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Evaluating Corporate Financial Performance: A Profitability Ratio Approach

***Aurelia Widya Astuti[1], Kiflu Chekole Tekle[2], Alemayehu Abera Lema[3] , Diana Magfiroh[4]**
[1]Politeknik Siber Cerdika Internasional, Indonesia
[2]Livingstone International University of Tourism Excellence and Business Management, 2nd Street Ibex Hill Lusaka, Zambia
[3]Tax Auditor at Addis Ababa City Administration Number One Medium Tax Payer Branch Office, Addis Ababa, Ethiopia
[4]Universitas Cendekia Mitra Indonesia, Indonesia
*Correspondence: arlphlmn04@gmail.com

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ABSTRACT
Corporate financial performance evaluation is essential for guiding strategic decision-making by managers, investors, and stakeholders, yet raw financial data alone provides limited insight without a structured interpretive framework. This study aims to evaluate the financial performance of PT XYZ Tbk by applying four profitability ratios Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE) simultaneously within a unified analytical framework. A descriptive quantitative research design was employed, with data sourced from the company's audited financial statements for the period ending 31 March 2025. Each ratio was calculated using standardized formulas derived from the income statement and balance sheet, encompassing net sales of IDR 14,567,561,590, cost of goods sold of IDR 6,917,131,209, net income of IDR 2,028,267,985, total assets of IDR 301,240,237,537, and total equity of IDR 234,410,798,865. The results show that GPM reached 52.52%, reflecting strong production cost efficiency; NPM was recorded at 13.92%, indicating effective overall cost management; while ROA and ROE were notably low at 0.67% and 0.87% respectively, suggesting that the company's substantial asset and equity base has not yet been fully optimized to generate proportional returns. These findings reveal a dual performance profile: high operational efficiency at the production and cost management level, contrasted with low capital utilization efficiency—consistent with characteristics of a company in an active investment and asset accumulation phase. This study concludes that an integrated multi-ratio approach yields a more comprehensive and diagnostically precise assessment of corporate financial health than single-indicator analysis, offering actionable insights for both internal management and external investors.

INTRODUCTION

Corporate financial performance has long been regarded as one of the most critical indicators of an organization's viability, competitive strength, and long-term sustainability (Coelho et al., 2023; Herdiana et al., 2023; Saidat et al., 2019). In essence, financial performance reflects how effectively a firm deploys its resources, meets its financial obligations, and creates value for its shareholders over a defined period (Cupertino et al., 2023; Ph et al., 2016; Tudose et al., 2022). As global business environments become increasingly volatile and competitive, the pressure on companies to demonstrate sound financial management has intensified considerably. Managers, investors, creditors, and regulators all rely on accurate and systematic assessments of financial performance to guide strategic planning, resource allocation, and investment decisions. In this context, the development and application of reliable performance evaluation methods are no longer merely technical exercises; they are strategic imperatives that underpin corporate governance, market credibility, and stakeholder confidence. The demand for transparent, comparable, and objective

performance indicators has therefore grown alongside the complexity of modern business operations.

Recent studies have demonstrated that ratio-based frameworks offer significant advantages in terms of interpretability, comparability, and diagnostic precision (Fridkin & Bendersky, 2026). Ardila et al. (2022) demonstrated the joint utility of liquidity, solvency, and profitability ratios in producing a comprehensive picture of a company's financial standing, while Yulistina & Silvia (2021) affirmed that financial statement analysis through ratio metrics constitutes a foundational tool for evaluating corporate performance in a systematic and evidence-based manner. More recent evidence from Huda & Sabur (2025) further reinforces the view that ratio analysis—when applied across multiple dimensions provides meaningful benchmarks for assessing financial health and identifying performance trends over time. Collectively, this body of work establishes financial ratio analysis as the predominant methodological choice for empirical corporate performance evaluation.

Despite the evident utility of ratio-based analysis, a fundamental challenge persists in practice: financial statements inherently contain a large volume of disaggregated data whose significance is not immediately apparent without a structured interpretive framework. Raw figures presented in income statements, balance sheets, and cash flow statements provide limited insight on their own, as they do not directly reveal the relationships between revenues, costs, assets, and equity that determine a firm's actual performance efficiency (Istan, 2024; Kamaluddin et al., 2019; Rabuisa et al., 2018; Yulistina & Silvia, 2021). In the absence of appropriate analytical tools, managers and external stakeholders risk drawing incomplete or even misleading conclusions—particularly when headline revenue figures conceal underlying inefficiencies in cost management, asset utilization, or capital structure. This interpretive limitation carries significant practical consequences: decision-makers may misallocate resources, underestimate financial risk, or fail to attract external financing due to an inability to demonstrate financial credibility in a clear and structured manner. The fragmented presentation of financial information, when left unanalyzed through a coherent ratio-based framework, thus constitutes a substantive barrier to both effective corporate governance and well-informed investment decision-making.

Financial ratio analysis addresses the limitations of raw financial data by transforming them into standardized, comparable, and interpretable performance indicators. Crucially, scholars have consistently argued that employing multiple ratio categories rather than relying on any single metric yields a more complete and nuanced understanding of a company's overall financial condition (Tudose et al., 2022). This multi-ratio approach enables both cross-sectional comparisons between firms and longitudinal tracking of performance trends within a single organization over time. Among the various categories of financial ratios, profitability ratios have been identified as particularly central to performance evaluation. This is because profitability ratios directly capture a firm's capacity to generate earnings relative to its revenues, assets, and equity three dimensions that together reveal the operational efficiency, asset productivity, and capital effectiveness that underlie sustainable financial performance.

Within the profitability ratio framework, prior empirical studies have operationalized financial performance evaluation through several key indicators, each measuring a distinct dimension of earnings capacity. Return on Assets (ROA) is widely employed to assess how efficiently a firm converts its total asset base into net income, offering direct insight into management's effectiveness in deploying productive resources (Kanna et al., 2023; Ramdhan et al., 2025; Yulianti et al., 2025). Return on Equity (ROE) complements this perspective by measuring the degree to which shareholders' invested capital generates after-tax returns; a consistently high ROE signals that management is effectively creating value from equity financing and is closely monitored by investors as a proxy for corporate financial health. Net Profit Margin (NPM) captures the proportion of revenue that remains as net profit after all operating and non-operating costs have been deducted, thereby reflecting the overall cost efficiency of the firm's operations. Finally, Gross Profit Margin

(GPM) isolates production-level efficiency by measuring the share of revenue retained after accounting for the direct costs of goods sold, providing a clear signal of how well a firm manages its core production expenditures relative to its sales output.

This profitability indicator has been applied in many empirical studies to evaluate the financial performance of companies and specific industrial sectors. Nurjayanti & Amin (2022) applied a profitability ratio framework encompassing ROA, ROE, and NPM to assess the financial trajectory of PT. Wijaya Karya (Persero) Tbk over multiple reporting periods, demonstrating that the joint analysis of these metrics yields a more temporally sensitive and diagnostically complete picture of earnings performance than any single indicator could provide. Ardila et al. (2022) took a broader approach by integrating profitability ratios with liquidity and solvency measures, showing that the complementary deployment of multiple ratio categories enhances the diagnostic power of financial analysis and enables a more holistic assessment of a firm's condition. Together, these studies affirm a consistent finding in the literature: profitability ratios, when rigorously computed from audited financial statement data and interpreted across multiple reporting periods, are capable of capturing meaningful trends in corporate financial performance and generating actionable insights for both internal management and external stakeholders.

A review of existing studies shows that research on profitability-based financial performance evaluation still has notable limitations. Most prior studies focus on a single company or a specific industry, and tend to use only one or two profitability indicators within a short observation period. Yulistina & Silvia (2021), for instance, provided a broad overview of financial ratio analysis as an evaluation tool but did not apply multiple profitability indicators in a longitudinal setting. Ardila et al. (2022) examined a wider set of ratios across liquidity, solvency, and profitability categories; however, their study did not simultaneously analyze all core profitability metrics over an extended time frame. As a result, there is still a gap in the literature regarding the integrated use of GPM, NPM, ROA, and ROE as a unified framework for assessing corporate financial performance over multiple reporting periods. This gap limits the extent to which existing research can provide a complete and time-sensitive picture of a company's profitability trajectory. According to Hasidi et al. (2024) the results of the study show that PT Rig Tenders Indonesia Tbk has good financial performance with high liquidity, significant profitability, and effective asset management.

Addressing this gap, the present study evaluates corporate financial performance by applying four profitability indicators Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE) simultaneously over multiple reporting periods, using data drawn from audited annual financial statements. The key contribution of this study is its integrative approach: instead of analyzing each indicator separately, this study examines all four metrics within a single unified framework, allowing their results to be compared and interpreted together. This provides a more complete view of a company's financial condition than studies that rely on a single indicator or a single reporting period. In practical terms, the findings of this study are intended to help managers understand the efficiency of their company's operations, assist investors in assessing the sustainability of financial returns, and support policymakers in making evidence-based judgments about corporate financial health over time.

RESEARCH METHODS

This study employed a quantitative descriptive research design (Putri Aziziah et al., 2024). The descriptive approach was chosen because the purpose of this study was not to test hypotheses or analyze causal relationships between variables, but rather to provide a systematic and measurable overview of the company's financial performance through profitability ratio calculations (Yulistina & Silvia, 2021). Meanwhile, the quantitative approach was used to ensure that the analysis process was objective and replicable, as all assessments were based on numerical data obtained from the

company's official financial statements. This combination of descriptive and quantitative approaches is commonly used in financial performance analysis research because it allows researchers to evaluate financial ratios in a structured manner and draw meaningful conclusions within a specific reporting period (Ardila et al., 2022).

The subject of this study is PT XYZ Tbk, a company listed on the Indonesia Stock Exchange. The data used are sourced from the company's financial statements for the period ending March 31, 2025. This company was selected because its financial statements are publicly available, systematically compiled, and contain all the data necessary to calculate profitability ratios. The use of a single company as the unit of analysis aligns with the case study approach in financial performance research, where an in-depth study of a single company yields a more detailed and contextual evaluation than an analysis involving multiple companies simultaneously (Nurjayanti & Amin, 2022). All financial data in this study are expressed in Rupiah (IDR) and taken directly from the company's official financial statements.

The research instrument used is a profitability ratio analysis framework that includes four main indicators: Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE). These four indicators were chosen because they each measure different but complementary dimensions in describing a company's ability to generate profits from production efficiency, cost management effectiveness, asset utilization, to the rate of return on shareholders' capital (Kanna et al., 2023). Each ratio is calculated using a formula standardized in financial accounting literature and applied to relevant items in the company's income statement and balance sheet. The financial data used as the basis for the calculations, including net sales, cost of goods sold, gross profit, net income, total assets, and total equity, are presented in full in Table 1.

Table 1. Financial Data of PT XYZ Tbk (Period Ending March 31, 2025)

Financial Items	Amount (IDR)
Net sales	14.567.561.590
Cost of Goods Sold (COGS)	6.917.131.209
Gross Profit	7.650.430.381
Net profit	2.028.267.985
Total Assets	301.240.237.537
Total Equity	234.410.798.865

Source: Data Processed

Based on the data in Table 1, each profitability ratio is calculated using a formula referenced in the relevant literature. Gross Profit Margin (GPM) is calculated by dividing gross profit by net sales and multiplying by 100%, reflecting the company's efficiency in managing direct production costs (Ardila et al., 2022). Net Profit Margin (NPM) is calculated by dividing net profit by net sales and multiplying by 100%, indicating how much of each rupiah of revenue remains as profit after all expenses are deducted (Nurjayanti & Amin, 2022). Return on Assets (ROA) is calculated by dividing net profit by total assets and multiplying by 100%, measuring how effectively a company utilizes all its assets to generate profit (Kanna et al., 2023). Return on Equity (ROE) is calculated by dividing net profit by total equity and multiplying by 100%, reflecting the rate of return earned by shareholders on their invested capital (Tudose et al., 2022). The formulas, calculation process, and results of these four ratios are summarized in Table 2.

Table 2. Profitability Ratio Formula

Ratio	Formula
GPM	(Gross Profit / Net Sales) × 100%
NPM	(Net Profit / Net Sales) × 100%
ROA	(Net Profit / Total Assets) × 100%
ROE	(Net Profit / Total Equity) × 100%

Source: Data Processed

The data for this study were collected through documentation techniques, namely by reviewing and recording secondary data from published official sources. The financial data used were obtained from the financial statements of PT XYZ Tbk for the period ending March 31, 2025, which were accessed through the company's official reporting channels. Audited financial statements were selected as the data source because they are prepared in accordance with applicable accounting standards and have been verified by an independent auditor, thus ensuring their reliability and validity. Relevant data were extracted from the income statement and balance sheet, then entered into the profitability ratio formula described previously. The calculation results were then interpreted and contextualized within the framework of the company's financial performance literature to produce analytically meaningful conclusions.

RESULTS AND DISCUSSION

Profitability Ratio Calculation Results of PT XYZ Tbk

Based on the financial report data of PT XYZ Tbk for the period ending March 31, 2025, the four profitability ratios used as analysis instruments in this study were successfully calculated systematically, referring to data in the company's official spreadsheet. Yulistina & Silvia (2021) emphasized that the use of audited financial statements is a valid methodological basis for financial performance analysis, as it ensures the reliability of the numerical data used as the basis for ratio calculations. Ardila et al. (2022) emphasized that the use of a multi-ratio framework—which simultaneously analyzes GPM, NPM, ROA, and ROE—produces a more comprehensive picture of financial performance than a single-indicator approach. This integrated approach aligns with the findings of Tudose et al. (2022), which demonstrate that financial performance measurement indicators are interdependent and complementary.

The calculation process is carried out by referring to the financial components that have been explicitly listed in the company's financial statements. The main data used include: net sales of IDR 14,567,561,590, cost of goods sold (COGS) of IDR 6,917,131,209, net profit of IDR 2,028,267,985, total assets of IDR 301,240,237,537, and total equity of IDR 234,410,798,865. Kanna et al. (2023) emphasized that ROA calculated from net profit divided by total assets is the most fundamental indicator of managerial efficiency, because it directly reflects management's ability to utilize existing resources. Nurjayanti & Amin (2022) added that each ratio must be derived consistently from the same items in the financial statements to ensure the comparability and reliability of the analysis results.

The calculation results show that PT XYZ Tbk's GPM reached 52.52%, NPM 13.92%, ROA 0.67%, and ROE 0.87%. These four values reflect an inhomogeneous profitability profile: relatively high GPM and NPM contrast with very low ROA and ROE—a pattern that, according to Tudose et al. (2022), often reflects a disparity between operational efficiency and capital utilization efficiency. Ardila et al. (2022) explain that this disparity may indicate that the company has a large asset base but has not yet fully optimized it to generate revenue. Yulistina & Silvia (2021) emphasize that this

condition needs to be interpreted contextually, taking into account industry characteristics and the company's development stage. Table 3 below presents a complete breakdown of the calculation of each ratio, including the value components and formulas used, according to the company's financial data structure.

Table 3. Results of Profitability Ratio Calculation of PT XYZ Tbk (Period Ending March 31, 2025)

Information	**Value (IDR)**	Results
Gross Profit Margin (GPM)		
Net sales	14.567.561.590	
Cost Selling Price (CSP)	6.917.131.209	
Dirty Bay	7.650.430.381	
GPM = (Gross Profit / Sales) × 100%	7.650.430.381 / 14.567.561.590 × 100%	**52,52%**
Net Profit Margin (NPM)		
Net profit	2.028.267.985	
Net sales	14.567.561.590	
NPM = (Net Profit / Sales) × 100%	2.028.267.985 / 14.567.561.590 × 100%	**13,92%**
Return on Assets (ROA)		
Net profit	2.028.267.985	
Total Assets	301.240.237.537	
ROA = (Net Profit / Total Assets) × 100%	2.028.267.985 / 301.240.237.537 × 100%	**0,67%**
Return on Equity (ROE)		
Net profit	2.028.267.985	
Total Equity	234.410.798.865	
ROE = (Net Profit / Total Equity) × 100%	2.028.267.985 / 234.410.798.865 × 100%	**0,87%**

Source: Financial Report of PT XYZ Tbk (2025), processed

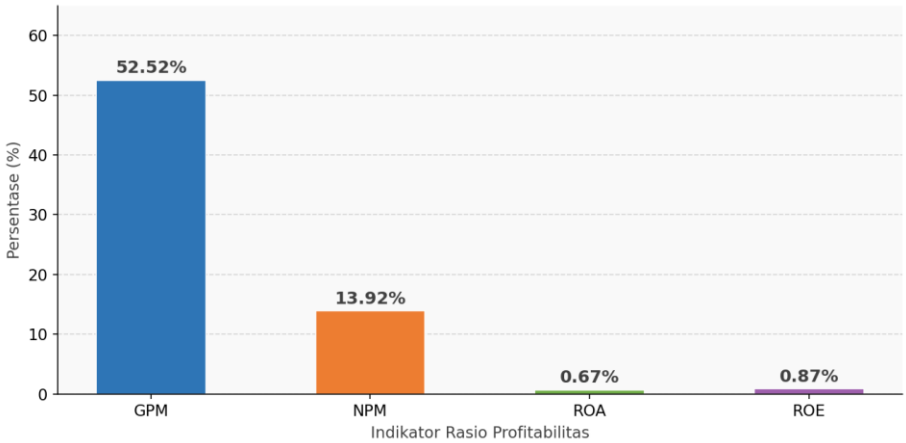

Figure 1. Results of Profitability Ratio Calculation of PT XYZ Tbk (Period Ending March 31, 2025)
Source: Financial Report of PT XYZ Tbk (2025), processed

The data visualization in Figure 1 clearly shows a significant gap between the GPM (52.52%) and NPM (13.92%) values on the one hand, and ROA (0.67%) and ROE (0.87%) on the other. Huda & Sabur (2025) explain that the gap between revenue margins and returns on equity is a common phenomenon in companies with large asset structures, where net income generated is relatively small

compared to their total asset base. Kanna et al. (2023) identified that companies in the information and digital technology sector often exhibit high GPM due to low variable production costs, but low ROA due to large investments in digital infrastructure. Nurjayanti & Amin (2022) emphasize that the interpretation of profitability ratios must be done holistically by considering all performance dimensions, rather than focusing on just one or two indicators.

Gross Profit Margin (GPM) Analysis: Direct Production Cost Efficiency

The Gross Profit Margin (GPM) of PT XYZ Tbk was recorded at 52.52%, obtained by calculating gross profit of IDR 7,650,430,381 (the difference between net sales of IDR 14,567,561,590 minus COGS of IDR 6,917,131,209) divided by net sales, multiplied by 100%. Ardila et al. (2022) define GPM as a critical indicator that measures the proportion of revenue remaining after deducting the cost of goods sold, thus directly reflecting the company's efficiency in managing its direct production costs. A GPM value of 52.52% indicates that for every IDR 100 of sales, IDR 52.52 is successfully retained as gross profit after COGS is deducted. Huda & Sabur (2025) suggest that a GPM above 40% generally indicates a competitive advantage in production efficiency, particularly in terms of managing direct material costs and overhead related to the process of creating product or service value.

The high GPM value is inseparable from the business characteristics of PT XYZ Tbk, which operates in the virtual and digital sectors, where the proportion of COGS to selling price is relatively lower than in conventional manufacturing industries. Yulistina & Silvia (2021) identified that companies operating in the digital technology-based service sector generally achieve a higher GPM because the marginal cost per unit of service tends to be very low once the technological infrastructure is established. Kanna et al. (2023) strengthen this analysis by stating that a high GPM in the digital sector reflects a company's ability to scale its services without a proportional increase in production costs. Nurjayanti & Amin (2022) add that a consistent high GPM also indicates an effective pricing strategy in maintaining selling value relative to production costs.

From a comparative perspective, the GPM value of 52.52% exceeds the general benchmark often cited in financial performance literature. Ardila et al. (2022) noted that the average GPM for companies in the mixed technology and trade sector generally ranges from 20% to 40%, thus this company's GPM achievement indicates above-average performance. Tudose et al. (2022), attributed a GPM consistently above the benchmark to management's ability to optimize the supply chain and control semi-variable production costs. Huda & Sabur (2025) cautioned that a high GPM should be interpreted alongside the NPM to assess whether production efficiency is successfully translated into net income after all operating and non-operating expenses are taken into account.

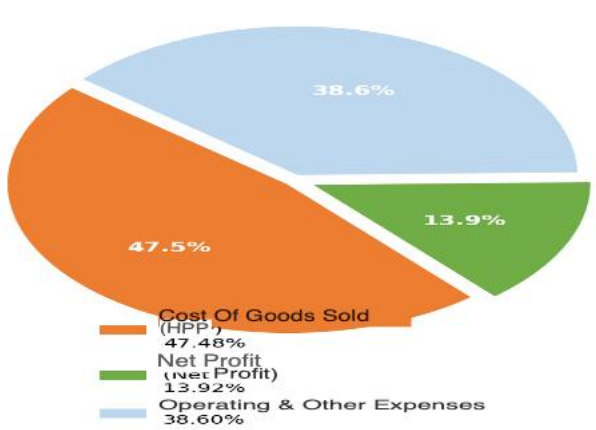

Figure 2. Composition of Revenue Use of PT XYZ Tbk (Period Ending March 31, 2025) Source: Financial Report of PT XYZ Tbk (2025), processed

Table 4. Interpretation of GPM Value of PT XYZ Tbk

Indicator	Mark	Interpretation
GPM	52,52%	The company was able to retain 52.52% of every rupiah of sales as gross profit, reflecting high production cost efficiency.
General Benchmark	20% – 40%	The company's GPM exceeds common technology and digital sector benchmarks, signaling a competitive advantage in direct cost efficiency.

Source: Financial Report of PT XYZ Tbk (2025), processed; Ardila et al. (2022), Huda & Sabur (2025)

The revenue composition diagram in Figure 2 makes it clear that Cost of Goods Sold only accounts for 47.48% of total sales, while 52.52% remains as gross profit. Yulistina & Silvia (2021) emphasize that a cost composition dominated by operating expenses—rather than direct production costs—is characteristic of digital companies that have successfully built business models with high production efficiency. Kanna et al. (2023) further explain that the ability to maintain a COGS-to-Sales ratio below 50% is a significant achievement that reflects excellence in direct cost management, as well as a product or service strategy that has high added value relative to development costs. Tudose et al. (2022), emphasize that this cost composition information is crucial for management in formulating pricing policies, new product development, and strategic investment decisions aimed at maintaining or increasing GPM in the future.

Net Profit Margin (NPM) Analysis: Effectiveness of Operational Cost Control

The Net Profit Margin (NPM) of PT XYZ Tbk for the period ending March 31, 2025, was recorded at 13.92%, calculated by dividing net profit of IDR 2,028,267,985 by net sales of IDR 14,567,561,590. Nurjayanti & Amin (2022) emphasized that NPM is the most comprehensive profitability ratio in measuring overall cost efficiency, as it takes into account all types of expenses incurred by the company—including operational expenses, interest expenses, taxes, and other expenses—before determining how much profit is actually remaining from each rupiah of sales. An NPM value of 13.92% indicates that for every IDR 100 of sales received by the company, only IDR 13.92 is successfully retained as net profit after all expenses are deducted. Yulistina & Silvia (2021) assessed that an NPM in the range of 10%–15% reflects adequate cost management, although there is room for improvement in the efficiency of operational and non-operational expenses.

The significant gap between GPM (52.52%) and NPM (13.92%) indicates that the company bears significant operational expenses beyond the cost of goods sold (Riani & Mala, 2024). Ardila et al. (2022) identified that the difference between GPM and NPM reflects the total operational and non-operational expenses consumed by the company during the period, so the greater the difference, the higher the proportion of indirect costs that must be managed. In the context of PT XYZ Tbk, the difference of 38.60 percentage points between GPM and NPM indicates that operational, administrative, selling, and financial costs absorb a large portion of the generated gross profit. Huda & Sabur (2025) explain that in digital companies undergoing expansion or consolidation, these expenses often include large expenditures on digital marketing, technology platform development, infrastructure maintenance, and corporate costs necessary to support daily operations.

Although the NPM value of 13.92% can be considered moderate when compared to the GPM, it still reflects the company's ability to generate positive net income amidst existing cost pressures. Tudose et al. (2022) emphasize that a positive NPM, even if not high, is an important indicator of operational sustainability, as it proves that the company is not experiencing net losses and is still able to generate value from its business activities. Kanna et al. (2023) add that an NPM of 13.92% in a listed company indicates the ability to meet its financial obligations while leaving profits for shareholders, which in turn supports investor confidence in the company's business continuity. Nurjayanti & Amin (2022) conclude that future NPM increases can be achieved through optimizing operational expense efficiency, restructuring administrative costs, and developing higher-margin revenue sources, thereby gradually narrowing the gap between GPM and NPM.

NPM interpretation must also take into account the industry context and size of the company in question. Huda & Sabur (2025) emphasized that companies in the digital technology sector generally have a unique cost curve, where large initial investments to build a service ecosystem will depress NPM in the short term, but create the potential for significant margin increases in the medium and long term as the customer base grows. Yulistina & Silvia (2021) added that periodic NPM analysis is crucial for identifying cost efficiency trends over time, as changes in NPM values between periods can provide early signals of increasing cost pressures or ongoing efficiency improvements. Ardila et al. (2022) emphasized that the combination of high GPM and moderate NPM at PT XYZ Tbk indicates that the company has a strong foundation for operational profitability, but needs to improve the effectiveness of indirect cost control to translate production efficiency into greater net profits for shareholders.

Return on Assets (ROA) and Return on Equity (ROE) Analysis: Capital Utilization Efficiency

Return on Assets (ROA) of PT XYZ Tbk for the period ending March 31, 2025, was recorded at 0.67%, obtained from the division of net profit of IDR 2,028,267,985 with total assets of IDR 301,240,237,537. Kanna et al. (2023) defines ROA as the most fundamental measure of asset efficiency, because it measures how much management is able to convert all company assets—both current and non-current assets—into net profit that can be distributed to stakeholders. The ROA value of 0.67% indicates that for every IDR 100 of total assets owned by the company, only IDR 0.67 was successfully generated as net profit in one reporting period. Tudose et al. (2022) explains that very low ROA values like this are generally caused by the large total asset base of the company which is not balanced by proportional net profit growth, especially in companies that have a portfolio

of intangible assets, investment properties, or long-term investments that have not fully contributed to operating income.

The low ROA value of 0.67% needs to be understood in the context of the asset structure of PT XYZ Tbk, which has total assets of IDR 301.24 billion—a value far greater than its revenue scale of IDR 14.57 billion. Ardila et al. (2022) suggest that a highly unequal ratio between revenue scale and total assets such as this is often found in companies in the active investment phase, where asset accumulation precedes revenue growth that may only be realized in subsequent periods. Huda & Sabur (2025) emphasize that in evaluating ROA, it is important to consider the nature and composition of the company's assets: if the majority of assets consist of long-term investments, goodwill, or intangible assets that have not yet generated revenue streams, then the low ROA reflects a temporary condition that is still in the process of being optimized. Yulistina & Silvia (2021) added that increasing ROA requires a holistic strategy, including optimizing the utilization of existing assets, divesting unproductive assets, and developing new revenue sources that can generate more substantial cash flow from the existing asset base.

PT XYZ Tbk's Return on Equity (ROE) was recorded at 0.87%, calculated from net profit of IDR 2,028,267,985 divided by total equity of IDR 234,410,798,865. Nurjayanti & Amin (2022) explain that ROE is the most direct indicator in measuring the value created by management for shareholders, because it compares the net profit generated with the amount of equity invested in the company. An ROE value of 0.87% indicates that for every IDR 100 of equity invested by shareholders, only IDR 0.87 was returned as profit in one reporting period—a value generally considered low compared to other investment alternatives available in the market. Kanna et al. (2023) emphasize that a low ROE can be a signal that investors need to pay attention to, as it indicates that their invested capital has not been managed optimally to generate competitive returns.

Table 5. Comparison of ROA and ROE with Performance Interpretation

Ratio	Results	Interpretation
ROA	0,67%	Every IDR 100 of assets generates only IDR 0.67 of net profit; this is low due to the large total assets (IDR 301.24 billion) relative to profit.
ROE	0,87%	Every IDR 100 of equity generates IDR 0.87 of net profit, indicating that shareholders' capital has not been fully optimized in creating value.

Source: Financial Report of PT XYZ Tbk (2025), processed; Kanna et al. (2023), Nurjayanti & Amin (2022), Tudose et al. (2022)

Although ROA and ROE are relatively low, it is important to understand that both ratios are calculated based on data from a single reporting period (the first quarter of 2025), so their interpretation requires caution. Tudose et al. (2022) caution that evaluating ROA and ROE based on data from a single period alone can yield partial conclusions, as these ratios are highly sensitive to business cycles, seasonality, and the company's development phase. Ardila et al. (2022) emphasize that analyzing ROA and ROE trends over several consecutive periods is more representative in providing a picture of management performance, as it allows for the identification of statistically significant patterns of increase or decrease. Huda & Sabur (2025) conclude that the low ROA and

ROE at PT XYZ Tbk during this period likely reflects initial conditions, which require time for invested assets and capital to generate optimal returns. Therefore, the prospect of increasing the value of these two ratios in future periods will depend heavily on the success of business development strategies and the optimization of existing resources.

Integrated Evaluation of Profitability Performance and Managerial Implications

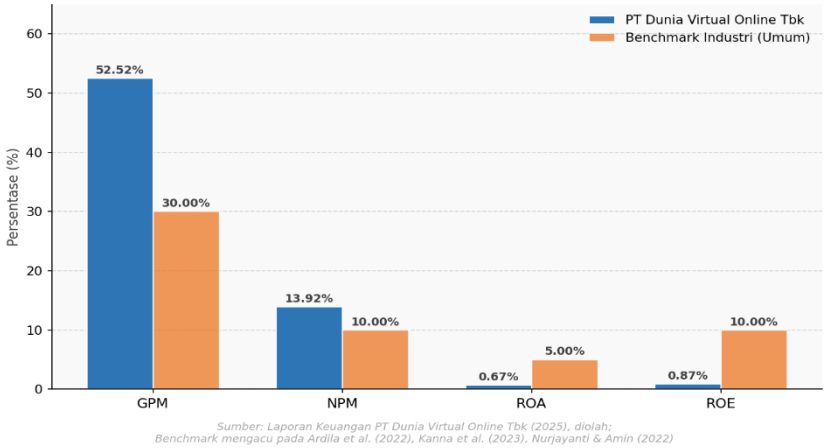

Figure 3. Comparison of PT XYZ Tbk's Profitability Ratio to General Industry Benchmarks Source: PT XYZ Tbk Financial Report (2025), processed by; Ardila et al. (2022), Kanna et al. (2023), Nurjayanti & Amin (2022)

An integrated evaluation of the four profitability ratios—GPM 52.52%, NPM 13.92%, ROA 0.67%, and ROE 0.87% reveals a financial performance profile characterized by a pronounced duality. Tudose et al. (2022) proposed the concept of "performance indicator interdependence," explaining that profitability ratios cannot be interpreted in isolation but must be understood as an interconnected system reflecting various layers of efficiency in a company's operations. On the one hand, the relatively high GPM and NPM demonstrate that PT XYZ Tbk has successfully maintained efficiency in its value creation process and controlled operational costs. On the other hand, the very low ROA and ROE indicate that the profit-generating capacity is not commensurate with the scale of the company's assets and capital. Yulistina & Silvia (2021) explain that this pattern high margins but low returns on capital theoretically suggests that the company is in a phase of asset accumulation that requires a more aggressive monetization strategy to increase capital productivity.

The findings of this study have direct implications for corporate management strategies in the context of improving short- and medium-term financial performance. Kanna et al. (2023) recommend that companies with low ROA profiles periodically evaluate their asset portfolios to identify unproductive or underutilized assets, then formulate concrete action plans to increase their contribution to revenue. Nurjayanti & Amin (2022) add that to increase ROE, management needs to consider strategies that include increasing net profit margins through optimizing operating expenses, expanding revenue through broader market penetration, and managing a more efficient capital structure. Huda & Sabur (2025) emphasize that in the context of the Indonesian capital market, public companies such as PT XYZ Tbk need to actively communicate strategic plans to improve capital efficiency to investors, as transparency of such information will support investor confidence and the stability of the company's stock price.

From the perspective of investors and external stakeholders, the combination of a high GPM with a very low ROE creates an ambiguous signal and requires further analysis. Ardila et al. (2022) explain that rational investors will view a high GPM as an indication of good long-term profitability potential, but a low ROE raises questions about the company's capital efficiency and the speed with which it generates competitive returns on its investment. Tudose et al. (2022) suggest that comprehensive profitability analysis should always be combined with cash flow, capital structure, and revenue growth analysis to provide a more complete and accurate picture of a company's investment prospects. Yulistina & Silvia (2021) emphasize that transparent and consistent disclosure of profitability performance, accompanied by contextual explanations of the factors influencing the value of each ratio, is an essential component of good corporate governance and effective communication with the capital markets.

Overall, this study confirms that a multi-ratio approach that simultaneously integrates GPM, NPM, ROA, and ROE provides significantly richer analytical insights than using a single indicator. Huda & Sabur (2025) demonstrated in their study that multiple ratio-based performance evaluations can more accurately identify dimensions of financial strength and weakness that are not detected by single-metric analysis. Nurjayanti & Amin (2022) corroborate these findings by demonstrating that a multi-period profitability analysis using all four ratios simultaneously produces an assessment that is more sensitive to changes in performance over time and more informative for managerial decision-making. Kanna et al. (2023) concluded that an integrated and systematic analytical framework such as the one applied in this study is not only relevant for historical evaluation but also serves as a valuable projective tool for management in planning future financial performance targets, formulating cost-efficiency strategies, and communicating the company's prospects to investors and creditors more convincingly.

CONCLUSION

The calculation results show that the company's GPM reached 52.52%, reflecting high direct production cost efficiency because COGS only absorbs 47.48% of total sales. NPM was recorded at 13.92%, indicating that the company was able to maintain a positive net profit despite significant operational and non-operational expenses—a gap of 38.60 percentage points between GPM and NPM. Meanwhile, ROA and ROE were only 0.67% and 0.87%, respectively, reflecting that the total asset base of IDR 301.24 billion and equity of IDR 234.41 billion had not been fully optimized to generate proportional net profit in this reporting period.

Overall, the findings of this study confirm that a multi-ratio approach that simultaneously integrates GPM, NPM, ROA, and ROE has been proven to produce a more comprehensive and diagnostic picture of financial performance than a single indicator-based analysis—in line with the research objective of providing a methodological contribution in the form of an integrated profitability evaluation framework. The performance profile of PT XYZ Tbk shows a distinctive duality: strong operational efficiency at the production and cost management levels (reflected by GPM and NPM), but still low capital utilization efficiency (reflected by ROA and ROE), which is most likely a consequence of the ongoing investment and asset accumulation phase. These findings have relevant practical implications: for management, a strategy of asset optimization and diversification of revenue sources is needed to increase capital productivity; for investors, a high GPM signals promising long-term profitability potential, provided the company successfully translates its production efficiency into more competitive returns on capital in future periods.

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