



# ANALYSIS OF FINANCIAL PERFORMANCE OF BAJAJ FINANCE LTD

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## ABSTRACT :

This project focuses on analysing the financial performance of Bajaj Finance Ltd., one of India's top non-banking financial companies (NBFCs). The study looks at key financial indicators such as profitability, liquidity, and solvency using data from the company's annual reports over the past five years. It also considers how market trends, economic conditions, and management decisions have influenced the company's performance. By evaluating Bajaj Finance's growth, asset quality, and return on investments, this project aims to provide insights into the company's financial stability and its ability to maintain a competitive edge in the market.

## INTRODUCTION OF THE STUDY

Finance is the study of managing money and making decisions about investments, savings, and expenses. It explores how individuals, businesses, and governments allocate their resources to achieve financial goals. Key concepts include understanding financial markets, assessing risks, and optimizing returns to ensure sustainable financial well-being.

Bajaj Finance is a prominent financial institution based in India, specializing in diverse financial services. With a robust presence in consumer finance, it offers a wide array of products such as personal loans, home loans, and consumer durable loans. Known for its innovative approach, Bajaj Finance leverages technology to streamline processes, ensuring quick approvals and hassle-free transactions, the company has demonstrated consistent growth and financial stability, making it a reliable choice for individuals seeking financial solutions.

## STATEMENT OF THE PROBLEM

Bajaj Finance Ltd.'s liquidity position is a concern, with fluctuations in the Current and Quick Ratios potentially signals short-term liquidity challenges that may affect its ability to meet immediate financial obligations. Additionally, a decline in profitability ratios, possibly driven by rising operational costs, pricing pressures, or shifts in its business model, poses risks to its profit margins and market competitiveness. The increasing Debt Equity Ratio highlights a growing debt burden, which could threaten the company's long-term financial stability and raise its financial risk during economic downturns. Concerns also arise over the impact of growing short-term borrowings and asset-liability mismatches on Bajaj Finance Ltd.'s working capital efficiency, potentially disrupting operations. Despite rapid growth, questions remain about the financial sustainability of Bajaj Finance Ltd.'s expansion, especially with rising leverage and profit margin pressures, which could jeopardize its long-term stability.

## OBJECTIVES OF STUDY

\*To understand Bajaj Finance Ltd.'s **liquidity** and ability to meet short-term obligations.

\*To evaluate its **profitability**, focusing on efficiency in managing revenues and controlling costs.

\*To assess the company's **solvency** and financial leverage, with particular emphasis on the long-term sustainability of its debt levels.

## SCOPE OF STUDY

This study aims to offer a comprehensive analysis of the financial performance of Bajaj Finance Ltd. over the period from 2019 to 2024. The primary objective of this research is to evaluate the company's financial health by analysing key financial ratios and conducting trend analysis, with a focus on assessing its **liquidity**, **profitability**, **solvency**, and **operational efficiency**

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## RESEARCH METHODOLOGY

The research methodology for this project is designed to systematically analyse the financial performance of Bajaj Finance Ltd. from 2019 - 20 to 2023 - 24. The approach will primarily focus on financial ratio analysis, trend analysis, and data interpretation to evaluate the company's liquidity, profitability, solvency, and operational efficiency.

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## LIMITATIONS OF STUDY

\*The analysis does not comprehensively consider macroeconomic factors (e.g., inflation, interest rates, and economic recessions) that could have had a significant impact on the company's financial ratios. While trends can indicate financial health, they may not fully reflect the company's performance in response to broader economic conditions.

\*The study is reliant on publicly available financial data, which may not capture certain internal financial metrics or projections that could impact the analysis.

\*The study does not take into account non-financial factors such as customer satisfaction, employee performance, or market sentiment, which can also significantly influence the company's financial performance and market positioning.

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## REVIEW OF LITERATURE

- “A STUDY OF LOANS AND ADVANCES OFFERED IN BAJAJ FINANCE LTD” by Ishita Bhatnagar in the year 2023. Primarily focus on loans advances offered in Bajaj Finance for the consumers.
- “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.
- Vinoth K (2022) this examine indicates the monetary control step one toward gaining a valid expertise of an enterprise monetary or evaluate of the corporation. Financial Evaluation is expected destiny monetary overall performance and corporation Financial Evaluation is the assessment of a corporation's past; gift monetary choice making and planning monetary strengths. And weak point and to offer the critical basis circumstance.

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## INDUSTRIAL OVERVIEW

Bajaj Finance Limited stands as a cornerstone in India's financial landscape, renowned for its Comprehensive suite of offerings and unwavering commitment to customer satisfaction. Established in 1987, Bajaj Finance has burgeoned into a powerhouse within the non-banking financial sector. At its core lies a diverse array of financial products and services tailored to meet the needs of both retail and corporate clients. From consumer finance facilitating the purchase of Consumer durables, electronics, and vehicles to personal loans, home loans, and wealth Management services, Bajaj Finance caters to a wide spectrum of financial requirements.

### MISSION

-Empower individuals and businesses through accessible financial solutions.

### VISION

-Be the leading financial services provider in India.

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## ANALYSIS AND INTERPRETATION

### RATIO ANALYSIS

Ratio analysis is a method of a company's financial statements to understand its profitability, liquidity analysing, and efficiency. It's a key part of fundamental equity analysis.

### LIQUIDITY RATIO

Liquidity is a very critical part of a business. Liquidity is required for a business to meet its short term obligations. Liquidity ratios are a measure of the ability of a company to pay off its short-term liabilities.

The most commonly used liquidity ratios are the current ratio and the quick ratio.

### CURRENT RATIO

Typically, it is a financial metric that enables investors and stockholders to assess a firm's ability to pay off its immediate liabilities with its current assets. In other words, it offers a fair idea about a firm's current assets against its current liabilities.

The said ratio is also known as the working capital ratio. It is considered to be one of the few liquid ratios that can be used to gauge a firm's ability to use cash and cash equivalents to meet immediate working capital needs.

In case the current ratio is not available for a company; one can find out the same by taking into account the current assets and current liabilities recorded in its balance sheet.

**Current Ratio = Current Asset / Current Liabilities**

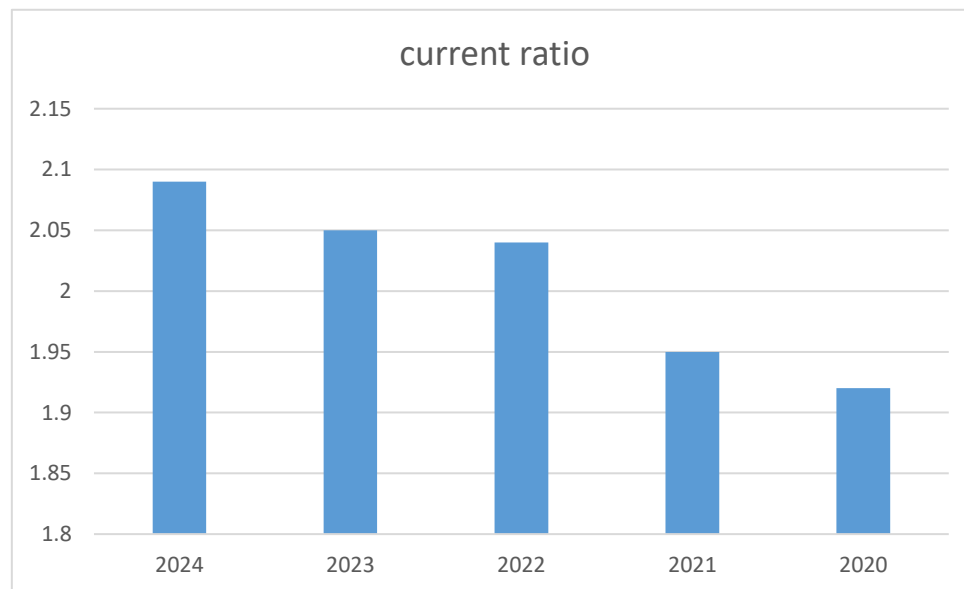
**Table 4.1.1. Current Ratio**

Year	Current Asset	Current Liabilities	Current Ratio
2024	529,347.11	252,587.47	2.09
2023	398,596.91	193,883.81	2.05
2022	321,358.14	157,480.25	2.04
2021	269,460.60	137,855.44	1.95
2020	241,440.17	125,628.90	1.92

#### Interpretation

Bajaj Finserv's current ratio from 2020 to 2024 shows an upward trend, with a continuous growth from 2020 to the year 2024.

**Graph 4.1.1.**



#### Inference

The calculation of current ratio is from the year 2020 to 2024. The highest ratio is in the year of 2024 of 2.09 and lowest current ratio is in the year 2020 of 1.92 which shows an real progress.

#### QUICK RATIO

Quick Ratio acts as a company's indicator for its short-term liquidity position, and it measures the ability of the business to discharge its short-term obligations with the liquid assets at its disposal. It includes only such liquid assets that may be converted into cash within 90 days without bearing an adverse impact on its price.

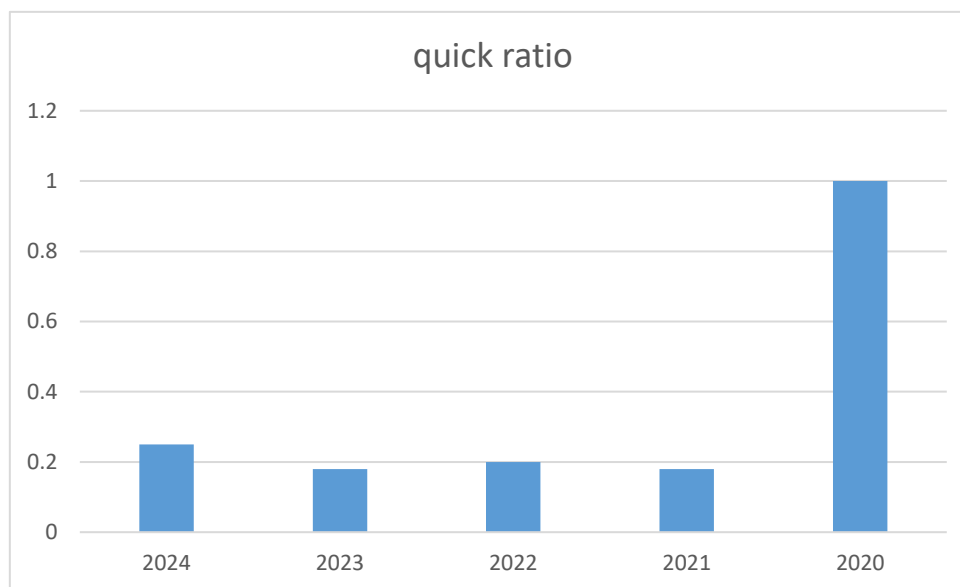
**Quick Ratio = Current Asset – Inventories – Prepaid Expenses / Liabilities**

**Table 4.1.2. Quick Ratio**

Year	Quick Assets	Current Liabilities	Quick Ratio
2024	65,503.62	252,587.47	0.25
2023	35,017.14	193,883.81	0.18
2022	32,807.90	157,480.25	0.20
2021	26,011.21	137,855.44	0.18
2020	126,539	125,628.90	1.00

**Interpretation**

The quick ratio dropped significantly from 1.00 (2020) to 0.25 (2024), indicating a sharp decline in liquidity.

**Graph 4.1.2.****Inference**

The quick ratio has significantly declined from 1.00 in 2020 to 0.25 in 2024, showing a sharp drop in liquidity. This suggests that Bajaj Finserv's liquid assets have not kept pace with its rising short-term liabilities. A ratio below 1 indicates potential challenges in meeting short-term obligations without relying on inventory or additional financing. The downward trend signals a need for improved working capital management or strategic liquidity adjustments.

**WORKING CAPITAL**

Working capital, also known as net working capital (NWC), is the difference between a company's current assets—like cash, accounts receivable/customers' unpaid bills, and inventories of raw materials and finished goods—and its current liabilities, such as accounts payable and debts.

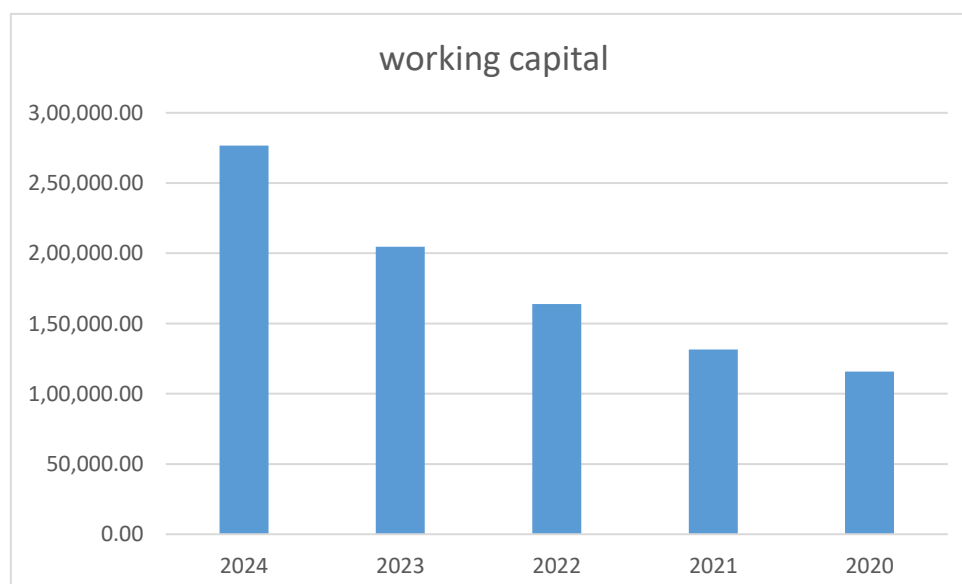
**Working Capital = Current Asset – Current Liability**

**Table 4.4.****WORKING CAPITAL**

Year	Current Asset	Current Liability	Working Capital
2024	529,347.11	252,587.47	276,759.64
2023	398,596.91	193,883.81	204,713.10
2022	321,358.14	157,480.25	163,877.89
2021	269,460.60	137,855.44	131,605.16
2020	241,440.17	125,628.90	115,811.27

**Interpretation**

In 2024, the company's working capital stands at ₹276,759.64 crore, indicating a strong liquidity position with ₹529,347.11 crore in current assets exceeding ₹252,587.47 crore in current liabilities.

**Graph 4.4.**

### Inference

The working capital has increased from ₹115,811.27 crore in 2020 to ₹276,759.64 crore in 2024, indicating strong financial growth and improved liquidity.

### TREND ANALYSIS

Trend analysis is a statistical approach to identifying patterns or changes in data over time. It's used to help predict future business dynamics and inform decision-making. Whether used for finance, marketing, supply chain management, economics, healthcare or environmental sciences, it can be a useful tool for any organization looking to build evidence-based strategies based on historical precedents.

But trend analysis also has limitations. For instance, past trends don't always accurately predict future outcomes due to unforeseen variables or changes in conditions. To ensure a well-rounded approach to strategic planning, it's wise to use trend analysis in conjunction with other analytical tools and up-to-date market intelligence.

$$\text{Trend Analysis} = \text{Current Year} / \text{Base Year} \times 100$$

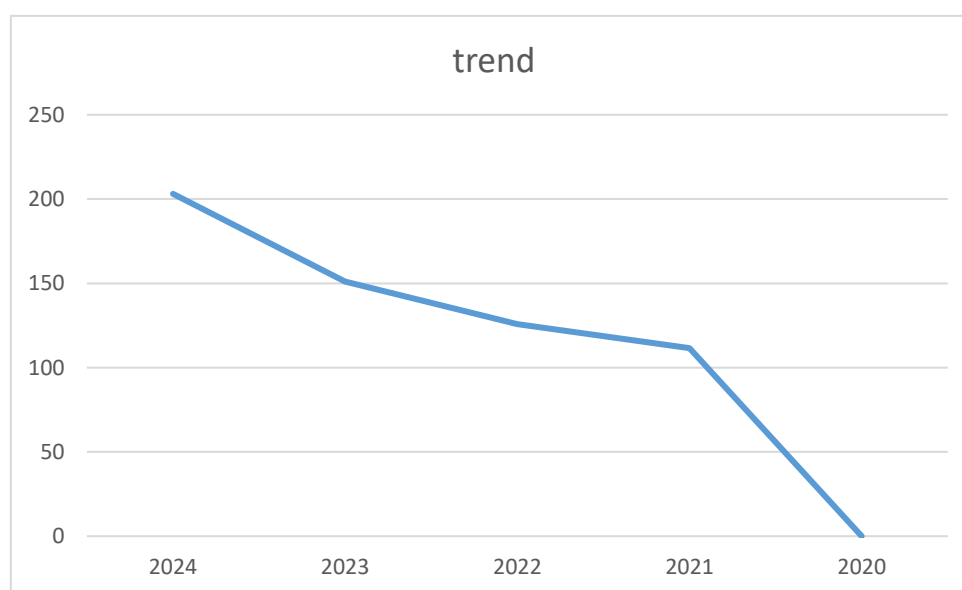
**Table 4.5. TREND ANALYSIS**

Year	Sales	Trend
2024	110,381.91	203.10
2023	82,071.24	151.01
2022	68,406.08	125.86
2021	60,591.20	111.49
2020	54,346.69	0.01

### Interpretation

Sales have increased from ₹54,346.69 crore in 2020 to ₹110,381.91 crore in 2024, indicating significant revenue growth.

**Graph 4.5.**



### Inference

The trend value has increased from ₹0.01 in 2020 to ₹203.10 in 2024, indicating significant growth over the years.

## FINDINGS

1)The interpretation indicates that Bajaj Finserv's current ratio has shown a continuous upward trend from 2020 to 2024, reflecting improved liquidity and a stronger ability to meet short-term obligations. This consistent growth suggests positive financial health and potential stability, which could enhance investor confidence. However, further analysis is needed to determine whether this increase is due to better asset management, reduced liabilities, or other financial strategies.

2)The interpretation indicates a significant decline in Bajaj Finserv's quick ratio from 1.00 in 2020 to 0.25 in 2024, suggesting a sharp deterioration in liquidity. This drop implies that the company's ability to cover its short-term liabilities using its most liquid assets has weakened considerably, which could raise concerns about its short-term financial stability. The decline may be due to increased short-term liabilities, a reduction in liquid assets, or changes in financial strategy, all of which require further analysis to determine the underlying cause.

3)The findings indicate strong business growth for the company, as gross profit increased significantly from ₹8,301 crore in 2020 to ₹21,366.94 crore in 2024, along with a substantial rise in net sales from ₹54,346.69 crore to ₹110,381.91 crore in the same period. The gross profit ratio showed an upward

trend, peaking at 20.48% in 2023, suggesting improved cost management or stronger pricing power, but a slight decline to 19.35% in 2024 hints at rising costs or a competitive pricing strategy affecting margins. Overall, the company exhibits strong revenue expansion, though profitability pressures emerged in 2024.

4) In 2024, the company's working capital stands at ₹276,759.64 crore, indicating a strong liquidity position. This is driven by current assets of ₹529,347.11 crore, which significantly exceed current liabilities of ₹252,587.47 crore. The positive working capital suggests that the company is well-positioned to meet its short-term obligations and sustain its operations efficiently

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## SUGGESTIONS

1. To address short-term liquidity challenges, Bajaj Finance Ltd. should optimize cash management by maintaining higher liquid assets, improving working capital management, and reducing reliance on short-term borrowings. Regular liquidity assessments will ensure the company meets its obligations without disrupting operations.
2. To address declining profitability, Bajaj Finance should implement cost control measures, adopt technology to improve efficiency, adjust pricing strategies, and focus on high-margin products. Regular business model reviews will help ensure sustainable profitability.
3. To mitigate long-term financial risks from a rising Debt Equity Ratio, Bajaj Finance should balance debt and equity, refinance high-cost debt, reduce leverage through retained earnings, and issue equity to strengthen its capital base.
4. Bajaj Finance should improve working capital efficiency by optimizing asset management, reducing receivables turnover, and aligning short-term borrowings with cash flow needs, ensuring better liquidity and operational performance.
5. Bajaj Finance should ensure sustainable growth by focusing on long-term profitability, controlling leverage, maintaining a strong capital structure, and carefully assessing expansion plans to avoid compromising financial health and increasing risk.

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## CONCLUSION

The financial performance analysis of Bajaj Finserv from 2020 to 2024 reveals significant growth in revenue and profits, with a positive upward trend in the current ratio indicating improved liquidity and financial health. However, a notable decline in the quick ratio raises concerns about the company's ability to cover its most liquid liabilities, suggesting the need for better asset and liability management. The company's working capital remains strong, positioning it well to meet short-term obligations, but further optimization of resources could enhance efficiency. While the gross profit and operating profit growth reflect strong business expansion, the slight decline in profit ratios highlights rising costs and competitive pressures, which could impact future profitability. To improve financial performance, Bajaj Finserv should focus on enhancing liquidity, managing costs effectively, maintaining a balanced debt-equity ratio, and strategically reinvesting profits in high-growth areas. Overall, while the company demonstrates solid growth, addressing these areas will strengthen its financial position and ensure long-term success.

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