

Balancing Profitability and Patient Care: Financial Decision-Making at Kaba Super Specialty & Maternity Hospital

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Publication Date: 2026/08/17

Abstract: The operating conditions of private hospitals in India are highly influenced by the factors of high costs, stiff competition, a tight regulatory environment, and shifting patient demands. In this context, the current paper looks into the connection between financial decision-making and the quality of patient care at Kaba Super Speciality & Maternity Hospital, a midsize private maternity hospital located in Toli Chowki, Hyderabad, over four successive financial years (FY21-22 to FY24-25). The primary data used for analysis came from ITR-5 reports and management interviews for the assessment of trends, including base year (FY21-22 – 100) for the computation of CAGR, liquidity ratios, and investment in patient care.

The findings revealed that total income grew at a CAGR of 15.8%, increasing to Rs. 73.90 lakhs for FY25, although the hospital posted losses in the past two fiscal years after being profitable due to growing expenses. In addition, the hospital's Capital Intensity Ratio dropped from 52.2% to 35.4% but remained lower than the industry's average of 40%, while no capital investment was made during the last three financial years. As such, it was concluded that the financial stability and patient care quality cannot be attained together in private maternity hospitals in India.

Keywords: Financial Decision-Making, Private Hospital Management, Patient Care Quality, Capital Intensity, Hospital Finance.

How to Cite: Dr. Kirti Sunil Bidnur; Aliza Aiman Imtiaz (2026) Balancing Profitability and Patient Care: Financial Decision-Making at Kaba Super Specialty & Maternity Hospital. *International Journal of Innovative Science and Research Technology*, 11(8), 579-582. <https://doi.org/10.38124/ijisrt/26aug389>

I. INTRODUCTION

Healthcare has been identified as an important component that significantly influences the development of the population in terms of their well-being, economic growth, and stability. In the modern healthcare environment, hospitals are no longer mere places for treating patients; they are symbols of trust, safety, ethics, technology, and compassionate healthcare. With the evolving complexity of providing healthcare services, finances have turned into an integral part that allows ensuring its efficient delivery.

Unlike state hospitals that operate with state funds, private healthcare organizations mainly rely on their own revenues. Hospitals have considerable costs when it comes to hiring healthcare professionals, purchasing equipment, buying medications, managing costs, and maintaining compliance with regulatory standards. Due to the lack of economies of scale, small private hospitals cannot afford minor mismanagement of their financial processes, which can

lead to disruptions in their operations and failure to ensure their sustainability.

This particular hospital, known as Kaba Super Speciality & Maternity Hospital, which was established in March 2013 in Nizam Colony, Toli Chowki, Hyderabad, can be considered an exemplary one. It was founded by the Medical Director and an obstetrician-gynecologist, Dr. Mymoona Zanib Masoudi, and Mr. Imtiaz Ahmad, who is a Co-Founder and Finance Head of this hospital. The hospital aimed at providing affordable and quality healthcare to all strata of the population. Within twelve years, it rendered its services to about 131,400 outpatients and 4,320 inpatients, performing 25-30 deliveries monthly. This study has academic importance since there is a lack of research on healthcare finance in small private maternity hospitals.

II. LITERATURE REVIEW

In the scientific literature, many researchers have found an association between hospitals' financial well-being and the quality of the healthcare provided. Specifically, according to Aiken et al., the authors of the multisite study, each additional patient assigned to the nurse's work increased the probability of death from up to 6% within 30 days after admission; therefore, hospital staffing becomes crucial in patient safety and cannot be reduced to mere finances. In another research conducted among nine European countries, Aiken et al. concluded that similar results could be observed.

At the same time, Chen proved that cost-effectiveness and treatment effectiveness can coexist; thus, hospitals can save money through optimized functioning, scheduling, and rational management, but only when cuts in budgets do not influence the number of employees and diagnostics. As stated by Bazzoli et al., hospitals experiencing economic instability will cut down on services to overcome their budget difficulties, thus worsening their financial health further.

Also, Akinleye et al. confirmed that the financial well-being of hospitals is positively associated with how patients assess the quality of the provided healthcare; hence, finance and treatment go hand-in-hand. In addition, according to Lasater et al., nursing staffing that provides safe functioning saves hospitals from financial losses since it leads to decreased readmission rates and shorter lengths of hospital stays. Furthermore, India provides a relevant example of mission-driven hospitals offering effective treatment due to evidence-based treatment protocols and rational pricing; NITI Aayog supports the idea of the study in 2021. Finally, Jyani et al. established that package pricing and delayed payment cause liquidity issues in private maternity clinics.

➤ *Financial Challenges: Analysis of Primary Data (FY 2021–22 to FY 2024–25)*

The following analysis draws on four-year financial data extracted from the hospital's ITR-5 filings, supplemented by management interviews. All figures are in Indian Rupees.

Table 1: Four-Year Financial Summary — Kaba Hospital (Source: ITR-5 Filings, Primary Data)

Financial Metric	FY 2021–22	FY 2022–23	FY 2023–24	FY 2024–25
Total Revenue (Rs.)	48,91,372	66,44,169	64,25,569	73,89,981
Gross Profit (Rs.)	41,72,705	60,28,823	53,40,544	59,57,217
Cost of Services (Rs.)	7,18,667	6,15,346	10,85,025	14,32,764
Rent Expense (Rs.)	26,83,560	31,08,457	26,71,460	29,02,717
Contractor Salaries (Rs.)	—	9,54,716	11,28,632	11,24,935
Net Profit / (Loss) (Rs.)	23,364	53,071	(23,228)	(56,961)
Net Fixed Assets (Rs.)	30,85,281	26,22,489	22,29,116	18,94,749
Partners' Capital (Rs.)	56,77,869	55,25,973	54,86,655	47,26,520

- **Challenge 1 – Revenue Increase Masking Uneven Cost Structure:** The total revenue grew by 51.1% to Rs. 73.90 lakhs from Rs. 48.91 lakhs (CAGR 15.8%). However, while the cost of services grew at a CAGR of 26.1% nearing twice the revenue increase. The widened structural disparity improved the net result from a profit of Rs. 23,364 in FY22 to a net loss of Rs. 56,961 in FY25.
- **Challenge 2 – Rising Cost of Personnel:** With the addition of the contractor doctors' salary (nil to Rs. 11.25 lakhs)

and partners' salaries (nil to Rs. 4.80 lakhs), the personnel cost rose by Rs. 16.05 lakhs, which is 21.7% of the revenue in FY25. This is perhaps the largest structural factor responsible for the losses incurred.

- **Challenge 3 – Rent as a Major Structural Fixed Cost:** The cost of rent at Rs. 29.03 lakhs accounted for 39.3% of total revenue in FY25. When summed up with personnel expenses, together these make up over 60% of revenue, showing the basic structural problem facing the business.

Table 2: Key Financial and Patient Care Ratios (Source: ITR-5 Filings, Primary Data)

Ratio / Metric	FY 2021–22	FY 2022–23	FY 2023–24	FY 2024–25	Benchmark
Current Ratio	3.54x	3.54x	4.58x	2.03x	1.5x–2.0x
Net Working Capital (Rs.)	6,00,588	9,11,484	10,77,539	6,51,771	Positive & growing
Capital Intensity Ratio (%)	52.2%	44.5%	38.5%	35.4%	40%–60%
Fixed Asset Growth Rate (%)	—	-15.0%	-15.0%	-15.0%	Positive
Cumulative Depreciation (% of Gross Block)	15.0%	27.8%	38.6%	47.8%	< 30% ideal

- **Challenge 4 – Poorer Liquidity Position:** The Current Ratio has drastically fallen from 4.58 times in FY24 to 2.03 times in FY25, mainly due to a rise in current liabilities of 110.4%. Net Working Capital has decreased by Rs. 4.26 lakhs during one financial year, showing less than 9 paise of liquidity for each rupee of income.

- **Challenge 5 – Aging of Critical Infrastructure:** The Capital Intensity Ratio is now 35.4%, declining from 52.2% and well below the benchmark figure of 40%. No investment in capital expenditure was made by the hospital in the last three years since FY23. Gross Asset Value has come down by 38.6% only because of

depreciation costs. Out of the total assets initially possessed by the organization, 47.8% have been consumed in FY25. High-value assets like fetal monitors, OT equipment, ultrasound scanners, and Neonatal Care instruments have become obsolete.

III. EFFECTIVE STRATEGIES AND RECOMMENDED SOLUTIONS

Based on the above financial analysis and international research on health care financing, the following evidence-based solutions have been developed that will address the identified issues and be relevant to the operations of mid-sized private maternity hospitals.

- **Regular Cost-to-Revenue Analysis:** Start regular monthly analysis of the cost by revenue categories as percentages. The 26.1% growth in the Cost of Services compared to only 15.8% revenue growth should be brought down to below the 15.8%. Timely recognition of unfavorable trends allows taking appropriate measures before significant financial losses are incurred. Develop a formal Four-Year Financial Plan with specific goals to move the management from being reactive to becoming more proactive.
- **Rental Negotiation:** Initiate formal negotiations about the rental contract to obtain a rental discount or secure a long-term contract with a fixed rental rate. A 15% discount on the rental amount would result in Rs. 4-5 lakh in annual savings that will suffice to restore profitability without having to do anything else.
- **Planned Capital Investment Program:** Devote at least Rs. 5-8 lakh each year towards planned replacements of equipment via financing through medical equipment leasing, NBFC loans for health care facilities, or Capital Reserve Fund of Rs. 25-50 thousand each month. Initiate a formal audit of equipment with respect to its lifecycle and identify assets close to the end-of-lifecycle and replace them first, particularly labor room equipment, neonatal monitors, and diagnostic equipment. International research has proven that old equipment makes it more likely for patients to die in a maternity ward (Madsen et al., 2014; Roush, 2025).
- **Effective Liquidity Management:** Stricter follow-ups on customer payments (collection within 15-30 days), timely insurance claim processing, and negotiation of better payment terms with suppliers can significantly boost the company's liquidity. It is essential to develop formal liquidity goals in order to keep the company's current liabilities below Rs. 4 lakh.
- **Maximization of Revenue Generated from Each Asset:** Increasing revenue per asset by introducing extra sessions in operating theaters, providing diagnostic services to referral patients, offering telemedicine services for prenatal follow-ups, and selling consultation space to visiting specialists, along with maintaining the capital reserve.
- **Maintenance Service Agreements:** Annual Maintenance Contract (AMC) for all vital pieces of medical equipment

is the most economically advantageous way forward, as preventive maintenance costs significantly less than emergency repairs.

IV. FINDINGS OF THE STUDY

The major insights emanating from the analysis performed on data spanning four financial years are as follows:

- Total revenue witnessed a growth of 51.1%, growing from Rs. 48.91 lakhs in FY22 to Rs. 73.90 lakhs in FY25. However, net profit showed a deficit of Rs. 56,961 in FY25 owing to increasing contractor salaries, partner remuneration, and rentals. It can be said here that mere growth in total revenue does not ensure profit-making if cost escalation is higher than the increase in income.
- Cost of services showed a CAGR of 26.1%, which was twice as much as the revenue CAGR of 15.8%. It is this basic difference that leads to reduced profitability, which can only get worse unless remedial measures are taken.
- OLS linear regression model forecasts for FY26 estimate that the Total Revenue would reach an index of 166.8 ($R^2 = 0.80$) while Cost of Services would climb up to an index of 224.9 ($R^2 = 0.82$). This suggests that existing trends will lead to worsening of the position unless appropriate steps are taken to rectify the matter.
- Current ratio witnessed a steep fall from 4.58x in FY24 to 2.03x in FY25, which happened on account of a 110% increase in the amount of current liabilities. Though the current ratio continues to exceed the 1.5x mark, it still presents a situation worth looking into because of its alarming rate of decline.
- Net Working Capital went down from Rs. 10.78 lakhs in FY24 to Rs. 6.52 lakhs in FY25, making 8.8 paise worth of cushion in liquid form for each rupee of revenue. In simple words, the working margin left is alarmingly thin.
- Capital Intensity Ratio dropped sharply from 52.2% in FY24 to 35.4% by FY25, falling below the 40% industry norm. It reflects that there is a weak foundation of infrastructure facilities being maintained clinically.
- There were no further capital expenditures made over a period of three years (FY23-FY25). Gross fixed assets fell by 38.6% from Rs. 36.30 lakh to Rs. 22.29 lakh due to depreciation, with no replacement being made during the given period.
- By FY25, depreciation charges had eaten up 47.8% of the value of the gross block. Without any new investment, nearly 50% of the medical infrastructure of the hospital will soon become obsolete, a situation that becomes particularly grave considering that it is a maternity and neonatal care facility.

- For FY25, operating expenses include rental charges (39.3%), labor costs (15.2%), and partner salary (6.5%) and account for more than 61% of revenues, pointing towards a major mismatch in the cost structure of the hospital.
- As per the primary data collected through interviews, the management of the hospital recognizes the issues associated with finances; however, it has not adopted any financial and capital planning. It continues to be driven by reactive decision-making. Developing a financial strategy based on its strengths will enable the hospital to ensure sustainability.

V. CONCLUSION

This study looked at how Kaba Super Speciality & Maternity Hospital makes decisions. It did this by analyzing data over four years and reviewing what other people have said about healthcare finance. What the study found is that Kaba Hospital has some points. Kaba Hospital makes a lot of money. Kaba Hospital does not have any debt. People always want to go to Kaba Hospital, and the community really trusts Kaba Hospital. At the time, Kaba Hospital is having some big financial problems that could affect how well Kaba Hospital can take care of patients in the long run.

The main thing this study found out is that having money and taking care of patients are not two separate things at Kaba Hospital. They are actually very connected. The fact that Kaba Hospital's equipment and buildings are getting old and not being replaced is a problem for both Kaba Hospital's finances and the safety of its patients. For example, using equipment to take care of babies and their mothers at Kaba Hospital can have very serious consequences.

This study agrees with what other people have said about hospitals. Managing money is not something you do to keep Kaba Hospital running. It is actually a key part of making sure Kaba Hospital can provide excellent care, hire good staff, and keep Kaba Hospital's patients safe. Since private hospitals like Kaba Hospital take care of most of the babies being born in India, how well these hospitals are doing financially is very important for the health of mothers and babies across the country. This study can help hospitals that take care of babies and their mothers, which are a very important part of India's healthcare system.

The study has some suggestions for these hospitals, which can help them provide care and stay financially healthy. Kaba Hospital and other private hospitals like Kaba Hospital need to find ways to manage their money so they can keep taking care of their patients. The financial health of Kaba Hospital and other private hospitals is very important for the health and well-being of mothers and babies in India.

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