

A STUDY ON FINANCIAL ANALYSIS WITH REFERENCE TO BAJAJ FINSERV LIMITED

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ABSTRACT

The present study aims to evaluate the financial performance of Bajaj FinServ Limited, a leading financial services company in India, through a comprehensive analysis using ratio analysis techniques. Financial analysis is a crucial tool for stakeholders to assess a company's profitability, liquidity, solvency, and overall financial health. This project focuses on understanding the company's financial position over a specific period by examining key financial ratios such as profitability ratios, liquidity ratios, solvency ratios, and efficiency ratios. Data for the study has been collected primarily from the company's annual reports and secondary sources such as financial databases and journals. The analysis reveals the strengths and weaknesses in Bajaj FinServ's financial structure and performance, providing insights into its operational efficiency and financial sustainability. The findings of this study are valuable for investors, financial analysts, and decision-makers in understanding the company's financial trajectory and making informed decisions. The study concludes with recommendations to enhance financial efficiency and sustain long-term growth.

Key Words: Economic, Financial Analysis, Regulatory, Liquidity, profitability, creditors.

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INTRODUCTION

Financial analysis is a crucial tool for evaluating a company's performance, stability, and growth potential. It involves assessing financial statements, ratios, and trends to determine an organization's profitability, liquidity, solvency, and operational efficiency. This study focuses on the financial analysis of Bajaj Finserv Limited, a leading non-banking financial company (NBFC) in India, operating in consumer finance, insurance, and investment management. Bajaj Finserv has played a significant role in India's financial sector, offering a diverse range of financial products and services.

REVIEW OF LITERATURE

- **Kumar, R., & Joshi, N. (2023).** A Study on Non-Performing Assets (NPAs) in NBFCs The research investigates the rising issue of non-performing assets in NBFCs, identifying weak credit assessment and economic slowdowns as key factors. The study suggests stricter lending norms to reduce bad loans.
- **Allen, F., & Carletti, E. (2022)** The Role of Financial Institutions in the Global Economy, This study explores the significance of financial institutions in maintaining economic stability. The authors emphasize the role of regulatory frameworks in preventing financial crises. By analyzing the global banking system, they find that stringent regulations improve investor confidence and reduce systemic

risk.

• **Patel, V., & Desai, K. (2022).** Influence of Corporate Governance on NBFC Performance, This study analyzes how corporate governance practices impact the profitability and stability of NBFCs. The findings indicate that companies with strong governance structures exhibit better risk management and financial performance.

NEED AND IMPORTANCE

Profitability analysis gives new growth opportunities and better understanding of profitability performance and how stable things are in the company and operating efficiency which can drive the business forward. So, the study is undertaken to understand the profitability of Bajaj Finserv Ltd.

SCOPE OF THE STUDY

The study covers the profitability of the Bajaj Finserv Ltd by analyzing the financial statements for the time period of 10 years i.e., 2011-12 to 2020-21. Data are facts, figures and other relevant materials, past and present, serving as basic study and analysis. The data serves as the bases for analysis. Without an analysis of actual data on specific inferences can be drawn on the question under study. Inferences based on imagination or guess work cannot provide correct answers to research questions. The relevance, adequacy and reliability of data determine of quality of findings of a study. For the purpose of present study data from two sources have been gathered namely primary and secondary data.

OBJECTIVES OF THE STUDY

- To analyze the profitability in terms of sales.
- To examine the relationship of net profit and total assets efficiency.
- Evaluate the financial performance and key metrics over a specific period.
- Identify trends, challenges, and opportunities within the industry.
- Assess the impact of economic and regulatory factors on business growth.
- Provide insights into decision-making strategies for stakeholders.

SOURCES OF DATA

SECONDARY DATA

The research will heavily rely on secondary data sources. These sources include Bajaj Finserv's annual reports, financial statements, regulatory filings, and other publicly available documents. Additionally, financial databases, industry reports, and scholarly articles will be consulted for relevant data and insights.

RESEARCH DESIGN

DESCRIPTIVE RESEARCH

The study will primarily adopt a descriptive research design to analyze and describe the financial performance of Bajaj Finserv over a specific period. techniques used in surveys and descriptive studies techniques of various types, such as correlational and comparative techniques

ANALYTICAL RESEARCH

Analytical research is a specific type of study that requires the use of critical thinking skills and the assessment of data and facts related to the research conducted. During investigations, a range of individuals, including students, physicians, and psychologists, employ analytical research to identify the most pertinent data

TOOLS AND TECHNIQUES FOR ANALYSIS

The data collected was analyzed using:

- Mean
- Standard deviation
- ANOVA
- Correlation

- Charts further financial tools i.e. Ratio Analysis has been used.

LIMITATIONS

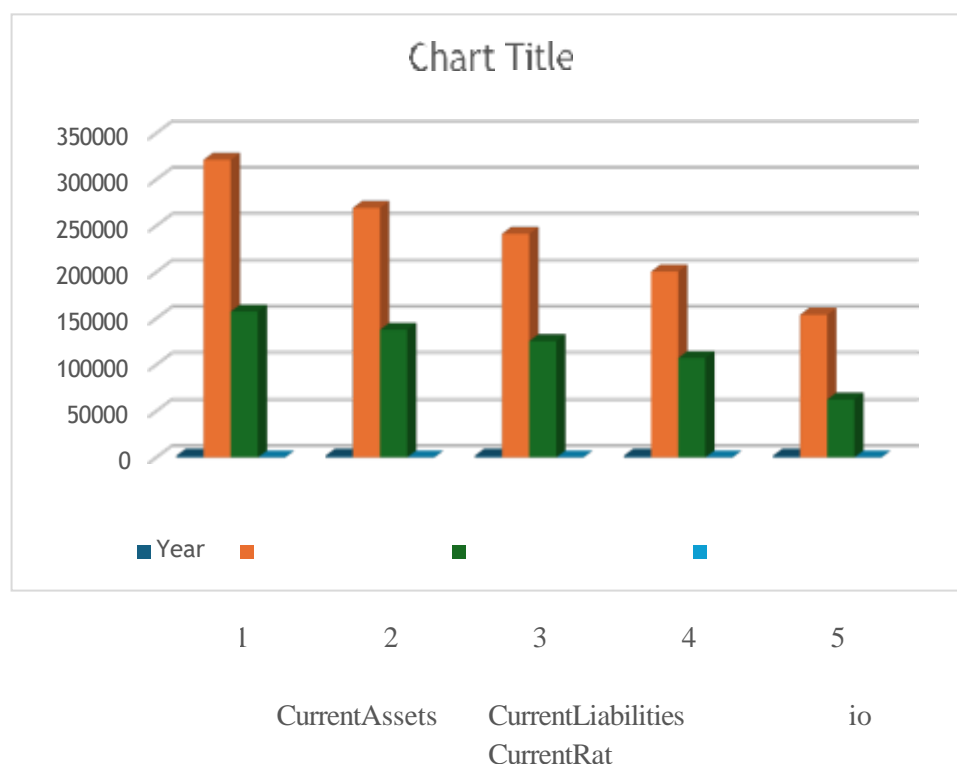
- The study is done only for a period of ten years i.e. 2011-12 to 2020-21.
- The study only deals with the profitability analysis of the company based on data available in screener online site.
- The study period is limited to 45 days.
- The study will acknowledge potential limitations, such as data availability, data accuracy, and the influence of external economic factors, which might impact the interpretation of results.

DATA ANALYSIS & INTERPRETATION

4.1 CurrentRatio

Year	Current Assets	Current Liabilities	Current Ratio
2022	321358.14	157480.25	2.04
2021	269460.60	137855.44	1.95
2020	241440.17	125628.90	1.92
2019	200741.76	107349.20	1.87
2018	154079.52	62627.61	2.47

4.1.1 Figure Showing Current Ratio



Interpretation

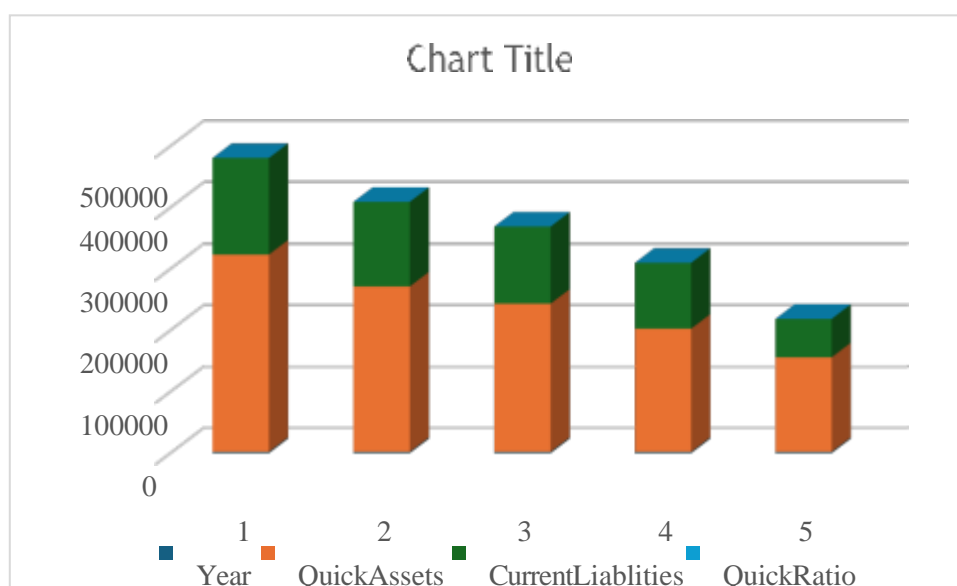
The current ratio measures a company's ability to pay off its short-term liabilities with its

current assets. Looking at the current ratio of Bajaj Finserv from 2018 to 2022, we can see that it has been fluctuating over time. In 2018, the current ratio was 2.47, indicating that the company had enough current assets to pay off its short-term liabilities. However, in 2019, the current ratio decreased to 1.87, suggesting that the company may have had some difficulties in meeting its short-term obligations.

4.2 QuickRatio

Year	Quick Assets	Current Liabilities	Quick Ratio
2022	321358.14	157480.25	2.04
2021	269460.60	137855.44	1.95
2020	241440.17	125628.90	1.92
2019	200741.76	107349.20	1.87
2018	154079.52	62627.61	2.47

4.1.2 Figure Showing Quick Ratio



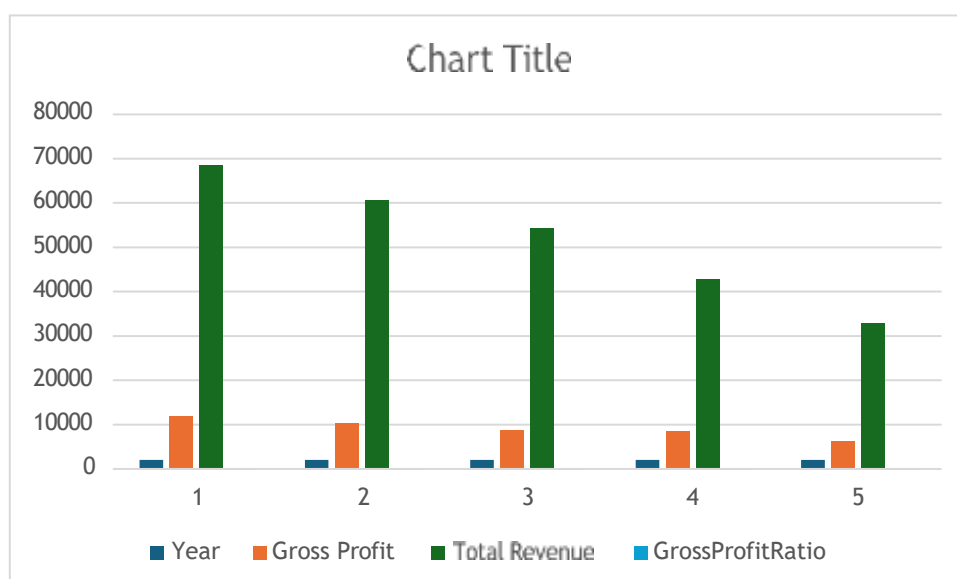
Interpretation

In 2022, the quick ratio of Bajaj Finserv was 2.04, which means the company had INR 2.04n highly liquid assets available to pay off each INR 1 of current liabilities. This is an improvement from the previous year's quick ratio of 1.95, and indicates that the company has increased its liquidity position.

4.3 Gross Profit Ratio

Year	Gross Profit	Total Revenue	Gross Profit Ratio
2022	11833.31	68438.98	17.29
2021	10360.80	60591.57	17.09
2020	8758.45	54351.47	16.11
2019	8380.83	42605.57	19.67
2018	6258.60	32,862.66	19.04

4.1.3 Figure Showing Gross Profit Ratio



Interpretation:

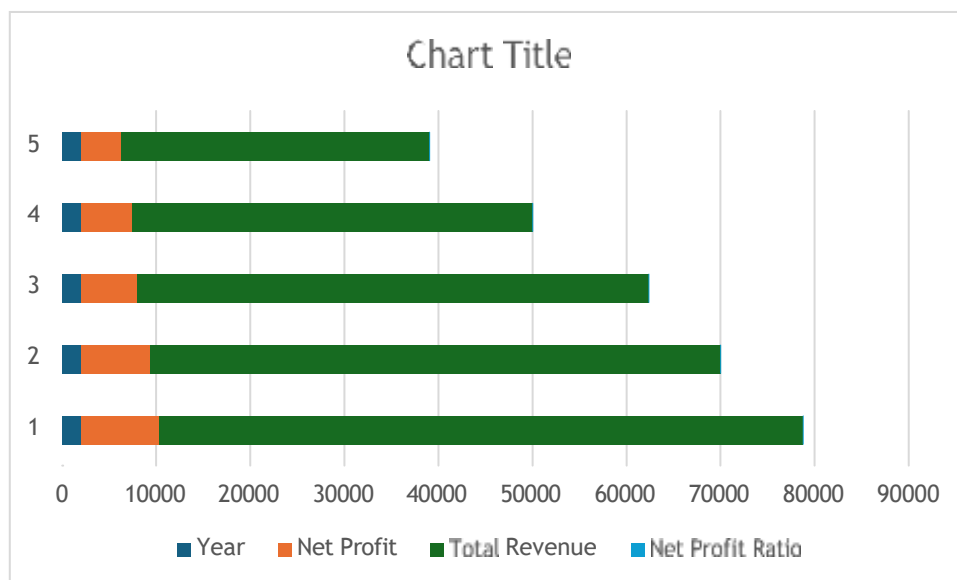
Looking at the gross profit ratio of Bajaj Finserv over the past five years, we can see a fluctuating trend. In 2018 and 2019, the company had relatively high gross profit ratios of 19.04% and 19.67%, respectively, which indicates that they were generating a good amount of profit after covering the cost of goods sold. However, in 2020, the ratio decreased to 16.11%, and in 2021 and 2022, it increased to 17.09% and 17.29%, respectively.

4.4 Net Profit Ratio

Year	Net Profit	Total Revenue	Net Profit Ratio
2022	8313.53	68438.98	3.3%
2021	7367.38	60591.57	12.15
2020	5993.60	54351.47	11.02

2019	5373.85	42605.57	12.61
2018	4176.35	32,862.66	12.70

4.1.4 Figure Showing Net Profit Ratio



Interpretation:

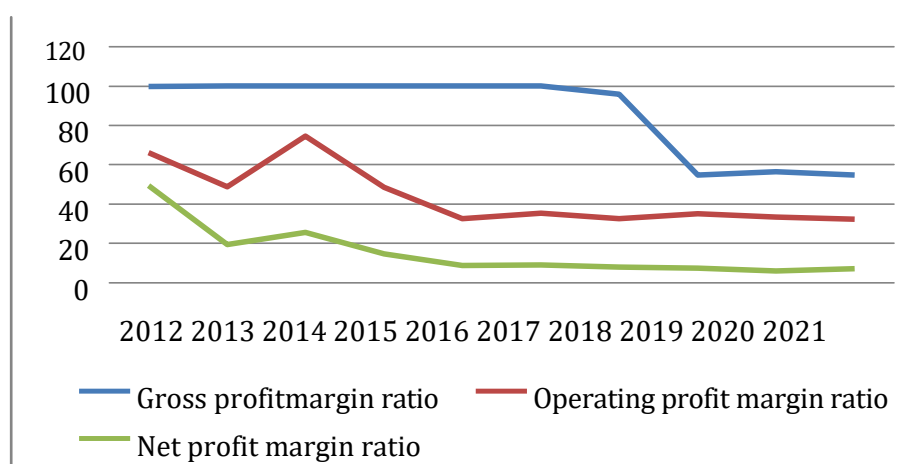
The net profit ratio of Bajaj Finserv has remained fairly consistent over the years, with a slight dip in 2020. The ratio measures the percentage of net profit earned by the company on its total revenue generated. It indicates the overall profitability of the company and its ability to generate earnings after accounting for all expenses. Bajaj Finserv has consistently maintained a net profit ratio of around 12-13%, indicating a stable and profitable business model. However, the slight dip in 2020 suggests that the company may have faced some challenges that affected its profitability.

4.5 Profitability ratios

Years	Grossprofit marginratio	Operating profit margin ratio	Net profit margin ratio
2012	99.54	66.07	49.28
2013	99.78	48.80	19.54
2014	99.85	74.56	25.63
2015	99.82	48.61	14.90
2016	99.89	32.82	9.07
2017	99.89	35.55	9.23
2018	95.74	32.82	8.06
2019	54.63	35.29	7.55
2020	56.30	33.59	6.19

2021	54.69	32.41	7.37
Mean	87.23	46.82	18.45
Standard Deviation	20.61	17.17	15.67
Coefficient of Variation	23.62	36.67	84.91

4.1.5 Figure Showing Net Profit Ratio



Interpretation:

Gross Profit Margin was very high (avg. 87.23%) from 2012–2017, indicating strong cost control. It declined after 2018, suggesting rising service costs or business model changes. Variation was low, showing early stability.

Operating Profit Margin peaked in 2014 but dropped steadily, stabilizing around 32-35%. This shows increasing operational costs and reduced efficiency. The moderate variation indicates some fluctuations in operations.

Net Profit Margin was highly volatile, falling from 49.28% in 2012 to around 6-8% by 2021. This suggests increased non-operating expenses. The high variation (CV 84.91%) indicates unstable profitability and financial risk.

FINDINGS

- The current ratio and the quick ratio both indicate that Bajaj Finserv has maintained a healthy liquidity position, with sufficient current assets to meet its current liabilities.
- The trend suggests that the company has been able to maintain a healthy liquidity position, with a current ratio consistently above 1 in all years. However, the ratio has been fluctuating, with a dip in 2019 followed by a recovery in 2020 and 2021.
- The consistent quick ratio above 1 indicates that Bajaj Finserv has a strong ability to meet its short-term liabilities with its most liquid assets, such as cash and cash equivalents and marketable securities. The stable quick ratio over the years also suggests that the company has been able to manage its short-term finances effectively.

- the consistent gross profit ratio above 16% indicates that Bajaj Finserv has been able to generate profits from its operations, which is a positive sign for investors.
- The figures indicate that Bajaj Finserv has been able to consistently generate profits from its operations, with a net profit ratio ranging from 11% to 12.7% over the years. However, there has been a decline in the net profit ratio in 2020.
- In the year of 2012, the company has accumulated the highest net profit with the net profit margin ratio of 46.16%. However, the continuous fluctuations in the margin have started from the year of 2016 and have lasted until the year of 2021. The lowest net profit margin is in the year of 2020 where the margin is 6.19%.
- There is a negatively strong relation exist between net profit ratio and total asset turnover ratio and it suggests to control, monitor company's operating expenses.

SUGGESTIONS

- To improve the current ratio is to reduce current liabilities. Bajaj Finserv could try to negotiate better payment terms with its suppliers or look for ways to streamline its expenses to reduce its current liabilities.
- Bajaj Finserv could manage its accounts receivable more efficiently by collecting outstanding payments faster. This would help to increase the company's cash reserves and improve its quick ratio.
- Bajaj Finserv could also consider increasing sales volume as a way to improve its gross profit ratio. By increasing sales, the company can spread fixed costs over a larger sales base, resulting in improved profitability.
- The net profit ratio could be improved by increasing profitability. This could be achieved through various means such as increasing prices, reducing costs, improving productivity, and optimizing resources.
- While the current ratio is an important measure of liquidity, it is also important to evaluate trends over time. Bajaj Finserv's current ratio has been fluctuating over the past five years, which may indicate that the company's liquidity position is not very stable. It is important for the company to evaluate its short-term assets and liabilities and take appropriate steps to improve its liquidity position.
- Bajaj Finserv should evaluate its capital expenditures to ensure that it is investing in the right assets. If the company is investing in fixed assets that are not generating sufficient revenue, it may need to re-evaluate its capital expenditure plans.

CONCLUSION

The company has a huge reputation among its customers. The management of the organization is very keen in introducing sophisticated technology to upgrade the quality of the product. Analyzing ratio, working capital and balance sheet is an internal and external part of overall corporate management.

It can be concluded that the Bajaj Finserv Ltd profitability ratios show that the gross profit ratio has decreased and the operating profit has been stable where the net profit has been stable even after many fluctuations in the past years. The growth of profitability of the company can be considered as stable in the last 3 years. The negative relation between the net profit and the total assets exists in the company due to the increase in the operating expenses.

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WEBSITES:

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