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A Study on the Capital Structure of Bajaj Finance Limited

SHAHEEN[1], SIVA PRASAD BABU M[2]
[1, 2]Ballari Institute of Technology and Management

Abstract- This research focuses on an analysis of the capital structure of Bajaj Finance Limited (BFL), India's biggest non-banking financial company through secondary financial analysis and primary survey of investors' perceptions. The secondary analysis covers BFL's consolidated financial statements from FY2022 to FY2026, using ratio and trend analysis, CAGR calculations, a ten-peer benchmarking work, and a one-sample t-test to assess how the company's leverage behaved during a period of rapid growth. The findings show that BFL's debt-to-equity ratio remained within a narrow 3.74-3.99x range for five years despite its loan book nearly tripling, supported by borrowings and net worth growing at almost identical rates (27.4% versus 27.1% CAGR). Capital adequacy, although it has fallen from 27.22% to 21.60%, it is still well above the RBI's regulatory floor of 15%, with Tier-I capital always being more than 95% of the total. Low BFL's debt to equity ratio is good since there are no such things going bad on their own either; also no competitor could have been compared yet. On the primary side, 84.5 % of respondents were aware of BFL, 67.5 % rated its financial performance positively, and 59 percent expressed willingness to invest. There is a relationship between perception and investment by investors that may have been tested with chi-square test. This article is about why a better bank was going to exist at that time as opposed today when dealing with stock markets.

Keywords: Capital Structure, Bajaj Finance Limited, NBFC, Debt-Equity Ratio, Capital Adequacy Ratio (CRAR), Leverage, Investor Confidence, Scale Based Regulation

I. INTRODUCTION

Many businesses are able to withstand bad credit decisions, they will be okay. Generally a bankless firm is not able to do so. It's based upon taking loans for a price whereas paying them back later; this depends on your stock value (equity) plus bank's allowance for you not just because of these factors but also due to regulation from banks themselves. In fact studying nbfcs is not really about understanding their finance but more so how things work within them.

The company is a good fit to be an employee of Bajaj Finance Limited (BFL). Its loan book has grown at close to 27% annually for five consecutive years, without losing its AAA rating or coming anywhere near the rbi's regulatory capital floor. At such a level of growth and maintaining it over time are uncommon - so we wanted to understand how these two things worked together here.

The analysis covers five years, FY2022 to FY2026, based on bfl's consolidated financial statements. From an analytical perspective this is done by means of ratios/trends; cagr calculation; comparison between two peers (ten) along with one sample t-test for determining if bfl's leverage remained constant during expansion period compared to others within that sector. Alongside this secondary analysis, the study includes a primary survey of 200 respondents in Ballari City to assess investor awareness, perception, and confidence in bfl's financial standing, to link the company's actual capital management practices with how that discipline is perceived in the market.

II. LITERATURE REVIEW & RESEARCH GAP.

This is because it's an example of that type. Early approaches - the Net Income, Net Operational Income, and Traditional approaches - debated whether funding mix affects firm value at totally, ahead Modigliani and Miller's irrelevancy suggestion reframed the debate entirely, after amended in 1963 to account for debt's tax shield. Capital budgeting trade-off is an integral component of tax rate decisions whereas pecks' orders theory states that companies prefer investing funds through dividend payments rather than equity issuance by raising more stock prices to fund projects/expansions needs. The cost of Jensen &mecklings' is referred to as "agent's expense" while that of a baker & worggler buying stock on sale.

That's precisely how these researches tell us that this technique works well enough for testing purposes here and there today. Harris and Raviv (1991) and Graham (2000) examined leverage determinants and tax-shield utilisation in developed markets, while Booth et al. (2001) and Bhaduri (2002) extended this to developing economies, including India, finding firm size, profitability, and collateral as consistent leverage drivers. Other studies have shown that there is a similarity like trade-off and pecking order theory (pt). Velnampy and Niresh, Shaik et al., and Soni and Rathore studied financial firms and nbfc's; they found that profits are inversely related with levers so they identified an "optimal" leverage range of about 3-5x equity where nbfcs do well.

A lot is known to us regarding this issue; however, there was a joint study rather than an individual research project which would allow for comparison between those firms right away. There is no study of an individual Upper Layer nbfc's capital structure in the post-2022 Scale Based Regulation era, nor its growth and equity-raising history. This study fills this gap through a focus on Bajaj Finance Limited for FY2022-FY2026, including synchronic trends and a positive statistical test against a peer group of NBFCs.

III. RESEARCH OBJECTIVES AND HYPOTHESES

Objectives of the Study

- Analyze the trend of Bajaj Finance limited's consolidated debt-equity ratio from FY2022 to FY2026. To study the trend in the capital adequacy ratio (CRAR) over the same period and assess compliance with the rbi's regulatory minimum of 15%.
- Calculate a cagr for each debt and also calculate your net asset value (na).
- profit and loss statement (p&l) and dividend payments to shareholders from stocks issued by a company. Bajaj finance's leverage to compare with nine peers listed NBFCs for FY2025.
- To test, using a one-sample t-test, whether bfl's mean debt-equity ratio over FY2022-FY2026 is significantly different from the peer group average. Stock prices are going up as they're a source of emergency funds but that doesn't help those who need immediate cash right now.
- Dividend is Profit (and sometimes loss) of a company. H_0 (Null Hypothesis) There is no significant difference between Bajaj Finance limited's mean debt-equity ratio over FY2022-FY2026 and the average debt-equity ratio of the selected peer NBFCs.
- H_1 (Alternative Hypothesis) There is a fundamental difference between Bajaj Finance limited's mean debt-equity ratio over FY2022-FY2026 and the average debt-equity ratio of the selected peer NBFCs. It allows compare of two things to determine if one is better (or worse) than another like bfls.
- To influence if bfl's rapid growth of its book balance sheet is due to having better financial controls than other banks (nbfcs).
- They will tell us if bfl's expansion of its loan portfolio is being offset by prudent banking practices compared with other banks (nbfc's).
- H_0 (Null Hypothesis) There is no difference between Bajaj Finance limited's mean debt-equity ratio complete FY2022-FY2026 and the average debt-equity ratio of the selected peer NBFCs.
- H_1 (Alternative Hypothesis) There is a difference between Bajaj Finance limited's mean debt-equity ratio over FY2022-FY2026 and the average debt-equity ratio of the chosen peer NBFCs.
- H_1 (Alternative Hypothesis) There is a significant difference between Bajaj Finance limited's mean debt-equity ratio over FY2022-FY2026 and the average debt-equity ratio of the selected peer NBFCs.

IV. RESEARCH METHODOLOGY

This paper Type of research This is an analysis & description type report. Firstly by means of ratio analysis; subsequently it was analyzed on basis of cagr values compared with peers alongwith an official hypothesis testing procedure applied here. Secondary analyses are based solely upon securities data whereas an additional study has been carried out for investors' perceptions respectively.

Sources of Data Secondary data was obtained from bfl's consolidated annual reports for FY2022 through FY2025 as filed with the BSE and NSE, its Q4 FY2025 and Q4 FY2026 investor presentations, credit rating rationales issued by ICRA and CARE Ratings between 2023 and 2026, Screener. The primary data were collected by means of an interview questionnaire given out to 200 people living in Ballari City.

Sample Design For the peer benchmarking exercise, ten companies were selected randomly based on three criteria listing on the BSE or NSE, AUM above Rs. The primary survey sample consisted of 200 respondents from diverse educational and occupational backgrounds.

Tools of Analysis Ratio analysis (debt-equity ratio, debt-to-total-assets, equity-to-total-assets, return on equity), CRAR tracking, trend analysis, CAGR computation using the formula [, End Value, Beginning Value,^, 1, n, − 1] × 100, comparative peer analysis, and a one-sample t-test for the secondary data. The for primary information was percentages; we also did an independent-samples t-test on them.

Limitations The study is based on secondary data that may be restated; it uses preliminary unaudited FY2026 figures for some companies; it does not have verifiable debt-equity ratios for four peer companies; it treats bfl's five-year ratios as independent despite serial correlation, so the t-test result is indicative rather than conclusive.

V. RESULTS

The secondary financial analysis showed BFL's debt-equity ratio remained stable within a 3.74-3.99x range for FY2022-FY2026, even as the loan book grew from around Rs. CRAR declined from 27.22% in FY2022 to 21.60% in FY2026 but remained well above the rbi's 15% regulatory floor, with Tier-I capital consistently above 95% of the total capital base. The net profit increased by 28.8% CAGR during this time.

On the primary survey side, demographic analysis showed the 25-35 age bracket as the largest respondent segment (37%), and graduates as the largest qualification group (40.5%). BFL awareness was high at 84.5%, with only 8% unaware. Knowingness of BFL was high at 84.5%, with only 8% unaware. Investment intent was confident, with 59% leaning toward investing (27% definitely, 32% maybe) against just 6.5% ruling it out. Investment funds attentive was confident, with 59% lean toward investment (27% definitely, 32% maybe) against just 6.5%.

VI. DISCUSSION

It is slowly going up though much slower than what i wanted for selling bjag stocks prices. The stability of the debt-equity ratio within a tight 3.74-3.99x band, despite the loan book nearly tripling, is not accidental - it reflects deliberate funding choices, including the Rs. 8,800 crore QIP raised in November 2023 and the BHFL IPO in September 2024, both of which helped keep borrowings and net worth growing in near lockstep. Its a question of what amount is spent on personal growth/development.

Combined with a CRAR that, although it has fallen from 27.22% to 21.60%, is still well above the rbi's 15% floor below the Scale Based Regulation framework, the secondary data shows that the company is managing its Upper Layer NBFC obligations comfortably rather than just adequately. This also lines up with the literature reviewed in Chapter 2 - Soni and rathore's "sweet spot" leverage band of three to 5 times equity, within which NBFCs tend to execute good, and Khasnobis and bhaduri's notice that Indian firms adjust their debt-equity mix slowly rather than abruptly, both show up clearly in bfl's own numbers.

Finance is like it was before and now its never going to be again. High awareness (84.5%) and generally favorable performance perception (67.5%) suggest BFL's brand and consumer-facing products - particularly the Bajaj EMI Card - have translated into broad name recognition and reasonable trust. People know that bfl is an established and successful company, but they don't know how it works (CRAR trends, leverage discipline, funding mix).

The chi-square finding that confidence significantly predicts investment intent ($\chi^2 = 81.21$) is the most actionable insight in this study. Since confidence is built on better communication of finances rather than changes to capital structure (which is already good), the discussion suggests bfl's most efficient way to grow its investor base is not further deleveraging or restructuring, but improved disclosure - particularly explaining what the AAA rating and CRAR trends actually mean in plain language, especially in Tier-2 markets like Ballari where financial literacy may lag behind brand knowingly.

VII. MANAGERIAL IMPLICATIONS

It's an analysis of what amounting money needs to be spent this year for improving performance at bjagss instead of continuing with current practices set by them so far onward.

the chi-square test showed that confidence in long-term stability is the strongest predictor of investment intent, management's clearest priority is converting the 34.5% of respondents currently sitting in the "Not Sure" category. Don't change that please say 'no' immediately because its all you need at this point.

Investors should concentrate on Tier-2 cities like Ballari, Davangere, Mysuru, and Hubballi as these areas have low financial literacy levels that explain much of the neutral sentiment from surveys rather than genuine skepticism. Stock classes and accounting classes will cover investment risks and costs (theoretical and practical).

DCOLLECTION on the far side core lending - into wealth management, insurance distribution, and mutual funds through with the Bajaj Finserv App should be pursued with urgency, given this was the most frequently cited hint (44%) and would help draw investors who are wary of intense NBFC credit risk and want exposure to a broader, more equal financial services business debt and equity are investments, so they should be told about mixed portfolios (debt + equity) so that people know whether it's safe enough not to take anything completely nor everything at any given moment. This transparency may also encourage these individuals that are not yet sure if they want to invest in it, but feel more confident as a member (investor) at work/organization/etc.

VIII. LIMITATIONS AND FUTURE RESEARCH

Limitations

There are limitations for this study is because it's been carried out by me personally therefore there isn't much work left for us now. Since this is derived from second hand data so errors committed by these people will have been recorded above all else.

For four of the ten peer companies - Tata Capital, Sundaram Finance, HDB Financial Services, and Poonawalla Fincorp - there is no available consolidated debt-equity ratio data to report on (for now), so we have provided only a return-on-capital figure instead that will help us with our comparison against these peers. Also, since "total loan" is calculated differently by companies then it would not be comparable with other firms' figures. The b, bfl's interest rates and foreign exchange risks are not covered here at all times. One sample t-test of bfls' debt to credit ratio for this year should not tell us much more than telling us how good our current performance is (and it's going to tell you something later).

On the primary survey side, the sample of 200 respondents was drawn from Ballari City only, so findings on awareness, perception, and investment intent cannot be generalized to investors elsewhere in India. The relatively high neutral response rates recorded on several perception questions suggest that some respondents may have lacked sufficient financial literacy to form a firm opinion, which could understate or overstate certain findings depending on how neutral responses are interpreted.

Future Research

Future studies might contain more details about those two friends who are not mentioned here for a better

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comparison between them. Age BYFS assets age, cross-border exposure should be assessed for its credit quality/bond rating needs. Better statistics such as a time series, and / or panel will work much better than those types of data which may exist to your disposal right now.

IX. CONCLUSION

In general speaking Bajaj Finance Limited is an organization that manages finances well enough by themselves. Its leverage has stayed stable through rapid growth, with the debt-equity ratio staying within a tight 3.74-3.99x band even as the loan book nearly tripled over five years, supported by borrowings and net worth growing at almost identical rates. The capital strength is still good as it's well above rbi minimum requirements although slowly declining; bfls have much less debt than their peers which was verified by statistical tests (one sample t). The public opinion reflects these facts too - there's good knowledge about our firm; it has been performing well enough for people who want more investment from them. Since confidence, rather than demographic or background factors, is shown to be what actually drives investment intent, bfl's priority going forward should be turning the 34-38% of stakeholders who remain undecided into confident, long-term investors.

It should be done rather than by modifying existing conservative capital structure; instead focus on better transparency regarding what a AAA grade means for this company (and how much debt it has).