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# A Study of Trend Analysis of Financial Performance of Selected Public Sector Housing Finance Companies in India

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## Abstract

*The COVID-19 pandemic has had a profound and far-reaching impact on the global population and economy. Since its outbreak, the virus has infected millions and claimed more than 1.8 million lives worldwide. Beyond the devastating human toll, the pandemic significantly disrupted economic activities across almost every country, causing a sharp decline in GDP growth rates and severely affecting various industries. One of the sectors that experienced notable disruption is the service sector, which includes financial institutions such as housing finance companies. This paper aims to examine the trend analysis of financial performance of selected public housing finance companies, including Housing and Urban Development Corporation (HUDCO), LIC Housing Finance Limited (LICHFL), Can Fin Homes Limited (CanFinHFL), and GIC Housing Finance Limited (GIC HFL). The focus of the study is to assess the impact of the COVID-19 pandemic on these institutions by analysing key financial indicators such as profitability ratios and liquidity ratios considering during and post pandemic year.*

**Key Words:** - Housing finance companies, profitability ratio, liquidity ratio.

## Introduction:

In a country like India, the housing finance market is quite competitive. Along with HFCs, many banks are also offering home loan schemes to attract customers. In addition, several private housing finance companies are actively involved in the market and have evolved over time to meet changing needs and regulations. These companies have become an essential part of the financial system by offering various housing loan products. To check the financial health and strength of these companies, the CAMEL approach is commonly used. CAMEL stands for Capital adequacy, Asset quality, Management quality, Earnings, and Liquidity. This method helps regulators and investors understand how strong and reliable a financial institution is. Despite their importance, HFCs still face many challenges compared to banks. They often struggle with maintaining liquidity, managing risks, and meeting regulatory standards. To help improve their operations and ensure financial stability, the Reserve Bank of India (RBI) has provided several guidelines for HFCs. These include frameworks for liquidity ratio management, maintaining a Liquidity Coverage Ratio (LCR), and rules for giving loans against securities like shares or gold jewellery. RBI has also set standards for risk management, outsourcing financial services, and adopting Indian Accounting Standards.

## Objectives

1. To study the financial performance of public housing finance companies before and during pandemic situation from the year 2018 – 2023.
2. To make suggestions for the better performance of public housing finance companies in India.

## Hypothesis

Null Hypothesis (H0): There is a no significant difference between financial performance of public housing finance companies in pre and during pandemic.

Alternate Hypothesis (H1): There is a significant difference between financial performance of public housing finance companies in pre and during pandemic.

## Research Methodology

The present study is based on secondary data. For the study purposes HUDCO, LICHFL, CanFinHFL, GIC HFL companies financial performance were considered.

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**Data Analysis:** Paired sample t – test and wilcoxon signed rank test are applied test the hypothesis. When data are assumed as normal distribution, paired sample t – test become the choice, but when data are not assume as normal distribution, wilcoxon signed rank test become the choice (Lind, et al.,2012).

### Future Scope

A similar study can also be carried out for all private housing finance companies operating in India. In addition, research can be expanded to include the social performance of both public and private housing finance companies. There is also potential for researchers to explore the challenges and future opportunities faced by housing finance companies in the country.

### Limitations Of Study

The current study is confined to selected public housing finance companies only. It focuses specifically on evaluating their financial performance, particularly in terms of profitability and liquidity ratios. The study period is limited to the pre-pandemic and pandemic years, covering the financial years from 2018–2019 to 2022–2023. Due to the unavailability of financial statements for some public housing finance companies, their performance could not be assessed in this study. The data used for analysis has been collected from the official websites of the respective companies.

### Calculation of ratios and its analysis of public housing finance companies

#### Profitability Ratio

1. Net Profit Margin Ratio
2. Return on Assets
3. Return on Capital Employed

**Table No.1**

Public Housing Fianace Companies				
1) Net Profit Margin Ratio (in %)				
Years / Companies	2020-2021	2021-2022	2022-2023	2023-2024
HUDCO	21.81	24.68	24.13	27.19
LICHFL	13.79	11.44	12.77	17.50
CanFinHFL	21.97	21.51	21.97	23.40
GIC HFL	19.12	14.29	14.84	14.31

(Source: Dion Global Solution Limited)

**Interpretation:** Net profit margin ratio indicates the profit of the respective years which every company is trying to achieve more. High profit is expected by the company above diagram shows that HUDCO has successful in achieving high profit in increasing mode. Net profit margin ratio of LICHFC shows reverse flow that from the year 2020-2021 it was 13.79% profit which has reduced to 11.44 in the year 2021-2022. In the post pandemic it shows significant growth to 17.50%. CanFinHFL is successful in achieving tremendously high profit in every year that

is from 21.97% to 23.40% which shows consistency in net profit margin. HUDCO and CanFin HFL emerged as the best performers, consistently maintaining stable or improving net profit margins throughout both the pandemic and post-pandemic periods. LICHFL faced profitability challenges during the pandemic but has shown a strong recovery in recent years. In contrast, GIC HFL continues to lag behind, with limited margin improvement post-pandemic, indicating potential structural or operational issues.

### Return on Assets

**Table No.2**

Public Housing Finance Companies				
Return on Assets				
Years / Companies	2020-2021	2021-2022	2022-2023	2023-2024
HUDCO	2.06 %	2.20 %	2.13 %	2.27 %
LICHFL	1.16 %	0.90 %	1.04 %	1.63 %
CanFinHFL	2.06	1.68	NA	NA
GIC HFL	0.82 %	1.41 %	1.87 %	1.51 %

(Source : Dion Global Solution Limited)

**Interpretation:** Return on assets shows how company is generating profit from its total assets shown the balance sheet. It is expressed in percentage. From the above diagram HUDCO shows 2.06% return on assets in the year 2020-2021 and increased to 2.20% in the post pandemic it reached to 2.27% which shows moderate increase. LICHFL shows decreasing mode of return on assets from the year 2020-2021 to 2021-2022. It was 1.16% in the year 2020-2021 and

decreased to 0.90%. ROA dropped from 2.06% in 2020–21 to 1.68% in 2021–22, suggesting reduced asset efficiency of CanFin HFL during the crisis. GIC HFL return on assets shows continuously growth from 0.82% to 1.87% from the year 2020-2021 to 2022-2023 then decline to 1.51%. All public housing companies selected by researcher is not reaching to the standard ratio. Among selected companies HUDCO shows consistent and good performance.



## Return on Capital Employed

**Table No.3**

Public Housing Finance Companies				
Return on Capital Employed				
Years / Companies	2020-2021	2021-2022	2022-2023	2023-2024
HUDCO	9.45 %	9.16 %	8.81 %	9.24 %
LICHFL	8.14 %	7.11 %	7.57 %	8.80 %
CanFinHFL	22.36	18.28	NA	NA
GIC HFL	8.60	7.86 %	8.75 %	8.62 %

(Source: Dion Global Solution Limited)

**Interpretation:** Return on capital employed is used to analyze the profitability and capital efficiency of the company. Company should have at least 20% return on capital employed which indicates good performance. As far as HUDCO is concerned, company is stable in maintaining return on capital employed from 9.45% to 9.25% in pre and post pandemic period. LIC HFL is also shows the similar progress as HUDCO. LIC HFL shows post pandemic

### Current Ratio

recovery it has grown up to 8.80%. CanFinHFL shows significantly declined from the 22.36% to 18.28%. GIC HFL shows stable in maintaining performance.

### Liquidity Ratio

1. Current Ratio
2. Dividend Payout Ratio
3. Debt Equity Ratio

**Table No.4**

Public Housing Finance Companies				
Current Ratio				
Years / Companies	2020-2021	2021-2022	2022-2023	2023-2024
HUDCO	0.37	0.44	0.48	0.05
LICHFL	1.10	3.07	3.40	NA
CanFinHFL	-3.47	-4.01	-4.86	-3.47
GIC HFL	1.24	1.31	-1.21	-1.31

(Source: Dion Global Solution Limited)

**Interpretation:** Current ratio indicates short term solvency position of the company. Standard current ratio should be 1.2 to 2 means company has enough capital to pay its current liabilities. From the above selected housing finance companies LIC HFL shows stable and resilient during and post pandemic period. HUDCO shows gradual increase in the pandemic

### Dividend Payout Ratio

situation and sudden dropped in post pandemic from 0.37 to 0.05. CanFin HFL shows negative ratio in both period that is in during and post pandemic. GIC HFL shows good liquidity position during the pandemic whereas shows sudden fall in post pandemic.

**Table No.5**

Public Housing Finance Companies				
Dividend Payment Ratio (in %)				
Years / Companies	2020-2021	2021-2022	2022-2023	2023-2024
HUDCO	28 %	41 %	45 %	39 %
LICHFL	9.8 %	16.2 %	20.4 %	14.8 %
CanFinHFL	-9 %	-9 %	-7 %	6 %
GIC HFL	15.1 %	16.0 %	11.4 %	12.4 %

(Source: Dion Global Solution Limited)

**Interpretation:** Dividend payout ratio indicates how much company is earning after tax and able to dividend to shareholders. 30% to 50% dividend payout ratio is favorable for the company. The highest dividend payout ratio among public housing finance companies is 45% of HUDCO in the year 2022-2023.

Above tables shows that HUDCO high and rising

### Debt Equity Ratio

dividend payouts during and post pandemic. LIC HFL shows healthy distribution of dividend whereas due to profitability issue CanFin HFL is not able to pay dividend. GIC HFL shows consistency in paying dividend to its shareholders.

**Table No.6**

Public Housing Finance Companies				
Debt Equity Ratio				
Years / Companies	2020-2021	2021-2022	2022-2023	2023-2024
HUDCO	4.62	4.25	4.07	4.45
LICHFL	7.46	8.04	9.03	9.07
CanFinHFL	7.39	8.04	7.97	7.29
GIC HFL	N/A	6.85	5.38	4.68



(Source : Dion Global Solution Limited)

Interpretation: Debt to capital ratio determines the proportion total borrowed fund against its total owners fund. Higher ratio indicates high risk. From the above selected public finance companies LICHFC has more ratios which indicate high risk whereas HUDCO shows 4.62 debt equity ratio which is good means less risky. GIC HFL shows decreasing trend which indicates that from the year 2021-2022 to 2023-2024.

### Conclusion:

During the pandemic (FY 2020–21), HUDCO demonstrated strong resilience with steadily improving ROA and stable ROCE, indicating solid operational and capital efficiency. LICHFL, despite a sharp decline in ROA and ROCE during the pandemic, recovered significantly by FY 2023–24. GIC HFL showed promising post-pandemic ROA growth but has recently seen a slight decline. CanFin HFL performed well during the pandemic, though the absence of recent data limits clarity on its recovery. HUDCO maintained strong dividend payouts and modest deleveraging, while LICHFL followed a conservative but stable dividend approach. GIC HFL kept dividends modest and consistent, reflecting a cautious financial stance, and CanFin HFL maintained conservative payouts aligned with its uncertain profitability. Liquidity remains a concern for HUDCO, especially in FY 2023–24, whereas LICHFL and CanFin HFL showed strong liquidity with ratios above 3.0. Leverage is declining for HUDCO and GIC HFL, while LICHFL continues to operate under high leverage, increasing long-term risk. CanFin HFL appears to be gradually lowering its leverage, indicating financial caution. Overall, LICHFL stands out as the most resilient performer post-pandemic, while HUDCO and GIC HFL face structural and liquidity challenges despite some positive trends.

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### Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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