



## **A Study on Financial Performance Analysis of Bajaj Finserv**

**Ms. Ranjitha K. A<sup>a</sup>, Jayden Jonathan<sup>b</sup>**

<sup>a</sup> Assistant Professor, Sri Krishna Adithya College of Arts and Science, Coimbatore-641042

<sup>b</sup> Student, Sri Krishna Adithya College of Arts and Science -641042

### **ABSTRACT**

This study is concerned with the financial performance of Bajaj Finserv companies. Financial Performance measures whether the company's strategy and its implementation and execution are effectively contributing towards Profitability, Liquidity, Efficiency and Solvency so that the business can be carried out smoothly ensuring success, growth and bottom line improvement. Bajaj Finserv Limited, a part of Bajaj Holdings & Investments Limited, is an Indian financial services company focused on lending, asset management, wealth management and insurance. The company employs over 20,154 employees at 1,409 locations, and is engaged in consumer finance businesses, life insurance, and general insurance. Apart from financial services, Bajaj Finserv is also active in wind-energy generation with an installed capacity of 65.2 MW. Bajaj Finserv was ranked among The Economic Times 500 as #119 in 2014 Bajaj Finance Limited (BFL), participates in the financial business and is a company listed on The Stock Exchange, Mumbai (BSE) and the National Stock Exchange

**Keywords:** Bajaj Finserv, Financial Performance, Financial Analysis, Profitability, Asset, Liabilities

### **1. Introduction of the study**

Financial analysis plays a pivotal role in assessing the performance and stability of companies in today's dynamic business environment. One such company that warrants a comprehensive financial analysis is Bajaj Finserv Limited. Bajaj Finserv is a prominent player in the Indian financial services sector, known for its diverse portfolio of financial products and services. This study aims to delve into the intricate details of Bajaj Finserv's financial health, performance, and strategic positioning. Bajaj Finserv, a part of the Bajaj Group, operates across various segments, including insurance, lending, wealth management, and more. The company has witnessed substantial growth and transformation over the years, making it a key player in the Indian financial industry. This study will explore the company's financial statements, key ratios, and other relevant financial metrics to provide a comprehensive evaluation of its financial position.

### **2. Statement of the problem**

Financial performance of a company is used for evaluating the common parts for obtaining a better view on firm's performance and position. To analyse financial efficiency in terms of profitability, solvency and liquidity various accounting ratios can be used. Financial analysis helps both creditors and investors to predict future performance as well as comparison. It mainly helps in showing out companies strength and weakness. The aim of the study is to evaluate the financial performance of BAJAJ FINSERV LIMITED

### **3. Objectives of the study**

The objective of the study are as follows;

- The main objective of this study is to measure the financial performance of the Bajaj Finserv LTD.
- To compare the financial performance of the company for different years.
- To know the profitability of the company
- To evaluate financial performance using Ratio Analysis such as Profitability ratio, Solvency ratio and Quick ratio.

### **4. Scope of the study**

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.

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## 5. Research Methodology

The methodology of the study includes:

- Research Design
- Data Collection
- Data Analysis
- Limitations
- Time Frame
- Reporting and Presentations
- Conclusion and Recommendations

### 5.1 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.

### 5.2 Data Collection

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.

### 5.3 Data Analysis

Financial Ratio Analysis: Various financial ratios, such as liquidity ratios, profitability ratios, leverage ratios, and efficiency ratios, will be calculated and analyzed to evaluate Bajaj Finserv's financial performance.

Trend Analysis: Historical financial data will be analyzed to identify trends and patterns in Bajaj Finserv's financial performance over the years.

Comparative Analysis: Benchmarking Bajaj Finserv against its industry peers and competitors will provide a broader perspective on its financial standing.

Statistical Tools: Statistical tools like regression analysis may be used to identify relationships between financial variables.

### 5.4 Limitations

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.

### 5.5 Time Frame

The study will cover a specific timeframe, which may include several years of historical financial data to provide a comprehensive analysis of Bajaj Finserv's financial performance.

### 5.6 Reporting and Presentation

The findings of the study will be presented in a structured report format. Visual aids, charts, and tables will be used to enhance the clarity of the analysis.

### 5.7 Conclusion and Recommendation

The study will conclude with a summary of key findings and provide recommendations or insights for investors, policymakers, and other stakeholders interested in Bajaj Finserv's financial performance and prospect

## 6. Review of Literature

- "The Role of Financial Institutions in the Global Economy" (2022) by Franklin Allen and Elena Carletti. This paper examines the role of financial institutions in the global economy and discusses the importance of regulation in ensuring financial stability.
- "Financial Inclusion: A Review of the Literature" (2021) by Maria Ana Lugo and Michael R. Carter. This review paper examines the literature on financial inclusion, which is the process of ensuring that individuals and businesses have access to affordable financial services.
- Jain, A., & Joshi, M. (2021). "A Study on the Impact of Covid-19 on Indian NBFCs." The study analyzes the impact of the Covid-19 pandemic on Indian NBFCs and finds that they faced significant challenges, including liquidity risk, asset quality deterioration, and reduced profitability.
- "The Relationship between Financial Ratios and Stock Returns: Evidence from the Tehran Stock Exchange" by Salehi and Bagheri (2021) - This study analyzed the relationship between financial ratios and stock returns in the Tehran Stock Exchange. The authors found that certain financial ratios, such as earnings per share and return on assets, were significantly related to stock returns in the Tehran Stock Exchange
- Agarwal, R. K., & Goyal, S. (2020). "Non-Banking Financial Companies (NBFCs) and Their Role in Indian Economy." The paper discusses the role of NBFCs in the Indian economy and their contribution to economic growth, financial inclusion, and job creation.

## 7. Research gap

While there may have been research on the financial performance of Bajaj Finserv, a research gap might exist in understanding how external economic factors, such as changes in interest rates, inflation, GDP growth, and global economic conditions, influence the company's financial performance. This research could delve into how Bajaj Finserv responds to macroeconomic shifts, manages risk, and adjusts its strategies in the context of a dynamic economic environment.

Exploring this research gap could provide valuable insights into the resilience and adaptability of Bajaj Finserv's financial operations and help in making informed decisions for both investors and policymakers.

## 8. Analysis and Interpretation of Data

Ratio analysis is a financial analysis technique that involves evaluating a company's financial performance and health by examining various financial ratios derived from its financial statements. These ratios provide insights into different aspects of a company's operations, profitability, liquidity, solvency, and efficiency. Ratio analysis is a valuable tool for investors, creditors, analysts, and managers to assess a company's financial strength and make informed decisions.

The tools used for ratio analysis;

- Current Ratio
- Quick Ratio
- Gross Profit Ratio
- Net Profit Ratio

### 8.1 Current Ratio

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

#### 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.

### 8.2 Quick Ratio

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

#### 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.

### 8.3 Gross Profit Ratio

Table Showing the no of members in the family.

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

#### 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.

Overall, the trend in the gross profit ratio of Bajaj Finserv over the past five years suggests that the company has been able to maintain a reasonable level of profitability despite fluctuations in sales and the cost of goods sold.

### 8.4 Net Profit Ratio

Table showing the family income of the respondents.

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

#### 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.

## 9. Findings and Suggestions

#### Ratio Analysis:

- 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.
- Bajaj Finserv has been able to generate significant revenue per unit of fixed assets, with a fixed asset turnover ratio ranging from 21 to 29 times over the years. However, there has been a decline in the ratio from 2019 to 2020 and in 2022, which may indicate that the company is not using its fixed assets as effectively to generate revenue.

### *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.

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### **Conclusion**

The company have 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.

According to this study, that the financial performance analysis of Bajaj Finserv is satisfactory. This study helped you to know the financial strength and weakness of Bajaj Finserv. Liquidity ratio, solvency ratio and working capital shows negative sign. Profitability ratio and turnover ratio shows a positive sign. So the financial performance is satisfactory but there is a further scope for improvement.

### **Reference**

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## Annexure

BALANCE SHEET OF BAJAJ FINSERV (in Rs. Cr.)	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
	12 mths	12 mths	12 mths	12 mths	12 mths
<b>EQUITIES AND LIABILITIES</b>					
<b>SHAREHOLDER'S FUNDS</b>					
Equity Share Capital	79.57	79.57	79.57	79.57	79.57
<b>TOTAL SHARE CAPITAL</b>	<b>79.57</b>	<b>79.57</b>	<b>79.57</b>	<b>79.57</b>	<b>79.57</b>
Reserves and Surplus	40,167.23	35,750.43	31,211.68	23,660.50	20,403.37
<b>TOTAL RESERVES AND SURPLUS</b>	<b>40,167.23</b>	<b>35,750.43</b>	<b>31,211.68</b>	<b>23,660.50</b>	<b>20,403.37</b>
<b>TOTAL SHAREHOLDERS FUNDS</b>	<b>40,246.80</b>	<b>35,830.00</b>	<b>31,301.25</b>	<b>23,740.07</b>	<b>20,482.94</b>
Minority Interest	26,073.12	22,463.98	19,560.15	12,807.65	10,774.35
<b>NON-CURRENT LIABILITIES</b>					
Long Term Borrowings	106,150.84	80,471.81	71,906.21	62,179.91	65,694.72
Deferred Tax Liabilities [Net]	305.75	319.61	80.04	94.68	47.73
Other Long Term Liabilities	3,228.61	2,997.10	2,731.84	2,185.16	1,780.75
Long Term Provisions	233.59	226.38	175.80	166.19	153.89
<b>TOTAL NON- CURRENT LIABILITIES</b>	<b>109,918.79</b>	<b>84,014.90</b>	<b>74,893.89</b>	<b>64,625.94</b>	<b>67,677.09</b>
<b>CURRENT LIABILITIES</b>					
Short Term Borrowings	54,363.56	47,441.20	54,700.17	37,574.44	0.00
Trade Payables	4,821.89	4,838.76	3,938.89	3,940.65	3,999.21
Other Current Liabilities	98,294.80	85,575.48	66,989.84	65,834.11	58,628.40
Short Term Provisions	0.00	0.00	0.00	0.00	0.00
<b>TOTAL CURRENT LIABILITIES</b>	<b>157,480.25</b>	<b>137,855.44</b>	<b>125,628.90</b>	<b>107,349.20</b>	<b>62,627.61</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>333,718.96</b>	<b>280,164.32</b>	<b>251,384.19</b>	<b>208,522.86</b>	<b>161,561.99</b>
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Tangible Assets	2347.25	2,093.26	2,193.06	1,175.73	967.72
Intangible Assets	548.99	399.50	333.22	231.76	134.79
Capital Work-In- Progress	53.64	49.57	13.20	60.81	22.98
<b>FIXED ASSETS</b>	<b>3,009.05</b>	<b>2,621.61</b>	<b>2,570.97</b>	<b>1,473.00</b>	<b>1,130.21</b>