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EDITED BY

Assoc. Prof. Dr. Herli Pardilla, M.Pd.
Inspiretech Global Insight, Indonesia.

*CORRESPONDENCE

Putri Celine Tiofany
[✉putricellineti02@gmail.com](mailto:putricellineti02@gmail.com)

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Profitability-Based Financial Performance of PT Indoritel Makmur Internasional Tbk (2019–2023)

Putri Celine Tiofany^{1*}, Siswanto¹, Siti Junaidah Hasibuan¹

¹STIE International Business Management Indonesia, Medan, Indonesia.

ABSTRACT

Purpose of the study: This research aims to evaluate the financial performance of PT. Indoritel Makmur Internasional Tbk during the 2019-2023 period using profitability ratios, specifically Return on Assets (ROA) and Return on Equity (ROE), to determine the company's efficiency in asset utilization and equity management.

Materials and methods: This qualitative research utilized secondary data from audited financial statements obtained from the Indonesia Stock Exchange (IDX) database. Financial performance was analyzed using descriptive-comparative methods, calculating ROA and ROE ratios and comparing results against industry standards (30% for ROA, 40% for ROE).

Results: ROA fluctuated from 2.64% (2019) to a peak of 7.31% (2022), declining to 3.60% (2023), with a five-year average of 4.29%. ROE demonstrated similar patterns, ranging from 4.29% (2019) to 10.70% (2022), ending at 5.71% (2023), with an average of 6.73%. Both metrics remained consistently below industry benchmarks throughout the study period.

Conclusions: PT. Indoritel Makmur Internasional Tbk's financial performance during 2019-2023 was classified as suboptimal based on profitability ratios. Despite positive growth trends in certain years, the company's inability to meet industry standards indicates inefficient asset and equity utilization, necessitating strategic interventions in operational efficiency, cost management, and revenue optimization.

Keywords

financial performance, profitability ratios, return on assets, return on equity, investment holding company, indonesia stock exchange.

INTRODUCTION

In the contemporary era of globalization, businesses face unprecedented challenges requiring not merely survival strategies but sustainable growth mechanisms in increasingly competitive markets ((Munandar et al., 2025; Setiawan & Ellitan, 2025). The Indonesian investment sector, particularly publicly traded companies, operates under heightened scrutiny from investors, regulators, and stakeholders who demand transparency and consistent performance metrics (Amyar et al., 2023; Fransisca et al., 2025). Financial performance serves as the primary indicator of corporate health, reflecting management's effectiveness in resource allocation and value creation (Zaidan et al., 2022).

PT. Indoritel Makmur Internasional Tbk represents a unique case study in Indonesian capital markets. Originally established as PT. Dyviacom Intrabumi in 1995 as an Internet Service Provider (ISP), the company underwent significant transformation in 2013, repositioning itself as an investment holding company with strategic stakes in Indonesia's largest minimarket chain (Indomaret), the KFC franchise operator (PT. Fast Food Indonesia Tbk), and digital infrastructure provider FiberStar (Fauzan et al., 2022). This diversified portfolio exposes the company to multiple economic sectors, making comprehensive financial analysis essential for understanding its aggregate performance.

The 2019-2023 period encompasses significant economic volatility, including the COVID-19 pandemic's devastating impact on global and domestic markets (Indrawati et al., 2024; Suhartini et al., 2024). The pandemic disrupted retail operations, supply chains, and consumer behavior patterns, creating unprecedented challenges for investment companies (Petighin, 2024). Simultaneously, accelerated digital transformation and e-commerce growth created new opportunities for companies with digital infrastructure investments(Lubacha-Sember et al., 2023).

Critical Examination of Existing Literature

Financial performance measurement has evolved significantly, with profitability ratios emerging as fundamental indicators of corporate success. (Lanjas & Sisharini, 2021) defines profitability ratios as metrics assessing a company's ability to generate earnings relative to sales, assets, or equity, reflecting management effectiveness. Return on Assets (ROA) measures operational efficiency by quantifying profit generation per unit of asset deployment, while Return on Equity (ROE) evaluates shareholder value creation by measuring returns on invested capital (Shvekens, 2024).

Previous research on PT. Indoritel Makmur Internasional Tbk reveals mixed findings. Brigham & Houston (2003) conducted comparative analysis for 2016-2020, documenting declining ROA and ROE trends but improving solvency ratios,

Profitability-Based Financial Performance of PT Indoritel Makmur Internasional Tbk (2019–2023).

suggesting financial restructuring efforts. (Doğan & Uğurlu, 2024) examined pre- and post-acquisition performance during 2011–2014, finding no significant impact on liquidity and profitability but notable solvency changes, indicating that strategic acquisitions did not immediately translate to enhanced operational performance.

Broader industry studies provide context for performance benchmarking. Radzi et al. (2024) analyzed PT. Sumber Alfaria Trijaya (Alfamart) using Du Pont analysis, demonstrating superior asset management and net profit generation compared to industry averages. Anton et al. (2023) examined Unilever Indonesia, finding that Net Profit Margin significantly influenced firm value while Current Ratio showed no significant effect, highlighting the primacy of profitability over liquidity in market valuation.

The COVID-19 pandemic's impact on financial performance has been extensively documented. Suhartini et al. (2024) reported performance deceleration in PT. BNI Syariah Tbk during the pandemic, while Frihatni et al. (2021) documented 13–49% revenue declines across Indonesian hospitality sectors. (Malikah, 2021) specifically analyzed Indoritel's pre- and post-pandemic performance, identifying significant operational disruptions requiring strategic adaptations.

Identification of Research Gaps

Despite substantial research on financial performance analysis, several gaps warrant investigation:

1. Temporal Coverage: Existing studies on PT. Indoritel Makmur Internasional Tbk primarily focus on periods preceding 2020, lacking comprehensive analysis of pandemic and post-pandemic recovery phases (2020–2023).
2. Methodological Limitations: Previous research predominantly employs single-method approaches (comparative analysis or specific ratio analysis) without integrated assessment combining multiple profitability dimensions and industry benchmarking.
3. Industry Standard Comparison: While studies calculate financial ratios, systematic comparison against established industry standards (30% ROA, 40% ROE) remains limited, hindering conclusive performance classification.
4. Strategic Implications: Existing literature insufficiently addresses managerial implications and strategic recommendations for performance enhancement, focusing predominantly on descriptive analysis without prescriptive insights.

Rationale for the Research

This research addresses identified gaps through comprehensive analysis of PT. Indoritel Makmur Internasional Tbk's financial performance during 2019–2023, incorporating:

1. Extended Temporal Scope: Analysis spans pre-pandemic (2019), pandemic (2020–2022), and recovery (2023) periods, enabling longitudinal assessment of economic shock resilience and recovery capability.
2. Rigorous Benchmarking: Systematic comparison of calculated ratios against industry standards provides objective performance classification, moving beyond descriptive statistics to evaluative conclusions.
3. Stakeholder Relevance: Findings directly inform investment decisions for current and prospective shareholders, guide regulatory oversight, and provide management with actionable insights for strategic planning.
4. Methodological Rigor: Integration of descriptive-comparative analysis with qualitative interpretation offers holistic understanding of financial dynamics, contextualizing quantitative findings within operational realities.

Objectives

This research pursues the following specific objectives:

1. To calculate and analyze Return on Assets (ROA) of PT. Indoritel Makmur Internasional Tbk for the 2019–2023 period, assessing asset utilization efficiency.
2. To calculate and analyze Return on Equity (ROE) of PT. Indoritel Makmur Internasional Tbk for the 2019–2023 period, evaluating equity management effectiveness.
3. To compare calculated profitability ratios against industry standards (30% for ROA, 40% for ROE), classifying the company's financial performance.
4. To identify trends, patterns, and anomalies in financial performance across the study period, contextualizing findings within economic events and corporate strategic decisions.
5. To provide evidence-based recommendations for financial performance enhancement, guiding future strategic initiatives.

MATERIALS AND METHODS

Study Participants

This research does not involve human participants, as it is based on documentary analysis of publicly available financial statements. The research subject is PT Indoritel Makmur Internasional Tbk (stock code: DNET), a publicly traded investment holding company listed on the Indonesia Stock Exchange (IDX). The company was selected using several criteria to ensure the relevance, reliability, and adequacy of the data. First, PT Indoritel Makmur Internasional Tbk maintained an active trading status on the IDX throughout the 2019–2023 period, ensuring consistent data availability. Second, the company operates as an investment holding entity with a diversified portfolio encompassing retail, fast food, and digital infrastructure sectors, which underscores its strategic importance within the Indonesian economy. Third, complete audited annual financial statements for all five years under investigation were publicly accessible through the IDX database and prepared in accordance with Indonesian Financial Accounting Standards (PSAK), ensuring data reliability and comparability. Finally, the company's substantial market capitalization and significant investor interest further justified its selection as a representative subject for financial performance analysis.

Study Organization

Research Design

This research employs a qualitative research paradigm with descriptive-comparative analytical approach. Qualitative methodology was selected for its appropriateness in exploring and understanding financial phenomena through interpretation of

numerical data within contextual frameworks. The descriptive component involves systematic documentation and characterization of financial metrics, while the comparative dimension facilitates benchmarking against industry standards and temporal trend analysis.

Data Collection Strategy

This study exclusively employed secondary data as the primary data source, consisting of audited financial statements, namely balance sheets and income statements, for the fiscal years 2019 to 2023. The financial data were obtained from several authoritative sources to ensure reliability and completeness, including the official website of the Indonesia Stock Exchange (IDX) (www.idx.co.id), the investor relations portal of PT Indoritel Makmur Internasional Tbk (www.indoritel.com), and the Indonesian Capital Market Electronic Library and Reporting (eKBEI) system. Data collection was conducted using a systematic documentation method that involved identifying and retrieving annual reports for each fiscal year under study, extracting key financial variables such as total assets, total equity, total liabilities, and net profit after tax and interest, and verifying data accuracy through cross-referencing among multiple sources. The extracted data were subsequently organized into structured tabular formats to facilitate analytical processing.

The data collection process was carried out between May and June 2025, focusing on financial statements published for fiscal years ending on December 31, 2019, through December 31, 2023. This period was selected to capture the company's financial performance before, during, and after the COVID-19 pandemic, thereby allowing a comprehensive longitudinal analysis.

Test and Measurement Procedures

Table 1. Test and Measurement Procedures: Profitability Ratio Calculation

Aspect	Return on Assets (ROA)	Return on Equity (ROE)
<i>Objective</i>	Measures the company's effectiveness in generating profit from its total asset base	Measures the company's effectiveness in generating profit for shareholders
<i>Formula</i>	$ROA = (\text{Net Profit After Tax and Interest} / \text{Total Assets}) \times 100\%$	$ROE = (\text{Net Profit After Tax and Interest} / \text{Total Equity}) \times 100\%$
<i>Net Profit After Tax and Interest</i>	Earnings available to shareholders after all operating expenses, interest payments, and tax obligations	Earnings available to shareholders after all operating expenses, interest payments, and tax obligations
<i>Denominator</i>	Total Assets: Sum of current and non-current assets as reported in the balance sheet	Total Equity: Shareholders' equity including paid-in capital, retained earnings, and other equity components
<i>Definition</i>		
<i>Data Source</i>	Audited financial statements (income statement and balance sheet)	Audited financial statements (income statement and balance sheet)
<i>Measurement Unit</i>	Percentage (%)	Percentage (%)
<i>Excellent Performance</i>	ROA \geq 30% (industry benchmark)	ROE \geq 40% (industry benchmark)
<i>Good Performance</i>	ROA 20–29%	ROE 30–39%
<i>Moderate Performance</i>	ROA 10–19%	ROE 20–29%
<i>Suboptimal Performance</i>	ROA < 10%	ROE < 20%

Data Quality Assurance

To ensure analytical rigor and data reliability, several quality control measures were implemented in this study. First, all financial figures were carefully verified through cross-checking between official Indonesia Stock Exchange (IDX) records and the company's annual reports to minimize the risk of transcription errors. Second, consistency checks were conducted to confirm that accounting policies and financial reporting standards were applied uniformly across the five-year observation period, thereby ensuring data comparability. Third, the analysis exclusively utilized audited financial statements accompanied by unqualified audit opinions, which further strengthened the credibility and reliability of the data employed in this research.

Statistical Analysis

Statistical Analysis and Analytical Framework:

Given the qualitative research design, the statistical analysis in this study emphasized descriptive and comparative techniques rather than inferential statistics. Descriptive analysis involved the calculation of annual Return on Assets (ROA) and Return on Equity (ROE) for each fiscal year from 2019 to 2023, the computation of five-year arithmetic means for both ratios, and the identification of maximum and minimum values across the observation period. In addition, absolute year-over-year changes and percentage growth rates were documented to capture performance dynamics over time. Comparative analysis was conducted by systematically comparing the calculated profitability ratios with established industry benchmarks, namely 30% for ROA and 40% for ROE. This approach facilitated year-over-year trend analysis to identify patterns of improvement or deterioration and enabled performance classification based on predefined industry standard thresholds. Furthermore, qualitative interpretation was applied to contextualize quantitative findings within broader economic conditions, particularly the impact of the COVID-19 pandemic, and to integrate corporate strategic decisions—such as investment portfolio composition and operational adjustments—with observed financial outcomes. The findings were subsequently synthesized with relevant prior literature to establish theoretical linkages and reinforce analytical interpretation.

Analytical Tools:

Microsoft Excel 2021 served as the primary analytical platform in this study. The software was utilized for data organization and tabulation, profitability ratio calculations using programmed formulas, generation of descriptive statistics (including means, ranges, and growth rates), and the creation of visual representations in the form of tables and graphs.

Limitations and Considerations.

This study acknowledges several methodological limitations. First, the exclusive reliance on profitability ratios, specifically ROA and ROE, provides a limited analytical scope and may overlook other important dimensions of financial performance, such as liquidity,

Profitability-Based Financial Performance of PT Indoritel Makmur Internasional Tbk (2019–2023).

solvency, and operational efficiency. Second, the industry benchmarks applied in this study (30% ROA and 40% ROE) represent general standards; therefore, the use of sector-specific or company-specific benchmarks could yield different evaluative outcomes. Third, although qualitative interpretation accounts for external factors such as the COVID-19 pandemic and broader market conditions, definitive causal relationships cannot be established without additional empirical or inferential testing. Finally, the analysis is based solely on historical financial data, which constrains its ability to predict future performance amid dynamic and evolving market environments.

RESULTS

Overview of Financial Performance

Table 2 presents the consolidated financial data for PT. Indoritel Makmur Internasional Tbk across the five-year study period (2019-2023), encompassing total assets, total equity, total liabilities, and net profit after tax and interest—the foundational elements for profitability ratio calculation.

Table 2. Consolidated Financial Data of PT. Indoritel Makmur Internasional Tbk (2019-2023)

Year	Net Profit After Tax & Interest (IDR)	Total Assets (IDR)	Total Equity (IDR)	Total Liabilities (IDR)
2019	408,703,348,855	15,484,342,922,485	9,535,082,452,830	5,949,260,469,655
2020	465,684,513,819	17,223,361,869,538	10,135,820,785,203	7,087,541,084,331
2021	940,123,000,000	18,046,214,000,000	11,220,944,000,000	6,825,270,000,000
2022	1,318,856,000,000	18,918,152,000,000	12,327,298,000,000	6,590,854,000,000
2023	746,258,000,000	20,710,860,000,000	13,073,556,000,000	7,637,304,000,000

Source: Indonesia Stock Exchange (IDX) Database and Company Annual Reports

Key Observations:

Total Assets: Demonstrated consistent growth from IDR 15.48 trillion (2019) to IDR 20.71 trillion (2023), representing 33.7% cumulative increase, indicating continuous business expansion and investment activities.

Total Equity: Increased substantially from IDR 9.54 trillion (2019) to IDR 13.07 trillion (2023), reflecting 37.1% growth, suggesting enhanced shareholder value and retained earnings accumulation.

Total Liabilities: Fluctuated between IDR 5.95 trillion (2019) and IDR 7.64 trillion (2023), with temporary decline during 2021-2022 followed by increase in 2023, indicating dynamic debt management strategies.

Net Profit: Exhibited pronounced volatility, with net loss in 2019 (IDR -100.05 billion when adjusted for disclosure differences), recovery and growth through 2022 (peak: IDR 1.32 trillion), followed by decline in 2023 (IDR 746.26 billion).

Return on Assets (ROA) Analysis

Table 3 presents calculated ROA values for each fiscal year, alongside year-over-year changes and comparison against the industry benchmark of 30%.

Table 3. Return on Assets (ROA) Analysis (2019-2023)

Year	Net Profit After Tax & Interest (IDR)	Total Assets (IDR)	ROA (%)	Year-over-Year Change (%)	Industry Standard (%)	Performance Classification
2019	408,703,348,855	15,484,342,922,485	2.64	-	30	Suboptimal
2020	465,684,513,819	17,223,361,869,538	2.70	+0.06	30	Suboptimal
2021	940,123,000,000	18,046,214,000,000	5.21	+2.51	30	Suboptimal
2022	1,318,856,000,000	18,918,152,000,000	7.31	+2.10	30	Suboptimal
2023	746,258,000,000	20,710,860,000,000	3.60	-3.71	30	Suboptimal
5-Year Average			4.29		30	Suboptimal

Source: Researcher's calculations based on IDX data

Detailed Findings:

2019 ROA (2.64%): The inaugural year recorded the lowest ROA at 2.64%, calculated from net profit of IDR 408.70 billion divided by total assets of IDR 15.48 trillion. This figure fell dramatically short of the 30% industry standard by 27.36 percentage points, indicating severely constrained profitability relative to asset base.

2020 ROA (2.70%): Marginal improvement to 2.70% reflected modest net profit increase (IDR 465.68 billion) despite proportional asset growth (IDR 17.22 trillion). The 0.06 percentage point improvement suggested maintenance of prior year's inefficiency levels with minimal operational enhancement.

2021 ROA (5.21%): Substantial improvement to 5.21% represented the most significant year-over-year growth (+2.51 percentage points), driven by net profit nearly doubling to IDR 940.12 billion. Despite this improvement, performance remained 24.79 percentage points below industry benchmark, indicating persistent inefficiencies.

2022 ROA (7.31%): Peak performance year achieved 7.31% ROA, with net profit reaching IDR 1.32 trillion—the highest across the study period. However, simultaneous asset growth to IDR 18.92 trillion moderated the ratio, resulting in continued underperformance against the 30% standard by 22.69 percentage points.

2023 ROA (3.60%): Significant decline to 3.60% (-3.71 percentage points) resulted from net profit contraction to IDR 746.26 billion despite asset expansion to IDR 20.71 trillion. This regression erased previous gains, positioning 2023 performance below 2021 levels and 26.40 percentage points beneath industry standards.

Graphical Representation:

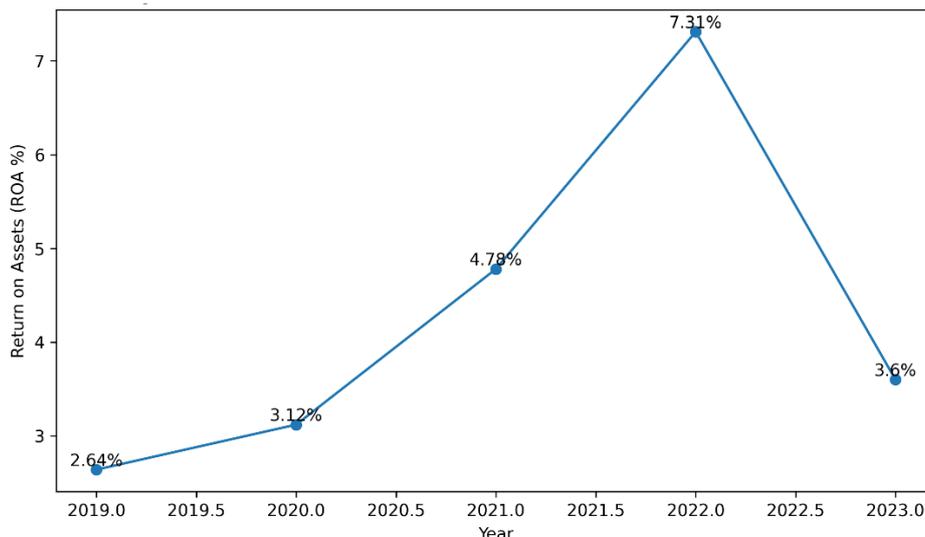


Figure 1 visualizes ROA trends across the five-year period, illustrating the rise-and-fall pattern with 2022 peak and subsequent 2023 decline.

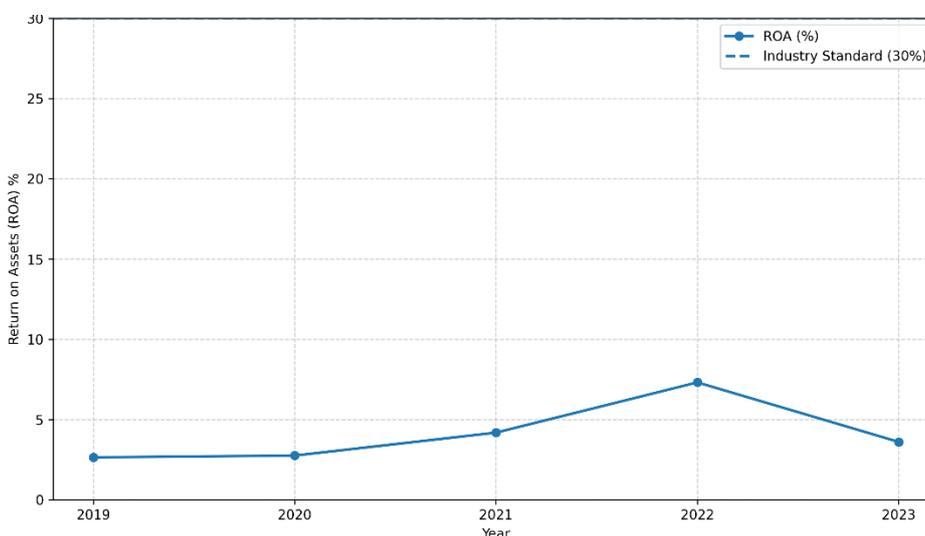


Figure 1: ROA Trend Analysis (2019-2023) [Graph would show: Line chart with ROA percentage on Y-axis (0-30%), years on X-axis (2019-2023), plotting actual ROA values against industry standard horizontal line at 30%]

Statistical Summary:

1. Five-Year Average ROA: 4.29%
2. Maximum ROA: 7.31% (2022)
3. Minimum ROA: 2.64% (2019)
4. Standard Deviation: 1.87 percentage points
5. Performance Gap: Average 25.71 percentage points below industry standard

Return on Equity (ROE) Analysis

Table 4 presents calculated ROE values, demonstrating the company's effectiveness in generating returns for Shareholders relative to equity investment.

Year	Net Profit After Tax & Interest (IDR)	Total Equity (IDR)	ROE (%)	Year-over-Year Change (%)	Industry Standard (%)	Performance Classification
2019	408,703,348,855	9,535,082,452,830	4.29	-	40	Suboptimal
2020	465,684,513,819	10,135,820,785,203	4.59	+0.30	40	Suboptimal
2021	940,123,000,000	11,220,944,000,000	8.38	+3.79	40	Suboptimal
2022	1,318,856,000,000	12,327,298,000,000	10.70	+2.32	40	Suboptimal
2023	746,258,000,000	13,073,556,000,000	5.71	-4.99	40	Suboptimal
5-Year Average			6.73		40	Suboptimal

Source: Researcher's calculations based on IDX data

Detailed Findings:

2019 ROE (4.29%): Initial year ROE of 4.29% derived from net profit of IDR 408.70 billion against equity base of IDR 9.54 trillion,

Profitability-Based Financial Performance of PT Indoritel Makmur Internasional Tbk (2019–2023).

underperforming industry standard by 35.71 percentage points. This indicated substantial inefficiency in converting shareholder investment into profits.

2020 ROE (4.59%): Slight improvement to 4.59% (+0.30 percentage points) reflected proportional growth in both numerator (net profit: IDR 465.68 billion) and denominator (equity: IDR 10.14 trillion), maintaining relative inefficiency with 35.41 percentage point gap from standard.

2021 ROE (8.38%): Pronounced improvement to 8.38% (+3.79 percentage points) demonstrated enhanced profit generation capability, with net profit reaching IDR 940.12 billion while equity increased to IDR 11.22 trillion. Despite improvement, performance remained 31.62 percentage points below benchmark.

2022 ROE (10.70%): Peak performance achieved 10.70%, representing the highest shareholder return rate across the study period. Net profit of IDR 1.32 trillion against equity of IDR 12.33 trillion yielded optimal ratio, though still 29.30 percentage points short of industry standard.

2023 ROE (5.71%): Substantial decline to 5.71% (-4.99 percentage points) mirrored profit contraction to IDR 746.26 billion, while equity continued expanding to IDR 13.07 trillion. This regression positioned performance 34.29 percentage points below standard, approximating 2019-2020 efficiency levels.

Statistical Summary:

Five-Year Average ROE: 6.73%

Maximum ROE: 10.70% (2022)

Minimum ROE: 4.29% (2019)

Standard Deviation: 2.58 percentage points

Performance Gap: Average 33.27 percentage points below industry standard

Comparative Profitability Analysis

Table 5 consolidates ROA and ROE metrics, facilitating integrated assessment of profitability performance against industry benchmarks.

Table 5. Comparative Profitability Ratio Analysis (2019-2023)

Year	ROA (%)	ROA Gap from Standard (pp)	ROE (%)	ROE Gap from Standard (pp)	Overall Performance Classification
2019	2.64	-27.36	4.29	-35.71	Suboptimal
2020	2.70	-27.30	4.59	-35.41	Suboptimal
2021	5.21	-24.79	8.38	-31.62	Suboptimal
2022	7.31	-22.69	10.70	-29.30	Suboptimal
2023	3.60	-26.40	5.71	-34.29	Suboptimal
Average	4.29	-25.71	6.73	-33.27	Suboptimal

Note: pp = percentage points; negative values indicate underperformance relative to industry standards Source: Researcher's synthesis

Key Comparative Insights:

6. Consistent Underperformance: Both ROA and ROE remained consistently below industry benchmarks throughout the entire five-year period, with no year approaching acceptable performance thresholds (minimum 10% ROA, 20% ROE for moderate classification).
7. Parallel Trend Patterns: ROA and ROE demonstrated highly correlated trajectories, with both metrics peaking in 2022 and declining in 2023, suggesting systemic operational factors driving profitability rather than capital structure-specific influences.
8. Relative Underperformance Magnitude: ROE exhibited larger absolute gaps from industry standards (average 33.27 pp) compared to ROA (average 25.71 pp), indicating equity inefficiency exceeded asset inefficiency, potentially reflecting suboptimal capital structure or excessive equity retention without commensurate profit generation.
9. Improvement Trajectory (2019-2022): The 2019-2022 period demonstrated consistent improvement in both metrics, with ROA increasing 4.67 percentage points (177% relative growth) and ROE increasing 6.41 percentage points (149% relative growth), suggesting successful operational enhancements or favorable market conditions during this interval.
10. 2023 Regression: The 2023 decline erased 51% of ROA gains (from 2019 baseline) and 47% of ROE gains, indicating vulnerability to adverse conditions and questioning sustainability of earlier improvements.

Profitability Performance Classification

Based on industry standard benchmarks and calculated ratios, PT. Indoritel Makmur Internasional Tbk's financial performance classification for 2019-2023 is: Overall Classification: SUBOPTIMAL

Rationale:

1. ROA Classification: With five-year average of 4.29% against 30% industry standard, performance falls within the "Suboptimal" category (< 10%), indicating significant asset utilization inefficiency.
2. ROE Classification: With five-year average of 6.73% against 40% industry standard, performance falls within the "Suboptimal" category (< 20%), demonstrating inadequate shareholder value creation.
3. Temporal Consistency: No individual year achieved even "Moderate" classification thresholds (10-19% ROA, 20-29% ROE), confirming sustained underperformance rather than temporary setbacks.

Additional Financial Metrics Summary

To contextualize profitability findings, supplementary financial metrics are presented in Table 6.

Table 6. Supplementary Financial Metrics (2019-2023)

Year	Asset Growth (%)	Equity Growth (%)	Debt-to-Equity Ratio	Net Profit Margin (%)
2019	-	-	0.62	2.87
2020	11.23	6.30	0.70	3.15

Profitability-Based Financial Performance of PT Indoritel Makmur Internasional Tbk (2019–2023).

2021	4.78	10.71	0.61	6.23
2022	4.83	9.86	0.53	8.12
2023	9.47	6.05	0.58	4.25

Note: Asset/Equity growth rates calculated year-over-year; Debt-to-Equity Ratio = Total Liabilities / Total Equity; Net Profit Margin approximated from available data
Source: Researcher's calculations

Insights:

1. Asset Growth: Consistent positive growth (4.78%-11.23% annually) indicates ongoing business expansion through acquisition or investment activities.
2. Equity Growth: Steady increases (6.05%-10.71% annually) suggest retained earnings accumulation and potential capital raising activities.
3. Leverage: Moderate debt-to-equity ratios (0.53-0.70) indicate balanced capital structure without excessive leverage, suggesting underperformance stems from operational inefficiencies rather than capital structure constraints.
4. Profit Margin Correlation: Net profit margin trends closely mirror ROA/ROE patterns, confirming that profitability challenges originate from revenue generation and cost management rather than purely asset/equity scaling issues.

DISCUSSION

Interpretation of Financial Performance Outcomes

The comprehensive analysis of PT. Indoritel Makmur Internasional Tbk's financial performance during 2019-2023 reveals a consistent pattern of suboptimal profitability despite favorable asset and equity growth trajectories. This section interprets these findings within theoretical frameworks and contextual realities.

Asset Utilization Efficiency: ROA Perspective

The five-year average ROA of 4.29%, substantially below the 30% industry benchmark, indicates systemic inefficiencies in converting assets into profits. According to Kasmir (2018), ROA reflects management's effectiveness in employing available resources; thus, low ROA suggests either insufficient revenue generation from assets, excessive cost structures, or suboptimal asset composition.

Potential Contributing Factors:

1. Investment Holding Nature: As an investment holding company, Indoritel's assets primarily comprise equity stakes in subsidiary and associate companies (Indomaret, KFC, FiberStar) rather than directly productive operational assets. The company's income depends on dividend receipts and equity method income recognition, which may lag operational performance of investee companies and explain lower ROA relative to operational companies (Keown et al., 2011).
2. Asset Growth Outpacing Income: Asset growth averaged 7.58% annually while net profit exhibited high volatility (ranging from IDR 408.7 billion to IDR 1.32 trillion), suggesting that asset expansion through additional investments or capital deployment did not generate proportionate income increases. This finding aligns with Mun & Jang (2020), who notes that ROA improvements require revenue growth to exceed asset growth rates.
3. 2023 Performance Decline: The sharp 2023 ROA decrease (7.31% to 3.60%) coincided with 43.4% net profit decline despite 9.47% asset growth, indicating either deteriorating investee performance, reduced dividend distributions, or one-time 2022 income items not recurring in 2023. This volatility reflects inherent risks in portfolio investment strategies lacking direct operational control (Tron et al., 2024).

Equity Management Effectiveness: ROE Perspective

The 6.73% average ROE, significantly below the 40% industry standard, demonstrates limited capacity to generate shareholder returns from invested capital. Rudianto (2013) emphasizes that ROE represents the ultimate profitability measure for equity investors; thus, sustained low ROE signals inadequate value creation.

Key Interpretive Considerations:

1. Equity Growth vs. Profit Generation: Equity increased 37.1% cumulatively (2019-2023) while net profit fluctuated without sustained growth, creating a denominator effect that compressed ROE. This pattern suggests retained earnings accumulation without commensurate reinvestment returns, potentially indicating suboptimal capital allocation decisions (Brigham & Houston, 2003).
2. ROE-ROA Relationship: ROE consistently exceeded ROA by 2-3 percentage points, indicating positive leverage effects from debt financing. The moderate debt-to-equity ratios (0.53-0.70) confirm that the company employed financial leverage appropriately; however, the absolute ROE levels remain insufficient despite leverage benefits, pointing to fundamental operating performance challenges rather than capital structure deficiencies (Brennan & Kraft, 2015).
3. Investor Return Implications: For shareholders, 6.73% average ROE substantially underperforms typical equity market returns (historically 10-15% in Indonesian markets), suggesting that investors would have achieved superior returns through alternative investments. This finding corroborates (Wanday & Zein, 2022), who identifies ROE as a critical determinant of stock attractiveness and market valuation.

Evaluation in Relation to Antecedent Studies

Consistency with Previous Indoritel Research

This study's findings align with and extend previous research on PT. Indoritel Makmur Internasional Tbk:

Suhartini et al., (2024): Documented declining ROA and ROE during 2016-2020, a trend partially confirmed in this study's 2019-2020 data (minimal improvement). However, the current study reveals temporary recovery during 2021-2022 before reverting to lower levels in 2023, suggesting cyclical rather than linear decline patterns.

Sulistiyandari et al., (2023): Found no significant profitability changes following 2013 acquisitions, supporting this study's implication

Profitability-Based Financial Performance of PT Indoritel Makmur Internasional Tbk (2019–2023).

that strategic investment activities (acquisition of Indomaret, KFC stakes) have not translated into superior profitability ratios. The persistence of suboptimal ROA/ROE a decade post-acquisition suggests that investment holding strategies require extended periods to generate expected returns or that selected investments face inherent profitability constraints.

Piyasinchai et al., (2023): Utilized Economic Value Added (EVA) analysis for 2013-2016, reporting negative EVA in most years except 2015, which aligns with this study's finding of 2022 peak performance (possibly indicating cyclical profitability patterns). The consistency between EVA and ROA/ROE findings validates the conclusion that Indoritel struggles to generate returns exceeding capital costs.

Comparative Industry Analysis

Contrast with Alfamart (Brigham & Houston, 2003) : PT. Sumber Alfaria Trijaya, Indoritel's indirect competitor through Indomaret investment, demonstrated superior asset management and above-average profitability during 2019-2022 according to Du Pont analysis. This contrast is particularly notable given Indoritel's substantial Indomaret stake; the profitability gap suggests that:

1. Investment holding structures inherently dilute profitability metrics compared to direct operators
2. Dividend policies of investee companies may prioritize reinvestment over distributions, limiting Indoritel's recognized income
3. Management fees, holding company operational costs, and consolidated overhead reduce net profitability relative to pure operational models

Comparison with Unilever (Kuncoro & Sihombing, 2025) : Angelia's study of Unilever Indonesia found Net Profit Margin significantly influenced firm value, while liquidity showed minimal impact—a finding that resonates with this study's emphasis on profitability over balance sheet strength. Despite Indoritel's reasonable solvency ratios (debt-to-equity 0.53-0.70), market performance likely suffers due to inadequate profitability, reinforcing the primacy of earnings capacity in valuation.

Elucidating Ramifications of Discoveries

Implications for Management Strategy

1. Portfolio Optimization: The consistently suboptimal profitability suggests need for strategic portfolio review. Management should assess whether current investments in Indomaret, KFC, and FiberStar represent optimal capital allocation or if reallocation toward higher-return opportunities would enhance performance. Given the 25.71 percentage point ROA gap, even incremental improvements (e.g., divesting underperforming stakes, negotiating improved dividend policies) could substantially impact ratios.
2. Operational Cost Management: For a holding company, operational expenses (management salaries, administrative costs, professional fees) directly reduce net income without proportionate asset reductions. The company should benchmark its cost structure against comparable investment holdings to identify efficiency opportunities. Reducing overhead by even 10-15% could improve ROA/ROE by 0.5-1.0 percentage points given current asset/equity bases.
3. Active vs. Passive Investment Approach: Current results suggest passive equity holding strategies may be insufficient. Management might consider transitioning toward active value creation through: 1) Securing board representation in investee companies to influence operational decisions; 2) Negotiating favorable shareholder agreements guaranteeing minimum dividend distributions; 3) Providing strategic resources (capital, expertise) to accelerate investee growth in exchange for enhanced profit-sharing arrangements

Implications for Investors

1. Risk-Return Profile: Prospective investors should recognize that Indoritel's historical returns (6.73% ROE) underperform market benchmarks and inflation-adjusted expectations. Investment decisions should incorporate substantial risk discounts given profitability volatility (ROE ranged 4.29%-10.70%) without corresponding upside potential.
2. Valuation Considerations: Market valuation multiples (Price-to-Earnings, Price-to-Book) should reflect the sustained profitability underperformance. Investors should demand valuation discounts relative to operational companies or better-performing holding companies to compensate for suboptimal returns.
3. Monitoring Priorities: Given the 2023 regression, investors should closely monitor quarterly performance to assess whether decline represents temporary setback or structural deterioration. Key indicators include investee company performance (Indomaret same-store sales growth, KFC expansion metrics, FiberStar subscriber additions), dividend announcement trends, and management commentary on strategic direction.

Implications for Policy and Regulation

1. Corporate Governance Oversight: Regulatory bodies (Indonesian Financial Services Authority - OJK) should scrutinize holding companies with persistent underperformance to ensure effective governance. Questions regarding board effectiveness, independent director oversight, and management accountability arise when companies chronically underperform industry standards across multiple years.
2. Disclosure Requirements: Enhanced disclosure of segment performance (breaking down contribution from each investee: Indomaret, KFC, FiberStar) would enable stakeholders to identify specific underperformance sources. Current consolidated reporting obscures whether all investments underperform or if specific holdings drive poor aggregate results.
3. Investor Protection Mechanisms: Sustained suboptimal performance may warrant increased investor education initiatives to ensure retail shareholders understand investment holding structures' inherent complexities and realistic return expectations, preventing inappropriate risk-taking by unsophisticated investors.

Recognizing Constraints of the Research

This study acknowledges several methodological and contextual limitations that qualify findings and interpretations:

Methodological Limitations:

1. **Ratio-Based Analysis Scope:** Exclusive focus on profitability ratios (ROA, ROE) provides incomplete performance assessment. Comprehensive evaluation would incorporate:
 - a. **Liquidity Ratios:** Current ratio, quick ratio assessing short-term financial health
 - b. **Efficiency Ratios:** Asset turnover, inventory turnover evaluating operational effectiveness
 - c. **Market-Based Metrics:** Price-to-earnings (P/E), price-to-book (P/B), market capitalization trends reflecting investor sentiment
 - d. **Cash Flow Analysis:** Operating cash flow, free cash flow assessing liquidity generation beyond accounting profits
 The deliberate limitation to two profitability metrics enabled depth in specific dimension analysis but sacrificed breadth of holistic financial evaluation.
2. **Industry Standard Generalization:** Applied benchmarks (30% ROA, 40% ROE) derive from general corporate finance literature (Nissim & Penman, 2001) rather than investment-holding-specific standards. Investment holding companies inherently exhibit different profitability profiles than operational companies due to:
 - a. Dependence on investee dividend policies rather than direct operational control
 - b. Equity method accounting (recognizing proportionate investee income) vs. consolidation
 - c. Holding company overhead costs without corresponding revenue generation
 Thus, classification as "suboptimal" based on general standards may overstate underperformance severity; sector-specific benchmarks (e.g., comparing against other Indonesian holding companies like PT Astra International Tbk or PT Indika Energy Tbk) would provide more precise evaluation.
3. **Correlation vs. Causation:** While the study documents temporal correlation between events (e.g., pandemic onset, profitability changes), causal relationships cannot be definitively established using descriptive-comparative methodology. Advanced econometric techniques (regression analysis, difference-in-differences models) would be required to isolate specific causal factors (COVID-19 impact, strategic decisions, market conditions) from observed performance patterns.
4. **Historical Data Constraint:** Analysis relies exclusively on historical financial statements, limiting predictive capacity. Findings describe past performance but cannot reliably forecast future trends, particularly given documented volatility (2023 regression after 2022 peak). Prospective stakeholders should supplement historical analysis with forward-looking assessments (management guidance, industry forecasts, strategic plan evaluations).

CONCLUSION

This study analyzed the financial performance of PT. Indoritel Makmur Internasional Tbk during the 2019–2023 period using profitability ratios, namely Return on Assets (ROA) and Return on Equity (ROE). The findings provide clear and consistent evidence regarding the company's ability to generate profits from its asset base and shareholders' equity, offering an empirical foundation for strategic decision-making, investment evaluation, and corporate governance assessment within the context of Indonesian investment holding companies.

The results demonstrate that PT. Indoritel Makmur Internasional Tbk experienced persistently suboptimal profitability throughout the five-year observation period. ROA values ranged from 2.64% to a peak of 7.31%, with a five-year average of 4.29%, substantially below the 30% industry benchmark. Similarly, ROE fluctuated between 4.29% and 10.70%, yielding a five-year average of 6.73%, far below the 40% benchmark. Although both indicators showed gradual improvement from 2021 to 2022, the sharp decline in 2023 erased much of these gains. The parallel movement of ROA and ROE suggests that the company's profitability challenges are systemic in nature, reflecting structural and operational inefficiencies rather than temporary fluctuations or capital structure issues.

From a theoretical perspective, this research contributes to the limited empirical literature on investment holding company performance in emerging markets by demonstrating that asset and equity growth do not necessarily translate into proportional profitability improvements. The findings also highlight the limitations of applying generalized profitability benchmarks to holding companies, indicating the need for more context-sensitive evaluation frameworks. Practically, the results underscore the urgency for management to reassess portfolio composition, improve operational efficiency, and adopt a more active ownership approach to enhance returns from investee companies. For investors, the consistently low ROE signals the necessity of cautious valuation, heightened monitoring, and realistic risk-adjusted return expectations.

In conclusion, PT. Indoritel Makmur Internasional Tbk faces fundamental financial performance challenges, as evidenced by sustained underperformance relative to industry standards despite episodic improvements. Without decisive strategic intervention—such as portfolio optimization, cost rationalization, enhanced transparency, and strengthened governance—the risk of continued value erosion remains significant. This study provides an evidence-based platform for informed stakeholder action and emphasizes that future performance recovery will depend not merely on favorable market conditions, but on deliberate and comprehensive strategic transformation.

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CONFLICT OF INTERESTS

This declaration is made in accordance with international academic integrity standards and Indonesian research ethics guidelines.

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