

# Financial Performance Analysis Based on Profitability Ratios at Kaebauk Investimentu no Finansas, S.A. for The Period 2020–2024

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## ABSTRACT

In a dynamic and evolving financial landscape, the sustainability of microfinance institutions hinges on their ability to maintain profitability while achieving developmental objectives. This study evaluates the financial performance of Kaebauk Investimentu no Finansas, S.A. (KIF), a leading microfinance institution in Timor-Leste, by analyzing its profitability ratios over a five-year period from 2020 to 2024. The analysis employs a quantitative descriptive approach, utilizing audited financial statements to compute four key profitability indicators: Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE). The findings reveal a fluctuating profitability trend, with all indicators peaking in 2022 suggesting improved operational efficiency and revenue management followed by a decline in 2023 and 2024, which may indicate rising costs or strategic misalignments. These results reflect the challenges faced by KIF in balancing financial performance with its social mission in a vulnerable economic environment. The study contributes to the broader discourse on microfinance sustainability by offering practical insights for strategic planning, financial management, and policy formulation in emerging economies.

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## 1. Introduction

In today's increasingly interconnected and uncertain global economy, developing nations like Timor-Leste face significant exposure to economic volatility, primarily due to their narrow export bases, heavy reliance on a single commodity, and vulnerability to external shocks. Timor-Leste is particularly susceptible to market volatility given its strong dependence on oil and gas revenues, which account for the vast majority of national income and government financing. The country's Petroleum Fund has long served as a financial buffer; however, diminishing reserves, fluctuating oil prices, and delayed progress in economic diversification pose serious threats to fiscal sustainability and macroeconomic stability.

This study is motivated by the urgent need to understand how Timor-Leste can better prepare for and respond to such volatility. Despite the existence of sovereign wealth mechanisms like

the Petroleum Fund, the country remains highly vulnerable to global oil market cycles, climate-related disasters, and weak institutional risk governance. These conditions expose both public finance and the broader economy to unpredictable shocks, as witnessed during the COVID-19 pandemic and the post-2022 commodity price turbulence.

The purpose of this study is to explore and analyze risk management strategies appropriate for volatile market environments in Timor-Leste. Specifically, the research seeks to assess how macroeconomic risks—such as oil-price fluctuations, external debt vulnerability, and structural dependency—can be managed through fiscal, institutional, and economic policy tools. By addressing these issues, this study contributes to the existing literature on small-state economic resilience, risk governance in resource-dependent economies, and policy responses to exogenous shocks. The central research question guiding this study is: How can Timor-Leste improve its risk management capabilities to mitigate the adverse effects of market volatility on its economy? To answer this, the study employs a qualitative-descriptive approach based on secondary data from international financial institutions, national economic reports, and existing empirical studies on commodity volatility and economic resilience.

The significance of this research lies in its potential to support policymakers in Timor-Leste with practical, evidence-based recommendations to strengthen risk mitigation frameworks. By identifying gaps in current practices and proposing targeted improvements—such as dynamic fiscal rules, hedging mechanisms, and diversification policies—the study aims to enhance the country's financial stability and long-term development prospects. In sum, this paper addresses a complex and urgent problem with high practical and theoretical relevance. The findings will offer valuable insights for both domestic policymakers and international development partners involved in economic planning and risk governance in small, resource-rich economies.

## **2. Literature Review**

### **Definition and Importance of Profitability Ratios**

Profitability ratios are key financial indicators used to evaluate a company's ability to generate earnings in relation to revenue, assets, equity, or other financial metrics. According to Kasmir (2013), profitability ratios assess a company's success in earning profits over a given period. These ratios serve as fundamental tools in analyzing how efficiently management utilizes the company's resources. Raharjaputra (2011) supports this view by stating that profitability ratios reflect the capability of management to produce both accounting and economic profits based on total sales, assets, and equity.

Sugiono & Untung (2016) add that financial performance represents the outcome of continuous managerial decisions and reflects the result of specific business functions. These outcomes are generally recorded in financial statements, such as the balance sheet, income statement, and cash flow statement (Munawir, 2002). The analysis of these statements allows stakeholders to determine profitability trends and business sustainability.

### **Types of Profitability Ratios**

Profitability ratios are essential financial metrics used to assess a company's capacity to generate profit relative to its revenue, assets, equity, or other financial elements. These ratios are among the most significant indicators of a company's financial health, performance, and ability to sustain operations over time (Brigham & Houston, 2019).

- a. Gross Profit Margin (GPM)

Gross Profit Margin shows the efficiency of a company in managing production and operational costs. A higher GPM indicates better control over cost of goods sold and stronger pricing strategies. Hadi & Amzul (2023) and Zhafira & Lubis (2023) emphasize that gross profit margin is vital in evaluating the firm's production efficiency before accounting for operating expenses.

b. Net Profit Margin (NPM)

Net Profit Margin measures the percentage of revenue remaining as net income after all expenses. This ratio reflects the company's capacity to manage operating and non-operating expenses. According to Halim and Mazlan (2023), NPM is a crucial indicator of operational efficiency and the effectiveness of cost control across all business functions. A study by Zhang et al. (2023) also found that firms with higher NPM tend to attract more investor confidence and maintain better financial sustainability.

c. Return on Assets (ROA)

Return on Assets evaluates how effectively a company uses its assets to generate net income. Gunawan et al. (2022), Wahyuni & Hariyanto (2022), and Hawaldar et al. (2022) explain that ROA is widely regarded as an indicator of asset productivity and operational efficiency. ROA is particularly relevant in asset-heavy industries, where capital allocation and resource utilization directly affect performance.

d. Return on Equity (ROE)

Return on Equity reflects a company's ability to generate returns from shareholders' equity. Zulkarnain et al. (2022), Kusz et al. (2022), and Saputra (2022) agree that ROE serves as a benchmark for investor return and indicates how well equity capital is being reinvested to generate profits. Firms with consistently high ROE values tend to perform better in capital markets.

According to Gitman & Zutter (2015), profitability ratios are critical indicators of financial health. In microfinance institutions, profitability is often balanced with the goal of social development (Ledgerwood et.al 2013). Prior studies (Cull & Morduch, 2018) show that microfinance institutions can remain financially viable while serving the poor, though external conditions such as economic downturns and political instability can impact results.

### **Definition and Concept of Financial Performance**

Financial performance refers to the measurement of how well a company can utilize its resources to generate profit, maintain financial health, and achieve strategic objectives over a specific period. According to Fahmi et.al (2017), financial performance is an analysis conducted to determine how far a company has effectively implemented financial management practices in accordance with proper accounting principles. This performance is typically reflected in the company's financial statements and is an essential tool for internal and external stakeholders in evaluating operational efficiency.

Similarly, Sugiono & Untung (2016) describe financial performance as the result of cumulative managerial decisions over time, representing the effectiveness of activities in achieving financial goals. Munawir (2002) emphasizes that financial statements serve as a primary source of information to understand a company's financial position and performance, including the ability to generate profits and meet financial obligations.

### **Importance of Financial Performance Analysis**

Financial performance is a critical indicator of a company's stability, profitability, efficiency, and solvency, which are crucial for sustainable growth. According to Rambe & Makhalemele (2015), financial analysis contributes significantly to financial management in two major ways:

1. It evaluates the relationship between key financial elements, such as assets, liabilities, and equity.
2. It examines the company's short-term financial strength through the relationship between current assets and current liabilities.

Rudianto (2022) adds that the analysis of financial statements represents the final phase of the accounting process, providing a comprehensive overview of the company's performance and outcomes.

### **Determinants of Financial Performance**

Munawir (2002) outlines four core factors that influence financial performance:

- a. Liquidity: The ability of a company to meet short-term obligations.
- b. Solvency: The ability to meet long-term financial commitments.
- c. Profitability (Rentability): The ability to generate net income over time.
- d. Stability: The capacity to operate sustainably and pay regular dividends without financial disruption.

Recent studies reaffirm these dimensions. For example, Wenda & Ditilebit (2021) emphasize efficiency as the foundation of financial success defined by the optimal use of inputs to produce maximum value. Karim et.al (2023) adds that financial performance also reflects a company's financial discipline and compliance with fiscal regulations.

### **Financial Statements as a Basis for Performance Measurement**

Financial statements including the balance sheet, income statement, and cash flow statement are widely used as foundational documents in assessing a company's financial condition. As Gu et al. (2023) and Zhang et al. (2023) indicate, a company's growth, creditworthiness, and financial trajectory can be effectively interpreted through detailed analysis of these reports. Financial statement analysis techniques such as trend analysis, common size analysis, and ratio analysis are essential tools in interpreting data and drawing conclusions about a firm's performance. Winarno (2017) and Nguyen et al. (2023) highlight the significance of analyzing financial reports in generating decision-useful information for both strategic management and investment evaluation.

### **Profitability as a Core Indicator of Financial Performance**

Profitability remains one of the most critical indicators of financial performance. It reflects a company's ability to generate profit from its operations relative to resources employed. Studies by Jajuli et al. (2023) emphasize the predictive value of profitability ratios-such as Net Profit Margin (NPM), Gross Profit Margin (GPM), Return on Assets (ROA), and Return on Equity (ROE)-in evaluating financial health and long-term viability. These findings are echoed by Gunawan et al. (2022) and Saputra (2022), who argue that profitability analysis is central to evaluating the financial effectiveness of both public and private sector enterprises. Halim (2020) also notes that these ratios help assess how well a company utilizes its assets and equity to generate earnings.

### **Empirical Evidence and Recent Research**

Recent empirical research has consistently highlighted the critical role of profitability ratios in financial performance analysis across various organizational contexts. For example, Fernos (2017) demonstrated that profitability is a key driver of financial performance in banking institutions, emphasizing the importance of profit generation as a foundation for sustainable business operations.

Moreover, studies by Zulkarnain et al. (2022) and Kusz et al. (2022) underline the significance of Return on Equity (ROE) as a powerful predictor of investor confidence and shareholder value creation. Their findings reveal that firms with strong and stable ROE figures tend to attract greater investor interest due to their effective utilization of equity capital and potential for sustained profitability. ROE thus serves not only as an internal management performance metric but also as an important external indicator influencing market valuation.

Expanding beyond individual organizations, Supsermpol et al. (2023) conducted a comparative study across ASEAN countries, affirming the broad applicability of profitability ratios in regional financial performance benchmarking. Their research illustrates that profitability metrics are valuable tools for cross-industry and cross-country comparisons, enabling investors and policymakers to make informed decisions based on relative financial health and operational efficiency. Collectively, these studies underscore that profitability ratios-such as Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE)-remain indispensable for assessing a company's capacity to generate earnings, optimize resource use, and create value for shareholders. Their robust predictive power and comparability make them essential instruments in both academic research and practical financial management.

### 3. Method, Data, and Analysis

This study adopts a quantitative descriptive approach to analyze the financial performance of Kaebauk Investimentu no Finansas, S.A. (KIF) for the period 2020 to 2024, with a particular focus on profitability ratios. The primary objective is to interpret financial data extracted from KIF's annual financial statements to identify trends in profitability and to evaluate the overall financial health and operational efficiency of the company over the five-year period. The research is both descriptive and analytical in nature, employing a combination of quantitative and qualitative methods. The quantitative dimension involves the computation of profitability ratios from audited financial reports, while the qualitative element focuses on the interpretation of these figures in the context of financial performance theory and practical implications. This dual approach allows for a deeper understanding of how profitability has evolved and how it reflects KIF's strategic and operational decisions over time.

The main source of data in this study is the audited financial statements of Kaebauk Investimentu no Finansas, S.A., specifically the balance sheet, income statement, and cash flow statement covering the years 2020 to 2024. These documents provide the numerical foundation for the analysis of profitability. Supplementary data is gathered from academic literature, including peer-reviewed journal articles, financial management books, and credible online resources. The works of Gu et al. (2023, 2024), Nguyen et al. (2023), Zhang et al. (2023), and Lasabud et al. (2019), among others, support the premise that financial statements are essential tools for understanding company performance, managerial effectiveness, and strategic decision-making. This study applies **profitability ratio analysis**, which includes the calculation and interpretation of the following key ratios:

a. **Gross profit margin (GPM)** = 
$$\frac{\text{Total Revenue} - \text{Operational Cost}}{\text{Total Revenue}}$$

This ratio reflects the efficiency of production and cost control at the gross level (Hadi & Amzul, 2023; Andrianto & Amin, 2023).

b. **Net Profit Margin (NPM)** = 
$$\frac{\text{Net Profit}}{\text{Total Revenue}}$$

This indicator shows the company’s ability to generate profit after all expenses (Fernos, 2017; Widarjo & Setiawan, 2009).

c. **Return on Assets (ROA)** =  $\frac{\text{Net Income}}{\text{Total Assets}}$

ROA measures how effectively the company utilizes its assets to generate profit (Gunawan et al., 2022; Hariyanto, 2022).

d. **Return on Equity (ROE)** =  $\frac{\text{Net Income}}{\text{Shareholder's Equity}}$

ROE shows the company's capability to generate returns on invested capital from shareholders (Zulkarnain et al., 2022; Kusz et al., 2023).

These ratios are used to assess profitability trends over the five-year period. Changes in the values are interpreted to evaluate improvements, declines, or fluctuations in financial performance, aligning with previous research (Jajuli et al., 2023; Supsermpol et al., 2023).

The data analysis is carried out in several structured stages. First, data collection involves gathering the complete set of annual financial statements of KIF for the relevant five-year period. Second, the profitability ratios are calculated using standardized formulas. Third, a comparative analysis is conducted to assess trends and changes in each ratio year by year. Finally, interpretation of the results is carried out by linking the numerical findings to established financial theories and supported by prior research. Descriptive statistical tools such as tables, percentages, and trend comparisons are used to present the results, ensuring clarity and ease of understanding. The financial context of Timor-Leste, as well as KIF’s market role, will also be considered in interpreting the results to draw more meaningful conclusions.

#### 4. Result and Discussion

##### Result

The Gross Profit Margin (GPM) analysis of Kaebauk Investimentu no Finansas, S.A. for the years 2020 to 2024 reveals fluctuations in the company’s operational efficiency in generating gross profit relative to total revenue. The GPM is calculated as the ratio of gross profit to total revenue, expressed as a percentage.

**Table 1:** Gross Profit Margin (GPM)

**Kaebauk Investimentu no Finansas, S.A. during the 2020-2024 period**

Year	Gross Profit	Total Revenue	GPM
2020	\$1,000,870	\$4,797,798	20.86%
2021	\$1,340,527	\$6,138,734	21.84%
2022	\$1,978,703	\$6,138,734	32.23%
2023	\$2,047,813	\$7,306,225	28.03%
2024	\$1,824,329	\$8,416,753	21.67%

Source: Secondary data, analyzed by the authors (2025)

The Gross Profit Margin (GPM) of Kaebauk Investimentu no Finansas, S.A. over the period 2020 to 2024 displays significant fluctuations, reflecting changes in the company's operational efficiency. In 2020, the GPM was 20.86%, showing a moderate ability to generate gross profit from total revenue. This margin slightly improved in 2021 to 21.84%, indicating a marginal gain in cost efficiency, though the improvement was limited. However, in 2022, the company recorded a substantial increase in GPM to 32.23%, suggesting a marked enhancement in operational

effectiveness and strong control over direct costs. This year represents the peak of Kaebauk's gross profitability during the observed period.

In 2023, although gross profit increased in absolute terms, the GPM decreased to 28.03%, signaling that the cost of services may have risen faster than revenue, slightly affecting the margin. By 2024, the GPM had declined further to 21.67%, nearing the levels seen in 2020 and 2021. This downward shift implies that while the company's revenue continued to grow, the efficiency in converting that revenue into gross profit weakened, possibly due to rising service delivery costs or less effective cost management.

Overall, the trend indicates that Kaebauk's highest operational efficiency was achieved in 2022, as reflected by the peak GPM. However, the decline in 2023 and 2024 suggests emerging challenges in cost control that could undermine future profitability. These results emphasize the need for Kaebauk to closely examine its cost structure and take strategic measures to enhance its gross profit margins moving forward.

**Table 2:** Net Profit Margin (NPM)

**Kaebauk Investimentu no Finansas, S.A. during the 2020-2024 period**

Year	Net Profit	Total Revenue	NPM
2020	\$1,000,870	\$4,797,798	20.86%
2021	\$1,340,527	\$6,138,734	21.84%
2022	\$1,978,703	\$6,138,734	32.23%
2023	\$2,047,813	\$7,306,225	28.03%
2024	\$1,824,329	\$8,416,753	21.67%

Source: Secondary data, analyzed by the authors (2025)

The Net Profit Margin (NPM) of Kaebauk Investimentu no Finansas, S.A. over the five-year period from 2020 to 2024 shows notable variations, reflecting the company's changing capacity to generate net profit from its total revenue. In 2020, the NPM was 20.86%, indicating that approximately 21 cents of every dollar earned in revenue translated into net profit. In 2021, the NPM experienced a slight increase to 21.84%, suggesting minor improvement in the company's overall profitability after covering all operational and non-operational expenses.

A significant gain was observed in 2022, when the NPM rose sharply to 32.23%, reflecting the most profitable year within the five-year period. This increase signals strong financial performance and effective cost management, allowing the company to retain nearly one-third of its revenue as profit. In 2023, the NPM slightly declined to 28.03% despite a rise in total revenue and net profit. This suggests that expenses began to grow faster than revenue, impacting the overall profit margin. By 2024, the NPM fell further to 21.67%, returning to levels similar to those in 2020 and 2021. This decline, despite continued revenue growth, may indicate increasing operational costs or reduced efficiency in expense management.

Overall, the analysis shows that Kaebauk's profitability peaked in 2022, with strong margins maintained in 2023. However, the downward trend in 2024 highlights the importance of monitoring cost structures and operational efficiency. To sustain high profitability levels, the company may need to implement strategies focused on cost control, operational optimization, and efficient resource allocation.

**Table 3:** Return on Asset (ROA)

**Kaebauk Investimentu no Finansas, S.A. during the 2020-2024 period**

Year	Net Profit	Total Asset	ROA
2020	\$1,000,870	\$21,274,223	4.70%
2021	\$1,340,527	\$23,936,290	5.60%
2022	\$1,978,703	\$29,033,453	6.82%
2023	\$2,047,813	\$ 38,182,879	5.36%
2024	\$1,824,329	\$ 46,125,210	3.96%

Source: Secondary data, analyzed by the authors (2025)

The Return on Assets (ROA) of Kaebauk Investimentu no Finansas, S.A. from 2020 to 2024 demonstrates fluctuating efficiency in utilizing its assets to generate net income. In 2020, the ROA was 4.70%, indicating that the company generated approximately 4.7 cents of profit for every dollar of assets. This modest return slightly improved in 2021 to 5.60%, reflecting better asset utilization and enhanced operational effectiveness. A peak was reached in 2022, with the ROA rising to 6.82%, suggesting that the company was most efficient during this period in converting its asset base into profit.

However, in 2023, despite an increase in both net profit and total assets, the ROA declined to 5.36%, implying that asset growth may have outpaced the growth in income. This trend became more pronounced in 2024, when the ROA dropped further to 3.96%, the lowest in the five-year period. Although total assets expanded significantly to over USD 46 million, the corresponding return in net profit was comparatively lower, signaling reduced effectiveness in asset utilization. Overall, Kaebauk's strongest asset efficiency was observed in 2022, but the downward trend in 2023 and 2024 suggests a growing gap between asset accumulation and income generation. This decline points to the need for strategic reassessment of asset deployment, investment returns, and operational productivity to ensure that the company can maintain profitability in proportion to its expanding asset base.

**Table 4:** Return on Equity (ROE)

**Kaebauk Investimentu no Finansas, S.A. during the 2020-2024 period**

Year	Net Profit	Total Asset	ROE
2020	\$1,000,870	\$5,436,632	18.41%
2021	\$1,340,527	\$5, 798,669	23.12%
2022	\$1,978,703	\$6, 132,582	32.27%
2023	\$2,047,813	\$ 8,180,395	25.03%
2024	\$1,824,329	\$ 9, 004,724	20.26%

Source: Secondary data, analyzed by the authors (2025)

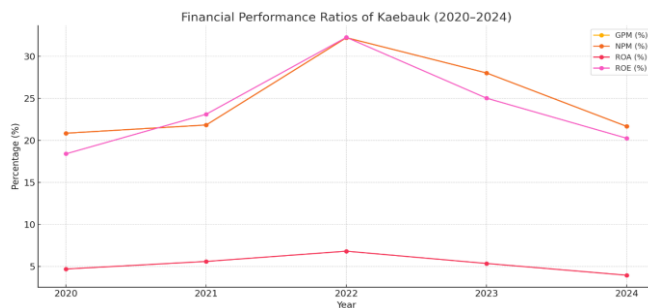
The Return on Equity (ROE) of Kaebauk Investimentu no Finansas, S.A. from 2020 to 2024 reflects the company's changing ability to generate profit from its shareholders' equity. In 2020, the ROE was recorded at 18.41%, indicating that the company earned nearly 18 cents for every dollar of equity invested. In 2021, ROE increased significantly to 23.12%, signaling improved profitability and more efficient use of shareholders' capital. The company reached its highest ROE in 2022, at 32.27%, which shows strong financial performance and a high return on invested equity demonstrating that Kaebauk was highly effective in maximizing shareholder value during that year.

However, in 2023, despite an increase in net profit and equity, the ROE declined to 25.03%, suggesting that the growth in equity began to outpace profit growth, slightly lowering return efficiency. This downward trend continued in 2024, with ROE decreasing to 20.26%, although the net

profit remained strong. The decline implies that although the company continues to be profitable, it is generating relatively lower returns on an expanding equity base.

Overall, the results show that Kaebauk achieved peak shareholder profitability in 2022, but the gradual decline in ROE in the following years signals a need to monitor how efficiently equity capital is being used to sustain strong returns. The company may need to evaluate its capital allocation strategies to maintain high shareholder value amid business expansion.

**Figure 1:** Financial Performance Summary (2020–2024)



The comparative analysis of the financial ratios-Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE)-from 2020 to 2024 reveals a dynamic but declining trend in Kaebauk Investimentu no Finansas, S.A.’s overall financial performance and profitability trajectory. In 2020, the company demonstrated moderate profitability across all indicators, with GPM and NPM both at 20.86%, ROA at 4.70%, and ROE at 18.41%, reflecting a stable foundation for future growth. In 2021, the company improved its financial efficiency, with GPM rising slightly to 21.84%, NPM to 21.84%, ROA increasing to 5.60%, and ROE reaching 23.12% indicating better cost control and effective asset and equity utilization.

The peak performance occurred in 2022, where all four indicators reached their highest levels. GPM and NPM rose sharply to 32.23%, while ROA climbed to 6.82%, and ROE peaked at 32.27%. This suggests that 2022 was the most profitable and operationally efficient year, with optimal management of costs, assets, and equity capital. However, in 2023, although revenues and net profits increased, all four ratios began to decline-GPM dropped to 28.03%, NPM to 28.03%, ROA to 5.36%, and ROE to 25.03% indicating rising costs and growing inefficiencies in asset and capital deployment.

The downward trend continued into 2024, with further declines: GPM at 21.67%, NPM at 21.67%, ROA at 3.96%, and ROE at 20.26%. Despite increases in revenue and asset base, profitability margins and return measures deteriorated, suggesting diminishing efficiency in converting inputs into earnings. These findings highlight that while Kaebauk successfully expanded its financial base, it struggled to maintain profitability and operational efficiency in the face of increased costs and capital investments.

In conclusion, the comparative analysis shows that 2022 was the peak year for financial performance, followed by a consistent decline in 2023 and 2024, which raises concerns about long-term sustainability. To address this, the company should focus on strengthening cost control, improving asset utilization, and enhancing shareholder returns through strategic operational and financial realignment.

## Discussion

The analysis of profitability ratios-Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE)-over the period 2020 to 2024 for *Kaebauk*

*Investmentu no Finansas, S.A.* (KIF) provides insightful trends that reveal the company's operational efficiency and overall financial performance. As emphasized by Kasmir (2013) and Raharjaputra (2011), these ratios are vital indicators of an enterprise's ability to transform its resources into profit and are central to evaluating the effectiveness of management decisions.

The Gross Profit Margin (GPM) demonstrates the efficiency of KIF in managing its production and service delivery costs. The company's GPM showed a modest increase from 20.86% in 2020 to 21.84% in 2021, followed by a peak of 32.23% in 2022, indicating strong control over direct costs and improved pricing strategies during that year. However, the GPM declined in 2023 to 28.03% and further to 21.67% in 2024, suggesting rising cost pressures or weakening cost efficiency. These trends align with the findings of Hadi & Amzul (2023) and Zhafira & Lubis (2023), who noted that declining GPM may reflect increased production costs or diminished pricing power, thereby reducing gross-level profitability.

Similarly, the Net Profit Margin (NPM), which measures the ability to convert total revenue into net profit, followed a comparable trajectory. NPM rose from 20.86% in 2020 to 32.23% in 2022, before falling to 21.67% in 2024. This fluctuation implies that KIF experienced improved cost control and operational efficiency through 2022, but rising non-operating expenses or administrative burdens may have impacted net profitability in subsequent years. As noted by Halim and Mazlan (2023) and Zhang et al. (2023), a strong NPM attracts investor confidence and signals long-term financial sustainability, whereas a declining trend may raise concerns regarding efficiency and financial discipline.

The Return on Assets (ROA) reflects how well KIF utilized its total assets to generate income. ROA increased steadily from 4.70% in 2020 to 6.82% in 2022, then declined to 3.96% in 2024. Despite growth in the company's asset base, the declining ROA suggests that asset expansion did not proportionally enhance profitability. This decline in asset productivity supports the observations of Gunawan et al. (2022) and Hariyanto (2022), who argue that efficient asset utilization is a crucial factor in maintaining strong ROA, particularly in capital-intensive sectors.

The Return on Equity (ROE) also followed this upward-then-downward pattern, rising from 18.41% in 2020 to a high of 32.27% in 2022, before declining to 20.26% in 2024. Although equity increased over time, the return generated from shareholders' capital began to fall, signaling reduced efficiency in equity utilization. These findings are consistent with the views of Zulkarnain et al. (2022) and Kusz et al. (2023), who emphasized that ROE is a strong indicator of shareholder value creation, and firms with declining ROE may struggle to sustain investor interest.

Overall, the peak across all four profitability indicators in 2022 demonstrates KIF's optimal financial and operational performance during that year. This success likely resulted from effective cost management, strategic investment, and efficient resource utilization. However, the gradual decline from 2023 to 2024 raises concerns about rising costs, potential inefficiencies, and the sustainability of past performance. As noted by Fernos (2017) and Ledgerwood (2013), financial performance in microfinance institutions like KIF must balance profitability with service delivery to underserved populations, which can strain margins under challenging economic conditions.

According to Gitman & Zutter (2015) and Winarno (2017), financial performance analysis based on profitability ratios offers valuable insights for stakeholders and management. For KIF, this analysis reveals not only internal performance trends but also provides a foundation for strategic decision-making aimed at sustaining financial health amid asset and equity expansion. If these

profitability challenges are not addressed through improved operational strategies, enhanced asset management, and cost control, the company risks long-term performance stagnation.

In summary, the analysis confirms that profitability ratios-GPM, NPM, ROA, and ROE remain reliable tools in assessing the financial health of KIF. The results highlight the company's strong performance peak in 2022 and the subsequent need for strategic intervention to reverse the declining trend observed in the later years. These findings are consistent with recent empirical studies (Supsermpol et al., 2023; Jajuli et al., 2023) which stress the predictive power of profitability ratios for evaluating the long-term viability and investment appeal of financial institutions.

## 5. Conclusion and Suggestion

### Conclusion

This study has analyzed the financial performance of Kaebauk Investimentu no Finansas, S.A. (KIF) for the period 2020–2024 using four key profitability ratios: Gross Profit Margin (GPM), Net Profit Margin (NPM), Return on Assets (ROA), and Return on Equity (ROE). Based on the data and analysis, the following conclusions can be drawn:

1. Gross Profit Margin (GPM): KIF demonstrated a positive trend in GPM from 2020 to 2022, peaking at 32.23%. However, the subsequent decline to 21.67% in 2024 indicates a deterioration in cost control efficiency and production profitability.
2. Net Profit Margin (NPM): Similarly, NPM increased significantly until 2022, reflecting enhanced operational and expense management. Yet, a downward trend in 2023 and 2024 suggests growing operational costs and declining net profitability despite rising revenues.
3. Return on Assets (ROA): ROA peaked at 6.82% in 2022, signaling efficient use of assets. However, the decline to 3.96% in 2024 indicates that asset expansion outpaced income generation, reducing overall productivity.
4. Return on Equity (ROE): KIF's ROE reached its highest point at 32.27% in 2022, suggesting strong returns to shareholders. The drop to 20.26% in 2024, however, reveals reduced effectiveness in utilizing equity capital to produce profit.
5. Overall Profitability Trend: The analysis confirms that 2022 was the peak year of financial performance. From 2023 onward, the company experienced a steady decline in all profitability ratios, signaling the need for strategic intervention to maintain long-term financial sustainability.

These findings highlight that while KIF was successful in improving its profitability through 2022, emerging inefficiencies and rising costs in the following years have negatively impacted its performance. The financial data also reflect the broader challenges facing microfinance institutions, including the need to balance social impact with financial discipline.

### Suggestion

Based on the conclusions, the following suggestions are proposed to enhance KIF's financial performance:

1. Strengthen Cost Control Measures: The company should revisit its operational cost structures and implement tighter controls to improve both GPM and NPM. Investing in cost-efficient technologies and process optimization may help reduce service delivery costs.
2. Enhance Asset Utilization Strategies: With ROA declining, KIF must evaluate whether its asset growth is being matched with adequate returns. Strategies such as better portfolio management and performance-based asset deployment can improve efficiency.

3. **Improve Equity Efficiency:** The decline in ROE indicates the need for better use of shareholder capital. KIF should explore high-return investments and closely monitor retained earnings utilization to boost shareholder value.
4. **Conduct Regular Financial Performance Monitoring:** Management should adopt a quarterly profitability analysis framework to quickly identify negative trends and implement corrective actions promptly.
5. **Invest in Financial Planning and Training:** KIF should continue strengthening the financial literacy of its internal teams, especially in financial forecasting, risk management, and strategic planning, to adapt to changing economic conditions effectively.
6. **Align Operational Goals with Strategic Objectives:** The company must ensure that its operational expansions are strategically aligned with its profitability and sustainability goals, especially in the context of its dual role as a financial and socially focused institution.
7. **Maintain Balance Between Growth and Sustainability:** As a microfinance institution, KIF must maintain its commitment to financial inclusion while ensuring long-term financial viability. Balanced growth that does not compromise profitability is essential.

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