FINANCE

Financial Performance Analysis and Cost Management in Service-Based Businesses: A Study of Expertise Management Services

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Abstract

Financial performance is an important indicator of an organisation's ability to generate revenue, manage expenses and maintain profitability. In service-based businesses, financial performance is particularly influenced by manpower costs, administrative expenses and operational expenditure. Effective cost management is therefore essential for maintaining profitability while supporting business growth.

This research paper examines the financial performance of Expertise Management Services, an organisation operating in the security, manpower and facility management sector. The study analyses the organisation's financial performance over three financial years, FY 2023–24, FY 2024–25 and FY 2025–26. It focuses on revenue growth, expense management, profitability and the relationship between income and operating costs.

A descriptive and analytical research approach is adopted, primarily using quantitative financial information. Comparative analysis, percentage analysis, trend analysis and profitability ratio analysis are used to examine the financial performance of the organisation. A questionnaire is also included as a supporting source of information to understand general perceptions regarding financial performance and financial management.

The findings indicate that total income increased from ₹63 lakh in FY 2023–24 to ₹85.30 lakh in FY 2025–26. During the same period, total expenses increased from ₹54 lakh to ₹69.50 lakh, while profit before tax increased from ₹9 lakh to ₹15.80 lakh. The profit margin improved from 14.29% to 18.52%.

The study highlights the importance of manpower planning, expense monitoring, financial analysis and effective resource utilisation in improving the financial performance of service-based organisations.

Keywords: Financial Performance; Cost Management; Profitability; Revenue Growth; Expense Analysis; Financial Ratio Analysis; Service-Based Businesses; Manpower Expenses

1 Introduction

Financial performance is an important measure of the overall financial health and operational effectiveness of an organisation. It indicates how efficiently a business utilises its financial resources to generate income, manage expenditure and maintain profitability.

In a competitive business environment, organisations must continuously monitor their financial activities to identify changes in revenue, expenses and profitability. Financial performance analysis helps management understand the organisation's financial position and supports informed business decisions.

For service-based businesses, financial performance is closely connected with the cost of delivering services. Unlike manufacturing organisations, service providers generally depend heavily on employees, operational coordination and the effective allocation of resources.

Expertise Management Services operates in the security, manpower and facility management industry. Its business activities include security guarding, cash van services, event security management, temporary staffing, facility management and housekeeping services. The delivery of these services requires continuous management of personnel and other operational resources.

As manpower-related expenses form a major component of expenditure, managing these costs becomes particularly important for the organisation.

This research examines the financial performance of Expertise Management Services over three financial years. It analyses the changes in income, expenses and profitability to understand the organisation's financial performance and identify areas where financial management can be improved.

The study also highlights the importance of financial information in business decision-making and the role of systematic financial analysis in supporting organisational growth.

2 Conceptual background

2.1 Financial performance

Financial performance refers to the ability of an organisation to generate income, control expenditure and maintain profitability through its business activities.

It is commonly evaluated using financial information such as revenue, operating expenses, profit and financial ratios.

2.2 Cost management

Cost management involves planning, monitoring and controlling the expenses associated with business operations. It helps organisations identify unnecessary expenditure and improve the utilisation of available resources.

For service-based businesses, cost management is particularly important because employee-related expenses and operational costs directly influence profitability.

2.3 Revenue and profitability

Revenue represents the income generated through the sale of goods or provision of services. Profitability refers to the ability of an organisation to retain profit after meeting its expenses.

An organisation may experience revenue growth without achieving a corresponding improvement in profitability if its expenses increase at a higher rate.

2.4 Financial analysis

Financial analysis involves examining financial information to understand an organisation's performance over a particular period.

Common techniques include:

- **Comparative analysis:** Comparing financial figures across different periods.
- **Trend analysis:** Identifying the direction of changes in financial indicators.
- **Percentage analysis:** Measuring changes in financial figures in percentage terms.
- **Ratio analysis:** Examining relationships between financial indicators to evaluate performance.

These techniques help convert financial information into useful findings for management.

3 Review of literature

Financial performance analysis has been widely discussed in accounting and financial management literature. Previous studies have highlighted the importance of financial information, profitability measurement, cost control and financial statement analysis in organisational decision-making.

Beaver (1966) examined the usefulness of financial ratios in predicting business failure. The study demonstrated that financial ratios can provide important information regarding the financial condition of an organisation and help identify potential financial difficulties.

Altman (1968) developed a multiple discriminant analysis model for predicting corporate bankruptcy. The study highlighted the importance of combining different financial indicators to assess the financial health of an organisation.

Kaplan and Norton (1992) introduced the Balanced Scorecard approach, explaining that organisational performance should not be evaluated only through financial measures. Their work highlighted the importance of combining financial and non-financial performance indicators.

Nissim and Penman (2001) examined financial statement analysis and valuation. Their work demonstrated how financial statement information can be organised and analysed to understand profitability and financial performance.

Higgins (2012) discussed financial management and the relationship between business growth, financial planning and organisational resources. The work highlighted the importance of evaluating financial requirements while planning business expansion.

4 Research gap

Existing literature provides substantial information regarding financial statement analysis, profitability measurement and financial management. However, there is scope for examining how these concepts apply to smaller service-based organisations, particularly those operating in manpower-intensive industries.

The present study addresses this area by examining the financial performance of Expertise Management Services and analysing how changes in revenue and operating expenses influence profitability over the selected period.

5 Research objectives

The research is undertaken with the following objectives:

1. To understand the financial performance of Expertise Management Services.

2. To analyse the company's financial performance over the selected period.
3. To study the company's profitability and overall financial position.
4. To examine changes in revenue and major expense categories.
5. To identify financial trends and suggest measures for improving financial performance.

6 Research methodology

6.1 Research design

The study follows a descriptive and analytical research design.

The descriptive approach is used to present the financial information of Expertise Management Services, while the analytical approach examines changes in revenue, expenses and profitability over the selected period.

6.2 Nature of the study

The study primarily follows a quantitative approach because its main focus is on numerical financial information, including revenue, expenditure and profitability.

6.3 Area of study

The research focuses on the Finance and Accounts Department of Expertise Management Services.

6.4 Sources of data

The study considers two sources of information:

- **Secondary Data:** Financial information, revenue details, expense records and other relevant financial information made available for the study.
- **Primary Data:** Questionnaire responses collected through Google Forms to understand general perceptions regarding financial performance, profitability and expense management.

6.5 Sample and sampling method

The questionnaire component considers a small sample of approximately 10 respondents.

Convenience sampling is used based on the accessibility and availability of respondents. The questionnaire is treated as supporting information and is not considered representative of the entire organisation.

6.6 Period of study

The study covers three financial years:

- FY 2023–24
- FY 2024–25
- FY 2025–26

6.7 Tools and techniques of analysis

The following techniques are used:

- Comparative Analysis
- Trend Analysis
- Percentage Analysis
- Financial Ratio Analysis
- Tabular Presentation
- Graphical Representation

7 Financial analysis and findings

7.1 Revenue and expense analysis

Revenue and expenses are two important components of financial performance. Revenue represents the income generated through services, while expenses represent the costs incurred in delivering those services.

Table 1. Comparative revenue and expense statement (₹ lakh).

Particulars	FY 2023–24	FY 2024–25	FY 2025–26
Service Revenue	62.50	71.80	84.50
Other Income	0.50	0.65	0.80
Total Income	**63.00**	**72.45**	**85.30**
Employee/Manpower Expenses	39.00	44.00	50.50
Administrative Expenses	5.50	6.00	6.75
Operations & Transportation	3.50	4.25	4.75
Facility & Equipment Expenses	2.00	2.25	2.50
Other Operating Expenses	4.00	4.50	5.00
Total Expenses	**54.00**	**61.00**	**69.50**
Profit Before Tax	**9.00**	**11.45**	**15.80**

Source: Company financial records (author's internship report).

The financial information indicates an increase in total income throughout the study period. Total income increased from ₹63 lakh in FY 2023–24 to ₹72.45 lakh in FY 2024–25 and further to ₹85.30 lakh in FY 2025–26.

Total expenses also increased during the period. However, the growth in total income was higher than the growth in expenses, contributing to an improvement in profit before tax.

7.2 Expense analysis

Expense analysis helps identify the major cost components of an organisation and understand how expenditure changes over time.

In Expertise Management Services, employee and manpower expenses form the largest component of total expenditure.

Table 2. Major expense categories (₹ lakh).

Expense Category	FY 2023–24	FY 2025–26
Employee/Manpower Expenses	39.00	50.50
Administrative Expenses	5.50	6.75
Operations & Transportation	3.50	4.75
Facility & Equipment Expenses	2.00	2.50
Other Operating Expenses	4.00	5.00

Employee and manpower expenses increased from ₹39 lakh to ₹50.50 lakh during the study period.

This is consistent with the organisation's manpower-intensive business model, where employee deployment and workforce management are essential for delivering services.

The analysis indicates that manpower expenses require particular attention when developing cost-management strategies.

7.3 Profitability analysis

Profitability measures the organisation's ability to generate profit after meeting its operating expenses.

Table 3. Profitability analysis.

Particulars	FY 2023–24	FY 2024–25	FY 2025–26
Total Income (₹ lakh)	63.00	72.45	85.30
Total Expenses (₹ lakh)	54.00	61.00	69.50
Profit Before Tax (₹ lakh)	9.00	11.45	15.80
Profit Margin	14.29%	15.80%	18.52%

$$\text{Profit margin} = \frac{\text{Profit before tax}}{\text{Total income}} \times 100 \quad (1)$$

The profit margin increased from 14.29% in FY 2023–24 to 18.52% in FY 2025–26.

This indicates an improvement in the proportion of income retained as profit before tax.

Profit before tax increased from ₹9 lakh to ₹15.80 lakh over the three-year period, reflecting a positive movement in profitability.

7.4 Comparative analysis

Comparative analysis helps identify the percentage change in important financial indicators between consecutive financial years.

Table 4. Comparative financial analysis (year-on-year growth).

Particulars	FY 2024–25 Growth	FY 2025–26 Growth
Total Income	15.00%	17.74%
Total Expenses	12.96%	13.93%
Profit Before Tax	27.22%	37.99%

The analysis indicates that income increased at a higher rate than expenses during both periods.

Profit before tax also increased at a higher rate than total income, indicating an improvement in the organisation's profitability.

7.5 Trend analysis

Trend analysis helps examine the direction of changes in financial performance over multiple periods.

FY 2023–24 is considered the base year, with an index value of 100.

$$\text{Trend percentage} = \frac{\text{Current year value}}{\text{Base year value}} \times 100 \tag{2}$$

Table 5. Trend analysis (FY 2023–24 = 100).

Particulars	FY 2023–24	FY 2024–25	FY 2025–26
Total Income	100.00	115.00	135.40
Total Expenses	100.00	112.96	128.70
Profit Before Tax	100.00	127.22	175.56

The trend analysis indicates an upward movement in all three financial indicators.

Total income reached an index of 135.40 in FY 2025–26, while total expenses reached 128.70. Profit before tax reached 175.56.

The higher increase in the profit index indicates that profitability improved at a faster rate than income during the selected period.

8 Challenges in financial performance management

The analysis highlights several challenges that can affect the financial performance of service-based organisations.

- **Increasing Manpower Costs:** Manpower expenses form a significant part of operating expenditure. Changes in workforce requirements can increase the organisation's overall cost structure.
- **Operational Expenditure:** Transportation, administration, equipment and other operating expenses increase with business activities. Regular monitoring is required to maintain cost efficiency.
- **Maintaining Profitability:** Revenue growth does not automatically result in higher profitability. Organisations must ensure that expenses remain proportionate to income.

- **Financial Information Management:** Proper financial records and regular financial analysis are essential for identifying trends and supporting business decisions.
- **Resource Utilisation:** Efficient allocation of manpower and other resources is necessary to avoid unnecessary costs and maintain service quality.

9 Recommendations

Based on the financial analysis, the following recommendations are suggested:

- **Manpower Planning:** Regularly evaluate workforce requirements and employee deployment to improve cost efficiency.
- **Expense Monitoring:** Monitor administrative, transportation and operational expenses to identify unnecessary expenditure.
- **Budgetary Control:** Prepare periodic budgets and compare actual expenditure with planned expenditure.
- **Financial Analysis:** Conduct regular comparative and trend analysis to identify changes in financial performance.
- **Resource Utilisation:** Improve the allocation of employees, equipment and other resources to reduce avoidable costs.
- **Financial Record Management:** Maintain organised financial records to support accurate analysis and decision-making.
- **Profitability Monitoring:** Evaluate revenue growth alongside expense growth to ensure that business expansion contributes to sustainable profitability.

10 Conclusion

Financial performance analysis plays an important role in understanding the financial condition and operational effectiveness of an organisation.

This research examined the financial performance of Expertise Management Services over FY 2023–24, FY 2024–25 and FY 2025–26, with particular emphasis on revenue, expenses and profitability.

The findings indicate that total income increased from ₹63 lakh in FY 2023–24 to ₹85.30 lakh in FY 2025–26. Total expenses also increased from ₹54 lakh to ₹69.50 lakh during the same period.

Despite the increase in expenditure, profit before tax increased from ₹9 lakh to ₹15.80 lakh. The profit margin also improved from 14.29% to 18.52%.

The analysis highlights that employee and manpower expenses represent the largest expense category, making workforce planning and cost monitoring important areas of financial management.

Overall, the study indicates a positive movement in the organisation's financial performance during the selected period. It also demonstrates the importance of comparative analysis, trend analysis and profitability measurement in evaluating business performance.

The findings suggest that continued attention to cost management, financial planning and efficient resource utilisation can support the financial stability and future growth of service-based organisations.

Further research can examine a longer period, incorporate additional financial ratios and compare the financial performance of similar organisations within the security and manpower services industry.

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