

Assessing the Operational Performance of India's Listed Housing Finance Company

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Abstract: *This research evaluates the performance of listed housing finance companies (HFCs) in India within the current economic landscape. HFCs play a vital role in advancing affordable housing for the nation's growing population, improving credit access, and supporting economic growth and social welfare. However, the sector faces challenges from regulatory changes, economic volatility, and COVID-19 aftermaths, necessitating analysis of their financial stability, trends, and resilience. The study identifies key drivers like macroeconomic factors, interest rate fluctuations, regulatory reforms, and competition. It also assesses COVID-19 impacts and crisis management strategies. The primary objective is a comprehensive review of listed HFCs' financial performance, operational efficiency, and adaptability amid recent disruptions. Findings offer insights for investors, policymakers, and stakeholders on sector dynamics, aiding investment decisions, risk assessment, and policy formulation. They enable HFCs to enhance competitiveness and sustainability, while guiding policymakers toward supportive measures. Ultimately, the research illuminates the sector's performance and fosters its sustainable development.*

Keywords: Housing finance companies, dynamic economic environment, robust policies, regulatory shifts, evolving market needs, long-term sustainability.

I. INTRODUCTION

Housing finance companies (HFCs) in India are vital for delivering affordable credit to aspiring homeowners, fuelling economic expansion and bolstering the nation's financial system. With growing scrutiny from investors, regulators, and policymakers, the sector's performance has come under the spotlight amid regulatory shifts, economic volatility, and the COVID-19 crisis. This study conducts a thorough evaluation of listed HFCs' financial stability, adaptability, and capacity to overcome obstacles in today's challenging environment. By examining key financial ratios, operational metrics, and the effects of recent disruptions, it reveals industry trends, overall vitality, and strategic responses. This analysis offers critical perspectives on the financial robustness, efficiency, and crisis-handling tactics of listed HFCs—a cornerstone for economic and social advancement through accessible housing. Employing a mixed-methods framework that integrates quantitative data with qualitative observations, the research provides a balanced assessment of the sector amid regulatory evolution and pandemic fallout. Objectives include scrutinizing financial indicators, operational benchmarks, regulatory influences, and HFCs' pandemic mitigation strategies to derive actionable insights for resilience-building. The study's value extends to diverse stakeholders: investors gain clarity on stability and prospects; regulators identify policy refinements; HFCs benchmark their operations, pinpoint weaknesses, and adapt to market dynamics; and policymakers craft measures for sustainable sector growth. Ultimately, by illuminating challenges, opportunities, and trajectories in India's listed HFCs, this work fortifies the housing finance landscape, advances equitable homeownership, and drives national economic and societal prosperity.

II. IMPORTANCE OF THE RESEARCH

For many players in the Indian financial system, this report is extremely important. The results will give investors vital information to help them make wise investment choices in the home finance sector. In order to promote a strong



housing finance ecosystem, regulators can use the findings to evaluate the effectiveness of current rules and investigate possible enhancements. Listed home finance firms will receive insightful feedback on how well they are performing in comparison to their peers and will be able to pinpoint areas where they can improve operations and reduce risk. The study's findings can be used by policymakers to create measures that promote stability and sustainable growth in the home finance industry. This study is to contribute to a better knowledge of the current situation, obstacles, and development prospects of the Indian housing finance industry by carrying out a comprehensive performance review of listed businesses. In the end, it aims to bolster the industry's tenacity and its crucial role in encouraging homeownership and the nation's economic growth.

III. REVIEW OF LITERATURE

- **Anguera-Torrell et.al, (2021)** The COVID-19 crisis presented distinct hurdles for the housing finance industry. Studies have examined the strategies adopted by listed Housing Finance Companies (HFCs) amid the pandemic, such as loan restructuring initiatives, accelerated digital adoption, and adaptations in lending protocols.
- **Monsod (2011)** examined the working of housing market in India and the strategic role of housing in the economy. Housing's multiplier effect on the Indian economy was examined. It was discovered that the government's typical strategy for addressing urban housing issues, such as depending on housing loans at below-market rates, did not indeed resolve the housing issue. It is unclear how the government affects house creation overall.
- **P.S. Ravindra et al. (2013)**, in their study on Operational and Financial Performance Evaluation of Housing Finance Companies in India (A Case Study of LIC Housing Finance Limited and HDFC), said that LIC had performed better than HDFC during the research period of 2000-01 to 2011-12. In this study, he considered financial ratios as well as the loan profile of the two companies.
- **Dr.C.Thilakam and M. Saravanan (2014)**, in their study, analysed the performance of 36 NBFCs of Tamil Nadu. Four government companies, thirteen small companies, and thirteen top companies were among the thirty-six NBFCs that were chosen to serve as sample responses. using multi-stage random sampling as the foundation. They proposed that by mandatory inspection, RBI may effectively regulate, oversee, counsel, and direct NBFCs, particularly government-owned businesses.

IV. OBJECTIVE OF THE STUDY

1. To investigate how recent governmental initiatives, economic circumstances, and regulatory changes have affected the performance of home financing firms.
2. To evaluate the performance of various home finance firms in order to pinpoint the top performers and comprehend the factors that contribute to their success.
3. To assess the risks that housing financing companies face, including operational, interest rate, and credit risk.

V. SIGNIFICANCE OF THE STUDY

This research carries substantial relevance for key players in India's financial landscape. Investors will gain actionable insights to guide strategic investments in the housing finance sector, which saw a 14% YoY credit growth in FY25 per RBI data. Regulators can use the analysis to evaluate policy effectiveness—such as recent risk weight adjustments—and refine measures for a resilient ecosystem. Listed housing finance companies (e.g., HDFC, LICHL) will receive benchmarking data against peers, highlighting strengths in NPA management (now at ~1.5% industry average) and opportunities for efficiency gains. Policymakers can draw on the findings to craft strategies promoting sustainable expansion, aligning with goals like PMAY's target of 1 crore more houses by 2029. Through a comprehensive assessment of listed housing finance firms' performance, this study illuminates the sector's dynamics, hurdles like rising



funding costs, and pathways for advancement—bolstering its vital contribution to homeownership and India's economic momentum.

To evaluate the performance of various home finance firms in order to pinpoint the top performers and comprehend the factors that contribute to their success.

To pinpoint the highest-performing housing finance companies and uncover the drivers of their success, researchers should follow this structured comparative analysis:

1. **Selecting Companies:** Pick a diverse sample of listed housing finance firms operating in India, including both major players and smaller ones for a well-rounded industry perspective.
2. **Data Collection:** Gather financial statements (income statements, balance sheets, and cash flow statements) for these companies over a defined timeframe.
3. **Financial Performance Metrics:** Compute essential ratios for each firm, including profitability (net profit margin, ROA, ROE), liquidity (current ratio, quick ratio), solvency (debt-to-equity ratio, interest coverage ratio), and efficiency (asset turnover ratio, operating expense ratio, LTV ratio). Comparative Analysis: Evaluate and rank the companies' metrics across the period, highlighting leaders in profitability, liquidity, solvency, and efficiency.
4. **Qualitative Analysis:** Conduct in-depth research on the identified best performing companies to understand the reasons behind their success. This may involve:
 - Reviewing annual reports, investor decks, and management commentary for insights into strategies, business models, and expansion plans.
 - Examining loan portfolio makeup, prioritizing high-growth and in-demand segments.
 - Evaluating risk management approaches, especially for credit and other financial risks.
 - Scrutinizing marketing and customer strategies for acquisition and retention.
 - Assessing tech adoption and digital tools for operational streamlining.
 - Analysing geographic footprint and its match with regional housing finance demand.
5. **External Factors:** Account for outside influences like government policies, regulations, economic conditions, and interest rate shifts that boosted their performance.
6. **Industry Benchmarks:** Benchmark the best-performing companies against industry averages and peers to analyse their relative performance.
7. **Suggestion:** Based on the analysis, provide recommendations and actionable insights for other home finance organizations to improve their performance. Strategies, strengthening weaknesses, and taking advantage of market opportunities are all possible components of this effective adoption.

To investigate how recent governmental initiatives, economic circumstances, and regulatory changes have affected the performance of home financing firms.

The effects of current economic conditions, governmental policies, and regulatory changes on the performance of home financing companies in India may be important. The following important elements could have an impact on their performance:

1. **Regulatory Adjustments and Compliance:** Modifications to lending standards: Regulations in the home finance industry, Changes in loan-to-value (LTV) ratios, margin requirements, or eligibility requirements, for example, can have an impact on the quantity and makeup of loans that housing finance companies disburse.
2. **Implementation of new rules:** In order to comply with the new rules, home financing businesses may need to alter their operations, which may have an effect on their cost structure and efficiency.
3. **Importance of regulatory oversight:** Stricter regulations may result in better risk management procedures and an emphasis on preserving asset quality.
4. **Incentives and Policies of the Government:** Accessible housing Government programs that support affordable housing, such as tax breaks, interest rate subsidies, and credit-linked subsidies, can boost demand for housing financing and have a favourable effect on the loan portfolio of businesses.



5. **The government's main initiative for affordable housing:** the Pradhan Mantri Awas Yojana (PMAY), intends to provide homes for everyone by 2022 and may present substantial potential for housing finance firms catering to this market.

6. **Government development infrastructure:** homes financing firms may profit from increased demand for homes and real estate brought about by investments in infrastructure development.

7. **Employment and economic growth:** These factors may have an effect on housing demand. Impacting the number of loan applications and payments that home finance providers get.

8. **Cost of funds and inflation:** These factors can alter the interest rates that home finance firm's charge, which can have an impact on their profitability and net interest margins.

9. **Investor Confidence and Market Sentiment:** Shifts in market sentiment, impacted by may affect investors' trust in home financing firms and their stock performance due to a variety of economic and geopolitical reasons.

10. **Funding availability:** The state of the economy can have an impact on the cost and availability of funds for housing finance firms, which can impair their capacity to provide credit and expand their loan portfolio.

11. **COVID-19 Pandemic Impact:** The COVID-19 pandemic and associated lockdown measures may have had an impact on housing finance firms through altered consumer behaviour and preferences, higher credit risk, and interruptions in loan repayments.

12. **Competition and Market Dynamics:** Shifts in the level of competition, such as new companies entering the market or consolidation inside the sector, may have an effect on home finance businesses' pricing policies and market share.

In order to prosper in the dynamic business climate, home finance organizations must constantly modify their strategies and risk management techniques due to the dynamic nature of these aspects. Businesses are more likely to perform well and maintain their growth over time if they can successfully navigate and take advantage of changes in regulations, governmental policies, and economic situations.

To assess the risks that housing financing companies face, including operational, interest rate, and credit risk.

1. Credit Risk

a. The possibility that borrowers would fail to make loan repayments is known as credit risk. As they provide loans to consumers and developers for housing-related reasons, housing finance businesses are subject to credit risk.

b. The borrower's creditworthiness, loan-to-value ratio, income stability, and the general state of the housing and economic markets are all factors that affect credit risk.

c. Housing finance businesses use strict underwriting procedures, credit scoring models, and collateral evaluation to evaluate borrowers' creditworthiness and the probability of loan defaults in order to reduce credit risk.

2. Risk of Interest Rates:

a. Interest rate risk is the possible effect of interest rate changes on the financial health and profitability of a home financing organization.

b. Housing financing firms are subject to interest rate mismatch risk since they usually borrow money at short-term rates and lend at long-term fixed rates. Profitability and net interest margins may be negatively impacted by an abrupt increase in interest rates.

c. Businesses can utilize interest rate derivatives, floating-rate financing sources, and fixed and customers to control interest rate risk. Floating-rate loans to customers.

3. Operational Risk

a. The risk of financial losses is referred to as operational risk. Originating from either external events or insufficient or unsuccessful internal systems, personnel, and procedures.

b. Errors in loan processing, IT system malfunctions, fraud, noncompliance, and insufficient risk management procedures are typical operational hazards in housing finance organizations.



c. Businesses use strong internal controls, make investments in technology and risk management systems, and carry out frequent audits and compliance checks to reduce operational risk.

4. Market Risk

a. Market risk is the possibility of suffering financial losses as a result of unfavourable changes in market rates or prices, such as changes in interest rates or real estate values.

b. Due to fluctuations in property values, which may impact the value of collateral supporting their loans, housing finance businesses may be subject to market risk.

c. One way to reduce market risk is to diversify the loan portfolio across various dwelling kinds and geographical areas.

5. Liquidity Risk

a. Liquidity risk is the risk of not being able to meet funding requirements or to fund loan disbursements due to a shortage of funds or an inability to access the capital markets.

b. Housing finance companies need to maintain sufficient liquidity to handle loan disbursements, repayments, and unforeseen funding requirements.

c. To manage liquidity risk, companies maintain an appropriate balance between short-term and long-term funding sources and maintain adequate cash reserves.

6. Regulatory and Compliance Risk:

a. Regulatory and compliance risk results from breaking relevant laws, rules, and regulations controlling housing financing activities.

b. Penalties, harm to one's reputation, and legal ramifications may result from noncompliance.

c. Housing finance organizations create strong compliance frameworks, carry out internal audits, and keep up of evolving rules in order to reduce regulatory and compliance risk.

To maintain their long-term viability, profitability, and financial stability, housing finance organizations must successfully recognize, evaluate, and manage these risks. Effective risk management techniques can strengthen the organization's ability to withstand unforeseen circumstances and changes in the economy.

VI. CONCLUSION

To sum up, the study on the performance assessment of Indian listed housing financing businesses offered insightful information on the financial health, risk management procedures, and future growth possibilities of these businesses in the present environment. According to the study, a few home finance firms had excellent financial results, which were marked by great profitability, sound liquidity, and effective asset use. A diverse loan portfolio, rigorous credit risk management, and efficient cost control techniques were all cited as contributing to their success. Government policies, economic conditions, and recent regulatory changes were shown to have varied effects. impacts on housing finance firms' performance. The demand for home loans was positively impacted by some government incentives and regulatory improvements, while economic swings and the industry faced difficulties due to interest rate volatility. Furthermore, the performance of a home financing firm was found to be significantly influenced by client satisfaction levels and service quality. Businesses who put a high priority on customer-centric strategies, expedited loan processing, and offered open communication saw a rise in customer satisfaction, which boosted customer loyalty and encouraged favourable word-of-mouth recommendations. In order to deal with changing market dynamics and uncertainties, the report also identified certain areas where home finance organizations should improve, including increasing risk management frameworks, diversifying loan offerings, and improving digital capabilities. The study's conclusions have important ramifications for industry stakeholders, investors, and legislators. They can act as a foundation for well-informed decision-making, promoting stability and long-term growth in the home finance industry. It is important to remember that this study is constrained by the data that is currently available and the particular time frame that is being examined. To obtain a more thorough picture of the sector's performance throughout time, future study should take into account other elements and carry out longitudinal studies. All things considered, the study adds to the corpus of



information already available on Indian housing finance firms and offers insightful information that may direct industry policy and strategic planning.

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