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An Analysis of Financial Performances of Housing Finance Companies in India: Before and After COVID-19 Outbreak

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Abstract

The purpose of this study is to compare the financial performance on housing finance sector before and after COVID-19 outbreak. On this research the financial performance will examine with nine (07) ratio related to profitability. Profitability ratio is discussed by Profit Before Depreciation Interest and Tax, Profit Before Interest and Tax, Profit Before Tax, Net Profit, Return On Net Worth, Return On Capital Employed and Return On Assets. Sixteen housing finance companies are selected by purposive sampling technique. The data type is secondary data which collected by financial report. The period was divided to two periods, before COVID (2017 to 2019) and after COVID (2019-2021). Hypothesis is tested by paired sample t-test and Wilcoxon signed-rank test. The result found that profit before depreciation, interest and tax, profit before interest and tax, profit before tax, net profit margin and return on assets ratio indicate significant difference in performance during period of before COVID-19 and after COVID-19 outbreak. In the other hand, return on net worth and return on capital employed ratio is not indicating significant ratio through the before and after COVID-19 period.

Keywords: *Financial Sustainability, Housing Finance Companies, Financial Ratios*

Introduction

Housing sector boost the economy because of its linkages to many other sectors directly. Government always tries to push housing sector to have accessibility of house to all in the economy and this sector also helps to achieve few SDG's. Housing finance companies are playing very important role in financial system. financial sustainability of housing finance companies leads to financial sustainability of whole financial system of a country. In India we have various regulatory bodies regulating and controlling housing finance sector. Regulatory and controlling bodies like RBI, NHB are framing policies and giving guidelines from time to time to smooth running to this sector. There are many Housing Finance companies which comes under the category of Non-Banking Financial Companies (NBFC's). Many housing finance companies are listed on stock exchanges. These housing finance companies provides finance to the individual and developers for housing sector. Growth of Housing finance companies means growth of housing sector and ultimately growth of economy therefor these companies must always be financial viable and sustainable. sustainability of housing finance companies can be understood with their business strategy, planning, accessibility to capital and profitability. Financial sustainability of companies can be explained through their financial performance of past years' financial data. Leverage ratio, turnover ratio, profitability ratio, growth ratio, valuation ration, Margin ratio etc. can help to understand the sustainability of any commercial organisations.

Review of Literature

a) Maheshwari. S. (2010), have assessed "Financial Performance of Paper Industry in India" for 10 (ten) years from 1997-98 to 2006-07. Ratio analysis, Trend Analysis etc. financial analysis methods were used for the study. Altman's Z score model was used for analysing the financial strength of the firm, which revealed that financial health of certain paper corporations falls in unhealthy sector. Similarly, it was perceived from the study that there is an undesirable association amongst the inventory turnover ratio (ITR) and debtor turnover ratio (DTR).

b) Pratibha P. K., C. Krishnan (2018), has analysed the financial processes of Housing Finance Companies and schedule commercial banks in India and estimated their reasonable progress. The HFC's have augmented in number from 46 establishments in 2004-2005 to 71 establishments in 2015-2016.Also, the number of housing loans allowance given by Schedule commercial banks and Housing Finance Companies have increased. Numerically, Commercial banks have condensed in terms of market shares when linked with HFC's.

c) RBI Bulletin (2007), examined the performance of 1064 Government public limited establishments during 2005- 06 reliant on on their inspected yearly report closed during april 2005 to march 2006. The solidified significances of the analysis uncovered constant enhancement in the performance of the corporations saw with development in sales, assessments of production, gross profit after tax, profits reserved and net worth in 2005-06 when compared with 2004-05.

d) Batra, Vibha (2009), scrutinized the expansion implications in the home loan marketplace and calculated the particular housing finance companies' financial operations over certain financial years. An enormous addition followed by interest rates failure, strike in monetary action, compensation in cost of property in abundant zones, and the initialization of "8% home loan schemes" have further absorbing extents to the Indian home loan markets in the on-going past.

e) Rao, Apparao, N. (2012), articulated that the resources reachable with entities are for each condition hugely gratified and housing improvement powerfully be contingent upon the budgetary institutions, through this paper, they measured main degrees of Indian financing system and encompassed the crucial issues, imminent point of view and established execution regarding Indian Housing Finance structure.

f) Subramanyam and Wild (2009), Financial statement applied for reporting company's commercial activity in definite period that define the whole situation of the company

g) Gitman dan Zutter (2009), Financial statement has 5 parts that include cash flow statement, statement of owner equity, profit and loss statement, balance sheet, and note of financial statement.

h) Subramanyam and Wild (2009), The main purpose of financial statement analysis is to evaluate company prospect and risk, and to help predictor to make a decision:

I) Peterson (2009), By assessing corporation prospect and risk, predictor can determine that company's financial situation in the term of particular period.

j) Afiff and Anantadjaya, (2013), Profitability ratio applied to appraise firm's performance in the relation of making profit. On the basis of LQ45 stock index in JCI, profitability has significant influence on price of the stock.

Objectives of the Study

1) To Study financial performances of selected housing finance companies in India from the year 2017-2021 in India.

2) To evaluate the financial performance of Housing Finance Companies before and after COVID-19.

Hypothesis of the Study

H1: Using PBDIT Margin, financial performance of Housing Finance Companies in the period of before Covid-19 is significant difference with the period of after Covid-19.

H2: Using PBIT Margin, financial performance of Housing Finance Companies in the period of before Covid-19 is significant difference with the period of after Covid-19.

H3: Using PBT Margin, financial performance of Housing Finance Companies in the period of before Covid-19 is significant difference with the period of after Covid-19.

H4: Using NP Margin, financial performance of Housing Finance Companies in the period of before Covid-19 is significant difference with the period of after Covid-19.

H5: Using RONW, financial performance of Housing Finance Companies in the period of before Covid-19 is significant difference with the period of after Covid-19.

H6: Using ROCE, financial performance of Housing Finance Companies in the period of before Covid-19 is

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create profit. Based on analysis for measuring profitability ratio were significant difference during before and after COVID-19 outbreak.

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