

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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# CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	THE INTERMEDIATE COMMUNITY: A BEHAVIORAL/BARGAINING APPROACH FOR CONFLICT RESOLUTION AT THE LOCAL LEVEL/BAYESIAN ANALYSIS <i>DR. LEONIDAS A. PAKONSTANTINIDIS</i>	1
2.	IMPACT OF NEW REFORM ON PRODUCTIVITY OF ETHIOPIAN COTTON TEXTILE INDUSTRY <i>DR. BREHANU BORJI AYALEW</i>	7
3.	SIGNIFICANCE OF TOTAL QUALITY MANAGEMENT IN ORGANIZATIONAL PERFORMANCE: AN EMPIRICAL ANALYSIS FROM SMES SECTOR <i>FAROOQ ANWAR, IRFAN SALEEM &amp; AYESHA ZAHID</i>	13
4.	INDEPENDENCE AND IMPARTIALITY OF AUDITORS FROM THE VIEWPOINTS OF INDEPENDENT AUDITORS AND INVESTMENT COMPANIES <i>MOHAMADREZA ABDOLI</i>	17
5.	COMPARATIVE ANALYSIS OF SELECTED HOUSING FINANCE COMPANIES IN INDIA <i>DR. D. GURUSWAMY</i>	20
6.	MUNICIPAL SERVICE QUALITY IN SOUTHERN THAILAND: AN EMPIRICAL INVESTIGATION OF CUSTOMER PERCEPTIONS <i>SAFIEK MOKHLIS</i>	30
7.	THE IMPERATIVES OF LEADERSHIP QUESTION IN MEDIA MANAGEMENT <i>BELLO SEMIU &amp; KASALI TAOFEK</i>	36
8.	PERCEIVED PURCHASE RISK IN THE TECHNOLOGICAL GOODS PURCHASE CONTEXT: AN INSTRUMENT DEVELOPMENT AND VALIDATION <i>IMAM SALEHUDIN</i>	41
9.	STUDY ON TRADITIONAL VERSUS CONTINUOUS ACCREDITATION PROCESS & EXPLORING LEADERSHIP DISPARITY <i>HARINI METHUKU &amp; HATIM R HUSSEIN</i>	49
10.	VOLATILITY OF AGGREGATE MARKET INDICES <i>NALINA K B &amp; B SHIVARAJ</i>	56
11.	STUDENT FEED BACK: A TOOL TO ENHANCE QUALITY IN ENGINEERING EDUCATION <i>VEERANNA.D.K &amp; DR. ANAND.K.JOSHI</i>	63
12.	JOB SCHEDULING OF NURSE STAFFING: A DYNAMIC PROGRAMMING APPROACH <i>KAVITHA KOPPULA &amp; DR. LEWLYN L. RAJ RODRIGUES</i>	66
13.	INFLUENCE OF PERSONAL FACTORS ON ORGANISATIONAL CLIMATE IN IT COMPANIES <i>R. DARWIN JOSEPH &amp; DR. N. PANCHANATHAN</i>	70
14.	ANALYSIS OF CUSTOMER SATISFACTION OF THE HOTEL INDUSTRY IN INDIA USING KANO MODEL & QFD <i>PARUL GUPTA &amp; R. K. SRIVASTAVA</i>	74
15.	BEHAVIOUR OF STOCK MARKET VOLATILITY IN DEVELOPING COUNTRIES <i>DR. S. S. CHAHAL &amp; SUMAN</i>	82
16.	FINANCIAL DERIVATIVES IN INDIA: DEVELOPMENT PATTERN AND TRADING IMPACT ON THE VOLATILITY OF NSE <i>E.V.P.A.S.PALLAVI &amp; DR. P. S. RAVINDRA</i>	89
17.	CHANGING FACE OF CAR MARKET: A REVIEW OF MARKET GROWTH AND CHANGING SALES TRENDS IN INDIAN PASSENGER CAR MARKET <i>DEEPTHI SANKAR &amp; DR. ZAKKARIYA K.A.</i>	94
18.	PERFORMANCE APPRAISAL: ALIGNING PERSONAL ASPIRATIONS TO ORGANIZATIONAL GOALS (A SPECIAL REFERENCE TO DAIRY SECTOR IN RAJASTHAN) <i>DR. SHWETA TIWARI (MISHRA)</i>	99
19.	INDIA'S BANKING SECTOR REFORMS FROM THE PERSPECTIVE OF BANKING SYSTEM <i>RAJESH GARG &amp; ASHOK KUMAR</i>	103
20.	INFORMATION TECHNOLOGY AND COMMUNICATION IN BUSINESS <i>C. ARUL VENKADESH</i>	108
21.	IMPACT OF ORGANIZED RETAIL ON UNORGANIZED SECTOR: A STUDY IN JAMMU REGION <i>URVASHI GUPTA</i>	112
22.	ISLAMIC BANKING IN INDIA: RELIGIOUS AND SOCIO-ECONOMIC PERSPECTIVES AFFECTING MUSLIM INVESTORS OF AHMEDABAD DISTRICT IN GUJARAT <i>URVI AMIN</i>	116
23.	ICT DEVELOPMENT IN INDIA: A CASE STUDY OF INFOSYS LTD. <i>MUNISH KUMAR TIWARI</i>	122
24.	DATA WAREHOUSING AND TESTING <i>VENKATESH RAMASAMY &amp; ABINAYA MURUGANANDHAN</i>	130
25.	POLITICAL IMPACT OF MICRO FINANCE ON RURAL POOR IN ANDHRA PRADESH <i>DR. NANU LUNAVATH</i>	135
	REQUEST FOR FEEDBACK	151

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**COMPARATIVE ANALYSIS OF SELECTED HOUSING FINANCE COMPANIES IN INDIA****DR. D. GURUSWAMY****ASST. PROFESSOR****DEPARTMENT OF ACCOUNTING AND FINANCE****COLLEGE OF BUSINESS AND ECONOMICS****MEKELLE UNIVERSITY****MEKELLE, ETHIOPIA****ABSTRACT**

*The result of the new policy regarding housing culminated in public and private sector banks entering into housing finance segment through the establishment of their subsidiaries. Some banks took-up the housing financing as a means of deploying their additional investible funds. As such today there are a number of institutions which are offering housing finance to individuals and corporates. The overall objective of the paper is to study the comparative analysis of financial performance of selected housing finance companies. Against the backdrop of overall objective, hypotheses were formulated and tested. A sample of four housing finance companies was selected at random for a study. The four companies which constituted the sample were Housing Development Finance Corporation Ltd., LIC Housing Finance Ltd., Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd. The database for the study consists of secondary data. The comparative analysis based on rankings leads to conclude that it was LIC Housing Finance Ltd., which stood as an excellent housing finance company since it had the highest counts i.e., 25 out of 40. This was followed by HDFC with 23 out of 40 counts. It means that these two organizations had almost the same efficiency and thus they were the real competitors in the field.*

**KEYWORDS**

Analysis, Comparative, Housing Finance Companies, Performance.

**INTRODUCTION**

In India, the fast rate of population growth and migration of people from rural to urban areas for making a livelihood have created huge demand for housing in urban areas including metropolis. In rural areas too, the problem of housing is so acute because of low incomes and poverty. More than 30 per cent of the country's housing stock is considered to be kutcha houses made of non durable materials like mud, thatches, reeds, leaves etc. About 9 million of such units in rural areas and one million in urban areas are considered to be unserviceable. These structures generally last for very short period of time. In other words, the increases of housing units have not kept pace with the demand. This has resulted in number of problems in housing. The problem is acutely felt in the urban areas and the worst affected are the immigrants from the rural areas belonging to the low income groups. The Ninth Plan working group on housing estimated the housing shortage in the country in the year 2001 at 19.4 million dwelling units (12.8 million in rural and 6.6 million dwelling units in the urban areas). Furthermore, congestion, over crowding, poor housing conditions as well as growth of slums and squatter settlements have become most serious problems of the cities. Very large number of Indian population, both urban and rural need housing, at least, satisfying the minimum requirements. Housing finance is a term which covers financing at all stages in the development of housing - purchase of land, construction and installation of on-site infrastructure. The project of house construction is quite distinctive from others. The price of the factors involved in house construction needs to be paid mostly in cash at the time of their use. In other words, finance for a project of house construction is required at three stages viz., purchase of land, construction of house, and repayment of loan amount if borrowed funds are involved.

Shelter as a basic human need ranks next only to food and clothing. Housing has been primarily self-help activity for the majority of the households. Increasing population pressure on land and infrastructure and associated high cost have made proper housing inaccessible to the poorer segments of the population, necessitating state intervention initially as a welfare activity and now recognized as a social and economic imperative. In a developing country like India, problems of urban housing have been more evident, both because of exponentially increasing land and construction cost and deteriorating quality of life in congested urban packets. This obviously led to high demand for dwelling units. The year 1987 was declared as International Year of Shelter. It was estimated by the National Building organization that by the year 2000 there could be demand for 4.1 crore dwelling units. Financing and construction of housing units to meet the needs of people is a big task in itself. Only a part of financial requirements is coming from the organized sector comprising banks, housing finance companies, and other organizations.

A housing finance company is a company incorporated in India which transacts the business of providing long term finance for housing. 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). The National Housing Bank Act, 1987 confers powers on the National Housing Bank in dealing with housing finance companies. The National Housing Bank has issued Directions applicable to HFCs in 1989 known as housing finance companies Directions, 1989. The directions mainly covered the acceptance of deposits by HFCs and other incidental matters. The directions were drastically amended in September 1997. The amendments were quite similar to the one made in the case of NBFCs in January, 1997. The housing finance companies which accept deposits and having at least 25 lakhs net owned funds are now required to apply and obtain a certificate of registration from the NHB before accepting/ renewing any deposit. The quantum of deposits and the methods of maintaining liquid assets have also been changed. These directions have been further amended on January 1, 1999 in respect of acceptance of public deposits, compulsory credit rating for acceptance of public deposits, more disclosure in the application for soliciting public deposits, etc. The National Housing Bank Act, 1987 was also been amended as National Housing Bank (Amendment) Act 2000 to enable the National Housing Bank to safeguard the interests of depositors and promote healthy and universal growth of housing finance companies in the country. The Act was further amended on September 27, 2001 as it was considered necessary in the public interest and to enable the National Housing Bank to regulate the housing finance system of the country more effectively.

**STATEMENT OF THE PROBLEM**

The introduction of New Economic Policy in 1991 brought in radical changes in many areas and economic activities. The Government introduced a number of reforms and restructured the functioning of organizations. New approaches were formulated in health, education, housing and other social activities. The Government planned to increase the health and medical facilities to all the sectors of the society. Similarly, it wanted to enlarge the scope of education to cover every boy or girl. In the case of housing, it allowed private participation so that more funds could be made available to housing.

The result of the new policy regarding housing culminated in public and private sector banks entering into housing finance segment through the establishment of their subsidiaries. Some banks took-up the housing financing as a means of deploying their additional investible funds. As such today there are a number of institutions which are offering housing finance to individuals and corporates.

At the national level the National Housing Bank (NHB) and Housing and Urban Development Corporation (HUDCO) have been established to assist the housing finance companies.

In 1991 the New Economic Policy came into effect and now it is more than two decade. It is felt that this is an appropriate time to evaluate the relative performance of the housing finance companies.

The present study on the "comparative analysis of financial performance of selected housing finance companies" is pertinent and there is a greater need for such studies as the studies conducted earlier did not make much focus on the comparative analysis of financial performance of the finance companies whose business is primarily housing finance. It is also utmost important to have this systematic introspection of comparative analysis of financial performance of these companies, especially in the present juncture of cut-throat competition thrown up by many private sector organizations having entered into this industry.

## OBJECTIVE OF THE STUDY

The overall objective of the paper was to study the comparative analysis of financial performance of selected housing finance companies.

## HYPOTHESES

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

1. There is no significant difference between the companies in regard to loan disbursements to sanctions.
2. There is no significant difference between the companies in regard to debt equity ratio.
3. There is no significant difference between the companies in regard to proportion of shareholders' funds in total resources.
4. There is no significant difference between the companies in regard to proportion of borrowed funds in total resources.
5. There is no significant difference between the companies in regard to proportion of retained earnings in total resources.
6. There is no significant difference between the companies in regard to amounts of gross income and operating income.
7. There is no significant difference between the companies in regard to amounts of profit after tax.
8. There is no significant difference between the companies in regard to current ratio.
9. There is no significant difference between the companies in regard to interest expenditure to interest income.
10. There is no significant difference between the companies in regard to growth of branches.

## METHODOLOGY

There are 29 housing finance companies in public as well as in private sectors which are approved for refinance assistance from National Housing Bank. They undertake housing finance as their primary business with a professional approach and outlook. A sample of four housing finance companies was selected at random for a study. The four companies which constituted the sample were Housing Development Finance Corporation Ltd., LIC Housing Finance Ltd., Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd.

The database for the study consists of secondary data. The annual reports of the Housing Development Finance Corporation Ltd., LIC Housing Finance Ltd., Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd., Reserve Bank of India, National Housing Bank, etc on the secondary sources of data for the study.

The data was analyzed by financial ratios, compound growth rates, percentages, ANOVA, (Statistical Program for Social Sciences (SPSS) was used) etc.

## SCOPE OF THE STUDY

The study was confined to the comparative analysis of financial performance of the selected housing finance companies in India.

## LIMITATIONS OF THE STUDY

The study period was limited to 10 years from 1991-92 to 2000-2001. The evaluation has been done by taking into consideration four housing finance companies namely HDFC, LIC Housing Finance Ltd., Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd. The parameters considered for comparative analysis include:

1. Loan disbursements to sanctions;
2. Debt-equity ratio;
3. Proportion of shareholders' funds in total resources;
4. Proportion of borrowed funds in total resources;
5. Proportion of retained earnings in total resources;
6. Gross income and operating income;
7. Profit After tax;
8. Current ratio;
9. Interest expenditure to interest income;
10. Growth of branches;

In all the above cases the 'ANOVA' (Analysis of Variance) has been applied with 'F' test at 1% level of significance to determine whether there was variability among the selected companies or not. At 1% level of significance table values of 4.41. Keeping this value as basis, whether the variability was significant or insignificant has been assessed. Similarly, if the variable was assessed at 5% level of significance which gave table value for 'F' as 2.88.

## DATA ANALYSIS AND RESULTS

### LOAN DISBURSEMENTS TO SANCTIONS

The loan disbursements to sanctions indicate the actual outflow of cash from the companies. The loans sanctioned were only book figures. The actual disbursements reveal contribution made by the housing companies for increasing the dwelling units in the country.

In the case of HDFC the loan disbursements to sanctions (as shown in Table-1), ranged between a low of 81.07 per cent and a high of 88.19 per cent with a deviation of only 8 per cent. The loan disbursements to sanctions were 88.19 per cent in 1991-92 and it decreased to a low 81.07 per cent in 1994-95. Later it improved and reached 84.70 per cent for 1997-98. Afterwards again there was fluctuation and ultimately for 2000-2001, it was 84.35 per cent which was lower compared to its 1991-92 value. This reveals that there were reduced disbursements compared to sanctioned loan amount.

TABLE – 1: LOAN DISBURSEMENTS TO SANCTIONS OF SELECT HOUSING FINANCE COMPANIES (Percent)

Year	HDFC	LIC Housing Finance Ltd.	Can Fin Homes Ltd.	Vysya Bank Housing Finance Ltd.
1991-92	88.19	51.76	89.36	85.87
1992-93	83.79	78.41	83.84	76.94
1993-94	86.76	88.91	59.22	92.29
1994-95	81.07	86.76	85.43	82.27
1995-96	81.27	87.56	95.92	83.93
1996-97	83.30	93.82	78.34	76.28
1997-98	84.70	91.93	98.93	88.72
1998-99	84.10	88.77	87.86	97.63
1999-00	84.69	92.44	83.02	94.29
2000-01	84.35	93.04	88.96	88.89

Source: Annual Reports (Various Issues)



TABLE – 2: LOAN DISBURSEMENTS TO SANCTIONS OF SELECT HOUSING FINANCE COMPANIES

ANOVA				
Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	31.906	10.635	0.128
Within Groups	36	2994.000	83.167	Not Significant

Source: SPSS output

The disbursements to sanctions in the case of LIC Housing Finance Ltd., indicate an upward trend in the ratio. It was 51.76 per cent in 1991-92 and shows an increasing trend up to 1993-94 with 88.91 per cent of disbursements of loan sanctioned. For the next two years there was a slight decline. Later, again it increased and reached the highest percentage of 93.82 per cent for 1996-97. Once again there was fluctuation but it had not decreased below 88.77 per cent. For 2000-2001 it stood at 93.04 per cent. Though the range was 42.06 per cent for the year period, the trend was positive and at the same time it was consistently above 86.76 per cent from 1994-95.

The loan disbursements to sanctions in the case of Can Fin Homes Ltd., reveal too much of fluctuations. For 1991-92 it was 89.36 per cent and it declined to 59.22 per cent for 1993-94. For the next two years it shows an upward trend with a high rate of 95.92 per cent for 1995-96 and dropped to 78.34 per cent the very next year i.e., 1996-97. For 1997-98 it shows a very high rate of disbursement of 98.93 per cent. Afterwards again there were fluctuations. For the ten year period, the disbursements to sanctions ranged between 59 per cent and 99 per cent with too much of variation between one year and the other.

The Vysya Bank Housing Finance Ltd., also shows the same trend. There was too much deviation between one year and the other year. It was 85.87 per cent for 1991-92 and after increasing to 92.29 per cent in 1993-94, it decreased to 82.27 per cent the very next year. This increasing and decreasing pattern was seen for the entire ten year period. It had a very high disbursement ratio of 97.63 per cent in 1998-99.

The analysis of disbursements made to loans sanctioned of the four companies leads to the conclusion that the HDFC had more consistency. LIC Housing Finance Ltd., followed HDFC in consistency. Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd., had inconsistency in their loan disbursements.

In order to know whether there was any significant difference between the companies with regard to loans disbursed to loans sanctioned, the following hypotheses were formulated and they were tested through the ANOVA as shown in Table-2.

**H<sub>0</sub>:** There is no significant difference between the companies in regard to loan disbursements to sanctions.

**H<sub>1</sub>:** There is significant difference between the companies in regard to loan disbursements to sanctions.

The analysis (ANOVA) indicates that the null hypothesis could not be accepted at 1% level of significance. It means that the sample companies under study are significantly not different in these patterns of loan disbursements and loan sanctions. In other words these companies have the same proportion of disbursements in sanctions.

#### DEBT-EQUITY RATIO

The debt-equity ratio indicates patterns of capital structure of an organization. Normally, a debt-equity ratio of 2:1 is accepted as norm in the manufacturing organization. In the case of financial institutions, it could definitely be more than 2:1. The debt equity ratio of select housing finance companies is shown in Table-3.

A comparative study of debt-equity ratio of four companies will help in assessing pattern of funding of their activities. In the case of HDFC for ten year period it ranged between 3.37 and 12.86. It stood at 12.86 times of equity in 1991-92 and has been brought down to 3.37 for 1995-96. The norm was 2:1 and 3.37:1 was considered to still better compare to its earlier period. Unfortunately, again it had an increase and it was 6.52:1 for 2000-2001. The LIC Housing Finance Ltd., debt equity ratio ranged between 6.25 and 15.76. In 1991-92 it was 13.27. Further, it increased to 15.76:1. It was not a good sign. Later on, there was reduction debt-equity ratio and it stood at 8.23:1 for 2000-2001. It varied high ratio resulting huge interest burden.

In the case of Can Fin Homes Ltd., the ratio was 16.38:1 for 1991-92. Later, it showed a declining trend and it ranged between a low of 7.90:1 and a high of 9.02:1. Compared to LIC Housing Finance Ltd., the ratio was high and not good for the company. The Vysya Bank Housing Finance showed a better debt-equity ratio. It was 0.06:1 in 1991-92 and it increased to a high of 8.76:1 for 1997-98. Later, there was reduction and it stood at 6.81:1 for 2000-01. Based on range, it looks as if the Vysya Bank Housing Finance Ltd.'s position was better than the other organisations since it had not gone beyond 8.46, whereas in the remaining three companies the upper limit had gone beyond 12.86, 15.76 and 16.38.

On overall basis, it can be stated from the table that HDFC had very sound debt equity ratio since the ratio was comparatively lower after 1993-94. It could be therefore be concluded that debt-equity ratio of HDFC was definitely much better than all the other remaining three companies.

TABLE – 3: DEBT-EQUITY RATIO OF SELECT HOUSING FINANCE COMPANIES

Year	HDFC	LIC Housing Finance Ltd.	Can Fin Homes Ltd.	Vysya Bank Housing Finance Ltd.
1991-92	12.86	13.27	16.38	0.06
1992-93	9.33	15.76	8.86	1.82
1993-94	7.11	11.36	8.83	5.36
1994-95	5.07	6.25	9.02	8.46
1995-96	3.37	6.98	8.76	5.27
1996-97	3.93	7.38	8.53	6.26
1997-98	4.58	7.28	8.43	8.76
1998-99	4.98	7.22	7.90	8.19
1999-00	6.20	7.44	7.95	8.21
2000-01	6.52	8.23	8.06	6.81

Source: Annual Reports (Various Issues)

TABLE – 4: DEBT-EQUITY RATIO OF SELECT HOUSING FINANCE COMPANIES

ANOVA				
Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	93.508	31.169	3.726
Within Groups	36	301.189	8.366	Significant at 1% Level

Source: SPSS output

To determine whether there was any significant variation in the debt equity ratio between the companies, the following hypotheses were formulated and tested.

**H<sub>0</sub>:** There is no significant difference between the companies in regard to debt equity ratio.

**H<sub>1</sub>:** There is significant difference between the companies in regard to debt equity ratio

The hypothesis was tested by ANOVA the details of which are shown in Table-4. It was found that the null hypothesis was rejected at 1% level of significance. Therefore, it may be inferred that the companies under study are significantly different in their debt equity ratio.

#### PROPORTION OF SHAREHOLDERS' FUNDS IN TOTAL RESOURCES

The shareholders' funds refer to share capital and reserves and surpluses. It is also called as networth of the organization. The proportion of shareholders' funds in total resources of four select housing finance companies as shown in Table-5 reveals the following.

During 1991-92, in the case of HDFC the proportion of shareholders' funds in the total resources was 7.2 per cent. It increased gradually to 22.87 per cent in 1995-96 and later on it showed a gradual declining trend and reached 13.29 per cent in 2000-2001. Since the equity share capital could not decrease, it leads us to conclude that the reserves and surpluses declined after 1996-97.

In the case of LIC Housing Finance Ltd., the proportion of shareholders' funds after reaching a high rate of 13.78 per cent in 1994-95 from 7.01 per cent in 1991-92, shows almost the same proportion with a slight increase or decrease over the remaining six year period. This means, the company was enjoying almost the same retained earnings over the six year period.

The Can Fin Homes Ltd., also reveals the same trend as shown by LIC Housing Finance Ltd. From 5.75 per cent in 1991-92 it increased to 10.14 per cent in 1992-93 and later shows a fluctuating trend with positive or negative 1 per cent variation over the nine year period.

The Vysya Bank Housing Finance Ltd., had shareholders' funds to the extent of 94.38 per cent of the total resources in 1991-92 and after declining to 35.49 per cent in 1992-93 it ranged between 10 and 15 per cent over the remaining eight year period.

TABLE – 5: PROPORTION OF SHAREHOLDERS' FUNDS IN TOTAL RESOURCES OF SELECT HOUSING FINANCE COMPANIES (Percent)

Year	HDFC	LIC Housing Finance Ltd.	Can Fin Homes Ltd.	Vysya Bank Housing Finance Ltd.
1991-92	7.2	7.01	5.75	94.38
1992-93	9.68	5.97	10.14	35.49
1993-94	12.32	8.09	10.17	15.73
1994-95	16.47	13.78	9.98	10.57
1995-96	22.87	12.54	10.24	15.94
1996-97	20.28	11.93	10.50	13.77
1997-98	17.91	12.08	10.61	10.25
1998-99	16.72	12.16	11.24	10.88
1999-00	13.89	11.84	11.17	10.85
2000-01	13.29	10.84	11.03	12.80

Source: Annual Reports (Various Issues)

TABLE – 6: PROPORTION OF SHAREHOLDERS' FUNDS IN TOTAL RESOURCES OF SELECT HOUSING FINANCE COMPANIES  
ANOVA

Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	1080.519	360.173	2.012
Within Groups	36	6443.592	178.989	Not Significant

Source: SPSS output

To examine whether the proportion of shareholders' funds in the first resources the sample companies, the following hypotheses were formulated and they were tested through the ANOVA at 1% level of significance.

**H<sub>0</sub>:** There is no significant difference between the companies in regard to proportion of shareholders' funds in total resources.

**H<sub>1</sub>:** There is significant difference between the companies in regard to proportion of shareholders' funds in the total resources.

The null hypothesis at 1% level of significance could not be rejected since the ANOVA indicates that there was no significant difference between the companies with reference to the proportion of shareholders' funds in the total resources of the companies. (Table-6).

#### PROPORTION OF BORROWED FUNDS IN TOTAL RESOURCES

Housing finance companies performing their lending activities through the funds mobilise from various sources. Apart from shareholders' funds these companies mobilised their funds from financial institutions and commercial banks in the form of term loans and also from public in the form of deposits. Borrowed funds happen to be the major component of resources of housing companies. The proportion of borrowed funds in total resources of select housing finance companies is shown in Table-7.

In the case of HDFC in 1991-92 the proportion of borrowed funds to the total resources was 92.79 per cent and it started declining for the next five year period and it was 77.13 per cent in 1995-96. Later on it showed an increasing trend and it was 86.71 per cent in 2000-2001.

In 1991-92, the LIC Housing Finance Ltd., borrowed funds to the extent of 92.99 per cent of the total resources. For the next year it increased to 94.03 per cent and for 1993-94 it was 91.91 per cent. For the next seven years it ranged between 86.21 per cent and 89.16 per cent. The Can Fin Homes Ltd., borrowed funds to the extent of 94.25 per cent in 1991-92 and later for the remaining nine years it ranged between 88.76 and 90.02 per cent.

In the case of Vysya Bank Housing Finance Ltd., for the first two years the borrowed funds were for very much less and the remaining eight years it ranged between 84.06 per cent and 89.75 per cent.

The analysis reveals that except for the two years in the remaining eight years all the four companies had the same proportion of borrowed funds in the total resources. An attempt has been made to examine whether there was any significant variation between the companies with regard to the proportion of borrowed funds in total resources. For this, the following hypotheses were formulated.

**H<sub>0</sub>:** There is no significant difference between the companies in regard to proportion of borrowed funds in total resources.

**H<sub>1</sub>:** There is significant difference between the companies in regard to proportion of borrowed funds in total resources.

The hypothesis was tested by ANOVA, the details of which are shown in Table-8. The ANOVA reveals that the null hypothesis could not be rejected at 1% level of significance. This leads us to conclude that there is no significant variation among the companies under study in the proportion of borrowed funds in the total resources in their capital structures.

TABLE – 7: PROPORTION OF BORROWED FUNDS IN TOTAL RESOURCES OF SELECT HOUSING FINANCE COMPANIES (Percent)

Year	HDFC	LIC Housing Finance Ltd.	Can Fin Homes Ltd.	Vysya Bank Housing Finance Ltd.
1991-92	92.79	92.99	94.25	5.62
1992-93	90.32	94.03	89.86	64.51
1993-94	87.68	91.91	89.83	84.27
1994-95	83.53	86.21	90.02	89.43
1995-96	77.13	87.46	89.76	84.06
1996-97	79.72	88.07	89.50	86.23
1997-98	82.09	87.92	89.39	89.75
1998-99	83.28	87.84	88.76	89.12
1999-00	86.11	88.15	88.83	89.14
2000-01	86.71	89.16	88.97	87.20

Source: Annual Reports (Various Issues)

TABLE – 8: PROPORTION OF BORROWED FUNDS IN TOTAL RESOURCES OF SELECT HOUSING FINANCE COMPANIES

ANOVA				
Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between groups	3	1080.531	360.177	2.012
Within groups	36	6443.281	178.980	Not Significant

Source: SPSS output

**PROPORTION OF RETAINED EARNINGS IN TOTAL RESOURCES**

Table-9 shows in percentage the proportion of retained earnings in the total resources of the select housing finance companies. In the case of HDFC it was 5.49 per cent in 1991-92 and after showing an increasing trend up to 1995-96, it showed a declining trend and it was 12.62 per cent for 2000-2001. The decline reveals that the company was either not generating higher margin of profit or ploughing back lesser earnings. In either case, it added to the cost of funds.

In the case of LIC Housing Finance Ltd., it was just 1.41 per cent in 1991-92 and it showed an increasing trend continuously for the next nine years and a slight declining trend for 2000-2001. It was 9.57 per cent for 2000-2001. However, the proportion of retained earnings of LIC Housing Finance Ltd., was less than that of HDFC. The result was that the LIC Housing Finance Ltd., could accept a high margin of profit because of lower retained earnings.

TABLE – 9: PROPORTION OF RETAINED EARNINGS IN TOTAL RESOURCES OF SELECT HOUSING FINANCE COMPANIES (Percent)

Year	HDFC	LIC Housing Finance Ltd.	Can Fin Homes Ltd.	Vysya Bank Housing Finance Ltd.
1991-92	5.49	1.41	2.45	5.92
1992-93	7.64	2.27	4.38	4.63
1993-94	10.05	4.12	4.97	3.69
1994-95	14.56	9.85	5.62	4.08
1995-96	20.29	9.42	6.41	9.64
1996-97	18.21	9.33	7.03	8.84
1997-98	16.70	9.86	7.42	6.89
1998-99	15.71	10.28	8.29	7.73
1999-00	13.10	10.28	8.56	8.11
2000-01	12.62	9.57	8.77	8.18

Source: Annual Reports (Various Issues)

The Can Fin Homes Ltd., showed a continuous increase in proportion of the retained earnings in the total resources. It was 2.45 per cent in 1991-92 and it showed at 8.77 per cent for 2000-2001. This revealed good and consistent growth. However, the company's proportions of the retained earnings were less than that of HDFC's and LIC Housing Finance Ltd. As such, it would have problem in facing huge financing cost.

TABLE – 10: PROPORTION OF RETAINED EARNINGS IN TOTAL RESOURCES OF SELECT HOUSING FINANCE COMPANIES

ANOVA				
Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	325.428	108.476	10.110
Within Groups	36	386.268	10.730	Significant at 1% Level

Source: SPSS output

The Vysya Bank Housing Finance Ltd., revealed fluctuating trends for the entire ten year period. It was 5.92 per cent in 1991-92 and it stood at 8.18 per cent in 2000-2001. There was a lot of inconsistency in the proportion of retained earnings over the reference period. This could be due to non-increasing of the retained earnings in proportion to the increase in total resources. This type of variation in absolute terms is dangerous for the company. The proportion of retained earnings to the total resources of all the housing finance companies did not indicate any uniform pattern. The Can Fin Homes Ltd., showed a little uniformity and all other companies revealed variability.

To assess whether there was any variation or lack of it with regard to proportion of retained earnings in the total resources of the sample companies, the following hypotheses were formulated and tested through ANOVA, the detail of which are presented in Table-10.

$H_0$ : There is no significant difference between the companies in regard to proportion of retained earnings in total resources.

$H_1$ : There is significant difference between the companies in regard to proportion of retained earnings in total resources.

It is found through the ANOVA, that the null hypothesis was rejected at 1% level of significance. Therefore, it leads us to conclude that among the sample companies under this study, there is significant variation in their proportion of retained earnings in the total resources.

**GROSS AND OPERATING INCOME OF SELECT HOUSING FINANCE COMPANIES**

Gross income refers to the income earned before changing operating expenses such as interest, staff expenses, establishment expenses, depreciation, provision for doubtful debts, etc. It is operating income plus other incomes of the organisation.

The gross income of all the select housing finance companies is shown in Table-11. The data indicates that it declined after 1996-97. The earlier period i.e., from 1991-92 to 1995-96 indicates good percentage growth in the gross income. In terms of absolute amount the gross income increased for all the companies. However, the annual increase expressed in percentage showed a declining trend. The reason for this declining trend after 1996-97 could be the percentage of too many players in the housing finance area which has necessarily brought down the rate of interest. This was coupled with RBI's monetary policy. The reduction in CRR and SLR has resulted in huge funds available with financial institutions and banks for lending at competitive rates. Again, it should be noted here that the country is facing an era reduced interest rate structure which helps in borrowers to borrow at lesser cost. The housing industry and infrastructure providers are motivated to invest more funds because of reduced interest rates in borrowed funds.

TABLE – 11: GROSS INCOME OF SELECT HOUSING FINANCE COMPANIES (Amount in Rs. Crores)

Year	HDFC		LIC Housing Finance Ltd.		Can Fin Homes Ltd.		Vysya Bank Housing Finance Ltd.	
	Amount	% Increase	Amount	% Increase	Amount	% Increase	Amount	% Increase
1991-92	372.26	-	44.49	-	37.52	-	0.51	-
1992-93	473.49	27.20	109.87	146.95	53.44	42.43	0.97	90.20
1993-94	608.15	28.44	175.08	59.35	59.91	12.11	3.32	242.27
1994-95	780.34	28.31	251.65	43.73	70.80	18.18	6.54	96.99
1995-96	982.18	25.87	337.23	34.01	83.38	17.77	9.96	52.29
1996-97	1265.33	28.83	409.53	21.44	94.21	12.99	14.50	45.58
1997-98	1444.68	14.17	485.59	18.57	99.37	5.48	18.57	28.07
1998-99	1752.73	21.32	561.60	15.65	108.47	9.16	22.03	18.63
1999-00	2015.56	14.99	645.42	14.93	113.34	4.49	24.20	9.85
2000-01	2382.35	18.20	745.55	15.51	127.65	12.63	24.89	2.85
CGR		23.06		31.96		13.15		53.29

Source: Annual Reports (Various Issues)

TABLE – 12: GROSS INCOME OF SELECT HOUSING FINANCE COMPANIES

ANOVA				
Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	9007346.000	3002448.800	22.890
Within Groups	36	4722122.000	131170.062	Significant at 1% Level

Source: SPSS output

For 1991-92 the HDFC had a gross income of Rs. 372.26 crores and it increased to Rs.2382.35 crores in 2000-2001 indicating an increase of 640 per cent or 6.40 times over the ten year period with a compound growth rate of 23.06 per cent. There was consistency in the earnings up to 1996-97 and later on there was inconsistency in the year to year percentage of increase.

Excluding 1991-92, and evaluating from the year 1992-93 which is considered to be a normal year. The LIC Housing Finance Ltd., shows that the gross income increased from Rs. 109.87 crores in 1992-93 to Rs.745.55 crores in 2000-2001, indicating an increase of 678.57 per cent or 6.79 times over the ten year period with a compound growth rate of 31.96 per cent. The trend in increase shows that the gross profit declined year after year. Only for 2000-01 there was a slight improvement.

The Can Fin Homes Ltd., had a gross income of Rs. 37.52 crores in 1991-92 and it increased to Rs. 127.65 crores in 2000-01 registering an increase of 340 per cent or 3.4 times over the ten year period with a compound growth rate of 13.15 per cent. With year to year percentage of increase ranging from 4.49 per cent to 42.43 per cent, there was a lot of inconsistency in the annual increase of gross income.

The Vysya Bank Housing Finance Ltd., also revealed the same trend as seen in the case of Can Fin Homes Ltd. Its gross income increased from Rs.0.51 crores in 1991-92 to Rs. 24.89 crores in 2000-2001 showing an increase of 4880 per cent. But its percentage of annual increase ranged between 2.85 per cent and 242.27 per cent.

The analysis of gross income of the four companies revealed that there was a declining trend and at the same time inconsistency in the year to year percentage of increase. There was no uniform pattern. An attempt has been made to assess whether there was any significant difference between the companies with regard to gross income earned by them. To examine this, the following hypotheses were formulated.

**H<sub>0</sub>:** There is no significant difference between the companies in regard to amounts of gross income.

**H<sub>1</sub>:** There is significant difference between the companies in regard to amounts of gross income.

The hypothesis is tested by ANOVA, the details of which are presented in Table-12. It is found, through the ANOVA, that the null hypothesis was rejected at 1% level of significance. This leads to infer that the companies under study are significant different in their ability to generate gross income.

The operating income which was arrived at by deducting out of gross income, the other income revealed the same trend as seen in the case of gross income. In fact, the gross income was almost the same as the operating income excluding the other incomes. The other incomes normally comprised interest received on investments made by the companies which were insignificant. The operating income includes interest received on housing loans to individuals and corporates.

Table-13, 14 conveys the same conclusion and the same trend as observed in Table-11 and 12.

TABLE – 13: OPERATING INCOME OF SELECT HOUSING FINANCE COMPANIES (Amount in Rs. Crores)

Year	HDFC		LIC Housing Finance Ltd.		Can Fin Homes Ltd.		Vysya Bank Housing Finance Ltd.	
	Amount	% Increase	Amount	% Increase	Amount	% Increase	Amount	% Increase
1991-92	358.21	-	40.11	-	37.43	-	0.48	-
1992-93	455.30	27.10	103.03	156.87	53.43	42.75	0.78	62.50
1993-94	580.80	27.56	168.76	63.80	59.79	11.90	3.06	292.31
1994-95	737.72	27.02	237.26	40.59	70.38	17.71	5.94	94.12
1995-96	928.45	25.85	328.19	38.33	83.32	18.39	9.17	54.38
1996-97	1216.31	31.00	399.77	21.81	93.85	12.64	12.99	41.66
1997-98	1387.03	14.04	474.06	18.58	99.25	5.75	16.96	30.56
1998-99	1677.90	20.97	545.82	15.14	108.41	9.23	20.68	21.93
1999-00	1937.65	15.48	622.30	14.01	112.97	4.21	22.61	9.33
2000-01	2273.71	17.34	709.66	14.04	127.63	12.98	23.45	3.72
CGR		23.06		32.63		13.17		54.44

Source: Annual Reports (Various Issues)

TABLE – 14: OPERATING INCOME OF SELECT HOUSING FINANCE COMPANIES

ANOVA				
Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	8221079.000	2740359.800	22.710
Within Groups	36	4344060.00	120668.336	Significant at 1% Level

Source: SPSS output

#### PROFIT AFTER TAX OF SELECT HOUSING FINANCE COMPANIES

Profit after tax is arrived at after deduction from out of the total income, all expenses and charges including depreciation and provision for tax. Profit after tax is the actual profit which could be distributed to shareholders. Depending upon the dividend policy (the dividend payout ratio) the company retains a portion of profit after tax and pays the remaining portion in the form of dividend. The quantum of profit after tax earned is considered to be one of the yardsticks for evaluating the financial performance of the company. An efficient system generates profit which shows an increasing trend year after year. The profit after tax of the select housing finance companies is depicted in Table-15.

The profit after tax of HDFC shows semblance with its gross income. It shows a declining trend after 1996-97. It was Rs. 45.78 crores in 1991-92 and increased to 473.65 crores in 2000-2001 showing an increase of 1034.62 per cent or 10.34 times over the ten year period with a compound growth rate of 29.75 per cent. The annual percentage of increase shows a declining trend for 1995-96 to 1998-99.

The LIC Housing Finance Ltd., shows inconsistency in its profit after tax. It was Rs. 6.72 crores in 1991-92 and it increased to Rs. 121.52 crores in 2000-2001 showing an increase of 1808 per cent or 18.08 times over the ten year period with a compound growth rate of 36.13 per cent. The year to year percentage of increase in the amount of profit after tax ranged from 7.85 per cent to 100.45 per cent.

For 1991-92, the profit after tax of Can Fin Homes Ltd., was Rs.4.77 crores and it increased to Rs. 17.71 crores in 2000-2001 registering an increase of 371 per cent with a compound growth rate of 14.48 per cent. The annual per cent of increase in the amount of profit after tax unfortunately was very inconsistent and in fact for 1997-98 it was negative (company incurring loss).

The Vysya Bank Housing Finance Ltd., had a profit after tax of Rs.0.33 crores in 1991-92 and it increased to Rs. 2.24 crores in 2000-2001 accounting an increase of 678.79 per cent or 6.79 times over the ten year period, registering a compound growth rate which was 25.98 per cent. The year to year percentage of increase in the amount of profit after tax of the company reveals inconsistency and for 2000-2001 it shows a negative value.

An attempt has been made to study whether the sample companies had significant difference with regard to amounts of profit after tax. To examine this, the following hypotheses were formulated.



**H<sub>0</sub>:** There is no significant difference between the companies in regard to amount of profit after tax.

**H<sub>1</sub>:** There is significant difference between the companies in regard to amount of profit after tax.

The above hypothesis was tested by ANOVA, the details of which are presented in Table-16. It is found that the null hypothesis was rejected at 1% level of significance. Therefore, it is concluded that the companies under study are significantly different with respect to their ability to earn profit after tax.

**TABLE – 15: PROFIT AFTER TAX OF SELECT HOUSING FINANCE COMPANIES** (Amount in Rs. Crores)

Year	HDFC		LIC Housing Finance Ltd.		Can Fin Homes Ltd.		Vysya Bank Housing Finance Ltd.	
	Amount	% Increase	Amount	% Increase	Amount	% Increase	Amount	% Increase
1991-92	45.78	-	6.72	-	4.77	-	0.33	-
1992-93	55.55	21.34	13.47	100.45	5.32	11.53	0.44	33.33
1993-94	105.36	89.67	21.53	59.84	7.71	44.92	0.77	75.00
1994-95	145.15	38.71	41.35	92.06	10.84	40.60	1.42	84.42
1995-96	195.69	33.90	51.66	24.93	11.56	6.64	1.83	28.87
1996-97	247.89	26.67	63.38	22.69	12.10	4.67	1.90	3.83
1997-98	293.36	18.34	87.73	38.42	11.12	-8.10	2.15	13.16
1998-99	333.90	13.82	101.14	15.29	14.71	32.28	2.62	21.86
1999-00	401.81	20.34	109.08	7.85	14.79	0.54	3.01	14.89
2000-01	473.65	17.88	121.52	11.40	17.71	19.74	2.24	-25.58
CGR		29.75		36.13		14.48		25.98

Source: Annual Reports (Various Issues)

**TABLE – 16: PROFIT AFTER TAX OF SELECT HOUSING FINANCE COMPANIES**

**ANOVA**

Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	336031.620	112010.539	19.387
Within Groups	36	207995.812	5777.662	Significant at 1% Level

Source: SPSS output

**CURRENT RATIO**

Current Ratio reveals the short-term solvency of an organization. It indicates capacity of the company to discharge its current liabilities i.e., liabilities which are to be cleared within a year or within an operating cycle. The capacity to discharge short-term liability depends on the current assets possessed by the organization. The current assets are assets which could be disposed off within a year or within an operating cycle and cash so realized could be used to discharge liabilities. The capacity to discharge liabilities depends on quantum of current assets possessed. For every one rupee of current liability, if the company has two rupees of current assets, it is considered to be financial sound. The current ratios of the select housing finance companies are presented in Table-17.

The HDFC had sound current ratio for all the years except for 1991-92 and 2000-2001. As against this, the LIC Housing Finance Ltd., had sound current ratio for 1991-92 and 2000-2001. The short-term solvency position of LIC Housing Finance Ltd., was not good for the period 1992-93 to 1999-2000 since the ratio was less than 2:1.

The Can Fin Home Ltd., had for all the ten years, current ratio more than 2:1. However, it should be noted here that holding excess current assets also is not good. But this does not apply to housing finance companies. The short-term solvency position could be considered as extremely good.

The Vysya Bank Housing Finance Ltd., had very high current ratio except for the year 1991-92. Normally, this would have been considered bad. But since the company is a housing finance company, it should be considered to be good.

HDFC, Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd., had good short term solvency position. For the LIC Housing Finance Ltd., it was not sound.

To examine whether there was any significant difference in the current ratio of sample companies, the following hypotheses were formulated and tested through the ANOVA, the details of which are presented in Table-18.

**H<sub>0</sub>:** There is no significant difference between the companies in regard to current ratio.

**H<sub>1</sub>:** There is significant difference between the companies in regard to current ratio.

It is found that the null hypothesis was rejected at 1% level of significance. Therefore, it is inferred that there is significant difference with regard to current ratio between the sample companies.

**TABLE – 17: CURRENT RATIO OF SELECT HOUSING FINANCE COMPANIES**

Year	HDFC	LIC Housing Finance Ltd.	Can Fin Homes Ltd.	Vysya Bank Housing Finance Ltd.
1991-92	1.80	2.41	2.77	1.04
1992-93	3.75	1.86	2.88	5.46
1993-94	2.74	1.20	2.05	5.96
1994-95	2.73	1.63	4.35	5.68
1995-96	2.63	1.68	4.24	11.20
1996-97	2.88	1.79	5.58	6.19
1997-98	2.36	1.65	3.73	14.67
1998-99	2.07	1.54	2.88	7.44
1999-00	2.41	1.94	3.39	6.79
2000-01	1.98	2.80	2.97	5.24

Source: Annual Reports (Various Issues)

**TABLE – 18: CURRENT RATIO OF SELECT HOUSING FINANCE COMPANIES**

**ANOVA**

Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	154.993	51.664	13.760
Within Groups	36	135.170	3.755	Significant at 1 % level

Source: SPSS output

**INTEREST EXPENDITURE TO INTEREST INCOME**

The functional efficiency and overall performance of any housing finance company depends on the spread the company gets in its activities. Spread refers to the difference between interest earned and interest paid. If the difference is more, it is an indication of efficient functioning of the organisation. The spread between interest income and interest expenditure of the select housing finance companies for the ten year period is shown in Table-19.



TABLE – 19: INTEREST EXPENDITURE TO INTEREST INCOME OF SELECT HOUSING FINANCE COMPANIES (Percent)

Year	HDFC	LIC Housing Finance Ltd.	Can Fin Homes Ltd.	Vysya Bank Housing Finance Ltd.
1991-92	98.57	75.86	87.26	0.03
1992-93	104.08	82.59	94.02	26.06
1993-94	101.43	84.32	85.25	65.49
1994-95	105.38	82.80	84.15	73.21
1995-96	98.69	75.20	82.98	70.36
1996-97	100.06	76.91	79.33	74.56
1997-98	98.14	76.61	80.38	75.61
1998-99	104.71	76.40	78.69	77.33
1999-00	105.02	78.97	77.35	78.18
2000-01	102.48	79.11	73.35	80.31

Source: Annual Reports (Various Issues)

TABLE – 20: INTEREST EXPENDITURE TO INTEREST INCOME OF SELECT HOUSING FINANCE COMPANIES  
ANOVA

Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	7974.719	2658.240	13.691
Within Groups	36	6989.906	194.164	Significant at 1 % level

Source: SPSS output

In the case of HDFC the ratio between interest received and interest paid indicates that the company paid more interest than what it had received in seven out of ten years. It should be noted here that the company has dividend income, lease, rental income and other operating income which put together substantially increase the total income of the organization which result in company earning good rate of return on its investment. That is why the earnings per share show only an upward trend continuously.

In the case of LIC Housing Finance Ltd., the spread was substantially good. It ranged between 15.68 per cent and 24.8 per cent over the ten year period. However, in the last two years, the spread available was declining because of increased interest expenditure. In the case of Can Fin Homes Ltd., the interest spread available ranged between 5.98 per cent and 26.65 per cent. The figures for the last three years reveal that the interest spread of company was getting increased and for 2000-2001 it was 26.65 per cent which no other company had enjoyed. For the same period, in the case of Vysya Bank excluding the extreme values, it ranged between 19.69 per cent and 26.79 per cent. For 2000-01, it was 19.69 per cent, which was less than the spread enjoyed by the Can Fin Homes Ltd., for the same time.

There is almost the same pattern in the case of LIC Housing Finance, Can Fin Homes and Vysya Bank Housing Finance Ltd. There is dissimilarity only with HDFC. The ANOVA as shown in Table-20 indicates this variability since 'F' value at 1% level of significance is 13.69.

An attempt has been made to study whether there was any significant difference that existed between the sample companies with regard to interest expenditure to interest income, the following hypotheses were formulated.

**H<sub>0</sub>:** There is no significant difference between the companies in regard to interest expenditure to interest income.

**H<sub>1</sub>:** There is significant difference between the companies in regard to interest expenditure to interest income.

The hypothesis has been tested through the ANOVA, the details of which are presented in Table-20. It is found from the table that the null hypothesis was rejected at 1% level of significance. This leads us to conclude that there is significant difference among the companies in their interest expenditure to interest income.

#### GROWTH OF BRANCHES

The growth of branches indicates how the housing finance companies are spreading throughout the country and how they are reaching different segments of the population. Larger growth is a sign of life in housing sector because it indicates that the company instead of concentrating in bigger cities tends to move to smaller towns offering housing finance. The increased expansion of business through establishment of branches of the select housing finance companies is given in Table-21.

In 1991-92, the HDFC had 25 branches and it increased to 88 branches in 2000-2001 indicating an increase of 352 per cent over the ten year period with a compound growth rate of 15.20 per cent. The trend in growth reveals that the growth was only from the year 1996-97. The annual percentage of increase was between 0 per cent and 38 per cent.

TABLE – 21: GROWTH OF BRANCHES OF SELECT HOUSING FINANCE COMPANIES (Number)

Year	HDFC		LIC Housing Finance Ltd.		Can Fin Homes Ltd.		Vysya Bank Housing Finance Ltd.	
	Number	% Increase	Number	% Increase	Number	% Increase	Number	% Increase
1991-92	25	-	43	-	24	-	1	-
1992-93	25	0.00	60	39.53	25	4.17	1	0.00
1993-94	26	4.00	65	8.33	26	4.00	7	600.00
1994-95	26	0.00	67	3.08	28	7.69	7	0.00
1995-96	27	3.85	67	0.00	28	0.00	8	14.29
1996-97	33	22.22	67	0.00	34	21.43	13	62.50
1997-98	42	27.27	67	0.00	34	0.00	13	0.00
1998-99	50	19.05	67	0.00	35	2.94	13	0.00
1999-00	69	38.00	73	8.96	38	8.57	13	0.00
2000-01	88	27.54	73	0.00	42	10.53	13	0.00
CGR		15.20		3.88		6.40		32.54

Source: Annual Reports (Various Issues)

TABLE – 22: GROWTH OF BRANCHES OF SELECT HOUSING FINANCE COMPANIES  
ANOVA

Source	Degree of Freedom	Sum of Squares	Mean Squares	F-ratio
Between Groups	3	16154.680	5384.893	35.240
Within Groups	36	5501.094	152.808	Significant at 1 % level

Source: SPSS output

The LIC Housing Finance Ltd., indicates very erratic growth. From 43 branches in 1991-92, it increased to 60 branches in 1992-93 showing an increased of 39.53 per cent in one year and later on for almost six years it did not indicate any growth. In 1999-2000 the number increased to 73 branches. This indicates only 8.96 per cent, registering a compound growth rate of 3.88 per cent.

The increase in branches in the case of Can Fin Homes Ltd., indicates an erratic trend. After showing just 4 per cent in the initial year it indicated 21.43 per cent growth in 1996-97. Later on, its growths trend was not uniform registering a compound growth rate of 6.40 %.

The Vysya Bank Housing Finance Ltd., had only one branch in 1991-92 and 1992-93. Later the number increased to seven. In 1996-97, it increased to 13 branches which remained till 2000-2001. With year to year percentage of increase it ranged from 0 per cent to 600 per cent, registering a compound growth rate of 32.54 per cent.

To assess if there was any significant difference in the growth in branches between the companies, the following hypotheses were formulated and tested through ANOVA, the details of which are presented in Table-22.

$H_0$ : There is no significant difference between the companies in regard to growth of branches.

$H_1$ : There is significant difference between the companies in regard to growth of branches.

Through the ANOVA, it is found that the null hypothesis was rejected at 1% level of significance. Therefore, it is inferred that there is significant difference among the companies with respect to expansion of branch network.

## SUMMARY AND CONCLUSIONS

The analysis of disbursements made to loans sanctioned of the four companies leads to the conclusion that the HDFC had more consistency. LIC Housing Finance Ltd., followed HDFC in consistency. Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd., had inconsistency in their loan disbursements. The Analysis of Variance reveals that all the four companies had almost the same patterns as far as disbursements to sanctions were considered. At 1% level of significance, the variation was insignificant. It means more or less all companies had the same trend regarding disbursement to sanction of loans.

The study relating to debt equity ratio reveals that HDFC had very sound debt equity ratio since the ratio was comparative lower after 1993-94. It could be therefore be concluded that debt-equity ratio of HDFC was definitely much better than all the other remaining three companies. ANOVA indicates significant at 1% level of significance. The calculated value is 3.726 which is very nearer to the table value. This leads us to conclude that though there is variability in debt-equity ratio among the four companies.

The study pertaining to proportion of shareholders' funds in total resources reveals that all the four companies attempted to maintain the proportion of shareholders' funds in the total resources around 10 to 12 per cent. The finding was supported by ANOVA. At 1% level of significance the proportion of shareholders' funds in the total resources shows consistency among all the companies

The analysis relating to proportion of borrowed funds to the total resources reveals except for the two years i.e., 1991-92 and 1992-93 for the remaining eight years all the four companies had the same proportion of borrowed funds in the total resources. This conclusion was supported by ANOVA which reveals that at 1% level of significance, the variation between groups was and within groups was not significant.

The study pertaining to the proportion of retained earnings to the total resources of all the housing finance companies did not indicate any uniform pattern. The Can Fin Homes Ltd., showed a little uniformity and all other companies revealed variability. This was confirmed with ANOVA. ANOVA at 1% level was significant, in the sense, that there was no uniform pattern in the proportion of retained earnings in the total resources of the select housing finance companies.

The analysis of gross income of the four companies reveals that there was a declining trend and at the same time there was inconsistency in year to year percentage of increase. There was no uniform pattern. This was confirmed by the ANOVA. At 1% level significance, the deviation was considered to be significant among the companies.

Sl.No.	Comparative Parameters	Ranking Assigned			
		HDFC	LIC HF	Can Fin	VBHF
1.	Loans disbursed to sanctioned	1	3	2	-
2.	Debt-quality ratio	3	2	1	-
3.	Proportion of shareholders' funds in total resources	3	2	1	-
4.	Proportion of borrowed funds in total resources	3	2	1	-
5.	Proportion of retained earnings in total resources	2	3	1	-
6.	Gross income and operating income	2	3	1	-
7.	Profit after tax	2	3	1	-
8.	Current ratio	2	3	1	-
9.	Interest expenditure to interest income	2	3	1	-
10.	Growth of branches	3	1	2	-
		23	25	12	
		40	40	40	

The analysis of profit after tax of four companies leads us to conclude that in terms of absolute values all the four housing finance companies show good performance. However, based on the growth rates, they indicate inconsistency. This pattern was proved when the ANOVA was calculated. The ANOVA indicates the variability to be significant at 1% level of significance.

The comparative analysis of current ratio indicates that HDFC, Can Fin Homes Ltd., and Vysya Bank Housing Finance Ltd., had good short term solvency position. However, the LIC Housing Finance Ltd., was lagging behind in this respect. This was confirmed by ANOVA. At 1% level of significance, the test indicates significant variability among the housing finance companies regarding current ratios.

The analysis relating to interest expenditure to interest income reveals that there was almost the same pattern in the case of LIC Housing Finance, Can Fin Homes and Vysya Bank Housing Finance Ltd. There was dissimilarity only with HDFC. The ANOVA indicates this variability since 'F' value at 1% level of significance was 13.69 per cent.

The growth trend relating to branches reveals very erratic and the major chunk came only in 1996-97. This inconsistency was reflected by ANOVA. At 1% level of significance the 'F' value was 35.24 which reflect considerable inconsistency in growth of branches among the four companies.

After making a comparative analysis and in order to rank the housing finance companies based on their performance and to draw the conclusion as to which company's performance is better the following procedure has been followed.

Step 1: For each of the 10 parameters selected and studied the companies were given rankings from one to four based on their performance as measured by the compound growth rate or indexed growth rate or any another measure used.

Step 2: A consolidated list was prepared for all the 10 parameters with their ranking and it was aggregated.

Step 3: In this step based on the aggregate value the conclusion was drawn.

While assigning the ranks, the performance was considered as under.

- Rank
1. Poor performance
  2. Average
  3. Good
  4. Excellent performance

Thus, ultimately a company which gets the highest aggregate numerical value is considered to be the better housing finance company. The ranking so assigned as under:

While recording the rankings, it was observed that the Vysya Bank Housing Finance Company's values were more or less extreme since the compound growth rate and growth index were not found to be based on the normal values because of short time span. Hence, it was ignored and the performance of Vysya Bank Housing Finance Ltd., could not be compared with the other institutions because of lack of common based.

The comparative analysis based on rankings leads us to conclude that it was LIC Housing Finance Ltd., which stood as an excellent housing finance company since it had the highest counts i.e., 25 out of 40. This was followed by HDFC with 23 out of 40 counts. It means that these two organizations had almost the same efficiency and thus they were the real competitors in the field. The Can Fin Homes Ltd., was lagging behind the two companies. The other finance company under the study, Vysya Bank Housing Finance Ltd., could not be brought into this analysis as it had a very short span of existence which limits the computation of certain parameters.

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