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An integrated financial statement analysis and valuation method for stock investment decisions: Evidence from PT Bank Syariah Indonesia

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Abstract

This study aimed to examine the role of financial statements in supporting stock investment decisions by integrating financial performance analysis with Discounted Cash Flow (DCF) valuation method. Focusing on PT Bank Syariah Indonesia (BSI) during the period from 2020 to 2023, the study adopted a quantitative descriptive method using financial ratios and valuation analysis. The results showed consistent growth in assets, revenue, and net profit, as well as improvements in profitability ratios such as Return on Assets (ROA) and Return on Equity (ROE), reflecting enhanced operational efficiency. The valuation results further indicated that the Bank's stock was undervalued, as the estimated intrinsic value exceeded market price, suggesting potential investment opportunities. These results outlined the importance of applying an integrated analytical method that combined fundamental and valuation analysis to support more effective and informed investment decision-making.

Keywords: Financial statement analysis, financial performance, discounted cash flow, stock investment, Islamic banking.

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Introduction

In an increasingly dynamic and competitive financial market, investors are expected to make well-informed decisions to optimize returns and minimize risks. Part of the most reliable methods for evaluating stock investment potential is financial statement analysis, as it enables investors to assess the performance and estimated value of a firm (Lev, 2018). Financial reports serve as a primary source of information reflecting financial health, operational performance, and future growth prospects. Stakeholders will pay attention to all changes in financial performance, as reflected in the statement of financial position, profit or loss, and cash flow. The performance should not be viewed as a single-period outcome but as an indicator of firm ongoing sustainability (Nguyen, 2022; Mihalcea & Hada, 2019).

The use of financial statement analysis to predict future economic activities at firm level has long been a major topic of academic studies in the accounting field (Konchitchki & Patatoukas, 2014). Through financial analysis tools, investors can obtain reliable information to support investment decisions, as financial performance represents a quantitative measure of how effectively a firm uses its assets to generate revenue and achieve its financial objectives (Gaio & Henriques, 2022; Vyshnavi, 2024). Moreover, financial statement analysis enhances the quality of earnings-based forecasts and improves the reliability of the valuation process (Kothari et al., 2016). In this context, financial statement analysis plays a critical role in reducing information asymmetry and enhancing decision quality (Avinash & Mahesh, 2026; Barth et al., 2023).

Financial statement analysis is an adaptable tool that firms across industries can apply, enabling stakeholders to evaluate the performance under different economic conditions and institutional settings (Cascino et al., 2014). Public firms, such as those listed on stock exchanges, use financial analysis to communicate performance to shareholders and attract potential investors (Fraser & Ormiston, 2016; Umoh, 2024). In addition, Banks and financial institutions rely heavily on financial data to assess creditworthiness, monitor financial stability, and manage investment risks, as accounting information plays a crucial role in risk assessment and lending decisions (Beatty & Liao, 2014; Wild et al., 2014). This outlines that financial statement analysis is not only a reporting tool but also a strategic instrument for investment evaluation and decision-making, particularly in enhancing transparency and supporting efficient capital allocation in financial markets (Leuz & Wysocki, 2016).

Profitability is a key factor influencing dividend policy and investor assessment of a bank financial performance in Islamic banking industry. It reflects the ability to generate earnings relative to the expenses and other costs, serving as an important indicator of operational efficiency and financial health (Kweh et al., 2024; Liwaul et al., 2023). Brigham and Houston (2019) stated that profitability was among the most closely

watched financial metrics by both managers and investors, serving as a foundation for investment decisions and long-term financial planning. This relationship can be further explained by signaling theory, holding that corporate financial information communicate firm prospects and overall quality to external stakeholders (Connelly et al., 2011). High profitability provides a positive signal, reducing information asymmetry and reinforcing investor confidence, while weak performance may signal higher risk and discourage investment. Consequently, investors tend to favor firms with higher profitability, as they are more inclined to generate returns that meet or exceed expectations (Novy-Marx, 2013; Sari & Sujana, 2025). In Islamic banking, the credibility of these signals is strengthened by transparency, accountability, and adherence to Syariah principles. Analyzing profitability is not only essential for evaluating past performance but also serves as a predictive tool for firm value and a guide for rational, informed investment (Nguyen, 2022).

An important aspect of investment decision-making is determining a stock fair value. Investors must evaluate whether a stock is priced appropriately by estimating its intrinsic value through valuation methods. A widely used method is Discounted Cash Flow (DCF), which estimates firm value by discounting expected future cash flows to the present value using an appropriate discount rate, incorporating the time value of money (Lee et al., 2020; Gajek & Kuciński, 2017). In applying this method, particular attention must be paid to estimating the terminal value, as assets are often expected to generate benefits beyond the explicit forecast period. Therefore, valuers must estimate the asset value during the period (D'Amato & Bambagioni, 2024). In practice, valuation often includes considerable uncertainty, prompting extensions such as scenario-based DCF (SDCF) model to be developed to accommodate multiple possible future conditions and improve the robustness of valuation outcomes (Buttignon, 2020). To enhance practical applicability and reduce estimation bias, this study adopts an integrated valuation method that combines financial statement analysis with DCF-based valuation, allowing accounting-based performance indicators to be translated into intrinsic firm value (Lee et al., 2020; Bancel & Mittoo, 2014).

PT Bank Syariah Indonesia (BSI), established through the merger of three state-owned Islamic banks in 2021, has evolved as a significant player in Indonesian Islamic banking sector. Since its inception, BSI has attracted substantial investor attention for the rapid asset growth, strategic initiatives, and correlation with the growing demand for Syariah-compliant financial services. Between 2020 and 2023, BSI showed significant growth in assets, profitability, and financial ratios, indicating strong business expansion and market confidence (PT Bank Syariah Indonesia, 2023).

This study aims to examine how financial statement analysis supports stock investment decision-making by integrating financial performance indicators with DCF valuation method, using PT Bank Syariah Indonesia as a case study for the period from 2020 to 2023. However, previous studies tend to examine financial performance analysis

and firm valuation separately, leading to a limited understanding of how accounting-based performance is translated into intrinsic firm value. Empirical evidence focusing on Islamic banking institutions, particularly in post-merger contexts, also remains limited. This gap outlines the need for an integrated analytical method that combines financial ratios with valuation analysis to provide a more comprehensive investment decision.

Therefore, this study contributes by integrating financial statement analysis and DCF valuation into a unified analytical framework. It also provides empirical evidence from the post-merger performance of PT Bank Syariah Indonesia, which remains underexplored in the previous literature. The results are expected to provide valuable insights for investors, analysts, and policymakers on the role of financial analysis in supporting effective, informed investment strategies, particularly in Islamic banking industry.

Method

This study applied a quantitative, descriptive method, using a valuation analysis framework, to examine the role of financial statement analysis in supporting stock investment decisions. A case study design was adopted, focusing on PT Bank Syariah Indonesia during the period from 2020 to 2023. Although limited in generalizability, this method provided in-depth insights into firm-specific financial dynamics, particularly in post-merger Islamic banking institutions. The study used secondary data derived from audited annual financial statements of BSI, including statements of financial position, income statements, and supporting financial reports. Additional data, such as stock prices, dividends, and market indicators, were obtained from official financial publications and relevant financial platforms.

The analysis was conducted in three stages. First, comparative financial statement analysis (horizontal analysis) was used to evaluate trends in key financial components, including assets, liabilities, equity, revenue, and net profit (Hanafi & Halim, 2018). Second, financial ratio analysis was applied to assess profitability and market performance. Profitability ratios, including Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin (GPM), and Net Profit Margin (NPM), were also adopted to measure operational efficiency and earnings capability. In addition, market-based ratios such as Earnings per Share (EPS), Price Earnings Ratio (PER), and Price-to-Book Value (PBV) were used to capture market perception and investor expectations. These ratios provided essential insights into financial performance, risk, and prospects (Penman, 2020; Palepu et al., 2019).

Third, this study adopted an integrated DCF valuation method to estimate firm intrinsic value. The method combined accounting-based measures and market-based indicators in DCF framework. In this analysis, EPS was used as a proxy for cash flows available to shareholders, particularly when detailed cash flow components were not

provided (Damodaran, 2012). The valuation followed the fundamental principle that firm value reflected the present value of expected future cash flows (Koller et al., 2020).

Future performance was further projected based on EPS growth derived from historical data, with a conservative growth assumption and an upper bound to avoid overestimation. To estimate the terminal value, this study used PER as an exit multiple, reflecting prevailing market valuation conditions. This integration of accounting-based projections and market-based indicators formed an integrated valuation framework. The discount rate was estimated using Capital Asset Pricing Model (CAPM), incorporating the risk-free rate, market return, and beta coefficient to capture systematic risk (Fama & French, 2004; Koller et al., 2020). This rate was subsequently used to discount projected future earnings and terminal value into the present value, forming the basis for estimating firm intrinsic value. To clarify the analytical process, this study presented an integrated valuation framework that combined financial analysis, earnings projection, and DCF-based valuation as illustrated in Figure 1.

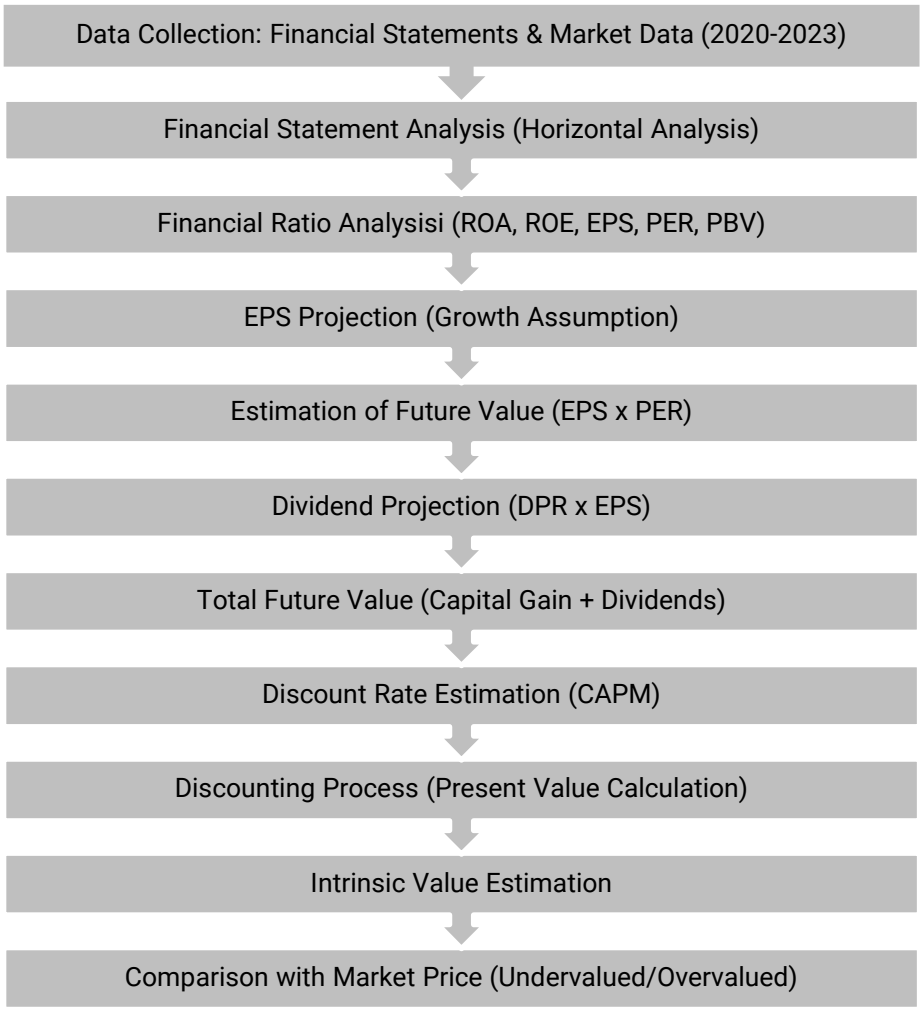


Figure 1. Research Framework of Integrated DCF Valuation Method

Result and Discussion

Comparative Analysis of Financial Statements

This study started with a comparative analysis of financial statements to provide a comprehensive understanding of firm financial condition. The analysis examined key components of the statement of financial position and income statement during the period from 2020 to 2023 to identify trends in financial performance and growth. The results of this analysis are presented in Table 1.

Table 1. Overview of Financial Position Report and the Income Statement of PT Bank Syariah Indonesia (2020-2023)

Description	Years			
	2020	2021	2022	2023
Assets	239.581.524	265.289.081	305.727.438	356.624.124
Liabilities	66.040.361	61.886.476	73.655.791	87.222.911
Equity	21.743.145	25.013.934	33.505.610	38.739.121
Income Statement				
Revenue	14.823.208	16.589.196	19.300.341	20.465.197
Cost of Revenue	10.862.684	13.583.999	13.644.133	12.875.995
Gross Profit	3.960.524	3.005.197	5.656.208	7.589.202
Operating Expenses	7.955.227	8.782.773	9.895.336	10.249.204
Net Profit	2.187.649	3.028.205	4.260.182	5.703.743

Source: Financial Statements of PT Bank Syariah Indonesia (data processed, 2025)

The results of the comparative financial statement analysis presented in Table 1 indicated that PT Bank Syariah Indonesia experienced consistent growth in assets, revenue, and net profit during the period from 2020 to 2023. This trend reflected bank strong post-merger performance and the ability to sustainably expand the business operations. From an investment perspective, the growth served as a positive indicator, showing the capacity to generate future economic benefits.

From the perspective of signaling theory, the observed improvements in assets and profitability indicated stronger growth prospects and enhanced operational performance of firm. Higher profitability reflected an improved efficiency, which strengthened investor confidence and influenced investment decisions. The results were consistent with previous studies that outlined the role of financial performance as a positive signal in reducing information asymmetry and guiding investor behavior (Drover et al., 2018; Arifin & Munandar, 2024; Liwaul et al., 2023). The increase in liabilities observed during the period suggested that firm was also relying on external financing to support its expansion. Although the strategy accelerated growth, it also introduced additional financial risk. This was in connection with previous findings that emphasized the trade-off between growth and financial risk associated with increased leverage (Elkhalfi et al., 2024; Fikasari

& Bernawati, 2021). Therefore, investors must evaluate not only growth indicators but also the firm's risk exposure when making investment decisions. To further interpret the implications of financial performance, the results were classified by their impact on future cash flows and associated risk levels, as shown in Table 2.

Table 2. Comparative Analysis of Statement of Financial Position and Income Statement of PT Bank Syariah Indonesia (2020-2023)

Description	Result	Impact on Future Cash Flow	Risk Level
Assets	Good	Positive (+)	Low
Liabilities	Less Good	Negative (-)	High
Equity	Good	Positive (+)	Low
Income Statement			
Revenue	Good	Positive (+)	Low
Cost of Revenue	Good	Positive (+)	Low
Gross Profit	Good	Positive (+)	Low
Operating Expenses	Less Good	Negative (-)	High
Net Profit	Good	Positive (+)	Low

Source: Financial Statements of PT Bank Syariah Indonesia (data processed, 2025)

The results summarized in Table 2 further reinforced these results by showing that key components such as assets, equity, revenue, and net profit have a positive influence on future cash flow and were associated with lower risk. In contrast, liabilities and operating expenses were identified as factors that negatively affected financial performance and increased risk. This outlined the importance of balanced financial management in maintaining sustainable growth. Although the comparative analysis provided an overview of financial growth, a deeper evaluation was required to assess efficiency and market perception. Financial ratio analysis was conducted to measure profitability and valuation performance.

Comparative Analysis of Financial Performance Ratios

Table 3. Financial Performance Ratios in the form of Profitability Ratios and Market Valuation Ratios at PT Bank Syariah Indonesia (2020-2023)

Description	Years				
	2020	2021	2022	2023	Mean
Profitability Ratio					
Return on Assets (%)	0,91	1,14	1,39	1,60	1,49
Return on Equity (%)	10,06	12,11	12,71	14,72	12,4
Gross Profit Margin (%)	26,72	18,12	29,31	37,08	27,8
Net Profit Margin (%)	14,76	18,25	22,08	27,86	20,73
Market Valuation Ratio					
Earnings Per Share (Rp)	221	74	92	124	127,75
Price Earnings Ratio (X)	10,18	24,05	14,02	14,03	15,57

Description	Years				
	2020	2021	2022	2023	Mean
Book Value (Rp)	2.196	608	726	840	1.092,5
Price to Book Value (X)	1,02	2,93	1,78	2,07	1,95

Source: Financial Statement of PT Bank Syariah Indonesia (data processed, 2025)

Financial ratio analysis in Table 3 indicated a consistent improvement in profitability, particularly in ROA and ROE, suggesting more efficient use of assets and equity. The increasing Net Profit Margin further reflected improved cost management and earnings quality. In correlation with signaling theory, these improvements signaled to investors and enhanced firm attractiveness (Nguyen, 2022). In contrast, market-based ratios such as PER and PBV showed fluctuations, reflecting changing market expectations and external influences. This suggested that relying solely on market indicators without fundamental analysis could lead to biased investment decisions. Financial ratio analysis was further used to examine the relationships among financial performance, future cash flow potential, and risk.

Table 4. Results of Comparative Analysis of PT Bank Syariah Indonesian Financial Performance (2020-2023)

Description	Result	Impact future CF	Level Risk
Profitability Ratio			
Return On Assets	Good	Positive (+)	Low
Return On Equity	Good	Positive (+)	Low
Gross Profit Margin	Good	Positive (+)	Low
Net Profit Margin	Good	Positive (+)	Low
Market Valuation Ratio			
Earnings Per Share	Good	Positive (+)	Low
Price Earnings Ratio	Less Good	Neutral (0)	Stable
Book Value	Good	Positive (+)	Low
Price to Book Value	Less Good	Neutral (0)	Low

Source: Financial Statement of PT Bank Syariah Indonesia (data processed, 2025)

The results presented in Table 4 indicated that overall financial performance positively impacted future cash flow and was associated with relatively low risk. Profitability and earnings-related indicators, such as ROA, ROE, and EPS, consistently reflected strong financial performance and were associated with improved firm stability and value. The results correlated with Ozili (2025) and Margareta and Nursiam (2024), who outlined the importance of profitability indicators in assessing firm performance and financial condition. The analysis also supported the argument that strong financial performance enhanced firm ability to generate sustainable returns for investors (Li et al., 2023; Agustina, 2025).

Integrated DCF Valuation

This section presented the valuation of PT Bank Syariah Indonesia using an integrated DCF method that combined fundamental financial analysis with market-based indicators. The analysis started with an examination of historical financial and market performance, which served as the basis for projecting future earnings and estimating stock intrinsic value. Table 5 summarized key financial and market indicators, including earnings performance, dividend policy, and valuation multiples, over the period from 2020 to 2023.

Table 5. Historical Financial and Market Performance of PT Bank Syariah Indonesia (2020-2023)

Year	Stock Price (Rp)	EPS (Rp)	DPS (Rp)	EPS Growth (%)	DPR (%)	PER (Times)
2020	2.250	221	-	-	0.00	10.18
2021	1.780	74	18.40	-66.53	24.86	24.05
2022	1.290	92	9.23	24.32	10.03	14.02
2023	1.740	124	9.23	34.78	7.45	14.03
Average				**-2.82**	**10.59**	**15.57**

Source: Financial Statement of PT Bank Syariah Indonesia (processed, 2025)

Financial and market performance of PT Bank Syariah Indonesia during 2020 to 2023 reflected fluctuating but improving trends. EPS declined sharply in 2021 and recovered in the following years, indicating post-merger adjustment and gradual stabilization. This was consistent with the reversal in EPS growth from negative to positive values.

Dividend payout ratio (DPR), with an average of 10.59%, suggested a preference for earnings retention to support future expansion. The average PER of 15.57 reflected moderate market expectations despite volatility in stock prices. The divergence between stock price movements and fundamental performance outlined the importance of intrinsic valuation. These indicators provided a basis for projecting future earnings and for applying the hybrid valuation method. By using the historical performance presented in Table 5, future earnings were projected to estimate firm intrinsic value. EPS were used as a proxy for future cash flows, as they reflected firm profitability available to shareholders.

To ensure a conservative, realistic valuation, a 10% constant growth rate was applied, reflecting historical fluctuations and the need to avoid overestimation. The projection results were presented in Table 6.

Table 6. EPS Projection of PT Bank Syariah Indonesia for the Next Five Years

Year	Base EPS (Rp)	Growth (g)	Projected EPS (Rp)
2023	124	-	124.00
2024	124	10 %	136.40
2025	136,4	10 %	150.04

Year	Base EPS (Rp)	Growth (g)	Projected EPS (Rp)
2026	150,04	10 %	165.04
2027	165,04	10 %	181.54
2028	181,54	10 %	**199.69**

Source: Financial Statement of PT Bank Syariah Indonesia (processed, 2025)

Table 6 showed that projected EPS increased steadily from Rp. 124 in 2023 to Rp. 199.69 in 2028. This assumption is consistent with firm improving financial performance and provides a reasonable basis for valuation. Based on projected EPS, the future stock price was estimated using market-based method by applying the average PER. The valuation was calculated as follows:

Future Value Share Price = Projected EPS × Average PER
= 199.69 × 15.57
= Rp 3.109.17

The results represented the expected stock price in 2028, reflecting how firm projected earnings were valued under prevailing market conditions.

In addition to capital gains, investor returns also included dividend income. Dividend projections were estimated using an average DPR of 10.59%, applied to projected EPS over the investment period. The results were further presented in Table 7.

Dividend Accumulation = Projected EPS × Average DPR.

Table 7. Projected Dividends Based on Average DPR (10.59%)

Year	Projected EPS (Rp)	Average DPR (10,59%)	Dividend Accumulation (Rp)
2024	136.40	0,1059	14.45
2025	150.04	0,1059	15.88
2026	165.04	0,1059	17.48
2027	181.54	0,1059	19.23
2028	199.69	0,1059	21.14
Total			**88.18**

Source: Author's calculation (processed, 2025)

Table 7 showed that the total projected dividends over the 5 years amounted to Rp. 88.18, representing the cumulative income expected by investors during the holding period. By combining capital gains and dividend income, the total future value of the investment can be estimated as follows:

Total Future Value = Future Value of Share Price + Dividend Accumulation
= Rp 3.109.17 + 88.18
= Rp.3.197.35

The results represented the total expected return to investors at the end of the investment period, incorporating both price appreciation and cash distribution. This method was consistent with valuation theory, which defined total shareholder return as the combination of capital gains and dividend income (Koller et al., 2020).

The discount rate was estimated using Capital Asset Pricing Model (CAPM), which reflected the relationship between risk and expected return (Fama & French, 2004). The model was further formulated as follows:

$$r = Rf + \beta\ (Rm - Rf)$$

where Rf represented the risk-free rate proxied by Bank Indonesia certificates (6% in 2023), β denoted the stock beta of BSI (1.12), and Rm referred to market return based on Jakarta composite Index (6.62% in 2023).

Based on these inputs, the estimated discount rate was 6.69%, reflecting the return required by investors given the level of systematic risk. This rate was used to discount projected future earnings and terminal value into the present value, forming the basis for estimating stock intrinsic value. The fair value of the stock was calculated using the following formula:

$$\text{Fair Value} = \frac{\text{Future value of total fair share price}}{(1+r)^n}$$

$$= \frac{3.197.35}{(1+0{,}0669)^5}$$

$$= \text{Rp}2.312.90 \approx 2.313$$

The results showed that the intrinsic value of PT Bank Syariah Indonesia stock was estimated at Rp. 2.313. The valuation results were summarized in Table 8.

Table 8. Valuation Summary

Component	Value
Projected EPS (2028)	199.69
Average PER	15.57
Future Stock Price (Rp)	3.109.17
Total Dividends (Rp)	88.18
Total Future Value (Rp)	3.197.35
Discount Rate (CAPM)	6.69 %
Fair Value (Rp)	2.313

Source: Author's calculation (processed, 2025)

The valuation summary in Table 8 showed that the estimated fair value of BSI stock was Rp. 2.313, which was higher than its market price, indicating an undervalued condition. The results reflected the integration of earnings projections, market-based valuation

(PER), and dividend income, discounted using CAPM. Overall, the results suggested that BSI stock offered potential returns and supported more informed investment decision-making. This was consistent with previous studies that reported undervaluation as an indicator of potential future returns and investment attractiveness (Julia & Hendrawan, 2021; Zahra et al., 2025; Jumran & Hendrawan, 2021).

The valuation results reflected the application of an integrated DCF framework that combined accounting-based projections, market-based valuation, and DCF principles. By incorporating EPS-based projections, PER as an exit multiple, and dividend estimates, the method provided a more comprehensive assessment of firm value that captured both financial performance and market expectations. Compared to conventional DCF models, which primarily relied on detailed cash flow projections and constant-growth assumptions, this integrated method offered a more practical alternative, particularly in contexts of limited data availability. The results showed that integrating accounting information with market-based indicators enhanced the robustness of intrinsic value estimation and improved the relevance of valuation outcomes to investment decision-makers. To validate the valuation results, the estimated intrinsic value was compared with market price.

Table 9. Market Price of PT Bank Syariah Indonesia (2020-2023)

Year	Stock Price (Rp)
2020	2.250
2021	1.780
2022	1.290
2023	1.740

Source: Financial Statement of PT Bank Syariah Indonesia (data processed, 2025)

As shown in Table 9, the market price of the stock in 2023 was Rp. 1.740, which was lower than its estimated fair value of Rp. 2.313. This indicated that the stock was undervalued, as the estimated intrinsic value exceeded the observed market price, suggesting a pricing gap between fundamental performance and market valuation. The results further suggested that market had not fully incorporated firm financial performance and earnings potential into its pricing, indicating a potential delay in information assimilation. In correlation with signaling theory, strong financial performance sent positive signals to investors. However, market may not fully respond to these signals immediately, leading to undervalued stock prices. In this context, the integrated valuation method provided a strong framework for identifying discrepancies between market price and intrinsic value by combining accounting-based performance measures with market-based valuation indicators. The results also outlined the importance of transparency and accountability in enhancing investor confidence and improving market efficiency in Islamic banking, consistent with previous studies (Hassan & Aliyu, 2018; Farook et al., 2011).

Conclusion

In conclusion, this study provided evidence that financial statement analysis played a critical role in supporting stock investment decisions when integrated with valuation methods. The results showed that PT Bank Syariah Indonesia experienced consistent growth in assets, revenue, and net profit during the period from 2020 to 2023, accompanied by improvements in key profitability ratios, including ROA and ROE. These suggested that operational efficiency was enhanced and financial performance was sustainable.

The integrated DCF valuation results confirmed that PT Bank Syariah Indonesia stock was undervalued, as the intrinsic value exceeded the current market price. This indicated that market had not fully incorporated firm financial performance and future earnings potential into its valuation. Furthermore, the consistency between firm improving financial performance and the valuation results supported the reliability of the integrated analytical method. By combining financial statements with valuation analysis, this method provided a more comprehensive basis for assessing firm value and supported more informed investment decision-making.

From a theoretical perspective, the results supported signaling theory, underscoring that financial information served as an important signal to reduce information asymmetry and guide investor decisions. This study contributed by offering a hybrid framework that integrated financial ratio analysis and valuation methods, providing a more comprehensive and practical method to stock valuation, particularly in Islamic banking context.

Practically, the results suggested that investors and analysts should integrate financial performance analysis with valuation methods rather than relying on a single method. However, this study was limited to a single case and simplified assumptions. Future literature was recommended to include broader samples and alternative valuation models to make the results more widely applicable.

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