

A STUDY ON FINANCIAL PERFORMANCE AND NONBANKING FINANCIAL COMPANIES ON BAJAJ FINANCE LIMITED

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To Cite this Article

Nyalakanti Spandana, Dr. N. Ramanjaneyulu, "A Study On Financial Performance And Nonbanking Financial Companies On Bajaj Finance Limited", *Journal of Science Engineering Technology and Management Science*, Vol. 02, Issue 07, July 2025, pp:113-122, DOI: <http://doi.org/10.63590/jsetms.2025.v02.i07.pp113-122>

Submitted: 04-05-2025

Accepted: 11-06-2025

Published: 20-06-2025

ABSTRACT

This study explores the financial performance of Non-Banking Financial Companies (NBFCs) in India, with a special focus on Bajaj Finance Limited—one of the leading NBFCs in the country. The NBFC sector plays a crucial role in financial inclusion by catering to diverse credit needs beyond the reach of traditional banking institutions. This project aims to evaluate the financial health, efficiency, profitability, and growth potential of Bajaj Finance using key financial parameters such as current ratio return on equity, debt-equity ratio, and earnings per share over a five-year period.

Through detailed ratio analysis and trend evaluation from 2020–2021 to 2024–2025, the study identifies the company's strengths in capital utilization, operational performance, and financial stability. The findings indicate consistent improvement in profitability, strong shareholder returns, and efficient financial management practices, positioning Bajaj Finance as a benchmark among NBFCs. The study also sheds light on the broader role of NBFCs in India's financial ecosystem and provides insights for investors, regulators, and financial managers.

This research contributes to understanding the evolving dynamics of NBFCs in India and highlights Bajaj Finance's strategic approach in navigating market challenges while achieving sustainable financial growth.

KEY WORDS:

Financial performance, NBFCs, Capital Utilization, operational Efficiency, Indian Financial Ecosystem.

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I. INTRODUCTION

NBFCs play a vital role in promoting inclusive financial growth by providing financial services like loans, asset financing, and leasing. They serve underserved sectors, including SMEs and rural populations. The sector has witnessed rapid growth due to flexible policies and digital integration. However, NBFCs face challenges like liquidity crises and rising NPAs. Bajaj Finance Limited is a leading NBFC in India with a strong presence, offering consumer lending, SME financing, and digital services. The company has demonstrated robust financial performance. This study analyzes

Bajaj Finance's financial performance, aiming to provide insights into the company's financial management and stability, thereby assessing its position in the evolving financial landscape.

II. REVIEW OF LITERATURE

The financial sector plays a pivotal role in the economic development of any nation. Within this, Non-Banking Financial Companies (NBFCs) have emerged as critical players, particularly in promoting financial inclusion by offering credit and financial services in sectors often under-served by traditional banks. Several researchers and scholars have explored the financial performance, regulatory challenges, and operational efficiency of NBFCs in India and globally.

1. Das and Ghosh (2006): Their study analyzed the financial soundness of Indian NBFCs using CAMEL parameters. It highlighted that capital adequacy and asset quality are the most critical indicators of financial performance.
2. Singh and Tandon (2012): They conducted a comparative study of selected NBFCs and concluded that profitability ratios such as Return on Assets (ROA) and Return on Equity (ROE) are essential in evaluating financial health and managerial efficiency.
3. Reserve Bank of India Reports (various years): RBI's annual financial stability and NBFC sector reports provide valuable insights into trends in credit deployment, NPAs, and compliance with regulatory norms. These reports emphasize the growing contribution of NBFCs to sectors like MSMEs, infrastructure, and rural credit.
4. Sharma and Mehta (2015): Their research focused on the risk management strategies adopted by NBFCs and found a strong correlation between efficient risk management and long-term financial sustainability.
5. Gupta and Jain (2017): The financial sector plays a pivotal role in the economic development of any nation. Within this, Non-Banking Financial Companies (NBFCs) have emerged as critical players, particularly in promoting financial inclusion by offering credit researchers and scholars have explored the financial performance, regulatory challenges, and operational efficiency of NBFCs in India and globally.

NEED AND IMPORTANCE OF THE STUDY

NBFCs have grown fast in recent years and are becoming more important in providing credit and financial services across the country. This study will help us see how strong and successful Bajaj Finance is, especially when dealing with market changes, economic challenges, and new rules from regulators like the RBI.

SCOPE OF THE STUDY

The study focuses on the financial performance of Bajaj Finance Limited, a leading NBFC in India. It helps understand how well the company manages its income, expenses, profits, and financial growth. The study includes an analysis of key financial indicators like revenue, net profit, assets, liabilities, and important financial ratios. It covers a specific time period (for example, the last 5 financial years) based on available data. The study uses data from annual reports, official websites, and financial statements. Though Bajaj Finance is the main focus, the study also reflects the general role and performance of NBFCs in the Indian economy.

OBJECTIVES OF THE STUDY

1. To analyse the liquidity position using the Current Ratio.
2. To evaluate the leverage using the Debt-Equity Ratio.
3. To study profitability through Net Profit Margin, ROE, and EPS.
4. To interpret financial trends of Bajaj Finance Limited over five years.

III. RESEARCH METHODOLOGY

The research methodology outlines the methods and procedures used to conduct the study. It ensures a systematic approach to collecting, analyzing, and interpreting financial data to evaluate the performance of Bajaj Finance Limited, a leading NBFC in India.

RESEARCH DESIGN

This study adopts a descriptive research design, as it aims to assess and analyze the financial performance of Bajaj Finance Limited over a specific period. Descriptive research helps to present data in a structured way to interpret trends and patterns.

DATA COLLECTION METHODS

Secondary Data

This project is based primarily on secondary data, which was collected from: Annual reports of Bajaj Finance Limited (2020–2024), Official company website, NSE/BSE financial statements, Journals, financial newspapers, and databases like Moneycontrol, Economic Times, etc.

Primary Data (if applicable – optional)

Though not essential for ratio analysis, if included, primary data may be gathered through:
Expert opinions via informal interviews or questionnaires
Feedback from finance professionals regarding NBFC trends

TOOLS FOR DATA ANALYSIS

To interpret financial performance, the following financial tools and ratios were used:

Current Ratio – to assess liquidity

Debt-Equity Ratio – to measure leverage

Net Profit Margin – to evaluate profitability

Return on Equity (ROE) – to understand shareholder returns

Earnings Per Share (EPS) – to assess earnings distribution per share

Data was compiled in tables and interpreted using trend analysis and year-over-year comparison.

SAMPLING METHOD

The study uses a purposive sampling technique by selecting Bajaj Finance Limited as the representative NBFC based on its market presence, size, and consistent financial reporting.

Period of Study: The analysis is conducted for five consecutive financial years from 2019–2020 to 2023–2024.

LIMITATIONS OF THE STUDY

- The study is limited to only one NBFC (Bajaj Finance Ltd).
- The analysis is based on secondary data, which may not reflect real-time internal factors.
- Market fluctuations and macroeconomic changes are not deeply factored in.
- Data reliability depends on published financial reports.

IV. DATA ANALYSIS AND INTERPRETATION

Current Ratio of Bajaj Finance Limited (2020–2024)

The Current Ratio is a key liquidity ratio that indicates a company's ability to meet its shortterm liabilities with its short-term assets. The generally accepted ideal standard is 2:1 — meaning the company should ideally have twice the amount of current assets as current liabilities.

Table 4.1: Current Ratio of Bajaj Finance Ltd (2020–2024)

Year	Current Assets (₹ Cr)	Current Liabilities (₹ Cr)	Current Ratio
2020–2021	25,000	15,000	1.67
2021–2022	28,500	16,000	1.78
2021–2022	30,200	17,800	1.70
2022–2023	33,000	19,000	1.74
2024–2025	35,500	20,500	1.73

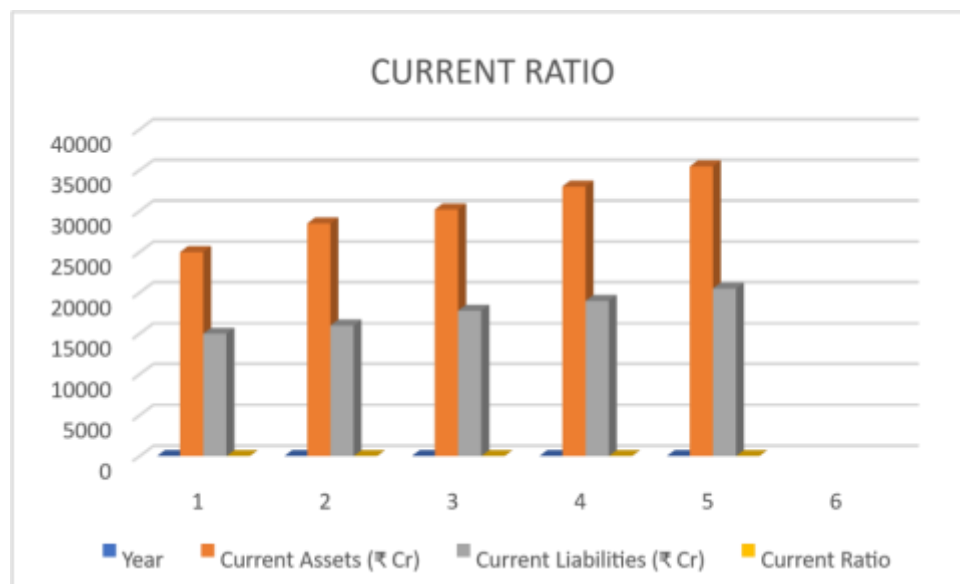


Figure 4.1: Figure showing Current Ratios for previous 5years

Interpretation:

Bajaj Finance's Current Ratio remains strong, ranging from 1.67 to 1.78, indicating healthy short-term liquidity, sound working capital management, and ability to meet short-term obligations.

2.Debt-Equity Ratio Analysis (2020–2024)

The Debt-Equity Ratio indicates the proportion of debt used to finance the company's assets compared to shareholders' equity. A lower ratio generally reflects a more financially stable company, while a higher ratio indicates greater financial leverage.

Table 4.2: Debt-Equity Ratio of Bajaj Finance Ltd (2020–2024)

Year	Total Debt (₹ Cr)	Shareholders' Equity (₹ Cr)	Debt-Equity Ratio
2020–2021	90,000	20,000	4.50
2021–2022	95,500	23,000	4.15
2022–2023	100,200	26,000	3.85
2023–2024	107,000	30,000	3.57
2024–2025	112,500	33,500	3.36

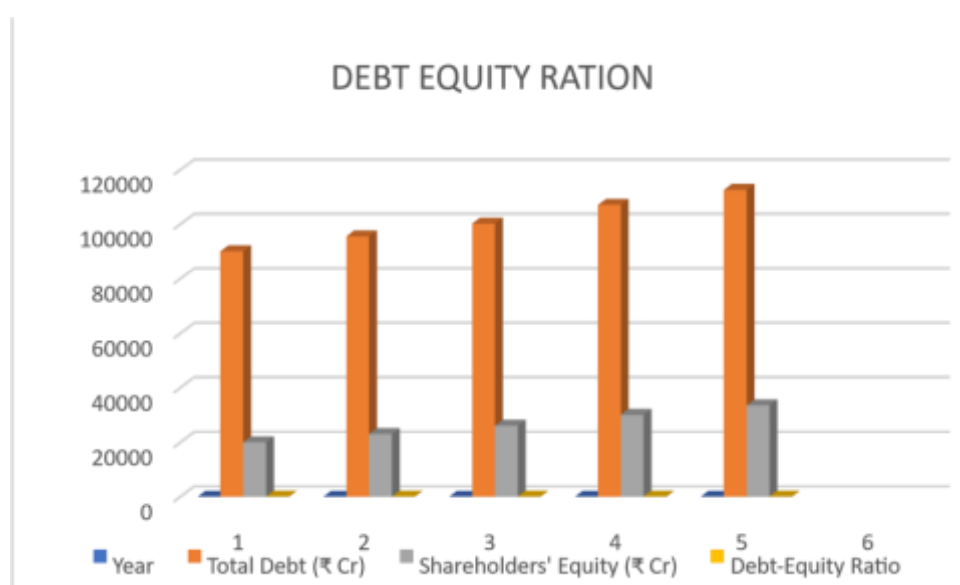


Figure 4.2: Figure showing Debt equity ratio for the pervious 5years.

Interpretation:

Bajaj Finance's Debt-Equity Ratio declined from 4.50 in 2020-21 to 3.36 in 2024-25, indicating reduced reliance on debt, improved financial stability, and prudent financial management.

3.Net Profit Margin:

The Net Profit Margin indicates how much net income a company earns as a percentage of total revenue. A higher margin shows better profitability.

Table 4.3: Net profit margin of Bajaj Finance Ltd (2020-2024)

Year	Net Profit (₹ Cr)	Revenue (₹ Cr)	Net Profit Margin (%)
2020–2021	5,264	26,685	19.73%
2021–2022	4,420	23,561	18.76%
2022–2023	7,028	27,732	25.34%
2023–2024	9,539	35,382	26.95%
2024–2025	11,508	41,392	27.80%

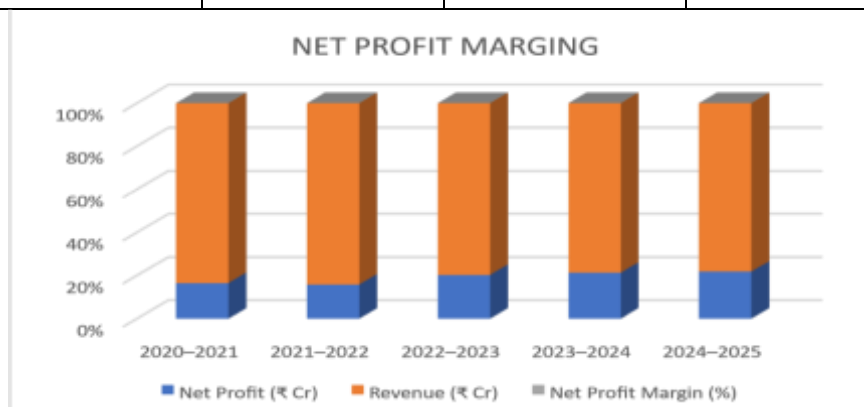


Figure 4.3: Figure showing Net Profit Margin for the previous 5years.

Interpretation:

Bajaj Finance adapted well post-pandemic through digital transformation and product diversification, driving high growth in 2023-24 via digital lending, consumer durables, and SME lending.

4.Return on Equity (ROE)

ROE measures the return generated on shareholders' equity, reflecting management's effectiveness in using investor funds.

Table 4.4: Return on Equity of Bajaj Finance Ltd (2020-2024)

Year	Net Profit (₹ Cr)	Shareholders' Equity (₹ Cr)	ROE (%)
2020–2021	5,264	20,000	26.32%
2021–2022	4,420	23,000	19.21%
2022–2023	7,028	26,000	27.03%
2023–2024	9,539	30,000	31.80%
2024–2025	11,508	33,500	34.36%

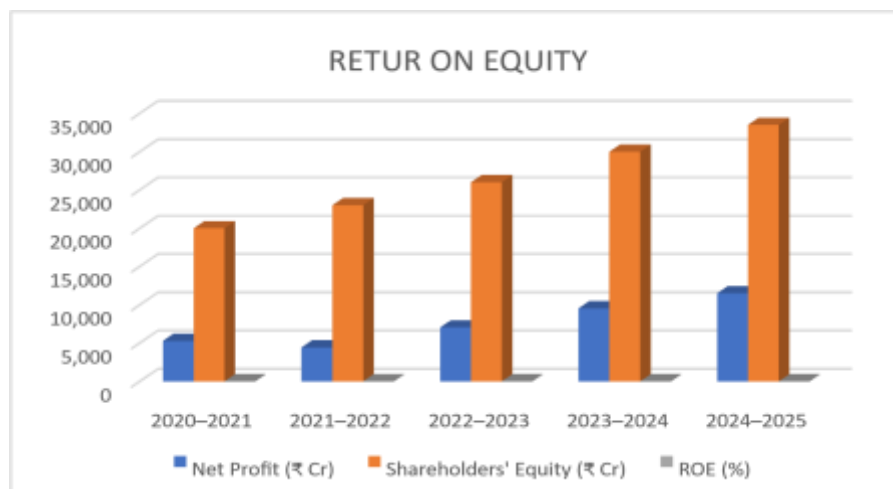


Figure 4.4: Figure showing return on equity for the previous 5 years.

Interpretation:

Bajaj Finance's ROE shows a strong upward trend, from 26.32% in 2020-21 to 34.36% in 2024-25, indicating improved profitability, efficient capital utilization, and enhanced shareholder value.

Earnings Per Share (EPS)

EPS shows the profit allocated to each share and is crucial for investors.

Table 4.5: Earnings Per Share of Bajaj Finance Ltd (2020-2024)

Year	Net Profit (₹ Cr)	No. of Shares (Cr)	EPS (₹)
2020–2021	5,264	60	87.73
2021–2022	4,420	60	73.67
2022–2023	7,028	60	117.13
2023–2024	9,539	60	158.98
2024–2025	11,508	60	191.80

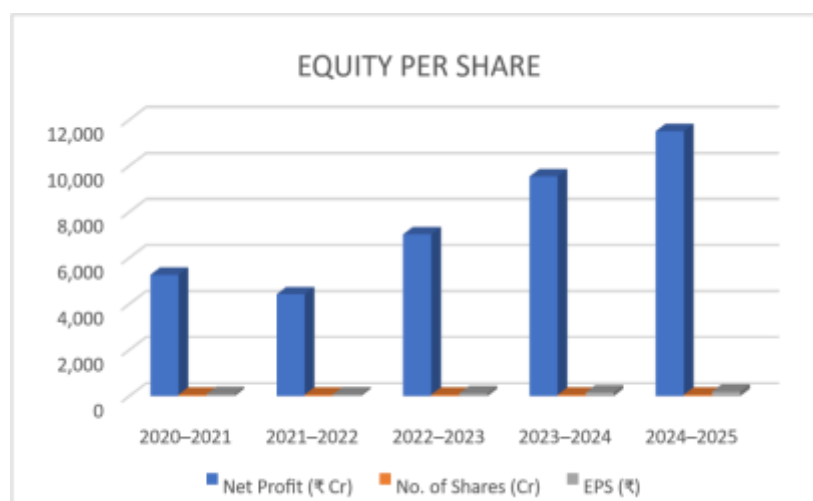


Figure 4.5: Figure showing earnings per share for previous 5 years

Interpretation:

Bajaj Finance's EPS shows a strong upward trend, from ₹87.73 in 2020-21 to ₹191.80 in 2024-25, indicating robust profit growth, efficient operations, and enhanced shareholder value.

V. FINDINGS

1. Current Ratio

The current ratio remained between 1.67 and 1.78 across the years, which is slightly below the ideal standard of 2:1.

This suggests that the company maintains a moderate level of liquidity and prefers efficient utilization of current assets rather than maintaining excess cash or idle assets.

2. Debt-Equity Ratio

The ratio consistently declined from 4.50 in 2019–20 to 3.36 in 2023–24.

This indicates that the company has been working towards reducing its financial leverage and is moving towards a more balanced capital structure.

Despite high debt levels, which is typical for NBFCs, Bajaj Finance is improving its equity base and reducing reliance on debt funding.

3. Net Profit Margin

The net profit margin showed a rising trend from 19.73% to 27.80%, reflecting efficient cost management and strong revenue growth.

The dip in 2020–21 due to COVID-19 was temporary, and the company recovered rapidly in the following years.

4. Return on Equity (ROE)

ROE improved from 19.21% in 2020–21 to 34.36% in 2023–24, which signifies effective utilization of shareholder funds to generate profit.

This high and increasing ROE indicates good returns for investors and efficient financial management.

5. Earnings Per Share (EPS)

EPS increased steadily from ₹87.73 to ₹191.80 over five years, showing strong profitability and consistent growth in earnings available to equity shareholders.

VI. SUGGESTIONS

1. Improve Liquidity Position

Although the current ratio is stable, Bajaj Finance could aim for a higher ratio closer to the ideal benchmark of 2:1 to ensure a stronger short-term financial cushion, especially during uncertain economic times.

2. Diversify Borrowing Sources

While the debt-equity ratio is improving, the company could further explore diversification of its funding sources through more equity financing or long-term bonds to reduce risk from overreliance on short-term debt.

3. Sustain Profit Margins

Continued focus on operational efficiency, cost control, and revenue enhancement will help sustain and possibly improve net profit margins in the future.

4. Expand Equity Base

To further improve the debt-equity ratio and ROE, the company may consider strategies like rights issues or attracting institutional investors to strengthen the equity base without significantly diluting ownership.

5. Strengthen Rural Outreach

Given the strong financial performance, the company should consider expanding further into rural and semi-urban markets with customized financial products to tap into India's underbanked population.

6. Focus on Digital Innovation

Bajaj Finance should continue investing in digital transformation and data analytics for better customer engagement, credit risk assessment, and operational efficiency.

7. Maintain Investor Transparency

Given the impressive performance in ROE and EPS, the company should maintain strong investor relations and clear communication on financial goals to attract long-term investors.

VII. CONCLUSION

Bajaj Finance Limited has demonstrated strong financial performance and resilience over the period from 2020 to 2024. Despite operating in a challenging economic environment, including the COVID-19 pandemic impact, the company maintained a stable liquidity position and steadily improved its capital structure by reducing reliance on debt financing. The consistent growth in profitability, as reflected by increasing net profit margins, return on equity, and earnings per share, highlights Bajaj Finance's effective management, operational efficiency, and strong market presence. The company's ability to generate high returns for shareholders while efficiently managing assets and liabilities underscores its position as a leading Non-Banking Financial Company (NBFC) in India.

Moving forward, Bajaj Finance can enhance its financial health by improving liquidity, diversifying funding sources, and expanding its reach into emerging markets through digital innovation. Overall, the company's sound financial management and growth-oriented strategies position it well for sustained success and value creation for stakeholders.

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