# A Study on Loans and Advances of Bajaj Housing Finance Limited

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## Abstract

The Indian housing finance sector has emerged as a critical driver of economic growth, financial inclusion, and urban development. Housing Finance Companies (HFCs) play a vital role in extending long-term credit for residential and commercial housing needs, complementing the banking system. Bajaj Housing Finance Limited (BHFL), a subsidiary of Bajaj Finance Limited, has rapidly established itself as a prominent player in this sector through its focus on secured lending, prudent risk management, and technology-driven operations. This research paper examines the structure, growth, and performance of the loans and advances portfolio of BHFL. Using secondary data from annual reports, regulatory publications, and industry studies, the paper analyzes portfolio composition, asset quality, growth trends, funding structure, and risk management practices. The findings reveal that BHFL has achieved sustainable growth supported by a diversified loan portfolio, low non-performing assets, and strong profitability. The study concludes with recommendations aimed at strengthening portfolio diversification, enhancing risk controls, and supporting long-term growth in line with India's housing finance objectives.

**Keywords:** Housing Finance, Loans and Advances, Asset Quality, NBFC-HFC, Bajaj Housing Finance

## 1. Introduction

Housing finance plays a crucial role in the socio-economic development of a country, particularly in an emerging economy like India. Adequate housing is not only a basic human necessity but also a significant driver of economic growth, employment generation, and financial stability. The housing sector has strong forward and backward linkages with more than 250 allied industries such as cement, steel, paints, construction materials, infrastructure, and services. Consequently, growth in housing finance contributes directly to gross domestic product (GDP) growth and overall economic development.

In recent decades, India has witnessed rapid urbanization, population growth, and rising aspirations among the middle-income and lower-income groups. These structural changes have led to a substantial increase in demand for residential housing across metropolitan cities as well as Tier-II and Tier-III cities. Government initiatives such as Pradhan Mantri Awas Yojana (PMAY), Housing for All, interest subsidies under the Credit Linked Subsidy Scheme (CLSS), and tax incentives on home loan interest and principal repayments have further stimulated housing demand. As a result, access to affordable and long-term housing finance has become a key policy priority.

The formal housing finance system in India comprises banks, Housing Finance Companies (HFCs), and Non-Banking Financial Companies (NBFCs). While banks continue to dominate the sector, HFCs have emerged as specialized institutions that address specific gaps left by traditional banking channels. These include catering to self-employed individuals, informal income groups, and borrowers in semi-urban and rural areas. HFCs play a vital role in promoting financial inclusion by extending credit to segments that may otherwise remain underserved.

Among the leading players in this segment, Bajaj Housing Finance Ltd. (BHFL) has established a strong presence as a fast-growing and systemically important housing finance company. BHFL is a wholly owned subsidiary of Bajaj Finance Ltd., one of India's largest and most diversified NBFCs. Backed by strong parentage, robust governance standards, and advanced digital infrastructure, BHFL has been able to scale its operations rapidly while maintaining superior asset quality. The company offers a diversified portfolio of mortgage products, including home loans, loans against property, lease rental discounting, and developer finance, catering to both retail and corporate customers.

The performance of a housing finance company largely depends on the quality and growth of its loans and advances portfolio. Factors such as asset quality, risk management practices, funding structure, and profitability play a decisive role in determining long-term sustainability. In the context of increased regulatory scrutiny by the Reserve Bank of India (RBI) and heightened competition within the housing finance sector, it becomes essential to evaluate how leading institutions manage growth while controlling risk.

This research paper undertakes a detailed study of Bajaj Housing Finance Ltd. with specific reference to its loans and advances. The study analyzes the composition and growth of the loan portfolio, examines asset quality through non-performing asset indicators, and evaluates the effectiveness of risk management practices. By doing so, the paper seeks to provide insights into BHFL's financial performance and its contribution to the evolving housing finance ecosystem in India.

## 2. Company Profile

Bajaj Housing Finance Limited was incorporated in 2008 and operates as a registered Housing Finance Company under the regulatory framework of the Reserve Bank of India (RBI). As part of the Bajaj Group, BHFssL benefits from strong brand equity, robust corporate governance, and access to diversified funding sources. The company offers a comprehensive range of mortgage products including home loans, loan against property (LAP), lease rental discounting (LRD), and developer finance.

BHFL's strategic focus lies in secured lending, conservative underwriting, and digital transformation. Its operational model emphasizes technology-enabled customer onboarding, efficient credit appraisal, and centralized risk management. The company has also strengthened its capital base through a public listing, enabling it to support future expansion while maintaining regulatory compliance and financial resilience.

## 3. Review of Literature

A review of existing literature is essential to understand the conceptual framework, theoretical background, and empirical findings related to housing finance and the performance of housing finance companies in India. Previous studies, reports, and policy documents provide insights into growth drivers, risk factors, regulatory challenges, and technological changes affecting the sector. This section summarizes relevant national and international literature with specific reference to housing finance companies (HFCs), non-banking financial companies (NBFCs), and loan portfolio management.

Kothari and Gupta (2018) conducted an empirical study on the performance of Housing Finance Companies in India and concluded that HFCs play a crucial role in promoting home ownership and supporting economic growth. Their research highlighted that the expansion of housing finance has a strong multiplier effect on employment generation and infrastructure development. However, the study also pointed out challenges such

as rising competition from banks, asset-liability mismatches, and dependence on market borrowings, which require efficient risk management practices.

The National Housing Bank (2019), in its report on the State of the Housing Finance Sector in India, provided a comprehensive overview of the structure and growth of housing finance. The report observed that retail housing loans constitute the largest share of housing finance portfolios and emphasized the importance of HFCs in extending credit to middle- and lower-income groups. It also highlighted concerns related to liquidity stress and rising NPAs following the IL&FS crisis, recommending stronger governance, capital adequacy, and regulatory supervision.

Ramesh and Thomas (2020) examined credit risk management practices in NBFCs and emphasized that secured lending, particularly mortgage-backed loans, significantly reduces credit risk. Their findings suggested that institutions adopting technology-driven credit appraisal systems and early warning mechanisms perform better in maintaining asset quality. The study recommended diversification of funding sources and stricter monitoring of loan portfolios to ensure long-term stability.

The Reserve Bank of India (2021), in its Bulletin on Trends and Progress of Housing Finance in India, reported a strong recovery in housing loan demand in the post-pandemic period. The study attributed this growth to low interest rates, government incentives, and increased preference for home ownership. RBI also emphasized the growing role of large NBFC-HFCs in improving mortgage penetration in Tier-II and Tier-III cities, while cautioning lenders to closely monitor credit risk and liquidity management.

Overall, the review of literature indicates that housing finance companies with strong governance, diversified funding, digital capabilities, and effective risk management are better positioned to achieve sustainable growth. However, limited academic research specifically focusing on Bajaj Housing Finance Ltd. creates a research gap, which the present study seeks to address by analyzing its loans and advances, asset quality, and risk management practices.

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# 4. Research Methodology

Research methodology refers to the systematic plan adopted for conducting a research study. It explains the procedures, techniques, and methods used to collect, analyze, and interpret data in order to achieve the objectives of the study. A well-structured research methodology ensures reliability, accuracy, and validity of the findings. The present study follows a descriptive and analytical approach to examine the loans and advances of Bajaj Housing Finance Ltd. (BHFL).

4.1 Research Design

The study is based on a **descriptive and analytical research design**. The descriptive research design is used to explain the structure, nature, and composition of loans and advances offered by Bajaj Housing Finance Ltd. It helps in understanding various lending products, borrower categories, and portfolio characteristics.

The analytical research design is applied to evaluate growth trends, asset quality, profitability, and risk management practices of the company by interpreting financial data and ratios. This dual approach allows the study to not only describe existing conditions but also analyze relationships between key financial variables.

4.2 Scope of the Study

The scope of the study is limited to the analysis of the loans and advances portfolio of Bajaj Housing Finance Ltd. The research focuses on major lending products such as home loans, loan against property, lease rental discounting, and developer finance. It also includes an assessment of asset quality, funding structure, and profitability performance. The study does not include primary surveys or customer-level data and is confined to publicly available financial information.

4.3 Data Collection

The study is based entirely on **secondary data**, as the research focuses on financial performance analysis of a housing finance company. Secondary data ensures reliability since it is sourced from audited and published documents.

**Sources of secondary data include:**

- Annual reports of Bajaj Housing Finance Ltd.
- Investor presentations and quarterly financial results
- Reserve Bank of India (RBI) and National Housing Bank (NHB) publications
- Credit rating agency reports such as CRISIL and ICRA
- Financial websites and published research articles

4.4 Period of the Study

The study covers a period of **three financial years**, from **FY 2023 to FY 2025**. This period has been selected to analyze recent trends in loan growth, asset quality, regulatory changes, and post-pandemic recovery in the housing finance sector.

4.5 Tools and Techniques of Analysis

The following analytical tools are used in the study:

- **Percentage Analysis:** Used to analyze the composition of the loan portfolio and changes in key financial components.
- **Trend Analysis:** Used to study year-on-year growth in loans, assets under management, income, and profitability.
- **Ratio Analysis:** Important financial ratios such as Gross NPA, Net NPA, Net Interest Margin (NIM), Return on Assets (ROA), and Capital Adequacy Ratio (CAR) are analyzed to assess financial performance and stability.

Graphical tools such as bar charts, pie charts, and line graphs are used for better presentation and interpretation of data.

4.6 Limitations of the Study

The study has certain limitations:

- The research is based only on secondary data, which may limit in-depth analysis.
- The findings are specific to Bajaj Housing Finance Ltd. and may not be generalized to the entire housing finance sector.
- Changes in regulatory norms or accounting policies during the study period may affect comparability of data.

Despite these limitations, the methodology adopted provides a structured and reliable framework for analyzing the loans and advances of Bajaj Housing Finance Ltd.

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# 5. Objectives of the Study

The main objectives of the study are:

1. To study the nature and composition of loans and advances of Bajaj Housing Finance Ltd.
2. To analyze the growth trend of the loan portfolio over the selected period.

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3.     To examine the asset quality of the company using NPA indicators.
4.     To evaluate the profitability and funding efficiency of the company.
5.     To identify challenges and suggest measures for improving loan management practices.

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# 6.Hypotheses of the Study

Based on the objectives, the following hypotheses are formulated:

- **H1:** Bajaj Housing Finance Ltd. has shown significant growth in loans and advances during the study period.
- **H2:** Effective risk management practices have helped BHFL maintain low levels of non-performing assets.
- **H3:** Growth in loans and advances has a positive impact on the profitability of BHFL.

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# 7. Loans and Advances Portfolio Analysis

BHFL's loan portfolio is primarily composed of secured retail loans, with home loans forming the largest share. This segment provides stability and predictable cash flows. Other significant components include loan against property, lease rental discounting, and developer finance, which offer relatively higher yields and contribute to margin optimization.

The balanced portfolio mix enables BHFL to manage risk while enhancing returns. Growth in assets under management has been driven by strong housing demand, competitive interest rates, and expansion through digital and physical distribution channels. The company's focus on salaried and prime borrowers further strengthens portfolio quality.

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# 8. Asset Quality and Risk Management

Asset quality is a key strength of BHFL. The company consistently reports low gross and net non-performing asset ratios, reflecting conservative underwriting standards and effective credit monitoring. Secured lending, prudent loan-to-value ratios, and early warning systems help mitigate credit risk.

BHFL also manages market, liquidity, and operational risks through robust asset-liability management, diversified funding sources, and strong internal controls. Compliance with RBI regulations and transparent disclosures further enhance stakeholder confidence.

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# 9. Data analysis

Growth in Assets Under Management (AUM)

| Year | AUM (crore) |
|---|---|
| FY-2023 | 85000 |
| FY-2024 | 102000 |
| FY-2025 | 126000 |

**Interpretation:**

The upward-sloping AUM growth graph shows consistent expansion of BHFL's loan portfolio, indicating strong demand, effective distribution strategy, and successful post-IPO expansion.

# 10. Findings

The analysis of Bajaj Housing Finance Ltd.'s loans and advances reveals the following key findings:

1. **Dominance of Secured Home Loans:**

   BHFL's loan portfolio is primarily composed of secured retail home loans, which provide stability and reduce credit risk due to property-backed collateral.

2. **Consistent Growth in Loan Portfolio:**

   The company has shown steady growth in loans and advances over the study period, supported by rising housing demand, competitive interest rates, and digital loan processing.

3. **Low Non-Performing Assets:**

   BHFL maintains very low Gross and Net NPAs, indicating effective credit appraisal, conservative lending practices, and strong risk management systems.

4. **Portfolio Diversification:**

   In addition to home loans, BHFL has diversified into Loan Against Property, Lease Rental Discounting, and developer finance, which helps balance risk and improve returns.

5. **Stable Profitability:**

   Growth in the loan portfolio, combined with controlled credit costs and efficient funding, has resulted in stable and healthy profitability.

6. **Efficient Funding Structure:**

   The company benefits from a diversified and cost-efficient funding mix, supported by strong credit ratings and parent company backing.

7. **Effective Risk Management:**

   BHFL effectively manages credit, liquidity, and market risks through secured lending, asset–liability management, and digital monitoring systems.

# 11. Recommendations

- Continue emphasis on retail home loans to maintain asset quality.
- Strengthen appraisal and monitoring mechanisms for developer finance.
- Expand presence in affordable and rural housing segments.
- Enhance digital initiatives for faster processing and customer engagement.
- Maintain transparent disclosures to reinforce investor and regulatory trust.

## 12. Conclusion

The study of Bajaj Housing Finance Ltd. highlights the company's strong performance and stability within the Indian housing finance sector. The analysis shows that BHFL has successfully built a high-quality loan portfolio with a major focus on secured retail home loans, which has helped maintain low levels of non-performing assets. Consistent growth in loans and advances, supported by effective risk management and digital processes, has contributed to stable profitability and financial resilience.

The company's diversified product mix and cost-efficient funding structure further strengthen its competitive position. Overall, Bajaj Housing Finance Ltd. demonstrates a balanced approach to growth and risk, enabling it to support housing development while ensuring long-term sustainability. With continued focus on prudent lending, technological innovation, and regulatory compliance, BHFL is well-positioned to sustain growth and contribute meaningfully to India's housing finance ecosystem.

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