



“Study on Financial Performance of Selected Home Loan Companies in India”

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Abstract

Buying a house is one of the most basic needs of an individual. Not only it provides a roof over your head, but it also provides you with financial security in the event of any kind of misfortune. You can use it as a form of collateral for getting credit in the market. Buying a house is usually the most expensive transaction for someone in their entire life, and they spend around ten percent of their yearly earnings on it. The development of the housing industry is a sign of a strong economy, as economic growth and the housing industry are in sync. Housing finance companies play a crucial role among all the housing finance institutions in strengthening the housing sector. The objective of this study is to analyze the performance of Housing finance companies in India between 2020 and 2023 by looking at the annual publications of the company.

KEYWORDS: Home loan companies, Financial ratios, Performance analysis, Comparative evaluation.

INTRODUCTION

Home loan companies are part of the non-banking financial industry. The National Housing Bank regulates this home loan company. In recent years, India's housing finance sector has expanded significantly, driven by a variety of economic factors such as urbanization, increased disposable incomes, and government efforts promoting affordable housing. Home loan firms play an important role in promoting homeownership by offering financial support to people and families who want to own a home. Understanding these organizations' financial performance is critical for stakeholders such as investors, regulators, politicians, and consumers since it shows the efficiency, stability, and development potential of the housing finance industry. The purpose of this study is to conduct a thorough analysis of the financial performance of home loan organizations in India. By assessing

important financial metrics such as profitability, liquidity, solvency, and efficiency ratios, the study hopes to provide insights into these organizations' operational success and financial health.

Home loan companies in brief: -

- **LIC HOUSING FINANCE LIMITED**

LIC HFL is one of the top housing finance companies in the country. Founded in 1989, LIC HFL is a subsidiary of LIC. The company is based in Mumbai and has branches and marketing offices all over the country. LIC HFL's mission is to provide affordable housing finance solutions to meet the needs of individuals and families who want to become homeowners. The company provides various loan products, such as home loans for buying, building, repairing, and renovating residential properties, loan against property, and loans for the purchase of plots. We have consistently maintained a healthy balance sheet, with strong asset quality, prudential risk management, and consistent growth in our loan portfolio. LIC Housing Finance Limited (LIC HFL) has earned the trust of consumers, investors, and stakeholders over the years, establishing itself as a reliable partner in their pursuit for homeownership. With a commitment to excellence, transparency, and social responsibility, the organization continues to play an important role in India's housing finance sector, contributing to the country's socioeconomic growth and inclusive growth.

- **INDIABULLS HOUSING FINANCE LIMITED**

Indiabulls Housing Finance Limited (IBHFL) is a prominent housing finance company in India, offering an extensive array of loan products and financial services to enable individuals to become homeowners. IBHFL was founded in 2005 and has quickly expanded to meet the various needs of clients all over the nation. It is now a major player in the housing finance industry. The company provides a wide range of loan products, including home loans for the acquisition, building, refurbishment, and extension of residential properties, as well as loans against property (LAP) and loans for land purchases. IBHFL aspires to make homeownership affordable and accessible to people from all socioeconomic levels by offering flexible repayment choices and competitive interest rates. IBHFL has developed a solid reputation as a trustworthy partner in the process of becoming a homeowner by winning the respect and confidence of stakeholders, investors, and customers over time.

Literature Review

Kumarie M.S. (2021), Analyzed the financial performance of Housing finance companies by selecting 5 Housing companies in study HDFC, LIC, Dewan, PNB and Hudco. The data has been analyzed by comparing efficiency, liquidity, profitability and Revenue ratios for the period of 2010 to 2020. The conclusion shows that HDFC and HUDCO were the best housing finance companies in India.

K & Ahuja, (2020) in their articles titled “financial performance of housing finance companies in India”. Examine the financial operation of the housing finance company for the year 2014-2015 to 2018-2019. Selected housing

finance companies are listed in the recognized stock exchange. They have used financial parameter like liquidity, solvency, valuation, and profitability ratio has been used for analyzing concluded that crest venture and India bulls are performing well in the term liquidity, in overall performance position Indiabulls performance is better, and in the investment crest venture perform better when it compares to other selected housing finance company.

Satyanarayana & Ramu, (2019) in their study titled “a comparative study between public and private housing finance companies (HFCs) in India” evaluate the financial performance of five public HFCs and five private HFCs in India for the period of 2009-2018. by using descriptive statistics in the form of means and a student t-test and with some financial ratios. They founded that regulatory measures and policy reforms the profitability and operating ratios significantly influenced the financial performance of public and private HFCs.

Meghna Sarda & Ramesh Chandra babu, (2018) in their study titled “financial performance analysis of selected Indian NBFCs in housing finance” investigate the financial health of the NBFCs that are into housing finance. The companies that are listed in the recognized stock exchange have been selected for the study. Ratios under camel parameters are calculated, tabulated, and presented graphically. Also, statistical tools, ANOVA (f-test) have been used to check the hypothesis that checks the difference between the companies based on the analysis it founded that GRUH finance is ranked first in this study followed by GIC housing finance and dewan housing finance ltd. The last rank is secured by LICHFL.

Pratibha P. K., C. Krishnan (2018), has analysed the financial operations of Housing Finance Companies and schedule commercial banks in India and evaluated their comparative growth. The HFC’s have increased in number from 46 institutions in 2004-2005 to 71 institutions in 2015-2016. Also, the number of housing loans dispensation given by Schedule commercial banks and Housing Finance Companies have increased. Numerically, Commercial banks have reduced in terms of housing market shares when compared with HFC’s.

Kavitha (2017), analyzed the financial performance by application of CAMEL Approach (Capital Adequacy, Asset Quality, Management Efficiency, Earning Capability and Liquidity) of the five listed housing finance companies in India. She followed Purposive Sampling design. From the study it has been concluded that HFCs need to focus on keeping up low-cost. The study also reveals that Housing companies need to look into the long-term sources of funds which will assist them to avoid mismatch problems and furthermore provides them with higher profitable operations.

Rationale of the study

India, like any other country, relies heavily on the housing sector for economic growth. With a growing population and urbanization, the demand for homes, and thus house loans, has increased. The study on the financial performance of LIC Housing Finance Limited and Indiabulls Housing Finance Limited, aiming to rank home loan providers, is crucial for various reasons. It aids investors in making informed decisions by analyzing key financial metrics. Comparative analysis helps assess competitiveness and identify areas for improvement. It enhances consumer confidence by showcasing financial strength and reliability. Additionally, it facilitates regulatory oversight by ensuring compliance with financial regulations. Overall, this study provides actionable insights for navigating the housing finance sector effectively, supporting decision-making, risk management, and market competitiveness.

Objectives of the study

To analyze the financial performance of LIC Housing Finance Limited & Indiabulls Housing Finance Limited using different financial ratios.

Research Methodology

Research Design

This report employs a descriptive research design to thoroughly examine the Indian housing finance sector.

Scope of the Study

The analysis relied on quarterly data collected over three years, from 2020 to 2023.

Sample Size

The study focuses on companies listed on recognized stock exchanges, including Indiabulls Housing Finance and LIC Housing Finance.

Data Collection

This study relies on secondary data.

Data Analysis & Tools Applied

Efficiency and profitability ratios were used to assess the financial performance of selected HFCs. The data we collect will be analyze with the help of ratio analysis and excel software using statistical technique pair two sample t-test.

Data

LIC Housing Finance Limited

SOURCE – Data extracted from financial results and screener and calculations has been done.

(in crores)

Year		Net Income	Total Assets	Revenue	Operating Expenses	Operating Income
2020-2021	Q1	817	25281	4990	3903	4977
	Q2	791	25565	4982	3861	4979
	Q3	721	27683	4911	3763	4922
	Q4	406	26823	4982	3627	4960
2021-2022	Q1	151	25720	4865	3487	4840
	Q2	250	26957	4718	3614	4924
	Q3	771	26854	5064	3524	4988
	Q4	1114	28615	5328	3781	4621

2022- 2023	Q1	926	24825	5296	3664	4785
	Q2	313	26937	5096	3375	4658
	Q3	462	27136	5890	3512	4856
	Q4	1191	29246	6431	3609	4758

LIC Housing Finance Limited Ratio Analysis

Year		Return on assets	Net profit margin	Efficiency Ratio	Asset turnover ratio	Operating Margin
2020- 2021	Q1	3.23	0.16	0.78	0.20	1.00
	Q2	3.09	0.16	0.77	0.19	1.00
	Q3	2.60	0.15	0.77	0.18	1.00
	Q4	1.51	0.08	0.73	0.19	1.00
2021- 2022	Q1	0.59	0.03	0.72	0.19	0.99
	Q2	0.93	0.05	0.77	0.18	1.04
	Q3	2.87	0.15	0.70	0.19	0.98
	Q4	3.89	0.21	0.71	0.19	0.87
2022- 2023	Q1	3.73	0.17	0.69	0.21	0.90
	Q2	1.16	0.06	0.66	0.19	0.91
	Q3	1.70	0.08	0.60	0.22	0.82
	Q4	4.07	0.19	0.56	0.22	0.74

Indiabulls Housing Finance Limited**(in crores)**

Year		Net Income	Total Assets	Revenue	Operating Expenses	Operating Income
2020- 2021	Q1	273	89,299	2541	1741	2215
	Q2	323	95,632	2581	1734	2198
	Q3	329	98,379	2513	1754	2122
	Q4	276	93,238	2372	1684	2393
2021- 2022	Q1	282	95,133	2321	1672	2264
	Q2	286	88,251	2233	1743	2145
	Q3	303	92,782	2274	1846	2435
	Q4	307	81,973	2189	1584	2107
2022- 2023	Q1	287	79,245	2075	1634	2356
	Q2	289	75,812	2230	1793	2205
	Q3	291	77,945	2339	1628	2415
	Q4	263	74,945	2075	1810	2384



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RATIO ANALYSIS OF Indiabulls Housing Finance Limited

Year		Return on assets	Net profit margin	Efficiency Ratio	Asset turnover ratio	Operating Margin
2020-2021	Q1	0.31	0.11	0.87	0.03	0.87
	Q2	0.34	0.13	0.85	0.03	0.85
	Q3	0.33	0.13	0.84	0.03	0.84
	Q4	0.30	0.12	1.01	0.03	1.01
2021-2022	Q1	0.30	0.12	0.98	0.02	0.98
	Q2	0.32	0.13	0.96	0.03	0.96
	Q3	0.33	0.13	1.07	0.02	1.07
	Q4	0.37	0.14	0.96	0.03	0.96
2022-2023	Q1	0.36	0.14	1.14	0.03	1.14
	Q2	0.38	0.13	0.99	0.03	0.99
	Q3	0.37	0.12	1.03	0.03	1.03
	Q4	0.35	0.13	1.15	0.03	1.15

HYPOTHESIS

- **H0** – There is no significance difference in **return on assets** of LIC Housing and Indiabulls Housing Limited.
- H1** – There is significance difference in **return on assets** of LIC Housing and Indiabulls Housing Limited.

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	0.0244912	0.033859
Variance	0.0001497	9.15E-06
Observations	12	12
Hypothesized Mean Difference	0	
df	12	

t Stat	-2.5751182	
P(T<=t) one-tail	0.0121577	
t Critical one-tail	1.7822876	
P(T<=t) two-tail	0.0243154	
t Critical two-tail	2.1788128	

Interpretation: - The table shows that p calculated $< p$ value (0.05), rejecting the null hypothesis that there is significance difference in return on assets of LIC Housing Limited and Indiabulls Housing limited.

- **H0** – There is no significance difference in **efficiency ratio** of LIC Housing and Indiabulls Housing Limited.
- H1** – There is significance difference in **efficiency ratio** of LIC Housing and Indiabulls Housing Limited.

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	0.368188	0.755683
Variance	0.065422	0.202422
Observations	12	12
Hypothesized Mean Difference	0	
df	17	
t Stat	-2.593682	
P(T<=t) one-tail	0.009463	
t Critical one-tail	1.739607	
P(T<=t) two-tail	0.018926	
t Critical two-tail	2.109816	

Interpretation: - The table shows that p calculated $< p$ value (0.05), rejecting the null hypothesis that there is significance difference in efficiency ratio of LIC Housing Limited and Indiabulls Housing limited.

- **H0** – There is no significance difference in **net profit margin** of LIC Housing and Indiabulls Housing Limited.

H1 – There is significance difference in **net profit margin** of LIC Housing and Indiabulls Housing Limited.

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	0.124626	0.127044
Variance	0.003555	8.1E-05
Observations	12	12
Hypothesized Mean Difference	0	
df	12	
t Stat	-0.13892	
P(T<=t) one-tail	0.445909	
t Critical one-tail	1.782288	
P(T<=t) two-tail	0.891818	
t Critical two-tail	2.178813	

Interpretation: - The table shows that p calculated $> p$ value (0.05), supporting the null hypothesis that there is no significance difference in net profit margin of LIC Housing Limited and Indiabulls Housing limited.

- **H0** – There is no significance difference in **asset turnover ratio** of LIC Housing and Indiabulls Housing Limited.

H1 – There is significance difference in **asset turnover ratio** of LIC Housing and Indiabulls Housing Limited.

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	0.19454	0.266741
Variance	0.000221	0.00034
Observations	12	12
Hypothesized Mean Difference	0	
Df	21	
t Stat	-10.5544	
P(T<=t) one-tail	3.74E-10	
t Critical one-tail	1.720743	
P(T<=t) two-tail	7.47E-10	
t Critical two-tail	2.079614	

Interpretation: - The table shows that p calculated > p value (0.05), supporting the null hypothesis that there is no significance difference in asset turnover ratio of LIC Housing Limited and Indiabulls Housing limited.

- **H0** – There is no significance difference in **operating margin** of LIC Housing and Indiabulls Housing Limited.
- H1** – There is significance difference in **operating margin** of LIC Housing and Indiabulls Housing Limited.

	<i>Variable 1</i>	<i>Variable 2</i>
Mean	0.938942	0.987631
Variance	0.008205	0.010109
Observations	12	12
Hypothesized Mean Difference	0	
df	22	
t Stat	-1.24632	
P(T<=t) one-tail	0.112877	
t Critical one-tail	1.717144	

P(T<=t) two-tail	0.225755	
t Critical two-tail	2.073873	

Interpretation: - The table shows p calculated > p value (0.05), supporting the null hypothesis that there is no significance difference in operating margin of LIC Housing Limited and Indiabulls Housing limited.

The above calculations show different aspects of their financial health through these ratios. While some aspects might look positive for LIC Housing Finance, there could be areas that need attention, indicated by the ratios that reject the null hypothesis.

Conclusion

To sum up, using financial ratios to analyze home loan companies' financial performance has provided valuable insights. We have conducted an in-depth analysis of the following metrics: profitability and efficiency ratios. They play an essential role in evaluating the viability of home loan companies and their overall financial health. By delving into financial ratios, stakeholders gain insight into the companies' ability to generate profits, and utilize resources efficiently. The comparative analysis provided in this study provides investors, managers and policy makers with valuable insights to make better decisions in the home loans industry. By identifying strengths and weaknesses, stakeholders can create strategies to improve performance and reduce risks. In the future, continued monitoring and evaluating financial ratios will play an integral role in maintaining a competitive advantage and long-term success in the home loans sector. Stakeholders can adapt to evolving market conditions, take advantage of new opportunities and navigate challenges efficiently.

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