

## Strategic Analysis of Xiaomi's Financial Stability in the Electronics Industry

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### Abstract

*Xiaomi has emerged as a formidable competitor in the global electronics market, largely due to its strategic financial management and innovative marketing practices. This study examines how Xiaomi maintains financial stability amid intense industry competition. A qualitative research approach was employed, utilizing Bloomberg financial data to ensure accuracy and relevance. The analysis focused on key financial indicators, including gross profit, total debt, and liquidity ratios. Gross profit data highlights Xiaomi's income trends, revealing a consistent increase over the years, except an 11.1% decline in 2022. This decline was not attributed to shortcomings in products or branding but rather to tightened international export policies affecting Chinese electronics. Despite this setback, Xiaomi significantly reduced its total debt from \$335.86 billion in 2018. Furthermore, analysis of financial ratios, particularly cash ratios ranging from 0.36 to 0.93, indicates a stable liquidity position. Xiaomi's sustained financial performance is closely linked to its strategic focus on delivering high-quality, affordable products, leveraging online sales channels, executing effective marketing campaigns, investing in brand development, and building a comprehensive ecosystem of interconnected smart devices.*

**Keywords:** Strategy Xiaomi; Stability economy; Finance.

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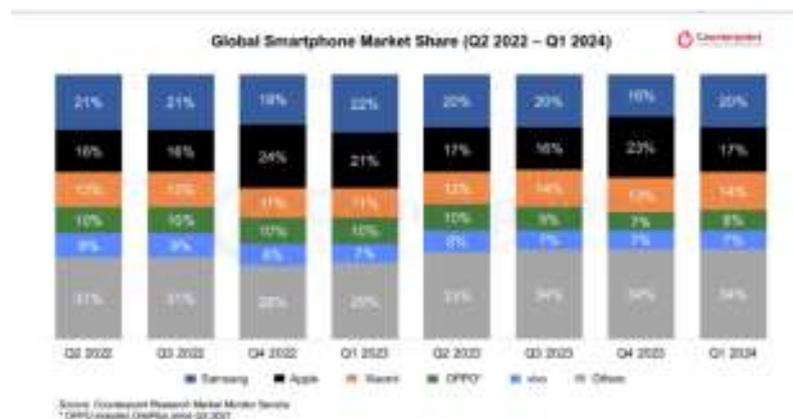
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## INTRODUCTION

Xiaomi is a multinational company from China that was founded in 2010, focusing on the production of electronic goods, including smartphones, mobile apps, laptops, and other products (Zhou et al., 2023). Xiaomi's vision, mission, dynamics, and ambitious plans are outlined below. By employing thousands of engineers and experts, Xiaomi continually develops an ever-evolving product ecosystem that stays at the forefront of the latest technology. Lately, Xiaomi has even decided to venture into the automotive industry and design cars independently. Breakthroughs, Xiaomi's bravery, and vision are two differentiating factors that set it apart from others.

Although it has only recently entered the market, Xiaomi has succeeded in becoming a reliable player that is no less competitive than other companies. Since launching its first smartphone in 2011, Xiaomi has successfully produced smartphones worldwide, achieving a 12% market share globally. Xiaomi also became a platform maker for consumer IoT, the largest of which connects over 100 million devices. MIUI, the user interface developed by Xiaomi, has reportedly exceeded 600 million users per month. Along with walking time, numbers continue to increase, demonstrating Xiaomi's potential to grow even larger and gain even more fame.



Picture 1. Charts Global Market Share Quarterly 2 2022 – Quarterly 1 2024

From the table data above, in the 14 years since its founding, Xiaomi has managed to reach the top of the smartphone market and maintain its position relatively stable from year to year. Compete with players like Samsung, Apple, and OPPO, achieving results that are, of course, not as straightforward as that. Xiaomi needs a strategy that can bring it to (Zandt, 2024).

The pinnacle of success is in terms of marketing, production, and finance. In this paper, we will examine the strategies employed by Xiaomi in its operations and assess the effectiveness of these strategies in comparison to those of its market competitors. Mi Xiaomi employs a multi-faceted financial strategy to maintain the stability of its finances, focusing on risk management, liquidity, operational efficiency, and diversification:

1. **Strong Liquidity and Cash Reserves:** Xiaomi maintains substantial cash reserves, which serve as a crucial buffer against market volatility and support both core and new business development. As of December 31, 2023, its cash resources reached a record RMB136.3 billion (S&P Global Inc, 2024).
2. **Robust Risk Management; Credit Risk:** The company uses detailed pre-approval procedures, analyzing historical financial information, transaction details, and industry benchmarks to set credit limits and risk appetites for customers. Periodic reviews and automated internal alerts help Xiaomi proactively manage potential overdue payments, resulting in zero bad debts in recent years (Zou, 2024).
3. **Balanced Capital Structure:** Xiaomi maintains a moderate debt-to-equity ratio (around 0.61, below the industry average of 1.2), indicating prudent use of leverage and a preference for financial stability. The company strategically balances between debt and equity funding, supporting growth while minimizing financial risk (Stock Exchange, 2024).

4. Operational Efficiency and Cost Management: The company invests in R&D for cost-effective manufacturing, leverages economies of scale, and optimizes its supply chain to enhance gross margins and operational efficiency. These efforts have led to steady improvements in profitability, even though some margins remain below industry averages(NG & LI, 2025).
5. Diversification and Innovation: Xiaomi is actively diversifying its revenue streams beyond smartphones, investing in IoT devices, internet services, and electric vehicles (EVs). This reduces dependency on any single market segment and spreads risk. For example, IoT revenue increased by 30% in Q2 2023, and the company is targeting profitability in its EV business by the second half of 2025.
6. Proactive Financial Planning
  - Xiaomi regularly repurchases its own shares to support shareholder value and signal confidence in its financial health.
  - The company also issues bonds with strong credit ratings, reflecting a stable outlook and access to long-term capital.

Xiaomi's financial stability is underpinned by strong liquidity, rigorous risk management, conservative leverage, operational efficiency, diversification, and proactive adaptation to market conditions

## RESEARCH METHODS

Methods we use in the analysis. This uses a qualitative approach with data collection techniques through research and study methods in the literature. ((Lim, 2024) states that the qualitative approach is an approach to study that uses words or narrative to explain something, including concepts, symptoms, and all phenomena that occur. Then, (Tampubolon et al., 2023) Also discloses that the objective of the scientific research method is to analyze something, a problem, for resolution using an approach through fact-finding.

We conducted research through Bloomberg; Bloomberg is a platform that provides interactive information and visualizations regarding various financial market types of companies globally or internationally. Our data obtained via Bloomberg can be used as evidence to prove that Xiaomi succeeded in stabilizing its finances. The data that is obtained is then formed into a graph as a form of data visualization using the Microsoft Excel software. Besides that, we also used study literature in the process we looked for to obtain data relevant to our topic. The literature review aims to provide an additional source for researching Xiaomi's strategy for achieving its success. The data that we have obtained is then used as the results of what we have done, based on how successful the Xiaomi company is in realizing its strategy very well.

## RESULTS AND DISCUSSION

### Profit Analysis of Dirty Company Xiaomi

Profit derived from a company's core operations—often referred to as operating profit or gross profit—is a critical indicator of business efficiency (Sinta et al., 2023). Xiaomi's gross profit



data from 2018 to 2024, along with forecasted figures for 2025 and 2026, were sourced from Bloomberg.

Figure 2. Gross Profit

### Analysis of the Debt Company Xiaomi

To carry out strategies that can stabilize gross profit performance. A company naturally needs to pay its debts, and so does Xiaomi. (Handoko, 2021) stated that debt needs to be analyzed in A finance report because the debt shows how the company can fulfill its obligations. Obligation can originate from a party's external Good to fulfill a need.

Operational and need a company other. Debt can also be used to measure the level of profitability or profit generated from sales activities, capital, cash, and other sources. The following is Xiaomi's company debt data from the years 2015-2023, sourced from (Lin et al., n.d.)

Year	Total debt	Short term debt	Long term debt
2015	\$ 233.185,90	\$ -	\$ 233.185,90
2016	\$ 234.054,40	\$ 7.352,70	\$ 226.701,70
2017	\$ 359.718,10	\$ 7.415,20	\$ 352.303,00
2018	\$ 22.927,40	\$ 6.449,90	\$ 16.477,50
2019	\$ 36.954,40	\$ 26.320,30	\$ 10.634,00
2020	\$ 39.417,70	\$ 15.627,70	\$ 23.789,90
2021	\$ 66.148,90	\$ 15.815,20	\$ 50.333,80
2022	\$ 58.570,20	\$ 6.964,10	\$ 51.606,10
2023	\$ 64.647,40	\$ 14.945,90	\$ 49.701,50

Figure 3. Data Table & Chart Debt Xiaomi

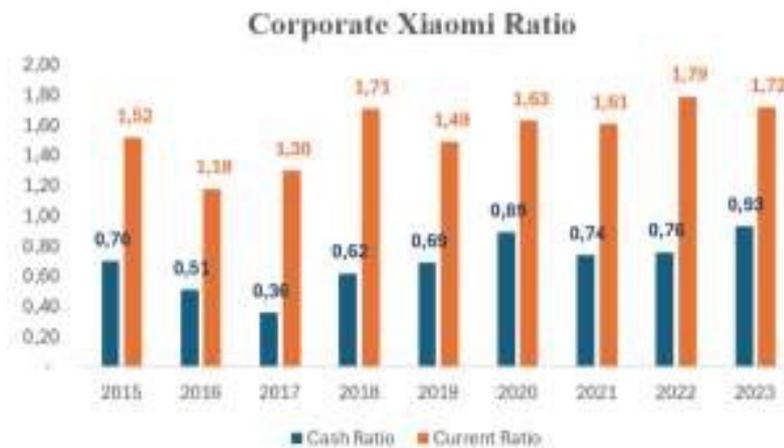


The data and graph above indicate that Xiaomi has long-term debt that exceeds its short-term debt. Initially, in its first year, Xiaomi had a significant debt value because it had just begun operating a new business. However, in 2018, Xiaomi successfully reduced its market debt to \$ 335,855.50. Then, in the year 2020, Xiaomi was capable of pushing the number of debt companies until it reached \$66,148.90 The success also brought financial stability to Xiaomi. Although 2022 experienced a decline in income, there was no significant increase in debt. On the contrary, it shows that debt is lower, and the decrease in debt is not due to excessive debt in 2022.

## Analysis Ratio Finance Xiaomi

Corporate Xiaomi Ratio		
Year	Cash Ratio	Current Ratio
2015	0,70	1,52
2016	0,51	1,18
2017	0,36	1,30
2018	0,62	1,71
2019	0,69	1,49
2020	0,89	1,63
2021	0,74	1,61
2022	0,76	1,79
2023	0,93	1,72

Figure 4. Data Table & Chart Ratio Finance Xiaomi



According to Lithfiyah et al. (2024), financial ratio analysis is used to compare numbers in financial reports and determine a company's financial position, as well as evaluate performance management and results from decision-making at a specific stage of a given period. The table above indicates that Xiaomi's financial ratios remain relatively stable despite its decline. No decline has been noted, which is significant enough. From that, it is evident that Xiaomi can effectively manage its own decisions and activities.

### Results Financial Analysis Xiaomi

Based on our analysis, we can see that Xiaomi's gross profit is expected to experience a continuous increase from 2018 to 2026, rising from \$47,000 to \$160,000 by 2026. Then, with Xiaomi's debt, which initially totaled \$234,000 in 2016 and decreased to \$64,000 by 2023, we can see that Xiaomi has been increasing its income while reducing the amount of debt it has.

Then, in ratio analysis, we use data from Bloomberg, and we know that Xiaomi's cash ratio is good because they consistently maintain a ratio above 1; namely, in 2015, they had a cash ratio of 1.52, and in 2023, a cash ratio of 1.72. Next, Xiaomi's current Ratio in 2015 was 0.7, and in 2023, it is expected to be 0.93. A good current ratio for a company is above one, but Xiaomi continues to strive to increase its current Ratio each year to reach 1. In this way, Xiaomi has successfully maintained a good cash ratio. Then, they Also try to improve the current Ratio to reach the ideal number.

Based on the analysis of gross profit, debt, and financial ratios, Xiaomi has successfully maintained the company's financial stability—data analysis. The above can serve as proof that Xiaomi can maintain financial stability. Although Xiaomi experienced a decline in sales in 2022 due to limited global sales, the company also did not incur significant debt during this period.

According to (Sun & Fah (2020) , Xiaomi's company did not fall because of product quality issues but rather due to internal regulations and temporary restrictions on the sales of smartphones or electronic goods globally in quarter 4 of 2022.

### Strategy Company Xiaomi is a Finance company.

Xiaomi, as an electronics company, certainly has many competitors, namely other electronics companies. Reversing its success, Xiaomi designed several strategies to face global smartphone market competition. According to SL (2024), a significant portion of Xiaomi's revenue originates from international markets, accounting for approximately 49.2%. Xiaomi also focuses on implementing global strategies, namely:

1. The company offers quality products that are both tall and price-competitive.  
The value provided by the Xiaomi company is very empowering, increasing demand figures, especially in developing countries that are sensitive to high prices. The quality and features offered by Xiaomi often enable you to compete with more expensive brands from competitors.
2. Take advantage of the internet by building a strong online sales strategy. Approach strategy: This is done to reduce the cost of opening a retail or offline shopping location. The company Xiaomi also maintains its connection with various communities, fostering loyalty and involvement in the brand.
3. Increase investment in building a strong brand image or brand name. The successful marketing campaign demonstrates that Xiaomi has become a company that can meet its customers' needs by continually creating new products. (Rihayana et al., 2022)An image brand is essential and influential in making decisions for buyers because matter can add trust to the consumer. Hence, the consumer only needs to choose the specified product.
4. Create an ecosystem device that can keep each other connected.  
Similar to Apple, which not only sells smartphone products but also offers innovative electronic-based household equipment. That matter can open more options for customers when buying a product.

In the company Xiaomi. Additionally, (Sahrial et al., 2022)reported that the ecosystem offers numerous benefits. Namely, devices can be adopted quickly, and the data processing runs automatically, which can increase efficiency channels for the company. The company can also implement new technology more quickly and cost-effectively because it can reduce operational costs, thereby mitigating the costs associated with business operations that increase with demand.

### CONCLUSION

Xiaomi has shown impressive strength and strategic consistency in preserving its financial stability in the fiercely competitive global electronics market. Xiaomi demonstrates how a comparatively young firm can evolve into a global entity through effective financial management characterized by lowered long-term debt, steady financial ratios, and ongoing gross profit growth. Its intentional emphasis on cost-effectiveness, product excellence, brand growth, and ecosystem cohesion has established it as a formidable competitor to well-established opponents. Nonetheless, Xiaomi faces its share of difficulties. External factors like regulatory constraints and geopolitical conflicts have affected sales, reflected in the downturn observed in 2022. Still, Xiaomi's capacity to manage these challenges without accumulating significant debt demonstrates a proactive strategy towards financial risk. Moving forward, Xiaomi's sustained success will rely not just on maintaining its cost advantage and innovative edge but also on enhancing its global adaptability and strengthening investor trust. Enhancing its current ratio additionally and diversifying revenue sources through areas such as electric vehicles and smart IoT can act as crucial measures. To stay competitive, Xiaomi needs to not only react to market demands but also foresee them—transitioning from a reactive approach to proactive change. Essentially, Xiaomi's situation demonstrates that financial stability is not merely a result of figures but rather the result of clear strategy, flexibility, and a steadfast vision.



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