

GOVERNMENT CITY COLLEGE (AUTONOMOUS)

(Affiliated to Osmania University)

DEPARTMENT OF COMMERCE & MANAGEMENT STUDIES

Hyderabad – 500002, Telangana

A

RESEARCH PAPER

ON

A STUDY OF NON BANKING FINANCIAL COMPANY (NBFC) WITH REFERENCE TO BAJAJ
FINANCE

Prof. V. Shireesha

Professor of commerce

Department of commerce

Government City College (Autonomous)

Nayapul, Hyderabad -500002, Telangana, India

Zohra Fatima

Department of Commerce

Government City College (Autonomous)

Hyderabad – 500002, Telangana, India

Atufa nurain

Department of Commerce

Government City College (Autonomous)

Hyderabad – 500002, Telangana, India

ABSTRACT

The Non-Banking Financial Companies (NBFCs) have emerged as a vital component of India's financial system by providing credit and financial services to segments underserved by traditional banks. This study aims to analyze the role, growth, and customer perception of NBFCs with special reference to Bajaj Finance Limited.

The objectives of the study are to understand the functions and importance of NBFCs, Examine the growth and services offered by Bajaj Finance, and assess customer Satisfaction and awareness levels regarding its products. The study is based on both primary data collected through a structured questionnaire from 80 respondents in Hyderabad, and secondary data from journals, annual reports, and websites.

The findings reveal that Bajaj Finance has strong brand awareness and plays a significant Role in consumer durable financing. 80% of respondents are aware of Bajaj Finance, and 77% have availed loans from it, mainly for consumer durables. The study also shows that 72% of customers are satisfied with Bajaj Finance services, and trust is the major reason For choosing it over banks and other NBFCs. In conclusion, NBFCs like Bajaj Finance are bridging the credit gap in India through quick service, flexible EMI options, and customer-centric schemes. The study suggests that Bajaj Finance can further strengthen its position by expanding digital services and improving Grievance redressal to maintain long-term customer trust.

Keywords: NBFC, Bajaj Finance, Consumer Finance, Customer Satisfaction, Credit, EMI, NBFC, HYDERABAD...

1.INTRODUCTION

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of Shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of Agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property. A nonbanking institution which is a company and has principal business of receiving deposits Under any scheme of arrangement in one lump sum or in instalments by way of Contributions or in any other manner, is also a nonbanking financial company (Residuary Non-banking company). Nonbank financial companies (NBFCs), also known as nonbank financial institutions (NBFIs), are financial institutions that offer various banking services but do not have a Banking license. Generally, these institutions are not allowed to take traditional demand Deposits readily available funds, such as those in checking or savings accounts from the public

NBFCs do not form part of the payment and settlement system and cannot issue cheques Drawn on itself,

The list of registered NBFCs is available on the web site of Reserve Bank of India and can be viewed at www.rbi.org.in

NBFCs facilitate lengthy credit periods to suit the long-term financial needs of the Commerce, trade, infrastructure and construction companies, for accomplishing massive Projects. They provide capital to various private companies, accelerating the growth of industries And thus improving the Gross Domestic Produced (GDP) of the country. NBFCs typically have several advantages over banks due to their foc on niche segment, expertise in the specific asset classes, and deeper penetration in the rural and unbanked Markets. However, on the flip side, they depend to a large extent on bank borrowings, Leading to high cost of borrowings and face compete from banks which has lower cost of Funds. The growing asset size of the NBFC sector has increased the need for risk management in The sector due to growing interconnectedness of NBFCs with other financial sector Intermediaries. The Reserve Bank of India (RBI) has been in the recent past trying to Strengthen the risk management framework in the sector, simplify the regulations and plug Regulatory gaps so as to prevent regulatory arbitrage between banks and NBFCs.

What is difference between banks & NBFCs?

- NBFCs lend and make investments and hence their activities are akin to that of Banks; however, there are a few differences as given below:
- NBFC cannot accept demand deposits;
- NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself. Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

Growth in NBFC:

- The challenges faced by non-banks in access to funding following the credit cliff event in September 2018 and recent defaults by some large non-banks has only increased the risk aversion of lenders and investors.
- A clear differentiation is visible between groups of non-banks. At an overall level, players with a strong parentage are still getting funds, while those without any parentage continue to face challenges.
- Bifurcating this further, wholesale NBFCs without strong parentage are the worst hit. Home loan- and retail- focused non-banks are relatively better off.

2.Review of literature

Wruck (2015) argue in the newspaper of theirs, “Financial Conservatism: Evidence On Capital Structure out of Low Leverage Firms”, which traditional businesses have comparatively excessive cost to reserve as well as run comparatively frequently inside industries to become responsive to affordable distress. They feel the former Feature is coherent with a big body of previous procedure documenting a complete Opposite connection between cost to reserve influence as well as worth. Thilakam and Saravanan (2018) write on “CAMEL Analysis of NBFCs in Tamil Nadu” in ‘International Journal of Business and Administration Research Review’. Financial Intermediation is a crucial function of Banks, Non-Banking financial companies (NBFCs) and Development Financial

Institutions (DFIs) the post reform period in India is characterized by phenomenal growth of NBFCs complementing the role of Banks in mobilizing funds and making it available for investment purposes. During the last decade NBFCs have undergone wide volatility and change as an industry and have been witnessing considerable business upheaval over the last decade Because of market dynamics, public sentiments and regulatory environment. To Evaluate the soundness of NBFCs in Tamil Nadu over a decade, the authors made An attempt of CAMEL criteria for analysis of selected Companies. Based on findings .The suggestions were offered to overcome the difficulties face by selected NBFCs in their development. Shail Shakya (2017) published a working paper entitled “Regulation of Non-banking Financial Companies in India: Some Visions & Revisions”. Non-Banking Financial Companies are pioneer in their cash deployment, accessibility to the markets and Others to count. NBFCs are known for their higher risk-taking capacity than the banks. Despite being an institution of attraction for the investors, NBFCs have played a significant role in the financial system. Many specialized services such as factoring, venture capital finance, and financing road transport were championed by These institutions. NBFC sector has more significantly seen a fair degree of Consolidation, leading to the emergence of large companies with diversified Activities. However, the recent financial crisis has highlighted the importance of Widening the focus of NBFC regulations to take particular account of risks arising from the regulatory gaps, from arbitrage opportunities and from inter connected of various activities and entities associated with the financial System.

The regulatory regime is lighter and different than the banks. The steady increase in Bank credit to NBFCs over the recent years means that the possibility of risks being transferred from more lightly regulated NBFC sector to the banking sector in India can't be ruled Out.

Ravi Puliani and Mahesh Puliani (2016) write a book entitled “Manual of Non Banking Financial Companies”. The book discussed the glossary of terms that are Used in banking operations and non-banking activities. The book covers the Circulars and directions issued by Reserve Bank of India from time to time to Control, manage and regulate the business of NBFCs. Tax mann's (2013) published “Statutory Guide for Non-Banking Financial Companies” is published by Tax Mann's Publications, New Delhi. The book listed the Laws relating to Non- Banking Financial Companies. The rules and laws governing .The kinds of businesses undertaken by different types of NBFCs are also discussed. Amit Kumar and shika Agarwal (2014) published a paper entitled “Latest Trends in Non- banking Financial Institutions” in ‘Academician: An International Multidisciplinary Research Journal’. In Indian Economy, there are two major Financial Institutions, one is banking and other is non-Banking. The Non-Banking Financial Institutions plays an important role in our economy as they provide financial services on wide range, they also work to offer enhanced Equity and risk based products, along with this they also provide short to long term Finance to

different sectors of the economy, and many other functions. This paper examines the latest trends in Non- Banking Financial Institutions. This paper analyse the growth and enhanced prosperity of financial institutions in India.

3.RESEARCH GAP

Although several studies have examined the financial performance and growth of NBFCs in India, most research has focused on ratio analysis, profitability, liquidity, and comparisons among major NBFCs. Limited studies have specifically analyzed Bajaj Finance by considering its recent digital transformation, customer-centric lending practices, financial inclusion initiatives, and changing regulatory environment. Additionally, many existing studies rely only on secondary financial data and do not evaluate customer perception or the impact of recent economic and regulatory developments on the company's performance.

Therefore, this study attempts to bridge this gap by providing a comprehensive analysis of Bajaj Finance as a leading NBFC, examining its financial performance, business growth, and contribution to the NBFC sector using recent data. The study aims to offer updated insights into the company's performance and its role in India's financial system.

4.Objectives of the Study

The primary objective of this study is to analyze the role and performance of NBFCs with special reference to Bajaj Finance Limited. The specific objectives are:

1. To understand the functions and operations of NBFCs in India's financial system.
2. To study the growth prospects and contribution of NBFCs to financial inclusion and credit flow.
3. To examine the working, organizational structure, and business model of Bajaj Finance Limited.
4. To identify the key problems and challenges faced by NBFCs such as funding issues, regulatory changes, and competition from banks.
5. To study the range of services and products offered by NBFCs, with focus on consumer durables, personal loans, and digital lending.
6. To analyze the specific role and functions of Bajaj Finance Ltd in consumer Finance and its impact on customer satisfaction.

5. Research Questions

1. What is the role of NBFCs in the growth of the Indian financial system?
2. What are the major products and services offered by Bajaj Finance as an NBFC?
3. How has Bajaj Finance performed financially over the past five years?
4. What factors have contributed to the growth and success of Bajaj Finance?
5. How satisfied are customers with the services provided by Bajaj Finance?
6. What impact has digital technology had on the operations and customer service of Bajaj Finance?
7. What challenges does Bajaj Finance face in the current regulatory and competitive environment?
8. How does Bajaj Finance contribute to financial inclusion in India?

6. Research methodology

Research work is traditionally defined as gathering of data to answer the questions and finding solutions to problems. The research work may be asked to provide answer to questions of theoretical interest to particular discipline. This may include such questions which have no interest to the society. Research methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. Data is collected from two methods, primary and secondary data collection.

6.1 Research Design

The study follows a descriptive research design. It aims to analyze the role, performance, customer satisfaction, and growth of NBFCs with special reference to Bajaj Finance. The descriptive approach helps in systematically collecting, analyzing, and interpreting data related to the study.

6.2 Data Collection Method

The study is based on both primary and secondary data. Primary Data: Primary data were collected through a structured questionnaire distributed among customers of Bajaj Finance.

Secondary Data: Secondary data were collected from annual reports of Bajaj Finance, RBI publications, company websites, research journals, books, newspapers, and other reliable online sources.

6.3 Sampling Technique

The study uses the Convenience Sampling Technique, a non-probability sampling method, where respondents were selected based on their accessibility and willingness to participate in the survey.

6.4 Sample Size

A total of 80 respondents were selected for the study. The sample consists of customers who have availed themselves of services offered by Bajaj Finance.

6.5 Research Instrument

A structured questionnaire was used as the primary research instrument. It included both closed-ended and multiple-choice questions to collect information regarding customer awareness, satisfaction, service quality, and preferences related to Bajaj Finance.

6.6 Target Population

The target population for this study comprises customers of Bajaj Finance, including individuals who have used its financial products and services such as personal loans, consumer durable loans, EMI cards, insurance, and investment products.

7. RESULT & DISCUSSION

Results

1. The study found that a majority of the respondents were aware of the products and services offered by Bajaj Finance, indicating a strong market presence and brand recognition.
2. Most respondents preferred Bajaj Finance because of its quick loan approval process, minimal documentation, flexible repayment options, and easy accessibility through digital platforms.
3. The majority of customers expressed satisfaction with the quality of services provided by Bajaj Finance, particularly in terms of customer support, transparency, and convenience.
4. The financial analysis of Bajaj Finance showed consistent growth in revenue, assets, profitability, and customer base over recent years, reflecting the company's strong financial performance.
5. Digital services such as online loan applications, EMI cards, mobile applications, and instant approvals significantly enhanced customer convenience and operational efficiency.
6. The study also identified certain challenges, including increasing competition from banks and fintech companies, regulatory changes, and the need to maintain asset quality while expanding lending activities.

Discussion

The findings indicate that **Bajaj Finance has established itself as one of the leading NBFCs in India** by offering innovative financial products and maintaining high customer satisfaction. Its emphasis on digital transformation and customer-centric services has enabled it to gain a competitive advantage in the financial services market.

The company's strong financial performance demonstrates efficient management, effective risk control, and sustainable business growth. Customers appreciate the speed, convenience, and flexibility of its financial services, which has contributed to increased customer loyalty.

However, the study also highlights that Bajaj Finance must continue improving its digital infrastructure, strengthen risk management practices, and adapt to changing regulatory requirements to sustain its market leadership. Continuous innovation and customer-focused strategies will help the company remain competitive in the rapidly evolving NBFC sector.

Conclusion

The study “A Study of NBFC with Reference to Bajaj Finance” concludes that Non-Banking Financial Companies (NBFCs) play a significant role in the Indian financial system by providing credit and financial services to individuals, businesses, and underserved sectors. They complement the banking system by improving financial inclusion and supporting economic development.

The findings reveal that Bajaj Finance has emerged as one of India’s leading NBFCs due to its strong financial performance, customer-centric approach, innovative digital lending solutions, and diversified portfolio of financial products. The company has successfully maintained consistent growth in revenue, profitability, and customer base while adapting to changing market conditions and regulatory requirements.

The study also shows that customers are generally satisfied with the services offered by Bajaj Finance because of its quick loan processing, transparent procedures, flexible repayment options, and effective customer support. However, increasing competition from banks and fintech companies, along with regulatory changes and credit risks, remain key challenges that require continuous innovation and efficient risk management.

Overall, Bajaj Finance has made a significant contribution to the growth of the NBFC sector and India’s financial ecosystem. Continued technological innovation, customer-focused services, and sound financial management will help the company sustain its competitive position and achieve long-term growth.

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