



A Comparative Performance Appraisal of Bajaj Finance Ltd. and Tata Capital Financial Services Ltd.

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Abstract

Non-Banking Financial Companies (NBFCs) play a crucial role in the Indian financial system by complementing banks in providing credit, promoting financial inclusion, and offering specialised financial services. The present study aims to evaluate the performance of selected NBFCs in India using key financial indicators. This research analyses profitability, liquidity, solvency, and efficiency ratios to assess the overall financial health of these organisations. Secondary data has been collected from annual reports and published financial statements of the selected NBFCs for a specific period. The findings reveal performance variations among NBFCs, highlighting strengths, weaknesses, and areas for improvement. This study conducts a comparative performance appraisal of two major Non-Banking Financial Companies operating in the National Capital Region (NCR) of India: Bajaj Finance Ltd. (Gurgaon) and Tata Capital Financial Services Ltd. (Noida). Using key financial metrics such as Assets Under Management (AUM), profitability ratios (Return on Assets - ROA, Return on Equity - ROE), net interest margin (NIM), asset quality (non-performing assets - NPAs), and capital adequacy, this paper evaluates the financial health, operational efficiency, and performance dynamics of both NBFCs. The findings highlight significant differences arising from their business strategies, asset quality, and scale of operations, providing actionable insights for investors, regulators, and stakeholders.

Key Words: NBFCs, Performance Appraisal, Financial Ratios, Indian Financial System, CAMEL Analysis.

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1. INTRODUCTION

The Indian financial system consists of banks, financial institutions, and non-banking financial intermediaries. Among these, Non-Banking Financial Companies (NBFCs) have become an important segment by providing financial services such as loans, asset financing, leasing, hire purchase, and investment activities. NBFCs serve sectors and customer segments that are often underserved by traditional banking institutions. Over the years, NBFCs have experienced significant growth due to increased demand for credit, financial inclusion initiatives, and advancements in technology. However, challenges such as regulatory compliance, asset quality issues, liquidity constraints, and economic slowdowns have made performance appraisal essential. Evaluating the financial performance of NBFCs helps stakeholders understand their stability, efficiency, and sustainability. NBFCs play a critical role in the Indian financial ecosystem by supplementing banks and providing credit and financial services across various segments, including consumer finance, SME lending, commercial finance, and structured credit. Enhanced digital capabilities, regulatory reforms, and rapid credit growth have transformed the NBFC landscape in recent years.

This research focuses on a comparative analysis of two large NBFCs headquartered in the National Capital Region (NCR): Bajaj Finance Ltd., which is widely regarded as a leader in retail lending, and Tata Capital Financial Services Ltd., a diversified NBFC supported by a large industrial group.

2. REVIEW OF LITERATURE

Several studies have examined the performance of NBFCs in India using financial ratios and the CAMEL framework. Previous research indicates that NBFCs contribute significantly to credit expansion but are exposed to higher risk compared to banks. Studies also highlight that profitability and asset quality are key determinants of NBFC performance. Some researchers have compared NBFCs with commercial banks and found differences in risk management and operational efficiency. The existing literature emphasises the need for continuous performance appraisal to ensure financial soundness. Some literature review is as under:

- Sunita Yadav, in her study “Performance of NBFCs in India,” utilised convenience sampling to analyse the financial performance of Non-Banking Financial Companies (NBFCs) over a period of eight years, using data from annual reports. By employing Return on Investment (ROI) and Compound Annual Growth Rate (CAGR) metrics, the analysis revealed a mixed outcome: while some NBFCs displayed a growing trend, others exhibited a declining trend. Additionally, Non-Performing Assets (NPAs) have consistently posed a challenge to the sector.
- In their paper “Performance of NBFCs: An Indian Context,” Dr. J. Shanmugaratnam Vadivel and Dr. D. Sasikala Devi (2018) evaluated the performance of NBFCs based on asset quality, profitability, exposure to sensitive sectors, and capital adequacy. They concluded that, in general, NBFCs demonstrated better asset quality than banks, with an upward trend in profitability and capital positions, albeit with some minor fluctuations.

- Rajeshwari Sengupta and colleagues, in their working paper titled “A Study of Non-Banking Financial Companies in India,” analysed the NBFC business model and assessed their long-term viability and sustainability. The paper highlights both the advantages and disadvantages of NBFCs, emphasising the need for strengthening this sector.
- Davinder Kaur (2018), in her paper “A Study of Financial Performance of NBFCs,” examined financial viability from various aspects, including revenue, net profit, and asset quality. The findings indicated that the sector experienced consistent performance with an average growth rate of 2%.
- Suneel Kumar and Dr. Hosmani (2019), in their study “Financial Performance of Non-Banking Financial Companies in India,” focused on NBFCs concerning their capital adequacy and specific financial ratios such as Return on Assets (ROA) and Capital to Risk-Weighted Assets Ratio (CRAR). They concluded that there has been a deterioration in asset quality among NBFCs and emphasised the need for regulatory reforms to ensure their long-term stability and performance.

3. OBJECTIVES OF THE STUDY

The major objectives of this research are:

- [i] To compare financial performance metrics of Bajaj Finance Ltd. and Tata Capital Financial Services Ltd.
- [ii] To evaluate profitability and asset quality using standard financial ratios.
- [iii] To assess the scale and growth dynamics through AUM, NIM, ROA, and ROE.
- [iv] To highlight strengths and areas for improvement in each NBFC.

4. RESEARCH METHODOLOGY

4.1. Research Design

The study uses a descriptive and analytical approach based on secondary data drawn from annual reports, industry analyses, and financial news sources.

4.2. Data Collection

Data has been compiled from published financial statements, annual reports of both companies (FY2024–FY2025), and industry benchmarking sources.

4.3. Tools of Analysis

The performance evaluation is based on:

- Financial ratios: ROA, ROE, NIM
- Asset quality metrics: Gross and Net NPAs
- Growth indicators: AUM growth percentage
- Capital adequacy ratios

5. COMPARATIVE ANALYSIS AND INTERPRETATION

5.1. Profitability Analysis

Profitability ratios such as Net Profit Ratio and Return on Assets indicate the earning capacity of NBFCs. The analysis shows that some NBFCs maintain consistent profitability, while others experience fluctuations due to market conditions and asset quality issues.

Table 1: Net Profit (Rs. Crore)

Year	Bajaj Finance Ltd.	Tata Capital Ltd.
2020	3,995	1,700
2021	4,420	1,900
2022	7,028	2,400
2023	11,507	2,950
2024	14,451	3,327
2025	16,779	3,900

Source: Company Annual Reports, Financial Databases

Interpretation: The net profit of both companies shows a consistent upward trend throughout the study period, indicating strong business growth, improved operational efficiency, and effective cost management. However, Bajaj Finance Ltd. demonstrates significantly higher profitability and faster growth in comparison to Tata Capital Financial Services Ltd.

From 2020 to 2025, Bajaj Finance's net profit increased from Rs. 3,995 crore to Rs. 16,779 crore, representing over fourfold growth (approximately 320%). In contrast, Tata Capital's net profit rose from Rs. 1,700 crore in 2020 to Rs. 3,900 crore in 2025, reflecting a growth of about 129%. This significant difference underscores Bajaj Finance's superior scale, operational efficiency, and effective business model. Throughout the study period, Bajaj Finance consistently maintains a substantial profit lead, with net profit levels approximately four to five times higher than those of Tata Capital. The growth momentum of Bajaj Finance is markedly stronger, indicating better scalability, superior operating leverage, and higher productivity per asset deployed. While Tata Capital reflects financial stability and risk discipline, it falls short in terms of the aggressive growth strategy and digital penetration that Bajaj Finance has achieved.

During the COVID-19 period (2020–2021), both companies exhibited resilience, but Bajaj Finance recovered at a faster pace by leveraging its digital infrastructure and analytics-driven lending. In the post-pandemic recovery phase (2022–2025), Bajaj Finance capitalised on rising consumer demand, fintech integration, and innovative credit products, while Tata Capital adopted a more gradual and conservative expansion strategy.

Overall, the comparative net profit analysis reveals that Bajaj Finance Ltd. significantly outperforms Tata Capital Financial Services Ltd. in terms of profitability growth, business expansion, and operational efficiency during the period from 2020 to 2025. Although Tata Capital shows stable and sustainable earnings growth, Bajaj Finance stands out as the industry leader, boasting superior financial performance, technological advantages, and greater market penetration.

Table 2: Return on Assets (ROA %)

Year	Bajaj Finance Ltd.	Tata Capital Ltd.
2020	3.5	2.1
2021	3.9	2.3
2022	4.3	2.5
2023	4.6	2.7
2024	4.7	2.8
2025	4.6	3.0

Source: Company Annual Reports, Financial Databases

Interpretation: The Return on Assets (ROA) of both companies shows a consistently increasing trend from 2020 to 2025, indicating improved efficiency in asset utilisation over this period. However, Bajaj Finance Ltd. consistently outperforms Tata Capital Financial Services Ltd., reflecting superior operational efficiency and asset management. Bajaj Finance's ROA increased from 3.5% in 2020 to 4.6% in 2025, representing a net improvement of 1.1 percentage points. In comparison, Tata Capital's ROA rose from 2.1% in 2020 to 3.0% in 2025, showing an increase of 0.9 percentage points. This upward trend suggests enhanced credit quality, cost efficiency, and optimised asset deployment by both firms.

Throughout the study period, Bajaj Finance maintains a clear lead over Tata Capital, with an average ROA of approximately 4.3% compared to Tata Capital's 2.6%. This significant difference indicates that Bajaj Finance is able to extract more profit from every rupee invested in assets, highlighting its superior cost efficiency, technological integration, customer acquisition strategies, and credit risk management. While Tata Capital demonstrates improvement, it adopts a more conservative operational approach, which ensures stability but limits aggressive profit generation. Bajaj Finance demonstrates higher asset utilization efficiency throughout the study period.

Table 3: Return on Equity (ROE %)

Year	Bajaj Finance Ltd.	Tata Capital Ltd.
2020	14.2	11.8
2021	16.3	12.4
2022	19.5	13.8
2023	21.4	14.9
2024	20.3	15.6
2025	19.2	16.2

Source: Company Annual Reports, Financial Databases

Interpretation: Bajaj Finance consistently outperforms Tata Capital in terms of return on equity (ROE), indicating better profitability and more effective use of shareholders' funds. Although Tata Capital has shown continuous improvement in ROE and has narrowed the gap in recent years, Bajaj Finance remains the more attractive option for equity investors due to its higher

returns. The convergence in ROE during 2024–2025 suggests that Tata Capital is becoming increasingly competitive and improving its financial performance. Overall, Bajaj Finance demonstrates strong equity profitability and aggressive growth efficiency, while Tata Capital reflects steady and sustainable improvement in shareholder returns. Both companies exhibit healthy ROE trends, but Bajaj Finance clearly maintains a leadership position throughout the study period. Bajaj Finance consistently delivers superior shareholder returns.

Table 4: Net Interest Margin (NIM %)

Year	Bajaj Finance Ltd.	Tata Capital Ltd.
2020	9.8	6.4
2021	10.4	6.8
2022	10.7	7.1
2023	10.8	7.4
2024	10.0	7.6
2025	10.1	7.8

Source: Company Annual Reports, Financial Databases

Interpretation: Bajaj Finance consistently outperforms Tata Capital in terms of Net Interest Margin (NIM), maintaining a margin advantage of approximately 2.3 to 3.4 percentage points over the years. This advantage reflects Bajaj Finance’s superior business model, diversified product portfolio, and strong risk-based pricing capabilities. However, the narrowing gap in recent years indicates that Tata Capital is becoming more competitive and improving its interest income efficiency. Overall, Bajaj Finance demonstrates strong and resilient margin performance, even during times of cost pressures, while Tata Capital shows gradual but consistent improvement in its NIM. Both companies display positive trends, but Bajaj Finance clearly retains a leadership position in core interest profitability. Its industry-leading margins reflect superior pricing power and operational efficiency.

5.2. Asset Quality Metrics (2021–2025)

Comparative Performance Appraisal of Bajaj Finance Ltd. & Tata Capital Financial Services Ltd.

Table 5: Gross Non-Performing Assets (GNPA %)

Year	Bajaj Finance Ltd.	Tata Capital Ltd.
2020	1.79	4.99
2021	1.79	2.83
2022	1.60	2.05
2023	0.94	1.71
2024	0.85	1.47
2025	0.96	1.38

Source: Company Annual Reports, Financial Databases

Interpretation (GNPA): Bajaj Finance shows continuous improvement in asset quality, reducing GNPA from 1.79% (2021) → 0.96% (2025). Tata Capital has also improved, but its GNPA remains consistently higher than Bajaj Finance.

Lower GNPA of Bajaj Finance Ltd. reflects:

- Superior credit risk assessment
- Efficient recovery mechanism
- Robust underwriting standards

Table 6: Net Non-Performing Assets (NNPA %)

Year	Bajaj Finance Ltd.	Tata Capital Ltd.
2020	0.75	2.41
2021	0.75	1.12
2022	0.68	0.40
2023	0.34	0.40
2024	0.37	0.38
2025	0.44	0.32

Source: Company Annual Reports, Financial Databases

Interpretation (NNPA): Bajaj Finance maintains very low NNPA levels, remaining below 0.5% throughout 2023–25, indicating:

- Strong provisioning coverage
- Effective bad loan management

Tata Capital shows improvement but remains comparatively higher risk exposure in most years.

Table 7: Comparative Trend Analysis

Indicator	Better Performer	Reason
Gross NPA	Bajaj Finance Ltd.	Lower slippages, stronger underwriting
Net NPA	Bajaj Finance Ltd.	Higher provisioning coverage and recovery efficiency
Overall Asset Quality	Bajaj Finance Ltd.	Superior risk management framework

6. SWOT ANALYSIS OF BAJAJ FINANCE LTD. & TATA CAPITAL FINANCIAL SERVICES LTD.

6.1. SWOT Analysis of Bajaj Finance Ltd.

I. Strengths

- Market Leadership in NBFC Sector:-Bajaj Finance is India's largest consumer finance NBFC, with dominant presence in consumer durable loans, personal loans, SME lending, and digital lending.



- Superior Financial Performance:-High ROA (>4%), ROE (>18%), and NIM (~10%)
- Reflects strong profitability, operational efficiency, and pricing power
- Excellent Asset Quality
- Low Gross NPA (<1%) and Net NPA (<0.5%)
- Demonstrates robust risk management and underwriting standards
- Advanced Digital Ecosystem
- Fully integrated digital lending platforms, analytics-driven credit scoring, and instant approvals, ensuring scalability and cost efficiency
- Strong Brand Equity & Parent Support
- Backed by Bajaj Finserv Group, providing financial stability, trust, and capital strength.

II. Weaknesses

- High Dependence on Retail Lending
- Heavy concentration in consumer and personal loans increases vulnerability to economic slowdowns and household income fluctuations.
- Higher Operating Cost
- Large investments in technology, marketing, and distribution networks elevate cost structure.
- Exposure to Unsecured Lending
- Higher share of unsecured loans increases credit risk during economic downturns.

III. Opportunities

- Rapid Growth in Digital Lending & Fintech Collaboration
- Expansion into AI-based underwriting, BNPL, micro-lending, and embedded finance.
- Expansion in Rural & Semi-Urban Markets
- Growing financial inclusion initiatives provide new growth avenues.
- Cross-Selling Financial Products
- Potential to increase revenue through insurance, mutual funds, co-branded cards, and wealth management products.

IV. Threats

- Rising Competition from Banks & Fintechs
- Aggressive lending by banks, neobanks, and fintech startups may compress margins.
- Regulatory Tightening by RBI
- Stricter norms on digital lending, provisioning, and capital adequacy could impact growth.
- Macroeconomic Instability
- Inflation, unemployment, and interest rate hikes may impact the repayment capacity of borrowers.

6.2. SWOT Analysis of Tata Capital Financial Services Ltd.

I. Strengths

- Strong Brand Backing – Tata Group
- Tata Capital benefits from high brand credibility, governance standards, and trust.
- Diversified Loan Portfolio
- Presence across retail loans, SME finance, infrastructure lending, and wealth management ensures risk diversification.
- Improving Financial Performance
- Rising profitability and improving ROA, ROE, and NIM post-pandemic.
- Strong Corporate Lending Franchise
- Well-established in corporate and infrastructure finance.

II. Weaknesses

- Lower Profitability Ratios
- ROA and ROE remain lower than Bajaj Finance, indicating lower capital efficiency
- Moderate Asset Quality Stress
- Higher GNPA and NNPA compared to Bajaj Finance.
- Lower Digital Penetration
- Compared to Bajaj Finance, Tata Capital lags in digital lending automation and fintech integration.

III. Opportunities

- IPO & Capital Market Access
- Proposed IPO can strengthen the capital base and enhance growth capacity.
- Expansion in Retail & MSME Lending
- Significant growth potential in consumer finance and MSME segments.
- Digital Transformation Strategy
- Investments in AI-based credit scoring, mobile platforms, and automation.

IV. Threats

- Highly Competitive NBFC Market
- Strong competition from banks, fintech companies, and large NBFCs.
- Exposure to Corporate & Infrastructure Lending Risk
- Higher susceptibility to cyclical economic downturns and project delays.
- Interest Rate Volatility
- Rising interest rates can impact the cost of funds and margin sustainability.

6.3. Comparative SWOT Summary

S. No.	Parameter	Bajaj Finance Ltd.	Tata Capital Ltd.
1	Business Model	Retail-centric, digital-driven	Diversified, corporate + retail
2	Profitability	Very High	Moderate
3	Asset Quality	Excellent	Good
4	Digital Strength	Very Strong	Moderate
5	Brand Support	Bajaj Finserv	Tata Group
6	Growth Potential	Very High	High

7. CONCLUSION

On-Banking Financial Companies (NBFCs) play a crucial role in strengthening India's financial framework. This study concludes that while some NBFCs are performing well, they still face challenges related to liquidity, asset quality, and regulatory compliance. Continuous evaluation of performance using financial metrics is essential for ongoing growth. The research provides valuable insights for investors, management, and policymakers to better understand the performance of NBFCs. The comparative analysis shows that Bajaj Finance Ltd. significantly outperforms Tata Capital Financial Services Ltd. in terms of profitability, operational efficiency, and returns for shareholders from 2020 to 2025. Bajaj Finance's higher net interest margin (NIM), return on assets (ROA), and return on equity (ROE) indicate a robust and scalable business model, while Tata Capital shows sustainable but more moderate profitability growth.

Bajaj Finance Ltd. excels in profitability across all financial measures, whereas Tata Capital Financial Services Ltd. demonstrates consistent growth at a slower pace. Bajaj Finance's digital lending strategy, diverse portfolio, and effective risk analytics provide it with competitive advantages. In contrast, Tata Capital focuses on prudent risk management and a stable funding structure, which promotes financial stability.

The operational strategies and performance of Bajaj Finance Ltd. and Tata Capital Ltd. exhibit notable differences. Bajaj Finance utilises a retail-focused, digitally-driven model that results in high profitability, excellent asset quality, and strong digital capabilities. With support from Bajaj Finserv, it shows significant growth potential due to its innovation and effective customer acquisition strategies. On the other hand, Tata Capital adopts a diversified approach that includes both corporate and retail finance. It maintains moderate profitability, good asset quality, and a reasonable level of digital strength. Backed by the reputable Tata Group, Tata Capital also has considerable growth potential while emphasising stability and long-term sustainability.

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