IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A STUDY ON FINANCIAL PERFORMANCE OF BAJAJ FINANCE LIMITED

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ABSTRACT

This study provides a systematic evaluation of the financial health and operational efficiency of Bajaj Finance Limited, a leading Indian Non-Banking Financial Company (NBFC), over the period from 2020-21 to 2024-25. Using various financial analysis tools such as ratio analysis, trend analysis, and descriptive interpretation of financial statements, the research examines key performance indicators including liquidity, profitability, and solvency. The findings reveal that Bajaj Finance maintained strong revenue growth, consistent profitability, and a stable liquidity position despite fluctuating economic conditions. The analysis concludes that while the company employs significant leverage a common trait in the financial sector—it effectively manages risk through a diversified lending portfolio and robust capital adequacy.

KEYWORDS

Return on Assets (ROA) - Return on Equity (ROE) - Net Profit Margin -Earnings Per Share (EPS) - Non-Banking Financial Company (NBFC)

INTRODUCTION

Non-Banking Financial Companies (NBFCs) serve as critical pillars of the Indian financial ecosystem, providing banking-like services such as loans and advances, asset financing, and microfinance without a full banking license. Regulated under the Reserve Bank of India (RBI) Act of 1934, they are instrumental in promoting financial inclusion by catering to underserved segments like MSMEs and rural populations.

Bajaj Finance Limited, a subsidiary of Bajaj Finserv Limited, is a prominent player in this sector. Established in 1987 as Bajaj Auto Finance Limited, it initially focused on two-wheeler financing before evolving into a diversified financial services provider. Today, its portfolio spans consumer finance, SME lending, rural lending, and wealth management. The company is recognized for its technology-driven model, offering instant approvals and digital account management to enhance the customer experience.

OBJECTIVES OF THE STUDY

The primary goal of this research is to evaluate the overall financial performance of Bajaj Finance Limited. Specific objectives include:

- To study the profitability of the company through various profit margin ratios.
- To examine the liquidity position of the company to determine its ability to meet short-term obligations.
- To assess the solvency and long-term financial stability.

REVIEW OF LITERATURE :

S. Sivanandham (2024) The study, "Financial Statement Analysis of Bajaj Finance Limited and Its Impact on Financial Decision Making," emphasizes that ratio analysis is a vital tool for stakeholders to gauge a firm's operational efficiency. The research suggests that a systematic analysis of financial statements provides a clear roadmap for investment decisions by highlighting long-term sustainability.

Akansha Agarwal (2025) In her research, "Financial Performance Analysis of Bajaj Finance During the Period 2020–2024," the author highlights that Bajaj Finance demonstrated significant resilience during economic fluctuations. The study attributes this to strong revenue generation and effective cost-management strategies, which helped the company maintain a steady growth trajectory in the post-pandemic market.

Tanvi Pathak (2025) The article "Comparative Financial Performance of Selected NBFCs in India" provides a benchmark for industry standards. The findings suggest that Bajaj Finance consistently outperforms many of its peers due to its highly diversified lending portfolio and superior asset utilization, making it a market leader in the NBFC sector.

Bhaskar Biswas (2019) In the study "Liquidity and Profitability Relationship in Non-Banking Financial Companies," the author argues that the balance between liquidity and profitability is the most critical factor for an NBFC's survival. The research notes that firms like Bajaj Finance successfully manage this trade-off by maintaining sufficient cash reserves without compromising on high-yield investment opportunities.

Deepa Solanki and Nirali Shah (2025) Their research focuses on the "Impact of Capital Structure on the Profitability of NBFCs." The study concludes that while high leverage is a common characteristic of the financial sector, Bajaj Finance effectively uses debt to fuel expansion. The authors specifically point to the company's strong Capital Adequacy Ratio (CAR) as a key indicator of its ability to absorb potential financial shocks.

STATEMENT OF THE PROBLEM

In a competitive and rapidly expanding NBFC sector, evaluating financial performance is vital for assessing long-term sustainability. While Bajaj Finance has demonstrated significant growth, stakeholders must determine if this expansion is underpinned by adequate liquidity and efficient resource utilization. Raw financial statements often fail to highlight underlying structural weaknesses or the balance between risk and return. High profits may mask liquidity constraints, while excessive liquidity can lead to idle resources and reduced profitability. Therefore, there is a need for a systematic analytical approach to interpret complex financial data and identify trends that impact the actual financial health of the company.

RESEARCH METHODOLOGY

Research methodology refers to the systematic way in which a study is conducted in order to achieve the research objectives. It includes the research design, sources of data, sampling methods, tools for data collection, and techniques used for analysis. The present study aims to analyze the impact of inflation on investment and investor behaviour.

RATIO ANALYSIS :

GROSS PROFIT RATIO

YEAR	GROSS PROFIT (cr)	NETSALES (cr)	RATIO
2020-2021	25,421.62	26,668.10	**95.33%**
2021-2022	29,886.87	31,632.42	**94.48%**
2022-2023	39,505.91	41,397.38	**95.43%**
2023-2024	53,037.99	54,969.49	**96.49%**
2024-2025	67,085.85	69,683.51	**96.27%**

INTERPRETATION

The Net Profit Ratio of Bajaj Finance showed a strong improvement over the five-year period. It increased from 16.58% in 2020–21 to 22.22% in 2021–22, indicating better profitability. The ratio further rose to 27.80% in 2022–23, reflecting efficient operations and higher earnings. In 2023–24, it slightly declined to 26.29%, but remained at a high level. During 2024–25, the ratio improved again to 27.07%.

NET PROFIT RATIO

YEAR	NETPROFIT (cr)	NETSALES (cr)	RATIO
2020-2021	4,420.51	26,668.10	**16.58%**
2021-2022	7,028.42	31,632.42	**22.22%**
2022-2023	11,507.96	41,397.38	**27.80%**
2023-2024	14,451.85	54,969.49	**26.29%**
2024-2025	18,865.00	69,683.51	**27.07%**

INTERPRETATION

The Net Profit Ratio of Bajaj Finance showed a strong upward trend over the five years, rising significantly from 16.58% to around 27%, with only a slight dip in 2023–24. Overall, this reflects improved profitability, efficient operations, and strong financial performance.

CURRENT RATIO

YEAR	CURRENTASSET(cr)	CURRENTLIABILITY(cr)	RATIO
2020-2021	135,852.25	101,615.33	**1.34%**
2021-2022	165,152.25	125,206.90	**1.32%**
2022-2023	213,086.83	164,318.43	**1.30%**
2023-2024	292,192.71	223,673.06	**1.31%**
2024-2025	362,576.06	278,861.49	**1.30%**

INTERPRETATION

The Current Ratio of Bajaj Finance remained around 1.30 to 1.34 during the five-year period. In 2020–21, the ratio was 1.34:1, showing that the company had sufficient current assets to meet its short-term liabilities. In 2021–22 and 2022–23, the ratio slightly declined to 1.32:1 and 1.30:1, indicating a small increase in liabilities compared to assets. In 2023–24, the ratio improved slightly to 1.31:1, showing stable liquidity. In 2024–25, the ratio remained 1.30:1, indicating that the company maintained a consistent ability to meet its short-term obligations. Overall, the ratio shows stable liquidity and effective short-term financial management.

DEBT TO EQUITY RATIO

YEAR	TOTAL DEBT (cr)	SHAREHOLDERS EOUITY (cr)	RATIO
2020-2021	99,865.84	35,938.74	**2.78 %**
2021-2022	123,040.25	42,055.88	**2.93%**
2022-2023	161,684.63	51,493.13	**3.14%**
2023-2024	220,378.65	72,010.53	**3.06%**
2024-2025	275,217.60	87,995.71	**3.13%**

INTERPRETATION

The Debt–Equity Ratio of Bajaj Finance showed an overall increasing trend, indicating a growing reliance on borrowed funds. Despite a slight improvement in 2023–24, the ratio remained high throughout, reflecting significant financial leverage, which is typical for financial institutions but involves higher risk.

INTEREST COVERAGE RATIO

YEAR	EBIT (cr)	INTEREST EXPENSES (cr)	RATIO
2020-2021	15,406.26	9,414.00	**1.64 times**
2021-2022	19,252.02	9,748.24	**1.98 times**
2022-2023	28,086.08	12,559.89	**2.24 times**
2023-2024	38,026.62	18,724.69	**2.03 times**
2024-2025	46,832.61	24,770.79	**1.89 times**

INTERPRETATION

The Interest Coverage Ratio of Bajaj Finance increased from 1.64 times in 2020–21 to 1.98 times in 2021–22, indicating an improvement in the company's ability to pay interest on its borrowings. In 2022–23, the ratio further improved to 2.24 times, showing stronger operating earnings compared to interest obligations. However, in 2023–24 the ratio slightly declined to 2.03 times due to a significant rise in interest expenses. In 2024–25, it further decreased to 1.89 times, reflecting increased borrowing costs. Overall, the ratio indicates that the company can cover its interest expenses, but rising finance costs have slightly reduced its coverage capacity in recent years.

FINDINGS

- Gross Profit Ratio remains very high (above 94%) throughout the period, indicating strong cost control and efficient production.
- There is a steady increase in gross profit from ₹25,421.62 cr to ₹67,085.85 cr, showing consistent growth.
- Net Profit Ratio shows a significant improvement from 16.58% to around 27%, reflecting better overall profitability.
- A slight dip in net profit ratio in 2023–2024 suggests rising expenses or operational costs.
- Current Ratio remains stable around 1.30–1.34, indicating moderate liquidity but not very strong.
- The company maintains sufficient current assets to meet short-term obligations, but without a large safety margin.
- Debt-to-Equity Ratio is consistently high (above 2.7), showing heavy reliance on borrowed funds.
- Increasing trend in debt indicates expansion but also higher financial risk.
- Interest Coverage Ratio improved initially but declined after 2022–2023, indicating growing interest burden. Overall, profitability is strong, but financial risk due to debt is increasing.

SUGGESTIONS

- The company should focus on reducing its dependency on debt to improve financial stability.
- Efforts must be made to control rising operating and administrative expenses.
- Improving the current ratio above 1.5 would strengthen liquidity position.
- Efficient working capital management should be maintained to ensure smooth operations.
- The company can explore equity financing to balance the capital structure.
- Interest costs should be reduced by refinancing high-cost debt.
- Maintaining consistency in net profit growth should be a priority.
- Cost optimization strategies should be implemented to sustain high gross margins.
- The company should closely monitor financial risk due to high leverage.
- Strategic investment planning can help improve long-term profitability and stability.

CONCLUSION :

The overall financial performance of the company shows strong profitability with consistently high gross and net profit ratios, indicating efficient operations and revenue generation. However, the company faces concerns regarding high debt levels and moderate liquidity, which increase financial risk. While growth in profits is encouraging, the declining interest coverage ratio signals rising financial pressure. To ensure long-term sustainability, the company should focus on reducing leverage, improving liquidity, and controlling costs. A balanced approach between growth and financial stability will help strengthen its overall financial position.

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