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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

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   APPENDIX/ANNEXURE

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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PERFORMANCE ANALYSIS & BENCHMARKING OF SELECTED LISTED HOUSING FINANCE COMPANIES IN INDIA- A CAMEL APPROACH

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ABSTRACT

The main aim of this research paper is to analyze the financial performance of the listed housing finance companies (HFCs)in India for a period of five years from 2007-2008 to 2011-12, using the CAMEL model (Capital Adequacy, Asset Quality, Management Efficiency, Earning Capability & Liquidity). Sample size for this study consists of 6 listed HFCs selected based on purposive sampling. Certain ratios have been calculated under each acronym of CAMEL and selected HFCs were ranked based on the ratio values. ANOVA (F-test) has been used to statistically test whether there is any significant difference among the selected HFCs. The source of the data was collected from the annual reports of HFCs and tools like SPSS & excel has been used for statistical analysis, grouping and tabulation. As a part of this study, significant difference was observed among the selected HFCs with regard to all the CAMEL parameters. GRUH is ranked first under the CAMEL analysis followed by HDFC and GIC who secured the second and third position respectively. DEWAN occupied the fourth position, and the fifth position occupied by CANFIN. The last position under CAMEL analysis is occupied by LICHFL.

KEYWORDS
CAMEL, Housing Finance Companies, National Housing Bank.

1. INTRODUCTION
Housing is one of the basic human needs and is second to the need for food and clothing. Housing finance is a specialized form of finance and efficiency of housing finance system in a country is one of the basic indicators of the growth of its economy. The emergence of a formal institutional system for housing finance has been quite late in India with the formation of National Housing Bank (NHB) in 1988, since then housing is being accorded high priority by the Government. Housing and housing finance activities in India have witnessed tremendous growth over the years. Some of the factors that have led to this growth are - tax concessions to borrowers, increase in disposable income levels, changing age profile of the borrowers, easy availability of loans, nuclear families and urbanization, etc. As per 11th Five Year Plan (2007-2012) the total number of houses that would be required cumulatively in the plan period is slated at 45 million units (7 million backlog plus 38 million additional units) which will require an investment of around Rs.10 trillion between 2007-2012, i.e. Rs.2 trillion per year.

Housing Finance Companies (HFCs) play an important role in the Indian housing finance market. They compete with banks in offering home loans and other related products. Apart from traditional home loans, other products offered by HFCs are Loans against Property, Builder Loans and others. Unlike the other non-banking finance companies which are governed by the Reserve Bank of India (RBI), the housing finance companies are governed by the National Housing Bank (NHB). Housing Finance Companies (HFCs) that once dominated the market as the most prominent group are facing serious competition from the commercial banks (CBs). In respect of HFCs, apart from their gradually lowering market share year after year, there has been significant pressure on their profitability because of the thinning profit margins arising from competition and increased cost of funds. Hence, enhanced operational as well financial efficiency is necessary for survival and growth of HFCs in India. There is also a need to study the performance analysis of HFCs, especially in the present scenario of cut-throat competition thrown up by many organizations into housing finance industry. The present study put focus on the analysis of financial performance of the HFCs whose business is primarily housing finance.

2.1 REVIEW OF RELEVANT LITERATURE
(2.1.i) HOUSING FINANCE COMPANIES (HFCs)
As per the NHB Act 1987,"A HFC is a company which mainly carries on the business of housing finance or has one of its main object clause in the Memorandum of Association of carrying on the business of providing finance for the housing". As per the report on Trend and progress of housing in India 2012 issued by the National Housing Bank, "Housing Finance Companies (specialized institutions lending for housing) registered with the National Housing Bank are a major component of the mortgage lending institutions in India. The 54 HFCs registered with the National Housing Bank as on March 31, 2012 have a network of approximately 1692 branches spread across the country.

(2.1.ii) HOUSING FINANCE SCENARIO IN INDIA
As per the report on Trend and progress of housing in India 2012 issued by the National Housing Bank, "The Indian Mortgage Market has been growing at around 18 per cent in the fiscal year 2010-11 owing to enabling factors such as a stable operating environment, buoyant property prices etc. Prior to formation of the National Housing Bank in 1988 and tabling of the draft housing policy, the housing finance sector was dominated by informal sources. However, the market has evolved since then and today a number of institutions offer housing finance as a product. The growth in the housing loan portfolio of HFCs has been encouraging with a growth of 19 per cent in the outstanding housing loan portfolio for the year ending March 31, 2012. The market share of HFCs is approximately 30-35 per cent of the retail housing finance market catering primarily to the borrowers in the formal sector."

(2.1.iii) CAMEL APPROACH
The 'CAMEL' approach was developed by bank regulators in the US as a means of measurement of the financial condition of a financial institution. Accordingly, the 'Uniform Financial Institutions Rating System' was established by the Federal Financial Institutions Examination Council in the US. This system was also adopted by national Credit Union Administration NCUA in Oct 1987 (Milligan, 2002). Here, the acronym 'CAMEL' stands for, Capital Adequacy (C), Asset Quality (A), Management (M), Earnings (E) and Liquidity (L). CAMEL model assesses the overall condition of the Financial Institution, its strengths and weakness (Sarker, 2005). In India too, initiatives in the direction of assessment of financial stability of financial institutions have been in place since the early 1990s. The acronyms used in the CAMEL approach have been discussed below-

CAPITAL ADEQUACY

The deference between total assets and total liabilities is called capital. It shows ability of the firm that liability could be privileged. If there is any loss from loans & advances, it will be a great risk for banks to meet the demand of their stakeholder & depositors. Therefore to prevent the bank from failure it is necessary to maintain a significant level of capital adequacy (Chen, 2003). According to Trautmann (2006), sound capital adequacy signifies that-

- All capital requirements are fulfilled and go beyond of the level.
- Earning performance of the bank very good.
- Bank growth is controlled and administered well
- Nonperforming loans and assets are very less in number
- Bank has the ability to raise new capital and give reasonable dividend.

Capital adequacy represents the relationship between equity and risk weighted assets and can be viewed as the key indicator of HFC's financial soundness. It is seen as a cushion to promote the stability and efficiency of financial system and also indicates whether the housing finance company has enough capital to absorb losses. HFC's capital provides the second level of protection to debt holders (earnings being the first) and therefore its adequacy is important. High CAR indicates the ability of the company to undertake additional business.

ASSET QUALITY

Asset quality is one of the most important elements of CAMELS frame work to rate a financial institution/bank (Jerome, 2008). Decision regarding allocation of the deposited amount of the bank in loan portfolio, investments, owned real estate, securities and off balance sheet transaction determines the quality of its assets. These are taken into consideration while calculating the default/credit risk of a bank. Quality of these assets indicates the future losses to the bank and its ability to overcome these unanticipated loses. Madura, 2009 in his book FINANCIAL MARKETS & INSTITUTIONS discusses that to evaluate quality of the loans pass on by the banks, Federal Reserve System (Central banking of America) consider 5Cs that are as under (Madura, 2009 p.65):

CAPACITY: Ability of the borrower to pay back the loan

- Collateral: Amount and quality of backup assets
- Condition: Situation that propel for requirement of the funds
- Capital: It is calculated by the difference between the value of assets and liabilities of the borrower
- Character: Willingness and previous record of the borrower to repay the loan.

Sundararajan & Errico (2002) in their working paper submitted to International Monetary Fund (IMF) discussed that how asset quality is assessed in standard CAMELS rating framework. According to them asset quality is assessed on the following four classifications: (1) intensity, allocation and rigorousness of classified assets (2) level and composition of nonperforming assets (3) the competence of estimating reserves and (4) the established capabilities to manage and collect bad debts. According to Trautmann (2006), good asset quality signifies that-

- Bad-debts and or non performing loans are kept under good control
- Loan Portfolio of the financial institution is managed efficiently is not a credit risk threat.

Asset quality is one of the most critical areas in determining the overall financial health of a housing finance company as it plays an important role in indicating the future financial performance of HFC. The focus of asset quality evaluation is on lifetime losses, variability in losses under various scenarios, the impact of likely credit costs on profitability, and the cushions available (in the form of capital or provisions) to protect the debt holders from unexpected deterioration in asset quality.

MANAGEMENT EFFICIENCY

Management efficiency and soundness is assessed from the efficiency in operations. HFC's operating efficiency can be determined from the assessment of Operating Expenses to Gross Income and cost to income ratio. According to Baral, (2005) It is difficult to determine the sound performance of management of the bank. For individual institution it is not a quantitative factor it is primarily qualitative factor. How to measure the soundness of the management? However there are quite a few indicators to assess the soundness of the management these are: cost to Income ratio, average loan size, expense ratio etc. These indicators can be used to measure the management quality.

EARNINGS AND PROFITABILITY

To stay in the market for a long term, financial institutions are totally dependent upon generation of adequate earnings, rewards to be paid back to its shareholders, protect and improve its capital. (Couto & Brasil, 2002). According to Sarker, 2005, Earning quantifies the performance of the institution to increase and maintain the total worth through earnings from operations. It also assesses the interest rate policy, management examine and adjust the interest rate on micro finance loans and evaluate the adjusted return on assets that how well the assets are utilized.

An HFC's ability to generate adequate returns is important from the perspective of both its shareholders and debt holders. Profitable operations are essential for HFC to operate as an going concern. The evaluation of an HFC's profitability and earning capability can be conducted with help of ratios like interest expenditure to Interest Income, Return on Equity, Return on Assets and Return on Net Worth.

Interest cover is also a useful indicator of the extent of cover over the interest paid by the company. The overall profitability can be examined in terms of, return on capital employed, return on assets and return on shareholders' funds.

LIQUIDITY

According to Berger & Bouwman 2009, liquidity creation and transformation of the risk are the two most important roles perform by the financial intermediaries in a financial system. Bryant 1980 and Diamond & Dybvig 1983 discuss in there articles that creation of liquidity is the most important function of the banking system. They argued that they create this liquidity on their balance sheet such that by financing comparatively liquid assets by means of comparatively liquid liabilities (Berger & Bouwman, 2007, p. 1).

Any financial institution that maintains a high level of liquidity has the capability to overcome the difficulties it may face in short term business (Jerome, 2008). As per Sarker (2005), Liquidity Managementscrutinizes institution liabilities like interest rate, payment terms, tenor etc. It also evaluates fund availability to meet its credit demand and cash flow requirements.

With regard to HFCs, Asset Liability mismatch is common, as the average tenor of assets is longer than that of its liabilities. However the gaps vary depending on the funding mix and liquidity policy of the HFC. Lack of liquidity can lead an HFC towards failure, while, strong liquidity can help even an otherwise weak company to remain adequately funded during difficult times. Liquidity crises may turn to be serious in the concerns, where obligations are of short duration nature. Generally, HFCs in India finance their loan advances that have longer maturity with borrowings of lower maturity. The liquidity risk is evaluated by examining the assets liability maturity (ALM) profile, collection efficiency and proportion of liquid assets to total assets.

2.2 PREVIOUS RESEARCH AND RESEARCH GAP

Ashwani, Parvinder and Pushpinder (2009) studied the effect of various selected independent variables (i.e Interest income, interest expenses, Non interest income, operating and administrative expenses and employee costs) on profitability of selected HFCs. Additionally; Bi-variate Correlation analysis has been used to study the correlation between various variables. As per their study, it was concluded that the overall profitability of the housing finance companies has gone down as observed in falling trend of return on capital employed.

Manoj (2010) tried to analyze the operational efficiency for a sample of 10 major HFCs in India based on their relative operational efficiency calculated with cost to income ratio and ROE (Return on Equity). Tools of statistical analysis (like, Trend Analysis, Correlation Analysis, and Regression Analysis etc.) were used to test the significant variance. It was concluded that there exists quite significant difference in the operational efficiency of major HFCs in India, primarily because of the difference in the cost structure of the respective HFCs.

Manoj (2010) tried to analyze the financial soundness of housing finance companies in India and determinants of profitability using a 'CAMEL' approach along with ROE Decomposition Analysis for a sample of top 10 HFCs. Popular tools of financial analysis (like, ROE Decomposition Analysis) were used for analyzing the profitability of the HFCs, while 'CAMEL' method was used to assess the financial soundness and also to categorize these HFCs into a few distinct groups. It was concluded that while there is significant difference in the relative financial soundness of HFCs in India, all HFCs are constantly under pressures of rising costs. Close monitoring of costs for improving theirreturns to income ratio is quite essential for enhancing ROE.

Guruswamy (2012) conducted a comparative analysis of selected HFCs in India for a sample of four housing finance companies i.e Housing Development Finance Corporation Ltd.,LIC Housing Finance Ltd., Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd using a secondary data for a period of 10 years from 1991-92 to 2000-2001. The analysis of this based on rankings leads to conclude that it was LIC Housing Finance Ltd., and Housing Development Finance Corporation Ltd stood as an excellent housing finance company having the real competition in the housing finance field.

2.3 IMPORTANCE OF THE STUDY
In view of the foregoing, it may be noted that studies on performance analysis of Housing Finance Companies in India are still at an early stage and those focusing on CAMEL approach are few. Hence, the present study seeks to fill this research gap and contributes to the existing literature by conducting "PERFORMANCE ANALYSIS & BENCHMARKING OF SELECTED LISTED HOUSING FINANCE COMPANIES IN INDIA- A CAMEL APPROACH"

3.1 OBJECTIVES OF THE STUDY
To analyse the financial performance of selected housing finance companies and benchmark them based on the CAMEL parameters.

3.2 METHODOLOGY
(3.2.i) NATURE OF THE RESEARCH

The paper is analytical in nature to the extent that it aims to analyse the performance of the selected HFCs in India and benchmark them based on the CAMEL parameters.

(3.2.ii) HYPOTHESIS

Against the backdrop of overall objective stated above, the following null hypotheses were formulated.

1. There is no significant difference between the HFCs with regard to Capital Adequacy
2. There is no significant difference between the HFCs with regard to Asset Quality
3. There is no significant difference between the HFCs with regard to Management Efficiency.
4. There is no significant difference between the HFCs with regard to Earning & Profitability
5. There is no significant difference between the HFCs with regard to Liquidity

(3.2.iii) SAMPLING DESIGN

Purposive Sampling design has been followed wherein the HFC for evaluation has been selected on the following criteria:

- HFCs are registered with National Housing Bank and eligible to accept public deposits and
- HFCs listed in any of the stock exchange (NSE or BSE) as on March 2012.

Details of companies selected as per criteria mentioned above & its market share as of 31st March 2012 is follows:

Sr No	Name Of the HFCs	Market Cap (Rs. Crore)
1	Housing Development Finance Corporation Ltd (HDFC)	120,009.69
2	LIC Housing Finance (LICHFL)	14,294.58
3	GRUH Finance (GRUH)	3,939.60
4	Dewan Housing (DEWAN)	2,477.82
5	GIC Housing Finance (GIC)	726.72
6	Can Fin Homes Limited (CANFIN)	340.77

Source: Market Cap data of HFCs from moneycontrol.com

(3.2.iv) DATA SOURCES

This study use the secondary data collected from the published annual reports of the respective HFCs. Relevant information regarding the list of HFCs having registration are collected from the website of National Housing Bank (NHB). (Annexure-I)

(3.2.v) ANALYTICAL TOOLS

The evaluation of performance of Housing Finance Companies can be measured by a number of indicators. However, in present study, CAMEL parameters are used to study the financial performance of HFCs. CAMEL acronym has been discussed above as a part of literature review. Ratios calculated to test each acronym are as follows:

Sr No.	CAMEL Parameters	Ratio Tested
1	Capital Adequacy **(C)**	a.) Capital (Net Worth) to Total Assets b.) Debt equity ratio c.) Capital Adequacy Ratio
2	Asset Quality **(A)**	a.) Gross NPA to Loans & Advances b.) Return on Assets
3	Management **(M)**	a.) Expenses to Average Total Assets b.) Cost to income ratio c.) Return on Net Worth
4	Earnings **(E)**	a.) Net Interest Margin/ Average Total Assets b.) Interest income / Avg. Total Assets
5	Liquidity **(L)**	a.) Current Ratio b.) Quick Ratio

Based on the values of the ratios, the selected housing finance companies have been ranked. Higher average value of the ratios gets ranked higher. The best ratio gets rank one followed up to rank six with an interval of one. In case of tie, the average rank is assigned to the HFCs. All the ratios having higher value get higher rank whereas the ratio debt equity, Cost to Income and Expense to Average Asset ratio gets the rank in reverse order. In addition to the ratio analysis, the difference among the HFCs with regard to CAMEL parameters has been tested statistically with the help of F-Test at significance level of 1%.

4. RESULTS AND DISCUSSIONS
The analysis and results of selected listed HFC's under each acronym i.e capital adequacy, assets quality, management efficiency, earnings and liquidity are discussed below-

4.1 CAPITAL ADEQUACY

The capital adequacy reflects the overall financial position of the financial institution. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 1.

TABLE-1: PERFORMANCE OF SELECTED HFC's AS PER 'CAMEL' ACRONYM- CAPITAL ADEQUACY (C)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Capital (Net Worth) to Total Assets	12.76	8.57	9.29	9.01	12.52	12.55	38.22
Ranking	*1*	*6*	*4*	*5*	*3*	*2*	
b.) Debt equity ratio	6.51	10.37	9.51	9.98	6.72	6.79	30.97
Ranking	*1*	*6*	*4*	*5*	*2*	*3*	
c.) Capital Adequacy Ratio	15.02	14.65	15.64	17.56	17.51	18.10	3.45
Ranking	*5*	*6*	*4*	*2*	*3*	*1*	
Overall Group Ranking	2.3	6.0	4.0	4.0	2.7	2.0	

Source: Based on values as per Table-7 (Annexure-I)

- It is observed that the highest average capital to total asset has been of HDFC with an average ratio of 12.76 and is followed by CANFIN with an average of 12.55. LIC Housing is the lowest of all with an average value of 8.57 percent.
- In terms of debt equity ratio, HDFC secured top position with a lowest average value of 6.51 followed by GIC and CANFIN with an average value of 6.72 and 6.79 respectively.
- All HFCs are maintaining good CAR. It is found that CANFIN secured the top position with highest average CAR of 18.10 followed by DEWAN & GIC with an average value of 17.56 & 17.51 respectively.

On the basis of group averages of three sub-parameters of capital adequacy CANFIN was at the top position with an average group ranking of 2.0, followed by HDFC (2.3) and GIC (2.7). LICHFL stood at the last position due to its poor performance in all sub parameters of capital adequacy.

HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-1) reveal that there is a significant difference in the capital adequacy parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to capital adequacy.

4.2 ASSET QUALITY

The quality of assets is an important parameter to gauge the strength of HFC. The prime motto behind measuring the assets quality is to ascertain the component of non-performing assets as a percentage of the total assets. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 2.

TABLE-2: PERFORMANCE OF SELECTED HFC's AS PER 'CAMEL' ACRONYM- ASSET QUALITY (A)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Gross NPA to Loans & Advances	0.79	0.01	0.90	1.13	3.35	1.16	25.35
Ranking	*2*	*1*	*3*	*4*	*6*	*5*	
b.) Return on Assets	2.96	0.38	2.68	1.76	2.37	1.72	7.75
Ranking	*1*	*6*	*2*	*4*	*3*	*5*	
Overall Group Ranking	1.5	3.5	2.5	4.0	4.5	5.0	

Source: Based on values as per Table-8 (Annexure-I)

- LICHFL secured a top position with a lowest average value of 0.01 for Gross NPA to Loans & Advances followed by HDFC (0.79) and GRUH (0.90). GIC was at the last position with an average of 3.35.
- In case of Return on Assets, HDFC was at the top position with a highest average of 2.96 followed by GRUH (2.68) DEWAN (1.76). LICHFL was at the last position with lowest average of 0.38.

On the basis of group averages of sub-parameters of assets quality, HDFC was at the top position with group average of 1.5, followed by GRUH (2.5). CANFIN who secured top position under capital adequacy parameter was the last in asset quality parameter due to its high NPA and low return on assets.

HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-2) reveal that there is a significant difference in the asset quality parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to Asset Quality.

4.3 MANAGEMENT EFFICIENCY

Management efficiency is another important element of the CAMEL Model. The ratio in this segment involves subjective analysis to measure the efficiency and effectiveness of management. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 3.

TABLE-3: PERFORMANCE OF SELECTED HFC's AS PER 'CAMEL' ACRONYM- MANAGEMENT EFFICIENCY (M)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Expenses to Average Total Assets	0.44	0.46	0.99	1.26	0.73	0.70	70.21
Ranking	*1*	*2*	*5*	*6*	*3*	*4*	
b.) Cost to income ratio	10.12	16.44	20.40	36.04	12.47	21.97	52.52
Ranking	*1*	*3*	*4*	*6*	*2*	*5*	
c.) Return on Net Worth	21.62	20.78	28.48	17.58	17.99	13.67	11.57
Ranking	*2*	*3*	*1*	*5*	*4*	*6*	
Overall Group Ranking	1.3	2.7	3.3	5.7	3.0	5.0	

Source: Based on values as per Table-9 (Annexure-I)

- Except DEWAN, expense to average asset ratio for all the HFCs is less than the average value of 1. HDFC secured a top position with a lowest average value of 0.44 followed by LICHFL (0.46) and GIC (0.73). DEWAN was at the last position with an average of 1.26.
- In terms of Cost to income ratio, it can be noted that HDFC is undisputedly the best HFC with its lowest cost to income ratio followed by GIC and LICHFL. DEWAN and CANFIN housing having a highest value for cost to income ratio.
- For Return on Net Worth, GRUH secured a top position with a highest average value of 28.48 followed by HDFC (21.62) and LICHFL (20.78). CANFIN was at the last position with a lowest average of 13.67.

On the basis of group averages of sub-parameters of management efficiency, HDFC was at the top position with group average of 1.3, followed by LIC (2.7) and GIC (3.0). CANFIN again secured last position in this parameter too due to its high cost to income ratio and low return on net worth.

HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-3) reveal that there is a significant difference in the management efficiency parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to management efficiency.

4.4 EARNINGS

HFCs depend on their earnings for performing the housing finance activities, maintaining adequate capital levels and maintaining the competitive outlook. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 4.

TABLE-4: PERFORMANCE OF SELECTED HFC's AS PER 'CAMEL' ACRONYM- EARNINGS (E)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Net Interest Margin/ Average Total Assets	**3.54**	**2.51**	**4.77**	**2.57**	**3.55**	**2.75**	**30.98**
Ranking	*3*	*6*	*1*	*5*	*2*	*4*	
b.) Interest income / Avg. Total Assets	**10.45**	**9.76**	**11.69**	**11.13**	**10.64**	**10.68**	**3.85**
Ranking	*5*	*6*	*1*	*2*	*4*	*3*	
Overall Group Ranking	**4.0**	**6.0**	**1.0**	**3.5**	**3.0**	**3.5**	

Source: Based on values as per Table-10 (Annexure-I)

- GRUH secured a top position with a highest average value of 4.77 for Net interest margin to average total asset followed by GIC (3.55) and HDFC (3.54). LICHFL was at last position with an average value of 2.51.
- In terms of Interest income to average total asset, it can be noted that GRUH was at top position with its highest Interest income to average total asset ratio followed by DEWAN and CANFIN. HDFC for the first time secured one of the bottom two positions along with LICHFL.
- For Return on Net Worth, GRUH secured a top position with a highest average value of 28.48 followed by HDFC (21.62) and LICHFL (20.78). CANFIN was at the last position with a lowest average of 13.67.

On the basis of group averages of sub-parameters of management efficiency, HDFC was at the top position with group average of 1.3, followed by LIC (2.7) and GIC (3.0). CANFIN again secured last position in this parameter too due to its high cost to income ratio and low return on net worth.

HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-4) reveal that there is a significant difference in the earning parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to earning capability.

4.5 LIQUIDITY

Liquidity management is of prime importance to Financial Institution due to competitive pressure. HFCs inability to manage its short term liquidity liabilities and loan commitments can adversely impact the performance of the HFCs by substantially increasing its cost of fund and over exposure to unrated asset category. The various ratios measuring capital adequacy of sample HFCs are depicted in Table 5.

TABLE-5: PERFORMANCE OF SELECTED HFC's AS PER 'CAMEL' ACRONYM- LIQUIDITY (L)

Ratios	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	F- Ratio
a.) Current Ratio	**8.26**	**11.58**	**24.09**	**42.32**	**1.39**	**18.32**	**8.21**
Ranking	*5*	*4*	*2*	*1*	*6*	*3*	
b.) Quick Ratio	**17.05**	**14.34**	**33.42**	**44.95**	**41.20**	**30.99**	**3.08**
Ranking	*5*	*6*	*3*	*1*	*2*	*4*	
Overall Group Ranking	**5.0**	**5.0**	**2.5**	**1.0**	**4.0**	**3.5**	

Source: Based on values as per Table-11 (Annexure-I)

- In terms of current ratio, DEWAN secured top position with an average value of 42.32 followed by GRUH and CANFIN with an average value of 24.09 and 18.32 respectively.
- In terms of quick ratio, DEWAN again secured top position with an average value of 44.95 followed by GIC and GRUH with an average value of 41.20 and 33.42 respectively. LICHFL was at last position with an average value of 14.34.

On the basis of group averages of sub-parameters of liquidity, DEWAN was at the top position with group average of 1.0, followed by GRUH (2.5) and CANFIN (3.5). HDFC and LICHFL jointly secured last position with an average value of 5.0 each.

HYPOTHESIS TESTING

The results of one-way ANOVA (F- ratio in Table-5) reveal that there is a significant difference in the liquidity parameters of the selected HFCs; therefore, null hypothesis is rejected at 1% level of significance and it is concluded that sample housing finance companies under study are significantly different with regard to liquidity.

OVERALL RANKING

The overall ranking of the housing finance companies considering all the sub criteria rankings under CAMEL analysis over the 5 years period (2007-08 to 2011-12) is presented in the Table 6. GRUH is ranked first under the CAMEL analysis followed by HDFC and GIC who secured the second and third position respectively. DEWAN occupied the fourth position, and the fifth position occupied by CANFIN. The last position under CAMEL analysis is occupied by LICHFL among all the HFCs selected for this study.

TABLE-6: OVERALL RANKING BASED ON ALL CAMEL PARAMETER

CAMEL Parameters	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
Capital Adequacy (C)	2.33	6.00	4.00	4.00	2.67	2.00
Asset Quality (A)	1.50	3.50	2.50	4.00	4.50	5.00
Management (M)	1.33	2.67	3.33	5.67	3.00	5.00
Earnings (E)	4.00	6.00	1.00	3.50	3.00	3.50
Liquidity (L)	5.00	5.00	2.50	1.00	4.00	3.50
Average*	***2.83***	***4.63***	***2.67***	***3.63***	***3.43***	***3.80***
Relative Overall Ranking	***2***	***6***	***1***	***4***	***3***	***5***

**(Small Number represents good Performance)*

5.1 CONCLUSION

As a part of this study, we tried to analyze the performance of housing finance companies and rank them based on CAMEL parameters. We observed a significant difference among the selected housing companies with regard to all the CAMEL parameters. Housing finance is a low margin, high volume business and even the most established HFCs have seen reduction in the interest margin. Apart from the higher cost of funds for HFCs, there is the problem of maturity mismatches (asset-liability mismatches) because, HFCs generally source funds from public deposits of 2 to 5 year duration, while typically the loans are extended for much higher tenors. In order to be profitable, HFCs are required to maintain low-cost & long-term sources of funds which will enable them to avoid mismatch problems and also provide higher profitability in operations.

5.2 LIMITATIONS OF THE STUDY & SCOPE FOR FURTHER RESEARCH

The study period was limited to 5 years from 2007-08 to 2011-2012 and the evaluation has been done by taking into consideration only six housing finance companies that are eligible to receive public deposits. Future study may be conducted with regard to comparative analysis of financial performance for other category of Housing finance companies (like public & private HFCs and HFCs not eligible to receive public deposits etc). A comparison can also be made between HFCs and commercial banks. Additionally, for future study, sample period & sample size may be enhanced and some other method of analysing the performance of financial Institutions may be considered.

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ANNEXURE

ANNEXURE – I

LIST OF HOUSING FINANCE COMPANIES GRANTED CERTIFICATE OF REGISTRATION (COR) VALID FOR ACCEPTANCE OF PUBLIC DEPOSITS UNDER SECTION 29A OF THE NATIONAL HOUSING BANK ACT, 1987

Sl. No.	Name of the HFC	Registered Office Address
1	Can Fin Homes Limited	No. 29/1, 1st Floor, Sir M.N. Krishna Rao Road, Basavangudi, Bangalore-560 004. KARNATAKA.
2	Cent Bank Home Finance Limited	9-Arera Hills,Mother Teresa Road, Bhopal-462 011. MADHYA PRADESH
3.	First Blue Home Finance Limited.	12C-12D, Vasant Square Mall, Plot-A, Sector B, Pocket V, Vasant Kunj, New Delhi-110070
4.	Dewan Housing Finance Corporation Ltd.	Warden House (2nd Floor), Sir P.M. Road, Fort, Mumbai - 400023. MAHARASHTRA.
5.	DHFL Vysya Housing Finance Ltd.	S-401, 4th Floor, Brigade Plaza, Anand Circle, Banglore - 560 011, KARNATAKA.
6.	GIC Housing Finance Ltd.	Universal Insurance Building (3rd Floor), Sir PM Road, Fort, Mumbai-400 001. MAHARASHTRA. GUJRAT.
7.	GRUH Finance Ltd.	"GRUH", Netaji Marg, Nr. Mithakhali Six Road, Ellisbridge, Ahmedabad-380 006. GUJARAT.
8.	Housing and Urban Development Corporation Ltd.	HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi-110 003. DELHI.
9.	Housing Development Finance Corporation Ltd.	Ramon House, H.T. Parekh Marg, 169-Backbay Reclamation, Church Gate, Mumbai-400 020. MAHARASHTRA.
10.	ICICI Home Finance Company Ltd.	ICICI Bank Towers, Bandra Kurla Complex, Mumbai-400 051. MAHARASHTRA.
11.	Ind Bank Housing Ltd	66-Rajaji Salai, Chennai-600 001. TAMILNADU.
12.	LIC Housing Finance Ltd.	Bombay Life Building, 45/47-Veer Nariman Road, Mumbai-400 001. MAHARASHTRA.
13.	Manipal Housing Finance Syndicate Ltd.	"Manipal House", Manipal-576 119. Udupi District. KARNATAKA.
14.	National Trust Housing Finance Ltd.	MOH Building-1st Floor, 576 Anna Salai, Teynampet, Chennai-600 006. TAMILNADU.
15.	PNB Housing Finance Ltd.	Antriksh Bhawan-9th Floor, 22-Kasturba Gandhi Marg, New Delhi-110 001. DELHI.
16.	REPCO Home Finance Ltd.	"Repco Tower", 33-North Usman Road, T. Nagar, Chennai-600 017. TAMILNADU.
17.	Sundaram BNP Paribas Home Finance Ltd.	21-Patullos Road, Chennai-600 002. TAMILNADU.
18.	Vishwakriya Housing Finance Ltd.	Office No.117, 209, Masjid Moth, South Ex Plaza II, South Extn Part II, New Delhi - 49.
19.	Indo Pacific Housing Finance Limited	Unit No. 505 & 506, DLF Tower 'B', District Centre, Jasola, New Delhi - 110025

Source: *Official Website of National Housing Bank (NHB), India, www.nhb.org.in*

ANNEXURE - II

TABLE-7: CAPITAL ADEQUACY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Capital (Net Worth) to Total Assets						Debt equity						Capital Adequacy					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	11.22	9.20	8.92	9.43	12.08	12.68	7.37	8.43	9.94	9.42	6.37	6.62	14.6	16.70	13.95	18.24	14.8	17.44
2010-11	12.41	8.45	9.41	9.28	13.04	13.7	6.66	10.58	9.33	9.59	6.62	6.12	14.00	14.88	13.32	19.39	15.42	19.14
2009-10	13.07	8.88	9.97	8.75	12.79	12.56	6.35	10.70	8.78	10.26	6.8	6.79	14.60	14.89	16.55	17.25	18.03	17.11
2008-09	12.95	8.08	8.74	7.85	11.99	12.66	6.38	11.26	10.17	11.52	7.12	6.69	15.10	13.50	16.21	16.21	17.67	16.1
2007-08	14.17	8.26	9.42	9.76	12.69	11.16	5.79	10.87	9.32	9.1	6.67	7.71	16.80	13.30	18.15	16.7	21.64	20.7
Average	12.76	8.57	9.292	9.014	12.518	12.552	6.51	10.37	9.508	9.978	6.716	6.786	15.02	14.65	15.636	17.558	17.512	18.098

Source: Computed figure from financial statement of respective HFCs

TABLE-8: ASSET QUALITY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Gross NPA to Loans & Advances						Return on Assets					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	0.74	0.40	0.52	0.76	2.08	0.71	3.7	1.82	3.12	1.66	1.54	1.75
2010-11	0.77	0.50	0.81	0.67	2.97	1.06	2.77	2.22	3.03	1.99	3.45	1.89
2009-10	0.79	0.69	1.11	1.15	3.58	1.06	2.60	1.86	2.66	1.83	2.26	1.90
2008-09	0.81	1.07	0.94	1.47	3.67	1.43	2.46	2.00	2.21	1.43	2.12	1.61
2007-08	0.84	0.17	1.12	1.6	4.43	1.54	3.25	1.81	2.39	1.90	2.46	1.43
Average	0.79	0.57	0.90	1.13	3.35	1.16	2.96	1.94	2.68	1.76	2.37	1.72

Source: Computed figure from financial statement of respective HFCs

TABLE-9: MANAGEMENT EFFICIENCY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Expenses to Average Total Assets						Cost to income						Return on Net Worth					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	0.46	0.38	1.01	1.31	0.77	0.81	11.00	14.10	20.00	39.99	6.67	22.10	21.68	16.08	34.21	17.09	12.25	13.29
2010-11	0.30	0.44	1.03	1.29	0.88	0.77	7.15	13.50	20.00	36.03	6.79	22.28	20.41	23.37	31.42	17.12	24.40	14.34
2009-10	0.44	0.50	0.98	1.36	0.68	0.71	10.69	17.80	20.00	37.02	16.51	21.40	19.95	19.54	28.41	17.31	17.34	15.03
2008-09	0.46	0.56	0.91	1.23	0.65	0.60	11.47	17.40	20.00	35.89	17.33	20.93	18.20	23.79	24.46	16.50	17.20	12.79
2007-08	0.52	0.43	1.01	1.10	0.67	0.59	10.28	19.40	22.00	31.27	15.04	23.12	27.84	21.13	23.89	19.90	18.75	12.92
Average	0.44	0.46	0.99	1.26	0.73	0.70	10.12	16.44	20.40	36.04	12.47	21.97	21.62	20.78	28.48	17.58	17.99	13.67

Source: Computed figure from financial statement of respective HFCs

TABLE-10: EARNINGS & PROFITABILITY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Net Interest Margin/ Average Total Assets						Interest income / Avg. Total Assets					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	3.61	2.25	5.1	2.18	2.92	3.05	10.9	10.04	12.61	11.50	10.57	11.15
2010-11	3.67	2.78	5.20	2.55	3.41	3.18	9.59	9.85	11.26	9.80	9.43	10.15
2009-10	3.29	2.33	4.90	2.67	3.80	2.87	9.77	9.09	11.46	10.81	10.16	10.05
2008-09	3.46	2.64	4.09	2.83	3.52	2.61	11.46	10.42	12.33	11.85	11.37	11.11
2007-08	3.68	2.54	4.57	2.64	4.08	2.06	10.54	9.42	10.78	11.70	11.65	10.96
Average	3.54	2.51	4.77	2.57	3.55	2.75	10.45	9.76	11.69	11.13	10.64	10.68

Source: Computed figure from financial statement of respective HFCs

TABLE-11: LIQUIDITY FOR SELECTED HOUSING FINANCE COMPANIES

Period	Current Ratio						Quick Ratio					
	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN	HDFC	LICHFL	GRUH	DEWAN	GIC	CANFIN
2011-12	1.76	4.74	34.91	8.11	4.47	5.71	2.94	5.88	34.8	8.11	6.82	6.96
2010-11	10.78	10.8	12.59	40.01	0.63	29.06	18.61	12.09	31.58	53.32	61.55	37.3
2009-10	7.09	13.32	32.34	60.93	0.61	13.32	21.61	18.45	32.15	60.88	76.89	41.89
2008-09	7.56	12.08	35.06	48.48	0.62	27.31	19.25	16.26	34.86	48.44	29.97	35.23
2007-08	14.12	16.95	5.56	54.06	0.6	16.2	22.84	19.02	33.73	54.01	30.79	33.59
Average	8.26	11.58	24.09	42.32	1.39	18.32	17.05	14.34	33.42	44.95	41.20	30.99

Source: Computed figure from financial statement of respective HFCs

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