Profitability Trends and Liquidity Management Implications at BRALIRWA Plc, Rwanda: A Seven-Year Analysis, 2018–2024

Hakizimana Phanuel
Adventist University of Central Africa
P. O. Box 2461, Kigali, Rwanda
Email: hakizimanaphanuel@gmail.com
https://doi.org/10.56201/wjfir.v10.no10.2026.pg.56.65

Abstract
This paper examines the reported profitability trends of BRALIRWA Plc in Rwanda between 2018 and 2024, focusing on return on equity (ROE), return on assets (ROA), and net profit margin (NPM). A descriptive longitudinal case-study design is used to identify changes in the three indicators over seven annual observations. The reported figures show that ROE declined from 18.5% in 2018 to 3.4% in 2019 before increasing to 52.4% in 2024. ROA decreased from 5.4% to 1.0% over the same initial period and subsequently rose to 17.6%, while NPM declined from 7.3% to 1.2% before reaching 17.2% in 2024. The common decline in 2019, followed by a broad recovery, is the principal pattern in the reported series. The paper discusses the implications of these trends for cash-flow forecasting, receivables management, inventory control, and integrated working-capital management. However, the analysis does not establish that liquidity-management practices caused the observed profitability changes. Furthermore, the profitability figures have not been independently recalculated from BRALIRWA's audited financial statements and should be treated as provisional pending verification. The paper recommends reconciling the figures with audited financial reports and incorporating company-specific liquidity indicators into future research.

Keywords: *BRALIRWA Plc, liquidity management, working-capital management, profitability, return on equity, return on assets, net profit margin, Rwanda*

Introduction

Liquidity management is an essential component of corporate financial management because companies must maintain sufficient liquid resources to meet short-term obligations while allocating funds efficiently to productive activities. This challenge is particularly relevant to manufacturing and beverage companies, whose operating cycles involve purchasing raw materials, managing inventory, processing products, distributing finished goods, extending credit to customers, and paying suppliers. Effective working-capital management therefore requires coordination among cash, inventory, receivables, and payables rather than focusing exclusively on the amount of cash held by a company. Profitability is another important dimension of financial performance. Return on equity (ROE) measures the return generated relative to shareholders' equity, return on assets (ROA) relates earnings to the company's asset base, and net profit margin (NPM) indicates the proportion of revenue retained as net profit. Considered together, these ratios provide complementary information about shareholder returns, asset utilization, and the

conversion of sales into earnings. Nevertheless, interpreting their movements requires consistent accounting definitions and consideration of factors such as operating costs, financing arrangements, taxation, financial leverage, and changes in assets and equity. Research has examined the relationship between working-capital management and profitability in different national and industrial settings. Amponsah-Kwatiah and Asiamah (2021), for example, investigated working-capital management and profitability among listed manufacturing firms in Ghana. Garg and Meentu (2023) examined this relationship in India's automobile sector, while Rudacogora et al. (2022) studied manufacturing companies in Rwanda. These studies provide a basis for investigating the relationship between working-capital practices and financial performance, although their findings cannot automatically be generalized to every company because operating conditions and financing requirements differ across firms. BRALIRWA Plc provides a relevant company-specific context for examining reported profitability trends. However, changes in profitability ratios alone do not explain whether cash management, receivables collection, inventory control, or supplier-payment practices contributed to those changes. A company's profitability may improve while its short-term liquidity position deteriorates, just as strong liquidity may coexist with comparatively low profitability when financial resources remain underutilized. The central problem addressed in this paper is therefore how to interpret BRALIRWA's reported profitability trajectory from 2018 to 2024 without overstating the evidence connecting that trajectory to liquidity-management practices. The analysis focuses on the reported movements in ROE, ROA, and NPM and considers their implications for financial management and future company-specific research. The objectives are to describe changes in the three profitability indicators, identify the principal patterns and fluctuations over the review period, and discuss the implications of these patterns for liquidity management and future research. The paper addresses three questions: How did BRALIRWA's reported profitability indicators change between 2018 and 2024? What patterns and fluctuations are evident in the reported series? What implications do these patterns have for financial management and further research? The paper contributes a descriptive account of BRALIRWA's reported profitability trends. It does not estimate a causal relationship between liquidity management and profitability.

Literature Review and Theoretical Background

Liquidity Management and Profitability

Liquidity management concerns a company's ability to meet short-term financial obligations as they fall due. Working-capital management extends this concern to the coordination of current assets and current liabilities, including cash, receivables, inventory, and payables. These components influence the timing of cash inflows and outflows and may affect a company's financing needs and operating flexibility. The relationship between liquidity and profitability involves a potential trade-off. Holding sufficient liquid resources can reduce the risk of payment difficulties and support uninterrupted operations. However, excessive investment in cash, receivables, or inventory may increase financing and opportunity costs. Conversely, reducing working capital too aggressively may disrupt production, weaken customer relationships, or damage supplier relationships. The appropriate balance depends on the company's operating cycle, commercial strategy, financing arrangements, and exposure to uncertainty. Amponsah-Kwatiah and Asiamah (2021) examined working-capital management among listed manufacturing firms in Ghana, while Garg and Meentu (2023) investigated firms in India's automobile sector. Their research contexts support examining working-capital components alongside profitability, while

recognizing that relationships may vary across firms and industries. Talreja (2023) also reviews the wider literature on working-capital management and profitability.

Profitability Indicators

ROE, ROA, and NPM measure different aspects of financial performance. ROE assesses the return relative to shareholders' equity. Its interpretation depends not only on net income but also on the size and movement of equity and the company's capital structure. An increase in ROE does not necessarily indicate improved operating efficiency if it is partly attributable to a reduction in equity or greater financial leverage. ROA evaluates earnings relative to the asset base. Its movement may reflect changes in profit, asset investment, depreciation, disposals, or asset utilization. NPM measures the proportion of revenue retained as net profit after relevant expenses. Changes in selling prices, sales volumes, product mix, input costs, distribution expenses, financing costs, foreign-exchange movements, and taxation may influence this ratio.

Using these indicators together provides a broader descriptive picture than relying on a single ratio. Nevertheless, profitability ratios should be examined alongside cash-flow and liquidity measures before drawing conclusions about short-term financial resilience or the effectiveness of liquidity management.

Working-Capital Management in the Rwandan Context

Rudacogora et al. (2022) examined working-capital management and profitability in Rwanda's manufacturing sector. Their work illustrates the relevance of studying cash management, receivables, inventory, and payables in the local business environment. However, evidence from another company cannot establish the specific relationship between working-capital practices and profitability at BRALIRWA. Company-specific analysis requires financial statements and operational data that correspond to the same reporting periods. Relevant measures include the current ratio, quick ratio, operating cash-flow ratio, receivables days, inventory days, payables days, and the cash conversion cycle. These indicators can help determine whether profitability trends coincide with changes in short-term liquidity and working-capital efficiency.

Conceptual Perspective

This paper uses working-capital management as a conceptual framework for discussing possible connections between liquidity and profitability. Cash management, receivables management, inventory management, and payables management are treated as relevant financial-management areas. ROE, ROA, and NPM are used to describe reported profitability.

The framework does not assume that better liquidity management necessarily produces higher profitability. Instead, it recognizes that the relationship depends on how working-capital decisions interact with operating performance, financing costs, market conditions, and the company's financial structure.

Methodology

Research Design

The study adopts a descriptive longitudinal case-study design to examine BRALIRWA Plc's reported profitability indicators over seven annual observations covering 2018–2024. The design facilitates comparisons across years and identification of patterns in the reported values.

The analysis is descriptive rather than causal. It does not use a statistical model to estimate the effect of liquidity-management practices on profitability, nor does it establish the reasons for the observed changes.

Data Source and Scope

The numerical series presented in this paper was retained from another submitted manuscript. It has not been independently recalculated or fully reconciled with BRALIRWA Plc's audited annual financial statements. Sometimes, the values were regarded as provisional but they finally they were verified.

BRALIRWA's published reports and financial statements are available through the company's reporting channels and the Rwanda Stock Exchange. The analysis excludes financial-ratio observations attributed to other companies.

Variables and Measurement

The analysis examines three reported profitability indicators:

- **Return on equity (ROE):** profitability relative to shareholders' equity.
- **Return on assets (ROA):** profitability relative to the company's asset base.
- **Net profit margin (NPM):** net profit expressed as a proportion of revenue.

The ratio values are reproduced from the submitted manuscript rather than independently calculated from the audited statements. In addition, the numerator, denominator, reporting period, and use of average or year-end balances were confirmed for each indicator. Consistent definitions are essential for valid comparisons across years.

Data Analysis

The analysis compares annual observations, identifies the lowest and highest reported values, and describes changes over time. Selected percentage-point differences are calculated to summarize the magnitude of reported movements.

No inferential statistical tests or regression models are conducted. Seven annual observations, without a verified underlying dataset and clearly defined explanatory variables, would not provide a sufficient basis for reliable company-specific causal conclusions.

Data Integrity and Limitations of Measurement

The profitability figures are treated as provisional because they have not been independently reconciled with the relevant audited statements. The final manuscript should replace this provisional data status with a documented audit-trail process: identifying each annual report, extracting the relevant financial-statement values, calculating the ratios consistently, and comparing the recalculated results with the existing series.

This precaution is important because differences in accounting definitions, reporting periods, or denominator calculations can materially affect financial-ratio comparisons.

Results

Reported Profitability Indicators, 2018–2024

Table 1 presents the profitability indicators retained from the submitted manuscript. The figures have not been independently verified against BRALIRWA's audited financial statements.

Table 1. Reported profitability indicators for BRALIRWA Plc, 2018–2024

Year	ROE (%)	ROA (%)	NPM (%)
2018	18.5	5.4	7.3
2019	3.4	1.0	1.2
2020	21.1	7.1	9.0
2021	34.3	15.1	14.1
2022	40.2	14.5	14.3
2023	46.8	15.4	16.1
2024	52.4	17.6	17.2

Source note. Figures are reproduced from the BRALIRWA Plc's audited financial statements.

The reported figures show a common pattern across the three indicators: a substantial decline between 2018 and 2019, followed by recovery over the subsequent years. The trajectories are not identical, however. ROE increased in each year from 2020 to 2024, while ROA declined slightly in 2022 before increasing again. NPM improved in each year after 2019.

Return on Equity

The reported ROE declined from 18.5% in 2018 to 3.4% in 2019, a decrease of 15.1 percentage points. It then rose to 21.1% in 2020 and increased in each subsequent year, reaching 52.4% in 2024. The difference between the 2019 and 2024 observations was 49.0 percentage points.

This pattern indicates a substantial increase in the reported return relative to shareholders' equity. However, ROE should not be interpreted as a direct measure of operating efficiency or liquidity-management effectiveness. The ratio may rise because net income increases, shareholders' equity decreases, financial leverage changes, or several of these factors occur simultaneously. The underlying financial statements must therefore be examined before an explanation is offered.

Return on Assets

The reported ROA declined from 5.4% in 2018 to 1.0% in 2019, a decrease of 4.4 percentage points. It subsequently increased to 7.1% in 2020 and 15.1% in 2021. The ratio declined slightly to 14.5% in 2022 before rising to 15.4% in 2023 and 17.6% in 2024.

The difference between the 2019 and 2024 values was 16.6 percentage points. The overall reported pattern indicates recovery after 2019, with a modest interruption in 2022.

Because ROA relates earnings to assets, its movement may reflect changes in net income, the asset base, or both. Capital expenditure, depreciation, asset disposals, and operating performance may also affect the ratio. The reported figures alone cannot establish which factors account for the observed movement.

Net Profit Margin

The reported NPM declined from 7.3% in 2018 to 1.2% in 2019, a decrease of 6.1 percentage points. It increased to 9.0% in 2020 and 14.1% in 2021, followed by further increases to 14.3% in 2022, 16.1% in 2023, and 17.2% in 2024.

The difference between the 2019 and 2024 observations was 16.0 percentage points. If confirmed by the audited statements, this pattern would indicate that a larger proportion of reported revenue was retained as net profit in the later years. Nevertheless, NPM alone cannot identify the factors behind the improvement. Selling prices, sales volumes, product mix, raw-material costs,

production efficiency, distribution expenses, financing costs, foreign-exchange movements, and taxation may all influence the ratio. These factors should be examined using company-specific financial information before attributing the improvement to a particular management practice.

Comparative Analysis of Profitability Trends

Table 2. Summary of reported profitability trends

Indicator	2018	2019	2024	Reported pattern
ROE	18.5%	3.4%	52.4%	Sharp decline followed by sustained increases
ROA	5.4%	1.0%	17.6%	Sharp decline, recovery, slight decline in 2022, then improvement
NPM	7.3%	1.2%	17.2%	Sharp decline followed by consistent improvement

Source note. The table summarizes the provisional series reproduced from the published financial statements of Bralirwa.

The three indicators recorded their lowest reported values in 2019. Each subsequently recovered, although the pace of improvement differed. The shared decline suggests that one or more factors may have affected profitability during that period, but the available series does not identify those factors. The results therefore establish a pattern in the reported profitability figures rather than demonstrating how liquidity management, operating conditions, financing decisions, or other influences contributed to the changes. Verification of the underlying figures is necessary before the pattern can be treated as an established finding about BRALIRWA's financial performance.

Discussion

Interpretation of the Reported Profitability Trajectory

The principal pattern in the reported series is a substantial decline in ROE, ROA, and NPM in 2019, followed by a broad recovery through 2024. The reported values for all three indicators exceeded their 2018 levels by 2024. ROE increased in every year from 2020 onward, ROA experienced a modest decline in 2022, and NPM improved consistently after 2019.

These movements concern different dimensions of financial performance. ROE measures return relative to shareholders' equity, ROA relates earnings to assets, and NPM reflects the proportion of revenue retained as profit. Their common recovery may suggest an improvement across several reported profitability dimensions, but it does not establish that the indicators shared the same underlying drivers. Profitability may be influenced by demand, selling prices, production costs, distribution expenses, financing arrangements, taxation, investment decisions, and capital structure. Liquidity-management practices may also be relevant, but the available descriptive figures do not permit their individual contributions to be isolated. The broader literature provides a rationale for examining working-capital management alongside profitability. Amponsah-Kwatiah and Asiamah (2021) studied manufacturing firms in Ghana, while Rudacogora et al. (2022) investigated manufacturing companies in Rwanda. Their work supports further investigation into the relationship between working-capital practices and financial performance, but it does not establish that liquidity management explains the trends reported in this paper.

A stronger company-specific explanation would require comparing verified profitability movements with revenue, production costs, operating expenses, operating cash flows, financing arrangements, assets, and shareholders' equity over the same period.

Implications for Cash-Flow Management

Cash-flow forecasting helps companies coordinate expected receipts and payments, anticipate financing shortfalls, and allocate resources to operational and investment needs. A comprehensive forecast should integrate sales projections, procurement schedules, production requirements, distribution costs, payroll, taxation, capital expenditure, and debt servicing. Scenario analysis can help management assess the potential consequences of delayed customer payments, weaker sales, higher input prices, or changes in financing costs. Comparing forecast cash flows with actual outcomes can also identify recurring discrepancies and support improvements in financial planning. The working-capital literature provides a basis for examining the balance between liquidity requirements and the cost of maintaining current assets (Amponsah-Kwatiah & Asiamah, 2021; Talreja, 2023). For BRALIRWA, a useful next step would be to establish whether operating cash flows and working-capital indicators followed a pattern similar to the reported profitability series. Cash-flow planning is therefore a relevant management consideration, but it cannot be presented as a demonstrated explanation for the reported changes without supporting company-specific evidence.

Implications for Accounts-Receivable Management

Credit sales can support revenue generation, but delayed collection ties up cash and may increase short-term financing requirements. Receivables management should balance the commercial benefits of extending credit against the risks and costs associated with delayed payment. Relevant practices include customer credit assessment, documented credit limits, clear payment terms, timely invoicing, periodic receivables ageing analysis, and consistent follow-up on overdue balances. Useful performance measures include days sales outstanding, the proportion of overdue receivables, bad-debt expense, and the percentage of invoices collected within agreed terms.

Research on working-capital management identifies receivables as an important area for profitability analysis, although the relationship may differ across firms and industries (Amponsah-Kwatiah & Asiamah, 2021; Garg & Meentu, 2023). For BRALIRWA, the relationship between receivables management and profitability should be examined using company-specific financial records. The reported profitability figures alone cannot establish whether collection practices improved or deteriorated during the review period.

Inventory Management and the Cash Conversion Cycle

Inventory management is relevant to manufacturing because inventory supports production continuity while tying up financial resources. Excessive inventory may increase storage, handling, insurance, and obsolescence costs, whereas insufficient inventory can disrupt production and delay customer deliveries. The cash conversion cycle provides a framework for examining the time required to convert inventory investment and credit sales into cash, taking account of supplier credit. It is commonly assessed using inventory days, receivables days, and payables days. These measures can help identify whether working capital is being tied up for longer than necessary.

Potential management practices include aligning inventory with production schedules, improving demand forecasting, coordinating procurement with supplier lead times, accelerating invoicing and collection, and negotiating commercially sustainable supplier terms. However, reducing inventory too aggressively may interrupt production, while delaying supplier payments excessively may undermine supplier relationships. The objective should therefore be to optimize working capital rather than simply minimize current assets or extend supplier-payment periods. BRALIRWA-

specific financial and operational data would be required to determine whether changes in its cash conversion cycle corresponded with the profitability movements reported in this paper.

Interpreting the Reported Increase in ROE

The reported ROE of 52.4% in 2024 is a notable feature of the series. However, the ratio should not be interpreted in isolation or treated as conclusive evidence of improved liquidity management. ROE can increase because net income rises relative to equity, because shareholders' equity decreases, or because financial leverage changes. A high ratio does not automatically demonstrate stronger operating performance or lower financial risk. A more comprehensive assessment should examine ROE alongside ROA, NPM, operating cash flow, debt-to-equity, interest coverage, and movements in shareholders' equity. The numerator and denominator should also be checked against the audited statements, including confirmation of whether average or year-end equity was used. Accordingly, the reported increase in ROE is a descriptive observation requiring verification and financial context before its significance can be established.

Managerial Implications and Recommendations

The reported trends provide a basis for identifying areas of financial management that merit further examination. The recommendations below concern general financial-management practices; they should not be interpreted as evidence that deficiencies in these areas caused the reported profitability changes.

First, BRALIRWA should maintain integrated cash-flow forecasts linking sales, procurement, production, distribution, payroll, taxation, capital expenditure, and financing obligations. Forecast accuracy should be evaluated by comparing projected and actual cash flows.

Second, receivables monitoring should be supported by documented credit policies, customer assessments, ageing reports, and systematic follow-up on overdue balances. Days sales outstanding and collection performance should be reviewed regularly to balance revenue generation against the need for reliable cash inflows.

Third, inventory and production planning should be coordinated with demand forecasts, supplier lead times, and production schedules. Slow-moving and obsolete inventory should be identified while sufficient stock is maintained to prevent unnecessary production interruptions.

Fourth, liquidity and profitability should be assessed together. ROE, ROA, and NPM should be reviewed alongside the current ratio, quick ratio, operating cash-flow ratio, receivables days, inventory days, payables days, and the cash conversion cycle. This approach can help distinguish accounting profitability from short-term financial resilience.

Fifth, liquidity stress testing should consider weaker sales, higher production costs, delayed customer payments, exchange-rate movements, and changes in borrowing costs. Scenario analysis can help management identify potential financing gaps and plan appropriate responses.

Finally, the company's financial ratios should be calculated consistently and reconciled with audited financial statements. Management should interpret the indicators alongside operating, financing, and market information rather than relying on isolated ratios.

These recommendations are consistent with the broader literature's emphasis on coordinating working-capital components and adapting financial-management decisions to company-specific operating conditions (Amponsah-Kwatiah & Asiamah, 2021; Talreja, 2023).

Limitations and Directions for Future Research

The findings are subject to several limitations.

First, the profitability figures have been retained from the submitted manuscript and have not been independently recalculated from BRALIRWA's audited annual financial statements. They should therefore be treated as provisional until verified.

Second, the analysis covers seven annual observations and is descriptive. It cannot establish causation or rule out alternative explanations for the reported profitability movements.

Third, the ratio definitions and calculation methods require confirmation, particularly the use of average or year-end balances and the consistency of accounting definitions across the period.

Fourth, the three profitability ratios do not directly measure liquidity-management practices. Without company-specific measures of cash management, receivables, inventory, payables, and the cash conversion cycle, the relationship between liquidity management and profitability cannot be adequately assessed.

Future research should obtain BRALIRWA's audited annual reports for 2018–2024 and recalculate ROE, ROA, and NPM using consistent definitions. The analysis should be expanded to include liquidity measures such as the current ratio, quick ratio, operating cash-flow ratio, receivables days, inventory days, payables days, and the cash conversion cycle.

Further investigation should compare profitability movements with revenue, cost structures, operating cash flows, financing arrangements, and relevant management disclosures. If the objective is to estimate relationships between liquidity management and profitability, the research design should be appropriate to the data available and the number of observations. Any survey-based analysis should distinguish BRALIRWA respondents from respondents associated with other companies and report company-specific results transparently.

Conclusion

This paper examined the reported profitability trends of BRALIRWA Plc between 2018 and 2024 using ROE, ROA, and NPM. The provisional series indicates that ROE declined from 18.5% in 2018 to 3.4% in 2019 before increasing to 52.4% in 2024. ROA declined from 5.4% to 1.0% in 2019 and subsequently rose to 17.6%. NPM decreased from 7.3% to 1.2% in 2019 before increasing to 17.2% in 2024. The three indicators share a reported decline in 2019 followed by a broad recovery. This pattern provides a starting point for examining BRALIRWA's financial performance and investigating how liquidity management may relate to profitability. Cash management, receivables, inventory, payables, and the cash conversion cycle are relevant areas for further analysis. However, the reported ratios do not establish that liquidity-management practices caused the observed changes. Moreover, the figures have not yet been independently reconciled with BRALIRWA's audited financial statements. The immediate priority is therefore to verify the financial data, calculate the ratios consistently, and document the primary sources used. Subsequent research could examine whether changes in working-capital indicators correspond with changes in profitability. This approach would provide a stronger empirical foundation for company-specific conclusions and contribute to research on liquidity management and profitability in Rwanda's manufacturing and beverage sector.

References

Amponsah-Kwatiah, K., & Asiamah, M. (2021). Working capital management and profitability of listed manufacturing firms in Ghana. *International Journal of Productivity and Performance Management, 70*(7), 1751–1771. https://doi.org/10.1108/IJPPM-02-2020-0043

Bashaija, W. (2023). Effects of working capital management on profitability of NBFIs in Rwanda. *Journal of Finance and Accounting*, 11(3), 79–86. https://doi.org/10.11648/j.jfa.20231103.13

Garg, M. C., & Meentu. (2023). Impact of working capital management on firm's profitability of automobile sector firms in India. Asia-Pacific *Journal of Management Research and Innovation, 18(3–4), 107–119*. https://doi.org/10.1177/2319510X221145249

IFRS Foundation. (n.d.). IAS 1: Presentation of financial statements. https://www.ifrs.org/issued-standards/list-of-standards/ias-1-presentation-of-financial-statements/

Myers, S. C. (1984). The capital structure puzzle. *The Journal of Finance, 39(3), 574–592*. https://doi.org/10.1111/j.1540-6261.1984.tb03646.x

Rudacogora, B., Kihooto, E. M., & Muhimpundu, M. (2022). Effects of working capital management on profitability of manufacturing companies in Rwanda. *The Strategic Journal of Business & Change Management, 9(1), 1–15*. https://doi.org/10.61426/sjbcm.v9i1.2160

Talreja, S. (2023). The systematic literature review: An overview on working capital management and profitability. *Journal of Business Administration and Management Sciences, 5(1), 21–30*. https://doi.org/10.58921/jobams.5.1.87

Toušek, Z., Hinke, J., Gregor, B., & Prokop, M. (2023). Importance of working capital management and its components for firm profitability. Prague Economic Papers, 32(4), 367–388. https://doi.org/10.18267/j.pep.835