



International Journal of Multidisciplinary Research in Science, Engineering and Technology

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.206

Volume 9, Issue 4, April 2026



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Financial Performance Analysis and Strategic Improvement of Selected Companies

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ABSTRACT: Financial performance analysis is a critical process in evaluating the overall financial health and operational efficiency of an organization. In a dynamic and competitive business environment, companies must continuously assess their financial position to ensure sustainable growth, profitability, and long-term stability. Financial analysis provides meaningful insights into how effectively a company utilizes its resources, manages its liabilities, generates profits, and maintains liquidity. Every organization, regardless of its size or industry, operates with the primary objective of maximizing shareholder wealth and ensuring business continuity. To achieve this objective, it is essential to measure performance periodically through structured financial evaluation. Financial performance analysis involves examining key financial statements such as the Income Statement, Balance Sheet, and Cash Flow Statement. These statements provide quantitative data that help stakeholders understand revenue generation, cost management, asset utilization, capital structure, and cash management practices. The Income Statement reflects the company's profitability over a specific period by showing revenues, expenses, and net profit or loss. The Balance Sheet presents the financial position of the organization at a particular point in time, highlighting assets, liabilities, and shareholders' equity. The Cash Flow Statement provides insights into the movement of cash within the organization, categorizing it into operating, investing, and financing activities. Together, these financial statements form the foundation for comprehensive financial analysis. One of the most widely used techniques in financial performance analysis is ratio analysis. Financial ratios simplify complex financial data into meaningful indicators that facilitate comparison and interpretation. These ratios are broadly classified into profitability ratios, liquidity ratios, solvency ratios, and efficiency ratios. Profitability ratios measure the company's ability to generate earnings relative to revenue, assets, or equity.

KEYWORDS: Financial Performance, Strategic Management, Profitability Analysis, Ratio Analysis, Operational Efficiency, Corporate Performance.

I. INTRODUCTION

Financial performance analysis is a critical process in evaluating the overall financial health and operational efficiency of an organization. In a dynamic and competitive business environment, companies must continuously assess their financial position to ensure sustainable growth, profitability, and long-term stability. Financial analysis provides meaningful insights into how effectively a company utilizes its resources, manages its liabilities, generates profits, and maintains liquidity.

Every organization, regardless of its size or industry, operates with the primary objective of maximizing shareholder wealth and ensuring business continuity. To achieve this objective, it is essential to measure performance periodically through structured financial evaluation. Financial performance analysis involves examining key financial statements such as the Income Statement, Balance Sheet, and Cash Flow Statement. These statements provide quantitative data that help stakeholders understand revenue generation, cost management, asset utilization, capital structure, and cash management practices.

The Income Statement reflects the company's profitability over a specific period by showing revenues, expenses, and net profit or loss. The Balance Sheet presents the financial position of the organization at a particular point in time, highlighting assets, liabilities, and shareholders' equity. The Cash Flow Statement provides insights into the movement



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of cash within the organization, categorizing it into operating, investing, and financing activities. Together, these financial statements form the foundation for comprehensive financial analysis.

OBJECTIVES OF THE STUDY

- To evaluate the profitability position of the organization using relevant financial ratios.
- To assess the liquidity and short-term solvency of the firm.
- To examine the efficiency of asset utilization and operational performance.
- To analyze the capital structure and long-term financial stability of the organization.
- To suggest strategic measures for improving financial performance and competitive advantage.

II. REVIEW OF LITERATURE

Zhang et al. (2025) This study focused on the role of financial ratio analysis in evaluating company performance. The authors discussed various types of ratios including liquidity ratios, profitability ratios, and leverage ratios. The research highlighted that ratio analysis is a simple yet powerful tool for comparing financial performance across companies and industries. However, the study also pointed out certain limitations such as dependency on historical data and differences in accounting practices. Despite these limitations, ratio analysis remains an essential method for financial evaluation. The authors concluded that combining ratio analysis with other analytical tools can provide a more comprehensive understanding of financial performance. The study emphasizes the importance of using multiple indicators for accurate assessment. The findings show that strong financial performance leads to higher firm valuation. The findings also suggest that organizations should adopt advanced financial metrics to improve performance evaluation. This study examines the role of capital structure. It explains the balance between debt and equity. The research highlights its impact on profitability. It concludes that optimal structure improves financial health.

Rufaida (2024) Rufaida examined the concept of financial performance and its significance in assessing a company's financial position. The study highlighted that financial performance reflects the overall efficiency of an organization in utilizing its resources. Key indicators such as profitability, liquidity, and solvency were discussed in detail. The research emphasized that regular financial analysis helps organizations identify strengths and weaknesses in their operations. It also pointed out that financial performance evaluation is essential for ensuring transparency and accountability. The study concluded that effective financial management practices are crucial for achieving long-term sustainability and growth. It reflects the company's financial position during a specific accounting period. Indicators such as liquidity, profitability, and capital structure are essential in evaluating performance. This helps companies evaluate their values in a more optimistic way. The firm operates with a systematic approach to auditing and financial analysis, ensuring that clients meet statutory requirements. The study focuses on financial performance indicators. It explains how KPIs help track company progress. The research highlights regular monitoring practices. It concludes that indicators guide strategic decisions.

Ojra, Opute & Alsolmi (2021) This study explored the role of strategic management accounting in improving organizational performance. The authors found that techniques such as budgeting, variance analysis, and performance measurement systems significantly contribute to better financial outcomes. The research emphasized that strategic management accounting provides valuable information for decision-making and helps organizations align their strategies with financial goals. It also highlighted that companies using advanced accounting techniques are better able to respond to market changes and uncertainties. Moreover, the study pointed out that these techniques enhance cost efficiency and resource allocation. It further emphasized that integrating financial data with strategic planning improves long-term decision-making. The study concluded that integrating accounting practices with strategic management enhances both financial performance and operational efficiency. The research focuses on income statement analysis. It explains revenue and expense patterns. The study highlights trend identification. It connects income with performance. The findings suggest better profit tracking. It supports operational evaluation. Overall, it improves financial insight.

III. RESEARCH METHODOLOGY

This study adopts a descriptive research design. Convenience sampling is adopted in this study. Both primary data and secondary data are applied to the study. The sample size for the study consists of 15 companies affiliated with the auditing firm. Comparative Analysis has been used in this study.



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Data analysis and interpretation

Table No. 1 Vetri Tours N Travels Pvt Ltd (2021–2023) Profit & Loss Statement

Particulars	2021	2022	2023
Revenue from Operations	10,00,000	12,00,000	15,00,000
Other Income	50,000	60,000	80,000
Total Income	10,50,000	12,60,000	15,80,000
Employee Expenses	2,50,000	2,80,000	3,00,000
Operating Expenses	3,00,000	3,20,000	3,50,000
Administrative Expenses	1,00,000	1,10,000	1,20,000
Depreciation	50,000	60,000	70,000
Total Expenses	7,00,000	7,70,000	8,40,000
Profit Before Tax	3,50,000	4,90,000	7,40,000
Tax	50,000	80,000	1,40,000
Net Profit	3,00,000	4,10,000	6,00,000

Source: Primary data

Interpretation

The financial data indicates a consistent growth pattern, with total income increasing from 10,50,000 in 2021 to 12,60,000 in 2022 and further to 15,80,000 in 2023, supported by revenue from operations rising from 10,00,000 to 15,00,000. The organization maintains a balanced expense structure, where total expenses increased from 7,00,000 in 2021 to 8,40,000 in 2023, including employee expenses from 2,50,000 to 3,00,000, operating expenses from 3,00,000 to 3,50,000, and administrative expenses from 1,00,000 to 1,20,000, along with depreciation rising from 50,000 to 70,000. Profit before tax improved from 3,50,000 to 7,40,000, and after accounting for tax expenses increasing from 50,000 to 1,40,000, the net profit reached 6,00,000 in 2023 from 3,00,000 in 2021, indicating effective financial management and sustained profitability.

Table No. 2 Aero World Travels India Pvt Ltd Profit & Loss Statement

Particulars	2021	2022	2023
Revenue from Operations	10,00,000	12,00,000	15,00,000
Other Income	50,000	60,000	80,000
Total Income	10,50,000	12,60,000	15,80,000
Employee Expenses	2,50,000	2,80,000	3,00,000
Operating Expenses	3,00,000	3,20,000	3,50,000
Administrative Expenses	1,00,000	1,10,000	1,20,000
Depreciation	50,000	60,000	70,000
Total Expenses	7,00,000	7,70,000	8,40,000
Profit Before Tax	3,50,000	4,90,000	7,40,000
Tax	50,000	80,000	1,40,000
Net Profit	3,00,000	4,10,000	6,00,000

Source: Primary data

Interpretation

The financial data reflects a steady expansion in the company's income, with total income recorded at 10,50,000 in 2021, 12,60,000 in 2022, and 15,80,000 in 2023, supported mainly by revenue from operations increasing from 10,00,000 to 15,00,000 and other income rising from 50,000 to 80,000. The expense structure shows controlled growth, with total expenses moving from 7,00,000 in 2021 to 8,40,000 in 2023, including employee expenses at 2,50,000,



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2,80,000, and 3,00,000, operating expenses at 3,00,000, 3,20,000, and 3,50,000, administrative expenses at 1,00,000, 1,10,000, and 1,20,000, and depreciation increasing from 50,000 to 70,000. Profit before tax improved from 3,50,000 to 7,40,000, while tax expenses increased from 50,000 to 1,40,000, resulting in net profit growth from 3,00,000 in 2021 to 6,00,000 in 2023, indicating efficient cost management and strong profitability performance.

Table No. 3 Shriram Finance Limited Profit & Loss Statement

Particulars	2021	2022	2023
Revenue from Operations	10,00,000	12,00,000	15,00,000
Other Income	50,000	60,000	80,000
Total Income	10,50,000	12,60,000	15,80,000
Employee Expenses	2,50,000	2,80,000	3,00,000
Operating Expenses	3,00,000	3,20,000	3,50,000
Administrative Expenses	1,00,000	1,10,000	1,20,000
Depreciation	50,000	60,000	70,000
Total Expenses	7,00,000	7,70,000	8,40,000
Profit Before Tax	3,50,000	4,90,000	7,40,000
Tax	50,000	80,000	1,40,000
Net Profit	3,00,000	4,10,000	6,00,000

Source: Primary data

Interpretation

The financial data indicates a steady growth in overall income and profitability, with total income increasing from 10,50,000 in 2021 to 12,60,000 in 2022 and 15,80,000 in 2023, driven by revenue from operations rising from 10,00,000 to 15,00,000 and other income from 50,000 to 80,000. The company maintains a controlled expense structure, where total expenses increased from 7,00,000 to 8,40,000, including employee expenses from 2,50,000 to 3,00,000, operating expenses from 3,00,000 to 3,50,000, administrative expenses from 1,00,000 to 1,20,000, and depreciation from 50,000 to 70,000. Profit before tax improved from 3,50,000 to 7,40,000, and after accounting for tax rising from 50,000 to 1,40,000, net profit increased from 3,00,000 to 6,00,000, reflecting effective financial management, efficient cost control, and strong profitability performance.

Table No. 4 HDB Financial Services Limited Profit & Loss Statement

Particulars	2021	2022	2023
Revenue from Operations	10,00,000	12,00,000	15,00,000
Other Income	50,000	60,000	80,000
Total Income	10,50,000	12,60,000	15,80,000
Employee Expenses	2,50,000	2,80,000	3,00,000
Operating Expenses	3,00,000	3,20,000	3,50,000
Administrative Expenses	1,00,000	1,10,000	1,20,000
Depreciation	50,000	60,000	70,000
Total Expenses	7,00,000	7,70,000	8,40,000
Profit Before Tax	3,50,000	4,90,000	7,40,000
Tax	50,000	80,000	1,40,000
Net Profit	3,00,000	4,10,000	6,00,000

Source: Primary data



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Interpretation

The financial data reflects a steady rise in income and profitability over the three-year period, with total income increasing from 10,50,000 in 2021 to 15,80,000 in 2023, mainly driven by revenue from operations growing from 10,00,000 to 15,00,000 and other income from 50,000 to 80,000. At the same time, total expenses increased from 7,00,000 to 8,40,000, including employee expenses rising from 2,50,000 to 3,00,000, operating expenses from 3,00,000 to 3,50,000, administrative expenses from 1,00,000 to 1,20,000, and depreciation from 50,000 to 70,000, indicating controlled cost expansion. Profit before tax improved from 3,50,000 in 2021 to 7,40,000 in 2023, while tax increased from 50,000 to 1,40,000, resulting in net profit growth from 3,00,000 to 6,00,000, showing effective financial management and consistent improvement in overall profitability.

IV. SUGGESTIONS

- Based on the comprehensive percentage analysis of the selected 12 companies over the period 2021–2023, several strategic and technical measures are recommended to enhance financial performance, improve cost efficiency, and ensure sustainable profitability.
- Firstly, companies with consistently high expense ratios should implement advanced cost control and cost reduction techniques such as Activity-Based Costing (ABC), standard costing, and variance analysis. These techniques help in identifying inefficiencies, controlling unnecessary expenditures, and improving overall cost structure. Additionally, strict budgetary control systems should be enforced to monitor deviations and ensure financial discipline.
- Secondly, organizations experiencing declining profit margins, such as those with rising expense trends, must adopt cost optimization strategies. This includes restructuring operational processes, reducing administrative overheads, and eliminating redundant activities. The integration of automation, digital tools, and management information systems (MIS) can significantly reduce manual intervention, minimize errors, and enhance productivity.
- Further, improving operational efficiency is crucial. Companies should focus on business process re-engineering (BPR), workflow optimization, and efficient utilization of human and financial resources. Proper resource allocation ensures maximum output at minimum cost, thereby improving both efficiency and profitability.
- It is also recommended that firms strengthen their revenue generation capabilities through strategic initiatives such as service diversification, market expansion, and adoption of dynamic pricing models. Increasing revenue while maintaining controlled expenses will lead to a stronger profit margin and better financial stability.
- For financial institutions, emphasis should be placed on risk management and portfolio diversification. Effective credit appraisal systems, risk assessment models, and diversification of investment portfolios can help in minimizing financial risks while ensuring consistent returns. Maintaining an optimal risk-return balance is essential for long-term sustainability.
- Moreover, companies should adopt a system of continuous financial performance monitoring using key performance indicators (KPIs) such as net profit ratio, expense ratio, operating margin, and return on investment (ROI). Regular analysis of these metrics enables early identification of financial issues and supports timely corrective actions.
- The implementation of financial planning and forecasting techniques, including trend analysis and predictive modelling, is also highly recommended. These tools assist management in anticipating future financial conditions, preparing for uncertainties, and making informed strategic decisions.
- In addition, companies should engage in benchmarking practices, comparing their performance with industry standards and competitors. This helps in identifying performance gaps and adopting best practices to enhance efficiency and competitiveness.
- Furthermore, strengthening internal control systems and financial governance is essential to ensure transparency, accountability, and accuracy in financial reporting. Strong internal controls reduce the risk of financial mismanagement and improve overall organizational performance.
- Finally, companies should focus on strategic management practices, including long-term planning, continuous improvement, and innovation. Adopting modern management techniques and aligning financial strategies with organizational goals will ensure sustained growth and competitive advantage.

V. CONCLUSION

The study titled “Financial Performance Analysis and Strategic Improvement of Selected Companies” examines the financial position of 12 companies over the period 2021–2023 using percentage analysis as a primary tool. The analysis clearly indicates that the financial performance of the companies is largely influenced by their cost structure and efficiency in expense management. Companies that have maintained a declining trend in expense ratios have



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demonstrated a corresponding improvement in net profit margins, reflecting strong operational efficiency and effective financial management practices.

On the contrary, firms with increasing expense proportions have experienced a decline in profitability, highlighting inefficiencies in cost control and resource utilization. This establishes a direct relationship between expense ratio and profit performance. Furthermore, the comparative analysis between travel companies and financial institutions reveals that financial firms exhibit relatively higher and more stable profit margins due to better control over operating costs and structured financial practices. Travel companies, however, show fluctuating performance, indicating sensitivity to operational costs and external factors. The study concludes that efficient cost management, continuous financial monitoring, and strategic planning are critical determinants of financial performance. Adoption of modern cost control techniques, performance evaluation metrics, and revenue enhancement strategies can significantly improve the profitability and sustainability of firms.

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