

TREND AND PEARSON CORRELATION ANALYSIS OF FINANCIAL LEVERAGE, FINANCIAL SLACK, AND FINANCIAL PERFORMANCE OF BANK IN INDONESIA

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Abstract

This study aims to analyze the trends and relationships between financial leverage, financial slack, and financial performance at PT Bank Rakyat Indonesia (Persero) Tbk during the period 2020-2025. The research employed a quantitative approach using secondary data obtained from the company's financial statements. Financial leverage was measured using the Debt to Equity Ratio (DER) and Debt Ratio (DR), financial slack was measured using the Current Ratio (CR) and Liquid Assets to Deposits and Short-Term Funding (LADST), while financial performance was assessed through Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Data analysis was conducted using trend analysis and Pearson correlation analysis with the assistance of the Statistical Package for the Social Sciences (SPSS). The trend analysis revealed that DER, CR, and LADST tended to decline during the observation period, whereas ROA, ROE, and NPM increased until 2023 before experiencing slight decreases in the following years. The correlation results indicated that financial leverage had no significant relationship with financial performance. In contrast, financial slack, represented by the Current Ratio, showed a very strong and significant positive relationship with ROA and a very strong and significant negative relationship with ROE. These findings suggest that effective liquidity management plays a more important role in improving financial performance than leverage utilization. Therefore, financial slack can be considered a strategic factor in supporting profitability and sustaining corporate financial performance.

Keywords: *Financial Leverage, Financial Slack, Financial Performance, Banking Sector.*

A. INTRODUCTION

The company's ability to manage its capital structure and maintain sufficient liquidity is a fundamental aspect that determines the sustainability and success of operations in the financial sector. In the banking industry, these two aspects are very important considering the strategic role of banking as an intermediary institution that supports national economic stability and growth.

The high level of competition, the development of financial technology, and the dynamics of the increasingly complex business environment require every bank to be able to maintain optimal and sustainable financial performance. Therefore, PT Bank Rakyat Indonesia (Persero) Tbk. as one of the state-owned banks needs to implement effective financial management to increase profitability and maintain the company's competitiveness.

Bank Rakyat Indonesia (BRI) has faced pressure on profitability due to the increase in non-performing loans (NPLs), especially in the micro credit segment. The high credit risk encourages an increase in the formation of impairment loss reserves, which can ultimately reduce the company's financial performance as reflected in profitability ratios such as ROA and ROE. From a research perspective, these conditions show a relationship between financial leverage management and the availability of financial slack in dealing with various risks that can affect the company's financial performance.

A company's financial performance is influenced by various factors, both from the internal and external environment. Among the internal factors that are often of concern in the financial literature are financial leverage and financial slack. These two variables have a close relationship with the company's funding policy and financial resource management, so it has the potential to affect the level of profitability and operational efficiency of the company. Financial leverage is the use of funding sources that contain fixed expenses, especially debt, with the aim of increasing the rate of return received by shareholders.

Financial leverage is the level at which funds derived from debt are used in a company's capital structure to finance its assets and operational activities (Nguyen & Nguyen, 2026). Effective use of debt can increase a company's ability to generate profits as the company obtains additional sources of funding for business expansion. However, high leverage can also increase financial risks due to interest expense and greater debt repayment obligations (Ma, Y *et al.*, 2026).

According to Tumiwa *et al.*, 2026, financial leverage describes a company's ability to utilize funds from external parties to generate higher profits. The optimal use of leverage can increase company value through increased return on investment. However, excessive leverage levels can also increase financial risk and potential financial distress, so effective management is needed in its implementation (Hartono *et al.*, 2026).

On the other hand, financial slack refers to the availability of financial resources that are liquid and have not been fully allocated for the company's operational and investment activities (Mendieta-Callirgos *et al.*, 2026). These resources can be in the form of cash, cash equivalents, receivables, and other current assets that can be used at any time to support the company's funding needs. Financial slack is a reserve of financial resources that provides flexibility for companies in dealing with the uncertainty of the business environment, taking advantage of investment opportunities, and reducing risks arising from limited external funding (Warokka *et al.*, 2026).

From a financial theory perspective, financial leverage and financial slack are two mechanisms that can affect a company's financial performance through different channels. Financial leverage focuses on optimizing capital structure through the use of debt, while financial slack emphasizes the importance of the availability of internal financial resources as a company's operational and strategic buffer. Therefore, a comprehensive understanding of the influence of these two variables on financial performance is important, especially in the banking industry which has complex fund management and risk characteristics (Zhang *et al.*, 2026).

Liquidity reserves that are too large have the potential to have a negative impact on the company because it can indicate a lack of optimal management of financial resources by management. In addition, this condition risks giving rise to agency problems, namely when management utilizes available resources for personal interests that are not in line with the goals of shareholders (Yang *et al.*, 2026). Financial performance is a description of a company's financial condition and position over a certain period that reflects the company's ability to manage, develop, and allocate funds effectively to generate optimal profits (Hasan *et al.*, 2026).

This research establishes PT Bank Rakyat Indonesia (Persero) Tbk. (BRI) as the object of the research. PT Bank Rakyat Indonesia (Persero) Tbk is one of the state-owned banking companies that has a strategic role in the Indonesian financial system. This bank was established on December 16, 1895 in Purwokerto, Central Java, on the initiative of Raden Bei Aria Wirjaatmadja under the name *De Poerwokertosche Hulp en Spaarbank der Inlandsche Hoofden*. At the beginning of its establishment, the institution functioned as a financial institution that provided deposit and financing services for indigenous people. Along with the development of time and changes in regulations in the banking sector, the institution

underwent various transformations until it officially became PT Bank Rakyat Indonesia (Persero) Tbk as it is known today. Bank BRI has a strategic role in supporting national economic development through the provision of various banking services, both in the corporate and retail segments. In this study, PT Bank Rakyat Indonesia (Persero) Tbk was chosen as the object of research because it is one of the state-owned banks that has an important role in the national banking industry. In addition, BRI shows dynamics in terms of financial leverage, financial slack, and financial performance during the 2020-2025 period. These developments make BRI a relevant object to examine the relationship between funding structure, liquidity levels, and the Company's financial performance. To illustrate the influence of financial leverage and financial slack on financial performance in the banking sector, this study uses financial ratio data of PT Bank Rakyat Indonesia (Persero) Tbk. during the 2020-2025 period as an object of observation (Table 1).

Table 1. Financial Ratio Data of PT. BRI (Persero) Tbk

Years	Debt Equity Ratio (DER)	Debt Ratio (DR)	Current Ratio (CR)	Liquid Assets/Deposits (LAD) & ST Funding	Return On Asset (LENGTH)	Return on Equity (ROE)	Net Profit Margin (NPM)
2020	6,90	85,75	31.15	50,09	24.68	12.03	20.83
2021	8,42	82,61	30.54	44,88	39.01	13.23	24.68
2022	8,17	83,74	24.51	41,89	3.46	21.29	39.01
2023	6,75	83,89	22.75	41,30	3.89	24.15	41.7
2024	5,99	83,77	21.26	42,55	3.88	23.89	38.96
2025	5,46	84,50	17.53	33,72	3.41	22.00	35.02

Source: Data processed from the financial report of PT. BRI (Persero) Tbk

Based on the available data, it can be seen that the selection of PT Bank Rakyat Indonesia (Persero) Tbk as the object of the research is based on interesting dynamics in the aspects of financial leverage, financial slack, and financial performance during the 2020-2025 period. These dynamics reflect how the company manages its funding structure, liquidity, and profitability in the face of changing business and economic conditions.

Based on financial leverage, which is proxied using the Debt Equity Ratio (DER) and Debt Ratio (DR), it can be seen that the DER has fluctuated but shows a decreasing tendency in the long term. The value of the DER increased from 6.90 times in 2020 to 8.42 times in 2021, then gradually decreased to 5.46 times in 2025. Meanwhile, the Debt Ratio was in the range of 82.61% to 85.75%, which indicates that most of the company's assets are still funded by liabilities, as is the general characteristic of the banking sector. This condition shows a change in the strategy of managing the company's capital structure and funding sources during the research period.

Based on financial slack, which is measured using the Current Ratio (CR) and Liquid Assets to Deposits and Short-Term Funding (LAD), there is a fairly consistent downward trend. The Current Ratio decreased from 31.15 in 2020 to 17.53 in 2025. Similarly, the ratio of Liquid Assets to Deposits and Short-Term Funding decreased from 50.09% to 33.72% in the same period. This decline shows that companies are increasingly optimizing the use of their liquid assets for more productive activities rather than maintaining funds in the form of excess liquid assets.

Although financial leverage and financial slack have decreased, BRI's financial performance actually showed relatively good performance. Return on Equity (ROE) increased from 12.03% in 2020 to 24.15% in 2023 before decreasing slightly to 22.00% in 2025. Net Profit Margin (NPM) also increased from 20.83% in 2020 to 41.70% in 2023 and remained at a relatively high level until 2025 at 35.02%. In addition, Return on Assets (ROA)

showed improvement compared to the beginning of the observation period and remained at a fairly good level at the end of the study period.

This phenomenon shows that a decrease in leverage and liquidity levels is not always followed by a decrease in financial performance. On the contrary, BRI is able to maintain and even increase its profitability through more efficient management of assets, capital, and financial resources. This condition is interesting to study because it shows that there is a complex relationship that is significantly interconnected between financial leverage, financial slack, and financial performance. This phenomenon is in line with the findings of the Financial slack research which has a positive effect on company performance because the fund reserves help improve financial performance (Zhou, 2023). However, there is an inconsistency in the results of the study where there are different results by Sitohang & Utomo (2026) which show that financial leverage has a negative influence on the company's financial performance.

Based on the phenomena that have been described and the gap in research results, this study aims to analyze the trends and relationships between financial Leverage and Financial Slack on Financial Performance in PT Bank Rakyat Indonesia (Persero) Tbk in 2020-2025.

B. LITERATURE REVIEW

The Trade-Off Theory explains that companies need to determine the optimal funding structure by balancing the benefits and risks arising from the use of debt (Hung, 2026). In this context, financial slack acts as a financial resource that can help companies deal with the uncertainty of the business environment while reducing dependence on debt-based financing. Therefore, based on the Trade-Off Theory, companies that are able to manage the use of financial leverage and maintain the availability of financial slack in a balanced manner will have a greater chance of maintaining and improving their financial performance (Hung, 2026).

This condition gives rise to a conflict of interest in Agency Theory. Agency theory explains the potential for conflict of interest between shareholders as principals and managers as agents in the management of the Company (Eisenhardt, 1989). These differences in interests can affect the effectiveness of financial decision-making. Optimal management of financial leverage and financial slack is believed to be able to minimize agency conflicts, so that it can encourage improvement in the company's financial performance (Erdawati et al., 2026).

Meanwhile, the Pecking Order Theory states that companies tend to follow a funding hierarchy in meeting their capital needs. The order of funding sources starts from internal funds derived from retained earnings, followed by the use of debt, and finally the issuance of new shares. The hierarchy is based on the company's preference to use the lowest cost funding source first (Lindblad & Gustafsson, 2026).

In this theoretical perspective, financial slack reflects the availability of internal funds that can be used to finance investments and operational activities without having to rely on external funding sources. However, if the available internal resources are insufficient, the company will switch to external funding through the use of financial leverage. Thus, financial slack and financial leverage are two complementary funding mechanisms in supporting the company's operational sustainability and growth.

According to Van Horne (1997), financial leverage is the use of funding sources that incur fixed costs with the aim of obtaining a higher rate of return than the costs incurred, so as to improve the welfare of shareholders (Akhtar et al., 2022). In line with this opinion, Weston and Brigham (1998) define financial leverage as the level of use of debt by a company as a source of financing for operational and investment activities. Financial leverage is the use of funds derived from debt to finance the company's operational activities

and investments. Leverage is used to increase the company's funding capacity so that it can increase the opportunity to make a profit (Islam, 2026).

Debt Equity Ratio (DER) plays an important role in determining the company's capital structure and performance. The results show that the relationship between leverage and company performance is complex because it can have a positive or negative impact depending on the company's condition and business environment. Debt Equity Ratio (DER) is a ratio that describes the ratio between total liabilities and total company equity. DER Formula:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

DER shows the company's ability to fulfill its obligations using its own capital. The higher the value of DER, the greater the company's dependence on external funding (Khalifah & Agustian, 2026). The relationship between DER and ROA can be seen that ROA reflects the company's ability to generate profits from the assets it owns.

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

The higher the DER, the greater the interest payment obligations and financial risks borne by the company. If the loan funds are not used productively, the profitability of the asset tends to decrease. However, if the debt is used efficiently for productive activities, leverage can help increase the ROA (Mutumanikam & Adelin, 2024). The relationship between DER and ROE can be seen from how ROE measures the rate of return on capital received by shareholders.

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

Financial leverage can increase ROE because the use of debt allows companies to raise additional funds without increasing equity. However, leverage that is too high can magnify financial risks and reduce the ability to generate profits for shareholders.

The relationship between DER and NPM can be seen that NPM measures a company's ability to generate net profit from revenue.

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

Increased debt can increase business capacity and income, but also increase interest expenses. Therefore, DER can be positively or negatively related to NPM depending on the effectiveness of the use of loan funds. Debt Ratio (DR) is a ratio that shows the proportion of a company's assets financed by debt.

DR Formula:

$$DR = \frac{\text{Total Debt}}{\text{Total Assets}}$$

The higher the Debt Ratio, the greater the company's dependence on funding sources derived from liabilities. A high Debt Ratio can increase a company's productive assets through debt financing. However, if profit growth is not proportional to an increase in liabilities, then the company's ability to generate profits from its assets will decrease (Evianti et al., 2024). The leverage reflected in the Debt Ratio can increase ROE if the additional assets obtained are able to generate greater profits than the cost of funding. However, excessive leverage has the potential to reduce the company's value and shareholder return rate (Mutumanikam & Adelin, 2024). A high Debt Ratio can reduce net profit margins due to increased interest costs and financial risks. On the other hand, if loan funds are used productively, companies can increase revenue and maintain profit margins (Evianti et al., 2024).

Theoretically, financial leverage proxied with DER and DR is closely related to financial performance measured using ROA, ROE, and NPM. Leverage allows companies to obtain additional sources of funds to support business expansion and increase operational capacity. However, excessive use of debt can increase financial risks and reduce the company's profitability. Therefore, companies need to maintain an optimal capital structure so that the benefits of using debt can be obtained without excessively increasing risk. This is in line with the Trade-Off Theory which emphasizes the importance of balancing the benefits and costs of using debt in improving the company's financial performance.

Financial slack is a financial resource that is available beyond the company's routine operational needs and can be used to deal with uncertainty, support investment, and maintain the company's financial flexibility. Financial slack reflects a company's ability to provide reserves of funds that can be used to maintain operations, respond to changes in the business environment, and take advantage of growth opportunities. Financial slack, capital intensity and firm performance: evidence from global listed firms explains that financial slack consists of financial resources that can be used immediately, such as cash, short-term liquidity, and unused debt capacity (Ramadhani et al., 2026).

According to Resource-Based Theory (RBT), the resources owned by the company are strategic assets that can create a competitive advantage if managed effectively. In this context, financial slack is seen as a financial resource that provides flexibility for the company to maintain performance and face business uncertainty (Acedo et al., 2006).

In addition, the Pecking Order Theory explains that companies tend to utilize internal funds first before using external funding sources. Therefore, the availability of financial slack allows companies to meet funding needs without having to increase debt or issue new shares. In this study, financial slack was proxied using Current Ratio (CR) and Liquid Assets to Deposits and Short-Term Funding (LADST) (Anachoni & Jagongo, 2020).

Current Ratio is a liquidity ratio used to measure a company's ability to meet short-term obligations using its current assets (Pitriani & Kosadi, 2026). Current Ratio Formula

$$CR = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The higher the Current Ratio value, the greater the company's ability to meet its short-term obligations. From a financial slack perspective, the Current Ratio describes the availability of financial resources that can be used at any time to support the company's operations or face unexpected conditions (Pitriani & Kosadi, 2026).

ROA shows the company's ability to generate profits from its assets.

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

Adequate financial slack allows the company to maintain smooth operations and take advantage of investment opportunities so that it can improve the company's ability to generate profits from its assets (Minola et al., 2026). ROE indicates the level of return that shareholders earn on invested capital.

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

Adequate liquidity can support the company's operational stability and increase profits, which ultimately increases the rate of return to shareholders. However, if liquid assets are too large and not utilized productively, the ROE can decrease due to idle funds (Kara, 2026). Net Profit Margin (NPM) indicates the company's ability to generate net profit from the revenue earned (Aulianti & Syarif, 2026).

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

An adequate Current Ratio allows the company to maintain operational stability and reduce the risk of financial difficulties so as to increase the company's efficiency and net profit. However, if the liquidity level is too high, some funds may not be used productively, which can reduce the Company's profitability level (Oke et al., 2025).

In the banking industry, financial slack is often proxied using Liquid Assets to Deposits and Short-Term Funding (LADST) (Tolino et al., 2026). Formula:

$$LADST = \frac{\text{Liquid Assets}}{\text{Deposits} + \text{Short Term Funding}} \times 100\%$$

This ratio describes the bank's ability to meet short-term obligations using its liquid assets. The higher the LADST, the greater the liquidity reserves available to support operational activities and face liquidity risks. The relationship between LADST and ROA shows that adequate liquid assets provide financial flexibility for banks in dealing with operational risks and liquidity risks so that they can support profit creation. According to Financial slack, capital intensity and firm performance: evidence from global listed firms, financial slack plays a role as a form of financial flexibility that is able to maintain the company's investment capacity and operational continuity (Mowla, 2024). Sufficient liquidity helps companies maintain operational stability so that it can increase investor confidence and support shareholder returns. However, if liquid assets are too large and not utilized productively, the rate of return on equity can be reduced. This condition shows that financial slack needs to be managed at an optimal level (Lefebvre, 2024). Adequate liquid assets allow the company to maintain stable operating activities and reduce costs incurred due to limited liquidity.

The Relationship of Financial Slack to Financial Performance. Theoretically, financial slack proxied using Current Ratio (CR) and Liquid Assets to Deposits and Short-Term Funding (LADST) has a relationship with financial performance proxied using ROA, ROE, and NPM. Financial slack provides financial flexibility that allows companies to maintain operations, face uncertainty, and take advantage of investment opportunities so as to potentially increase the company's profitability. However, the existence of excessive financial slack can also cause inefficiencies due to funds that are not used productively. Therefore, companies need to manage the level of financial slack optimally in order to support sustainable improvement in financial performance (Lefebvre, 2024).

C. METHOD

This research with a quantitative approach through trendline analysis on the graph and Pearson Correlation analysis using the Statistical Package for the Social Sciences (SPSS). The use of trendlines on the SPSS graph aims to make it easier to identify patterns and trends in changes in research variables during the observation period. Trendlines help to visually present the direction of data development so that it can be used to assess the strength of the trend formed (Almaraz, 2026).

Trendline analysis is used to identify the development pattern of research variables during the observation period. Trend analysis is useful for evaluating changes in a phenomenon over time, identifying dominant trends, and providing an overview of future development directions (de Oliveira et al., 2026). In this study, trendlines are used to analyze the development of financial leverage, financial slack, and financial performance of PT Bank Rakyat Indonesia (Persero) Tbk for the 2020-2025 period so as to facilitate the interpretation of changes in each variable from year to year.

Pearson Correlation analysis with SPSS is used to identify and measure interdependencies (relationships) between variables or between test results in a data set. Pearson Correlation is used to determine how strong the linear relationship between two variables is. The correlation coefficient value (r) indicates the degree of closeness of the

relationship, ranging from very weak to very strong. Through Pearson Correlation analysis, it can be found whether several tests measure the same or different characteristics so that the efficiency and reliability of a series of statistical tests can be evaluated (Almaraz, 2026). In this study, Pearson Correlation analysis is used to determine the relationship between financial leverage and financial slack on financial performance, as well as to assess the strength and direction of the relationship formed between research variables.

D. RESULTS AND DISCUSSION

The trendline analysis in figure 1 shows that BRI's Debt Equity Ratio (DER) has increased from 6.90 times in 2020 to 8.42 times in 2021. After that, DER shows a downward trend consecutively to 8.17 times in 2022, 6.75 times in 2023, 5.99 times in 2024, and 5.46 times in 2025. This decline shows that the company's dependence on funding sources derived from liabilities is relatively decreasing compared to its own capital. This condition indicates an improvement in the capital structure and a decrease in the financial risk of BRI companies.

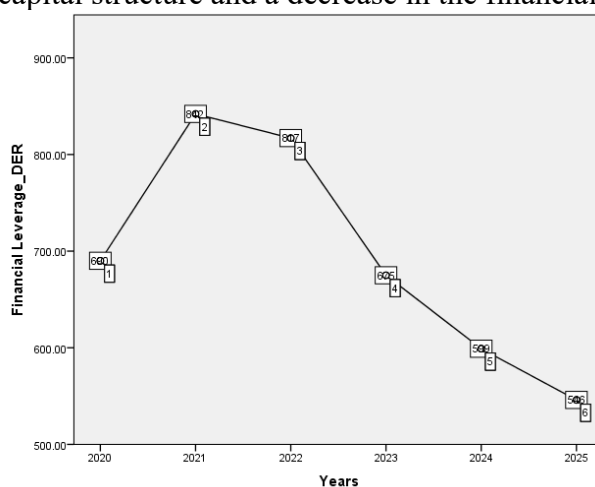


Figure 1. DER Trend 2020-2025

Source: Output SPSS

Based on figure 1, the Debt Ratio (DR) fluctuated during the observation period. The value decreased from 85.75% in 2020 to 82.61% in 2021, then increased to 83.74% in 2022 and 83.89% in 2023. In 2024 the DR decreased slightly to 83.77%, then increased again to 84.50% in 2025. Overall, the DR was relatively stable in the range of 82%-86%, which indicates that most of the company's assets are still financed by liabilities, as is a general characteristic of the banking industry.

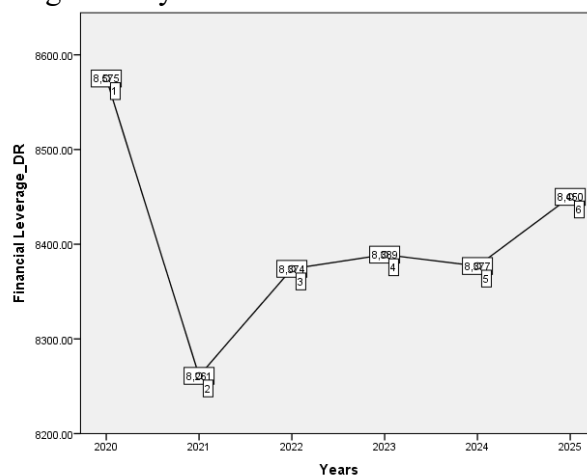


Figure 2. DR Trends 2020-2025

Source: Output SPSS

Based on figure 3, the Current Ratio (CR) shows a consistent downward trend during the research period. The CR value decreased from 31.15% in 2020 to 30.54% in 2021, then decreased more significantly to 24.51% in 2022. The decline continued until it reached 17.53% in 2025. This condition indicates a decrease in the company's liquidity level from year to year. However, a decrease in liquidity does not always indicate a bad condition if available funds are used more productively to generate profits.

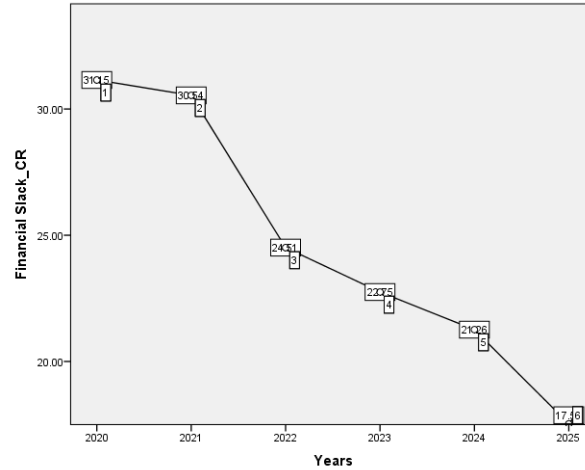


Figure 3. DR Trends 2020-2025

Source: Output SPSS

Based on figure 4, the Liquid Assets to Deposits and Short-Term Funding (LADST) ratio shows a downward trend during the study period. The value decreased from 50.09% in 2020 to 44.88% in 2021 and 41.89% in 2022. After being relatively stable in the 2022-2024 period, this ratio again experienced a considerable decline to 33.72% in 2025. This decrease shows that the proportion of liquid assets to third-party funds and short-term funding sources is decreasing.

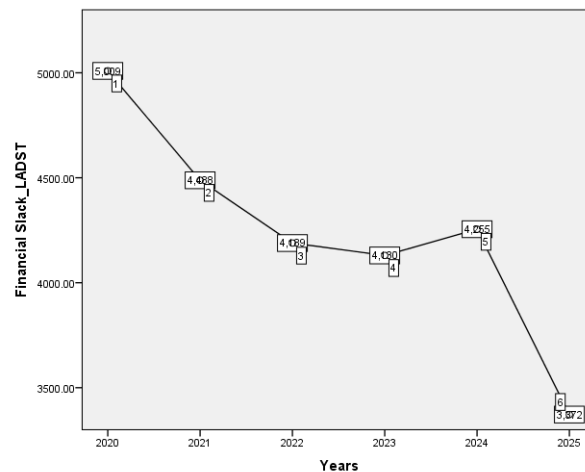


Figure 4. LADST Trends 2020-2025

Source: Output SPSS

Based on figure 5, the Return on Assets (ROA) increased from 1.23% in 2020 to 1.87% in 2021 and reached 2.90% in 2022. The ROA then increased again to 3.15% in 2023 which was the highest value during the observation period. After that, the ROA decreased slightly to 3.05% in 2024 and 2.77% in 2025. In general, the ROA trend shows an increase in the company's ability to generate profits from the assets it owns.

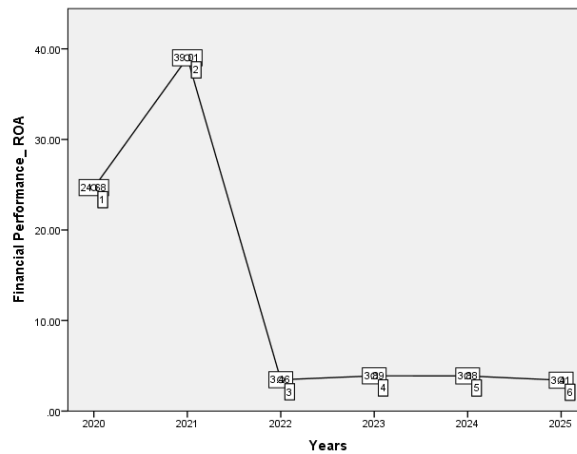


Figure 5. ROA Trend 2020-2025

Source: Output SPSS

Based on figure 6, the Return on Equity (ROE) shows an increasing trend during the research period. Its value increased from 12.03% in 2020 to 13.23% in 2021 and rose quite significantly to 21.29% in 2022. ROE peaked at 24.15% in 2023 before declining slightly to 23.89% in 2024 and 22.00% in 2025. This condition shows that the company's ability to generate profits for shareholders has improved compared to the beginning of the observation period.

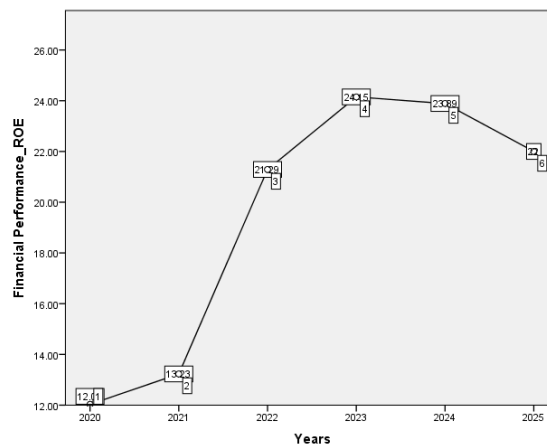


Figure 6. ROE Trend 2020-2025

Source: Output SPSS

Based on figure 7, Net Profit Margin (NPM) experienced a significant increase during the 2020-2023 period. NPM increased from 20.83% in 2020 to 24.68% in 2021, then increased to 39.01% in 2022 and reached a high value of 41.70% in 2023. After that, NPM decreased to 38.96% in 2024 and 35.02% in 2025. Despite the decline at the end of the period, NPM still shows a positive trend overall, which indicates an increase in the company's efficiency in generating net profit from revenue earned.

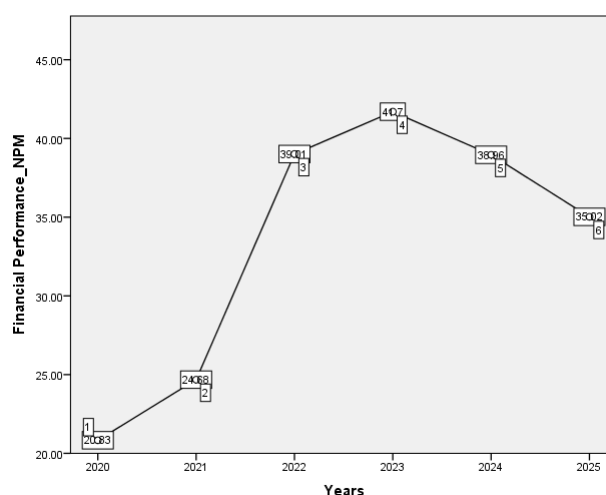


Figure 7. ROE Trend 2020-2025

Source: Output SPSS

Based on the results of trend analysis and correlation in PT Bank Rakyat Indonesia (Persero) Tbk for the 2020-2025 period, there is a relationship between financial leverage, financial slack, and financial performance in supporting the company's sustainability and profitability.

The financial leverage variables proxied by the Debt Equity Ratio (DER) and Debt Ratio (DR) showed a relatively stable to decreasing tendency during the study period. The decline in DER indicates that companies are increasingly able to reduce their dependence on funding sources derived from liabilities and strengthen their capital structure. However, the correlation results show that the relationship between leverage and financial performance is not significant, so changes in leverage do not directly determine the level of profitability of the company.

Meanwhile, financial slack proxied by Current Ratio (CR) and Liquid Assets to Deposits & Short-Term Funding (LIQ) shows a downward trend from year to year. This condition indicates that the company is reducing the portion of liquid assets it owns and optimizing the funds available for productive activities. Although the liquidity level has decreased, the company's financial performance has actually improved until 2023. This shows that the company is able to manage available resources efficiently so that it can still generate optimal profits.

In terms of financial performance, which is measured using ROA, ROE, and NPM, there is a significant upward trend until 2023 before experiencing a slight decline in 2024-2025. This increase reflects the company's improved ability to generate profits through the use of assets, capital, and operational activities.

The results show that financial leverage proxied with Debt Equity Ratio (DER) and Debt Ratio (DR) has not shown a significant relationship with financial performance. On the other hand, financial slack proxied with Current Ratio (CR) shows a stronger relationship with the company's financial performance. These findings indicate that the company's ability to maintain and manage liquidity effectively has a greater role in improving financial performance than increasing the use of debt during the study period. Thus, optimal financial slack management is one of the important factors in supporting increasing the company's profitability. The Pearson Correlation analysis with SPSS is shown in table 2.

**Table 2. Pearson Correlation Analysis
Correlations**

		Financial Leverage_ DER	Financial Leverage DR	Financial Slack CR	Financial Slack LADST	A Performance_ LONG	Financial Performance_RO E	Financial Performance_NP M
Financial Leverage_D ER	Pearson Correlation	1	-.487	.717	.502	.571	-.493	-.294
	Sig. (2-tailed)		.327	.109	.310	.237	.321	.571
	N	6	6	6	6	6	6	6
Financial Leverage_D R	Pearson Correlation	-.487	1	.024	.213	-.189	-.182	-.286
	Sig. (2-tailed)	.327		.964	.685	.720	.730	.583
	N	6	6	6	6	6	6	6
Financial Slack_CR	Pearson Correlation	.717	.024	1	.899*	.852*	-.883*	-.785
	Sig. (2-tailed)	.109	.964		.015	.031	.020	.064
	N	6	6	6	6	6	6	6
Financial Slack_LADS T	Pearson Correlation	.502	.213	.899*	1	.618	-.696	-.628
	Sig. (2-tailed)	.310	.685	.015		.191	.125	.182
	N	6	6	6	6	6	6	6
Financial Performance _ROA	Pearson Correlation	.571	-.189	.852*	.618	1	-.909*	-.870*
	Sig. (2-tailed)	.237	.720	.031	.191		.012	.024
	N	6	6	6	6	6	6	6
Financial Performance _ROE	Pearson Correlation	-.493	-.182	-.883*	-.696	-.909*	1	.975**
	Sig. (2-tailed)	.321	.730	.020	.125	.012		.001
	N	6	6	6	6	6	6	6
Financial Performance _NPM	Pearson Correlation	-.294	-.286	-.785	-.628	-.870*	.975**	1
	Sig. (2-tailed)	.571	.583	.064	.182	.024	.001	
	N	6	6	6	6	6	6	6

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The Relationship of Financial Leverage to Financial Performance

The relationship between Financial Leverage and Financial Performance is shown in table 3.

**Table 3. Pearson Correlation Analysis Financial Leverage and Financial
Performance**

Correlation	r	Sig
DER → ROA	0,571	0,237
DER → ROE	-0,493	0,321
DER → NPM	-0,294	0,571
DR → ROA	-0,189	0,720
DR → ROE	-0,182	0,730
DR → NPM	-0,286	0,583

Source: Output SPSS

Based on table 3, the relationship of Financial Leverage to Financial Performance proxied by DER to ROA shows a Pearson Correlation value (r) = 0.571 with Sig = 0.237. This means that the Debt Equity Ratio (DER) has a positive relationship with Return on Assets (ROA), which means that increased leverage tends to be followed by an increase in profitability. However, the relationship is not significant because the significance value is greater than 0.05. The relationship between Financial Leverage and Financial Performance proxied by DER to ROE shows a Pearson Correlation value (r) = -0.493 with Sig = 0.321.

This means that DER has a negative relationship with ROE, where increased debt use tends to decrease the rate of return on equity. However, this relationship is not significant.

The relationship of Financial Leverage to Financial Performance proxied by DER to NPM shows a value of Pearson Correlation (r) = -0.294 with a Sig of 0.571. This means that DER has a negative relationship to Net Profit Margin (NPM) and is insignificant. Meanwhile, DR to ROA shows a value of Pearson Correlation (r) = -0.189 with Sig = 0.720. Similarly, DR to ROE shows a value of Pearson Correlation (r) = -0.182 with Sig = 0.730. And DR to NPM shows a value of Pearson Correlation (r) = -0.286 with Sig = 0.583. Debt Ratio (DR) shows a weak negative relationship with ROA, ROE, and NPM. All significance values are above 0.05 so the relationship is not significant.

The Relationship of Financial Slack to financial performance

The relationship between Financial Slack and Financial Performance is shown in table 4. The relationship between Financial Slack and Financial Performance is proxied by the Current Ratio (CR) to ROA which shows the value of Pearson Correlation (r) = 0.852 with Sig = 0.031. This shows that the Current Ratio has a very strong and significant positive relationship with ROA which means that the better the company's liquidity ability, the higher the company's ability to generate profits from its assets. The relationship between Financial Slack and Financial Performance is proxied by the Current Ratio (CR) to ROE which shows the value of Pearson Correlation (r) = -0.883 with Sig = 0.020. This shows that the Current Ratio has a very strong and significant negative relationship with ROE. Liquidity that is too high can cause idle funds thus lowering the rate of return to shareholders.

The relationship of Financial Slack to Financial Performance proxied by the Current Ratio (CR) to NPM shows a value of Pearson Correlation (r) = -0.785 with Sig = 0.064. This shows that the Current Ratio has a strong negative relationship with NPM, but it is not statistically significant at the level of 5%. The relationship of Financial Leverage to Financial Performance proxied by Liquid Assets/Deposits & ST Funding (LADST) to ROA shows a value of Pearson Correlation (r) = 0.618 with a Sig. of 0.191 and LADST to ROE shows a value of Pearson Correlation (r) = -0.696 with a Sig. of 0.125. Similarly, LADST to NPM shows a value of Pearson Correlation (r) = -0.628 with a Sig. of 0.182. Based on these results, Liquid Assets/Deposits & ST Funding (LADST) had a positive relationship with ROA and a negative relationship with ROE and NPM. However, all of these relationships were insignificant because the significance value was greater than 0.05.

Table 4. Pearson Correlation Analysis Financial Slack and Financial Performance

Correlation	r	Sig
CR → ROA	0,852	0,031
CR → ROE	-0,883	0,020
CR → NPM	-0,785	0,064
LADST → ROA	0,618	0,191
LADST → ROE	-0,696	0,125
LADST → NPM	-0,628	0,182

Source: Output SPSS

Based on the results of Pearson Correlation analysis (table 4), the Liquid Assets to Deposits and Short-Term Funding (LADST) variable has a different relationship with each financial performance indicator. LADST shows a strong positive relationship with ROA, which indicates that liquid assets can support a company's ability to generate profits from its assets. However, LADST shows a strong negative relationship with ROE and NPM, which indicates that too high a level of liquidity has the potential to reduce the efficiency of using funds to generate profits for shareholders and the company's net profit. However, all of these relationships are not statistically significant, so LADST cannot be stated as a factor directly

related to changes in the financial performance of PT Bank Rakyat Indonesia (Persero) Tbk during the 2020-2025 period.

E. CONCLUSION

Based on the trendline analysis on the chart and Pearson Correlation analysis using the Statistical Package for the Social Sciences (SPSS) at PT Bank Rakyat Indonesia (Persero) Tbk for the 2020-2025 period, it can be concluded that financial leverage, financial slack, and financial performance show different development patterns. Financial leverage proxied with Debt Equity Ratio (DER) and Debt Ratio (DR) tends to be stable to decrease, while financial slack proxied with Current Ratio (CR) and Liquid Assets to Deposits and Short-Term Funding (LADST) also shows a downward trend during the study period. On the other hand, financial performance measured using Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) has increased until 2023 before experiencing a slight decline in 2024-2025.

The results of the correlation analysis showed that financial leverage did not have a significant relationship with financial performance. On the other hand, financial slack, especially those proxied with Current Ratio (CR), showed a stronger relationship with the company's financial performance. These findings indicate that the company's ability to manage liquidity effectively has a greater relationship with changes in financial performance than the level of leverage it has. Therefore, optimal financial slack management is an important aspect in supporting the achievement and sustainability of PT Bank Rakyat Indonesia (Persero) Tbk's financial performance during the research period.

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