This is a general characteristic of the banking industry, where banks act as financial intermediaries that collect funds from the public and distribute them in the form of credit or other financial products.

However, a high DER ratio also indicates greater financial risk. Bank Mandiri must be able to manage liquidity risk, credit risk, and operational risk to continue to be able to meet its obligations to customers and other stakeholders. If there is a massive withdrawal of funds (bank run) or a decline in credit quality, the bank's financial stability can be disrupted.

Despite the high DER ratio, Bank Mandiri still shows solid financial performance. Net profit for the year of Rp 4,005,322 million and total profit of Rp 193,848,104 million show that the bank can generate quite large profits. This profit can be used to strengthen equity, increase reserves, and cover potential future losses.

In addition, Bank Mandiri also has a general reserve of Rp 2,333,333 million, which can be used as a buffer to absorb financial risks. The existence of this reserve is very important to maintain the bank's financial stability, especially in facing economic fluctuations and market risks.

Bank Mandiri's financial stability is not only determined by the DER ratio, but also by asset quality, liquidity, and risk management. Bank Mandiri needs to continue to monitor and manage credit risk, market risk, and operational risk in order to maintain the trust of customers and stakeholders.

In the context of banking, Bank Indonesia (BI), as a regulator, also sets various provisions and financial ratios that must be met by banks, such as the Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), and Net Stable Funding Ratio (NSFR). Bank Mandiri needs to ensure that all of these ratios and provisions are met so that financial stability is maintained.

5. CONCLUSION

Based on the analysis results of the financial report of PT Bank Mandiri (Persero) Tbk. As of January 31, 2025, it shows that Bank Mandiri's liabilities to equity ratio (DER) is 6.35, indicating a financial structure dominated by liabilities with a fairly high liabilities to equity ratio. Nevertheless, Bank Mandiri is still able to maintain its financial stability thanks to good risk management, solid financial performance, and maintained asset quality. However, a high liabilities-to-equity ratio can increase risk, especially if there is liquidity pressure or a decline in asset quality. Therefore, Bank Mandiri is advised to continue to strengthen its risk management strategy, optimize the management of low-cost funds, and strengthen capital and equity through profit retention or additional paid-in capital.

6. SUGGESTION

Bank Mandiri also needs to accelerate digital transformation and innovate in financial services to improve operational efficiency and competitiveness. With these steps, Bank Mandiri is expected to maintain long-term financial stability and resilience, and remain a main pillar in supporting inclusive and sustainable national economic growth. Thus, it can be concluded that although Bank Mandiri's liability-to-equity ratio is relatively high, financial stability can still be maintained as long as risk management and financial management are carried out in a disciplined and sustainable manner.

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