Non-banking financial companies have been operating in India for quite a long time but they were brought under control only from the sixties. In 1963, the Bank Laws (Miscellaneous Provisions) Act was introduced to incorporate a new chapter in RBI Act to regulate the NBFCs. In 1971, the RBI appointed a Study Group called as Bhabatosh Datta Study Group to examine the role and operations of NBFCs. The committee observed that NBFCs usefully supplemented the activities of banks in the field of both deposit mobilization and lending and thus played a dynamic role in the economy. The Committee felt the need for regulating the activities of NBFCs. In 1974, the James Raj Committee recommended that the magnitude of deposits accepted by NBFCs to be brought within the monetary and credit policy. The Chakravarthy Committee (1986) felt the need for licensing of NBFCs protecting the interests of depositors and also suggested the need for a suitable cut-off point with regard to their level of business. The Vaghul Committee (1987) recommended that NBFCs should be encouraged to provide factoring services and bill discounting. The Narasimham Committee (1991) suggested involving NBFCs in hire purchase, leasing activities. The Committee suggested norms to be fixed for capital adequacy, debt-equity ratio, credit concentration ratio, provision for doubtful debts etc. It also suggested eligibility criteria for NBFCs, their entry, growth and exit. The Shah Committee (1992) recommended an integrated regulatory framework which, while monitoring and supervising the operations of NBFCs, recognised
and even encouraged the emergence of new type of financial services and products. In July 1996 the Reserve Bank introduced liberalisation/rationalisation measures for NBFCs. The Khanna Committee (1996) designed a supervisory framework for NBFCs. It suggested that the statutory powers of RBI should be enhanced to equip the RBI for achieving macro level goals ensuring healthy and orderly functioning and growth of NBFCs. In 1997 and 1998 the RBI introduced a number of regulations to monitor the activities of NBFCs. In 1998 the RBI gave a new direction to NBFCs, most of which were new. The RBI virtually banned the deposit-taking activity by small companies. Deposit acceptance was made a multiple function of credit rating and NOF. A new term "public deposit" replaced the old term deposit. The Finance Minister had announced in July 1998 the setting up of a Task Force of reviewing the regulatory framework for NBFCs. The recommendations of the Task Force, submitted in October, 1998, have been guided by the twin considerations of creating an environment for healthy growth of sound NBFCs, while at the same time, providing an enhanced degree of comfort to the depositors in NBFCs.

The NBFCs are classified as loan companies, investment companies, equipment leasing companies, hire purchase finance companies, residuary non-banking companies, mutual benefit finance companies, insurance companies, housing finance companies, etc.

Housing finance companies are governed by the National Housing Bank. The National Housing Bank is authorised to give directions to housing
finance companies which primarily transact in the business of providing finance for housing. The regulations include rules regarding acceptance of deposits by these companies and their obligation and lending programmes.

The NBFCs, including housing finance companies, are thus working under too many regulations like RBI, SEBI, NHB, etc. The study groups also have suggested the need to regulate the activities of NBFCs for ensuring the safety of deposits and efficacy of the credit policy on the one hand and encouraging their orderly growth on the other.

Housing is an important economic activity and plays a significant role in the development of the individuals by satisfying one of the necessities of human life. It is obvious that house is the central place in which man satisfies his basic requirements. The contribution of housing to the national economy is very significant, particularly towards national income, capital formation, and employment potential. The rapid increase in population, inflation in the cost of land and building materials, non-availability of easy finance, and low priority given to housing in the national plans have aggravated the housing shortages. Housing is a global problem and it is observed that housing progress lags behind the industrial progress.

India faces housing shortage both in urban and rural areas. The rural housing shortage is acute and requires that it should be tackled by institutional approach. Recognising this need, the Government of India from the First Five Year Plan itself allocated funds for housing development. The

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Seventh Five Year Plan document observed that housing must enjoy high priority in a poor society such as ours where housing amenities were far below the standards as compared to the international standards. The rapid increase in population, high inflation in land and construction cost have aggravated the housing shortages. The increase in housing units have not kept pace with the demand.

Housing finance which covers supplying of finance at all stages in the development of housing namely purchase of land, construction and installation of on-site infrastructure requires an institutional framework with a clear cut housing policy. In the First Five Year Plan major thrust was towards development of infrastructure facilities. The Government introduced integrated subsidized housing programmes for industrial workers and economically weaker sections of the society. In the Second Five Year Plan attention was directed towards housing of the weaker sections of the society. In the Third Five Year Plan the emphasis was placed on land acquisition and development as this was considered basic to the success of all housing programmes. During the Fourth Five Year Plan, the Housing and Urban Development Corporation (HUDCO) was established as a techno-finance institution to cater to the needs of weaker sections of the society. The Fifth Five Year Plan gave importance to preservation and improving housing stock and planned to provide sites to four million landless labourers as part of the minimum needs programme.
The Sixth Five Year Plan attempted at reducing substantially the number of absolutely shelterless people and to provide conditions for improving their housing environment. During the Seventh Five Year Plan, the Government felt that it should not directly involve in housing development. It felt that its role should be only a facilitator. The Eighth Five Year Plan indicated the role of the Government through its 'National Housing Policy'. The policy indicated long-term objectives, the core strategy. The Government felt that it had to remove all the constraints and provide direct assistance to disadvantaged group. The Ninth Five Year Plan aimed at focussing special attention on householders at the lower end of the housing market and the priority group such as people below poverty line, SC/ST, disabled, freed bonded labourers, slum dwellers, etc.

On the recommendations of Rangarajan Committee, the Government of India established National Housing Bank in 1986 as an apex finance institution. The National Housing Bank was established to operate as principal agency to promote housing finance institutions at both local and regional levels and provide financial and other supports.

The state governments play an important role in formulating specific action plans and grammies suited to local needs and conditions. NHB has launched housing schemes for slum dwellers and poor women-headed household, out of the proceeds of the voluntary deposit scheme. NHB also
implements refinance and direct lending schemes for slum improvement and low cost housing offering financial assistance at concessional rates of interest. Indira Awas Yojana was launched in 1985-86 to provide houses free of cost to the members of scheduled castes/scheduled tribes and free bonded labourers in rural areas. Golden Jubilee Rural Housing Finance Scheme was launched on the occasion of the fiftieth anniversary of India's Independence. The Golden Jubilee Rural Housing Finance Scheme has been most successful right from its inception in the year 1997-98 till 2000-2001 in terms of its targets fixation, implementation, and achievement of the targets. Finance for housing flows both formal and informal sources. Both the Central and State Governments support house building activities mainly by adding the institutions in the housing sector.

Basing on this backdrop, the Government has been allocating large funds to this sector. But the efforts of the Government in providing shelter to the people are far from satisfactory. The Government could make financial provision for providing low-cost housing to a small segment of the vast masses of the society. Therefore, the burden of providing housing to the people is largely on the shoulders of the corporate sector. It is in this context, a good number of corporates have come into existence, providing finance at different terms to the people, particularly those in the lower-middle income groups and above.
The housing finance companies may be grouped as those private sector housing finance companies, public sector housing finance companies, banks and co-operative sector.

The main sources of funds to the housing finance companies are owned funds, borrowed funds and deposits from the public. Since the main business of these companies is financing housing activity, the major part of the application of funds is providing different kinds of housing loans to the needy. Incidentally, the housing finance companies also make other investments by participating in the capital market.

The present study on the "Financial Performance of Non-Banking Financial Companies: A study with Reference to Select Housing Finance Companies" is apt and there is a greater need for such studies as the studies conducted earlier did not make much focus on the effective utilisation of the resources by the finance companies whose business is primarily housing finance. It is also utmost important to have this systematic introspection of the financial performance of these companies, especially in the present juncture of cut-throat competition thrown up by many private sector organisations having entered into this industry.

To make the study meaningful and focussed, the following objectives were formulated.
(i) To study the origin and development of non-banking financial companies, particularly housing finance companies in India

(ii) To study the trends in housing finance in India

(iii) To analyse the various sources and applications of funds of housing finance companies

(iv) To study the relative financial performance of the housing finance companies

(v) To suggest measures to strengthen the housing finance system in India

Against the backdrop of objectives stated above, the following hypotheses were formulated and tested

1. There is no significant difference between the companies in regard to amounts of loans sanctioned

2. There is no significant difference between the companies in regard to amounts of loans disbursed.

3. There is no significant difference between the companies in regard to loan disbursements to sanctions

4. There is no significant difference between the companies in regard to amounts of shareholders' funds.

5. There is no significant difference between the companies in regard to amounts of borrowed funds
There is no significant difference between the companies in regard to amounts of long term funds.

There is no significant difference between the companies in regard to debt equity ratio.

There is no significant difference between the companies in regard to amounts of total share capital.

There is no significant difference between the companies in regard to proportion of shareholders’ funds in total resources.

There is no significant difference between the companies in regard to proportion of share capital in total resources.

There is no significant difference between the companies in regard to proportion of borrowed funds in total resources.

There is no significant difference between the companies in regard to proportion of deposits in borrowed funds.

There is no significant difference between the companies in regard to proportion of deposits in total resources.

There is no significant difference between the companies in regard to amounts of deposits.

There is no significant difference between the companies in regard to amounts of retained earnings.

There is no significant difference between the companies in regard to proportion of retained earnings in total resources.
17. There is no significant difference between the companies in regard to amounts of gross income and operating income

18. There is no significant difference between the companies in regard to amounts of profit after tax

19. There is no significant difference between the companies in regard to profit after tax to gross income

20. There is no significant difference between the companies in regard to profit after tax to shareholders' funds.

21. There is no significant difference between the companies in regard to amounts of working capital

22. There is no significant difference between the companies in regard to current ratio

23. There is no significant difference between the companies in regard to proportion of fixed assets in application of funds.

24. There is no significant difference between the companies in regard to proportion of investments in application of funds

25. There is no significant difference between the companies in regard to amounts of total expenditure and charges

26. There is no significant difference between the companies in regard to interest expenditure to interest income

27. There is no significant difference between the companies in regard to growth of branches.
There is no significant difference between the companies in regard to amounts of total assets.

There is no significant difference between the companies in regard to amounts of loans outstanding.

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 detailed 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.

Housing is important for the development of society both in economic and welfare terms. It is observed that 'a man's house is his castle' and plays a significant role in the overall development of the individual. The effect of bad housing is the demoralisation and consequent lowering in the productive power of a great proportion of the individuals. Further, housing generates employment in all service industries.

HDFC, established in 1977, is one of the oldest housing finance companies in India. The number of dwelling units assisted by HDFC has increased from 95,327 units in 1991-92 to 180,000 units in 2000-2001, registering a compound growth rate of 7.38 per cent. Shareholders' funds of HDFC are broadly classified into share capital and reserves and surplus.
which put together is called networth of the organisation. The total
shareholders' funds of the HDFC increased from Rs 187.38 crores in 1991-92
to Rs 2371.94 crores in 2000-2001 at a compound growth rate of 31.31 per
cent. HDFC had Rs 44.96 crores of share capital in 1991-92 and after increase
to Rs 169.11 crores in 1995-96 and remaining the same for 1996-97, it showed
a declining trend and it was Rs 120.08 crores for 2000-2001, registering a
compound growth rate of 9.16 percent over the ten year period. The total
Reserves & surpluses increased from Rs 143.02 crores in 1991-92 to
Rs 2251.86 crores in 2000-2001 at a compound growth rate of 34.62. The
borrowed funds of HDFC are classified into direct loans from institutions,
funds from bonds, debentures and public deposits. The total borrowed funds
of HDFC increased from Rs 2417.73 crores in 1991-92 to Rs 15469.77 crores
in 2000-2001 showing an increase of 6.4 times over a period of ten years at
a compound growth rate of 22.90 per cent. On an overall assessment of the
borrowed funds of HDFC, it may be stated that the corporation has been
increasingly depending on the direct sources of funds, particularly deposits,
which is a healthy trend.

The earnings of HDFC come from interest on housing loans, dividends,
lease rental income, other income. The total income of HDFC increased from
Rs 372.26 crores in 1991-92 to Rs 2382.35 crores in 2000-2001 showing an
increase of 6.4 times over the ten year period with compound growth rate of
23.06 per cent. The analysis of sources of operating income of HDFC reveals
that there is a decline in income from interest on housing loans and it has
been made good by increase in income from all other sources. The HDFC had
just 25 branches in 1991-92 and increased to 88 branches in 2000-2001
registering a compound growth rate of 15.20 per cent.
During 1991-92 HDFC had a total income of Rs 372.23 crores as against its total expenditure of Rs 312.48 crores thus leaving a profit of Rs 59.73 crores before tax and a profit of Rs 45.73 crores after tax. Year after year these figures gradually increased and ultimately in 2000-2001, the total income had risen to Rs 2382.35 crores as against the total expenditure of Rs 1828.70 crores thereby leaving a profit of Rs 553.65 crores before tax and a profit of Rs 473.65 crores after tax. The overall analysis of financial performance in HDFC reveals that the operating efficiency of the company had been progressively increasing during the period between 1991-92 and 2000-2001. The interest expenditure of HDFC increased gradually from Rs 277.22 crores in 1991-92 to Rs 1666.67 crores in 2000-2001 at a compound growth rate of 22.08 per cent. The interest income of HDFC also witnessed an upward trend throughout the ten year period starting with Rs 281.24 crores in 1991-92 to Rs.1626.28 crores in 2000-2001, registering a compound growth rate of 21.81 per cent.

The expenditure and charges of HDFC comprise interest and other charges, staff expenditure, establishment, other expenditure, depreciation and contingencies, etc. The total expenditure and charges of HDFC increased from Rs 312.48 crores in 1991-92 to Rs.1828.70 crores in 2000-2001 registering a compound growth rate of 21.93 per cent. Interest and other charges were the major portion in total expenditure and charges, it was Rs.284.11 crores in 1991-92 and increased to Rs.1689.61 crores in 2000-2001 with a compound growth rate of 22.11 percent over the ten year period.

The total application of funds of HDFC consists of housing loans, investments, current assets, loans and advances, current liabilities and
provisions, fixed assets, etc. The total applications of funds of HDFC for the
ten year period are as follows. During 1991-1992 the total funds applied or
deployed was Rs 2605.71 crores and it increased to Rs 17841.72 crores
showing an increase of 6.85 times. The investment has increased at a high
compound growth rate of 32.63 percent over the period, followed by current
liabilities and provisions 29.74 percent, current assets, loans and advances
26.63 per cent, fixed assets 24.37 percent and housing loans 22.12 percent.

The percent of average interest on housing loans of HDFC ranges from
10.26 per cent to 12.19 per cent. This indicates that though the declared
interest rate is high the effective rate of interest is lower and this influences
the profit earning capacity of the organisation.

LIC Housing Finance Ltd., was established in 1989 by the LIC of India
and thus the institution comes under public sector. It has raised its capital
from market as well as from its parent body viz., LIC of India. LIC Housing
Finance Ltd., has 73 branches spread over throughout the country. The
number of dwelling units assisted by LIC Housing Finance Ltd., increased
from 13499 in 1991-92 to 53545 in 2000-2001, registering a compound growth
rate of 7.85 per cent.

The sources of funds of LIC Housing Finance Ltd., comprise broadly
shareholders' funds and borrowed fund. The shareholders' funds include share
capital, capital reserves, share premium, special reserve, general reserve,
surplus in profit and loss account. The borrowed funds include borrowing
from its parent body i.e. LIC of India, borrowing from scheduled banks, NHB,
and deposits received from investors in housing loan accounts of NHB. The
LIC Housing Finance Ltd., had a share capital of Rs 25 crores in 1991-92 and in terms of absolute value it increased to Rs 74.99 crores in 2000-2001. Though in terms of absolute value it has increased almost three times over a period of ten years, in relative terms it has substantially declined. LIC HFL has created a special reserve fund from out of the net profits of the company for meeting its liabilities particularly for repayment of its borrowed funds. LIC HFL had Rs 5.81 crores in the special reserve account in 1991-1992 and it has increased steadily over the ten year period and it stood at Rs 299.72 crores in 2000-01 showing a compound growth rate of 53.32 per cent.

The total reserves and surplus of the LIC HFL which stood at Rs 6.27 crores in 1991-92 has increased steadily over the ten year period and its compound growth rate was 56.83 per cent. The total shareholders' funds of LIC Housing Finance Ltd., stood at Rs 31.27 crores in 1991-92 showing gradual and steady increase over the ten year period and it was Rs 640.12 crores in 2000-01 at a compound growth rate of 37.17 per cent. The overall observation in shareholders' funds leads to a conclusion that the LIC Housing Finance Ltd. has been performing well since it is in a position to add substantially to its share capital through the earnings of the organisation which has been ploughed back for expanding the size of the business activity.

The sources of borrowed funds of LIC Housing Finance Ltd. comprise LIC of India, scheduled banks, NHB and deposits under HLAS of NHB. The funds borrowed from LIC happen to be the major source of borrowed LIC Housing Finance Ltd., started borrowing funds from the schedule banks only from 1996-97. The borrowed funds of the LIC Housing Finance Ltd., increased
from Rs 414.81 crores in 1991-92 to Rs 526.582 crores in 2000-01 registering a compound growth rate of 26.09 per cent over the ten year period.

The total income of LIC Housing Finance Ltd could be broadly classified into operating income and other income. More than 90 per cent of the income of LIC Housing Finance Ltd, came from interest on housing loans. The total operating income of LIC Housing Finance Ltd, was Rs 40.11 crores in 1991-92 and it increased to Rs 709.66 crores in 2000-01 at a compound growth rate of 32.63 per cent. The total income of LIC Housing Finance Ltd, which stood at Rs 44.49 crores in 1991-92 increased to Rs 745.55 in 2000-01, registering a compound growth rate of 31.96 per cent over the ten year period.

The profit after tax which was net earnings to the LIC Housing Finance Ltd., was Rs 6.72 crores in 1991-92 and it increased to Rs 121.52 crores in 2000-01 with a compound growth rate of 36.13 per cent. During 1991-92 LIC Housing Finance Ltd, had an interest expenditure of Rs 30.42 crores and it increased to Rs 550.83 crores in 2000-01.

The interest income of LIC Housing Finance Ltd., was Rs 40.10 crores in 1991-92 and it increased to Rs 696.25 crores in 2000-01.

The total expenditure of LIC Housing Finance Ltd., comprises interest on fixed period loans, employee's emolument and benefits, establishment and other charges, depreciation, provision, etc. The total expenditure of LIC Housing Finance Ltd., increased from Rs 34.81 crores in 1991-92 to Rs 588.73
cores in 2000-01, registering a compound growth rate of 31.38 per cent. The LIC Housing Finance Ltd., assists individuals, corporate bodies, private builders and co-operative societies in their effort adding housing stock.

Applications of funds of LIC Housing Finance Ltd., comprise housing loans, investments, miscellaneous expenditure, current asset, loans and advances, current liabilities and provisions, fixed assets etc. The total funds deployed by LIC Housing Finance Ltd., for 1991-92 stood at Rs. 446.08 crores and it increased to Rs. 5905.95 crores in 2000-01 showing an increase of 13.24 times at a compound growth rate of 28.86 per cent. Investments have increased at a highest compound growth rate of 41.57 per cent over the period, followed by miscellaneous expenditure 36.21 per cent, housing loans 28.87 per cent, current assets, loans and advance 23.54 per cent, current liabilities and provisions 21.34 per cent and fixed assets 13.53 per cent.

Can Fin Homes Ltd., a subsidiary of Canara Bank, was established in 1987. It has 42 branches. The number of dwelling units assisted by Can Fin Homes Ltd., from 14172 in 1991-92 increased to 8327 units in 2000-2001 at a compound growth rate of (-) 4.92. The shareholders' funds of the Can Fin Homes Ltd., stood at Rs. 17.42 crores in 1991-92 and increased to Rs. 100.06 crores in 2000-2001 indicating an increase of 5.74 times over a period of ten years at a compound growth rate of 17.45 per cent. Can Fin Homes Ltd., had a share capital of Rs. 10 crores in 1991-92 and increased to Rs. 20.48 crores in 2000-2001 accounting a compound growth rate of just 4 per cent. The borrowed funds of Can Fin Homes Ltd., comprise secured and unsecured
The composition of secured and unsecured loans of Can Fin Homes Ltd. indicate a shift from secured loans to unsecured loans. This ratio between secured and unsecured loans was 53 and 47 per cent of the total borrowed funds in 1991-92. This has changed over a period of ten years and for 2000-2001 the ratio was 44 to 56 indicating more funds being borrowed as unsecured. The total borrowed funds of Can Fin Homes Ltd. was Rs. 285.36 crores in 1991-92 and increased to 806.84 crores registering a compound growth rate of 11.94 per cent.

The total income earned by the Can Fin Homes Ltd. is grouped into operating income and other income. The major income earned by the Can Fin Homes could be classified into interest earned on housing loans, other interest income, fees and other operating income, other income. The interest on housing loans of Can Fin Homes Ltd., increased from Rs. 32.41 crores in 1991-92 to Rs. 113.98 crores in 2000-2001, registering a compound growth rate of 14.13 per cent. The total income of the Can Fin Homes Ltd., was Rs. 375.2 crores in 1991-92 and it increased to Rs. 127.65 crores in 2000-2001 indicating an increase of 3.4 times over a period of ten years with a compound growth rate of 13.15 per cent, which was less than the interest from housing loans. The compound growth rate of the total operating income and the total income of Can Fin Home Ltd., were almost same. This reveals that the other income was significant. The component of expenditure and charges of Can Fin Homes Ltd., reveals that the major expenditure of the company was being payment of interest on borrowed funds. It was 93.27 per cent of the total expenditure in 1991-92 and with a slight reduction in 1997-98 it accounted
for 93.35 per cent in 2000-2001. The total expenditure and charges of Can Fin Homes Limited which was 32.25 crores in 1991-92 increased to 104.44 crores in 2000-2001 indicating an increase of 4.23 times over a period of ten years with a compound growth rate of 12.47 per cent.

There are two types of housing loan borrowers of Can Fin Homes Limited. During 1991-92, of the total funds lent amounting to Rs 254.91 crores, Rs 206.88 crores was given to individual borrowers and the remaining Rs 48.03 crores to the corporates. The ratio was 81 per cent to 19 per cent. Over a period of ten years, this ratio underwent radical change and for 2000-2001, it was 94 per cent to 6 per cent. The individual loans, though indicated an increasing trend, the growth was not uniform. It indicated a compound growth rate of 15.10 per cent. As against this, the corporate loans of Can Fin Homes Ltd., indicated a declining trend after 1996-1997 at a compound rate of 4.45 per cent. The total housing loan of Can Fin Homes Ltd., lent also reveals inconsistency. It showed an increasing trend up to 1994-95. Later it showed a declining trend for two years. From 1997-98 once again it showed an increasing trend with a compound growth rate of 13.64 per cent.

The applications of funds of Can Fin Homes Limited comprise housing loans, investments, miscellaneous expenditure, current assets loans & advances, current liabilities and provisions, fixed assets etc. The deployment of funds as revealed by the assets of the Can Fin Homes Ltd., indicated that more than 80 per cent of the funds were in the form of housing loans. During 1991-92 funds deployed in housing loan was 254.91 crores out of the total
funds amounting Rs 302.78 crores. The total application of funds of Can Fin Homes Ltd, increased to Rs 906.90 crores in 2000-2001, registering a compound growth rate of 12.41 per cent.

Vysya Bank Housing Finance Ltd, was established in 1990 as a subsidiary of Vysya Bank Ltd. It is the first housing subsidiary from any private sector commercial bank. The number of dwelling units assisted by Vysya Bank Housing Finance Ltd, has increased from 36 units in 1991-92 to 1842 units in 2000-2001 at a compound growth rate of 46.19 per cent. It has only 13 branches spread out only in South India particularly in Andhra Pradesh and Karnataka.

The capital fund of Vysya Bank Housing Finance Limited comprises owned capital comprising equity capital and reserves and surpluses and borrowed funds. The share holders' fund is the major source of fund to the Vysya Bank Housing Finance Limited.

The internal composition of equity share capital and the reserves and surpluses of Vysya Bank Housing Finance Ltd., had undergone remarkable changes over the ten year period. For 1991-92, the equity share capital was 93.34 per cent and reserves and surpluses 6.16 per cent of the shareholders' funds. The ratio had undergone a sea change and for 2000-2001, it was almost opposite, in the sense, the equity capital was 19.40 per cent and reserves and surpluses was 63.92 per cent of the shareholders' funds. The shareholders' funds of Vysya Bank Housing Finance Ltd., which stood at Rs.319.71 lakhs in 1991-92 increased to Rs.2319.68 lakhs in 2000-2001, registering a compound growth rate of 26.99 per cent.
The borrowed funds of Vysya Bank Housing Finance Ltd., comprise secured loans and unsecured loans. The ratio between secured and unsecured loans of total borrowed funds was 48.48 per cent and 51.52 per cent for 1992-93 and it changed to 68.67 per cent and 31.33 per cent for 2000-2001. Within the secured loans, the loan from NHB increased more than the loan from commercial banks. The total borrowed funds of Vysya Bank Housing Finance Ltd., stood at Rs. 0.19 crores in 1991-92 and increased to Rs. 158.08 crores in 2000-2001, registering a compound growth rate of 77.89 per cent.

The total income of the Vysya Bank housing Finance Ltd., comprises income from interest on housing loans, profit on sale of investments, other interest incomes, all put together called as operating income and operating income with other income gives the total income. The interest on housing loans happens to be the major source of income to the Vysya Bank Housing Finance Ltd. The interest on housing loans which amounted to Rs. 24.08 lakhs in 1991-92 and it was Rs. 2228.32 lakhs in 2000-2001 at a compound growth rate of 44.99 per cent. The total operating income of Vysya Bank Housing Finance Ltd., was 93.91 per cent during 1991-92 with plus or minus of 5 per cent of total income, the same trend was through the ten year period except for 1992-93. The total income earned by the Vysya Bank Housing Finance Ltd., for 1991-92 was Rs. 50.73 lakhs and it increased substantially over the ten year period and it stood at Rs. 2489.42 lakhs for 2000-2001 at a compound growth rate of 53.36 per cent. An analysis of financial performance of the Vysya Bank Housing Finance Ltd., reveals a negative correlation between profit after tax and total income in absolute as well as in relative
For 1991-92 the profit after tax was Rs. 32 67 lakhs which accounted for 64.40 per cent of the total income. Over the ten year period the trend reveals that the profit of after tax had grown and it was Rs. 223.84 lakhs for 2000-2001. However, it was just 9 per cent of the total income for 2000-2001. This reveals that the total expenditure increased at a high rate over the ten year period. The total expenditure of Vysya Bank housing Finance Ltd., which stood at Rs. 3 35 lakhs in 1991-92 increased to 2199.25 lakhs in 2000-2001 showing an increase of 656 times. For the same period, the total income which stood at Rs. 50 73 lakhs during 1991-92 increased to Rs. 2489.42 lakhs for 2000-2001 showing an increase of 49 times. This reveals that the expenses started growing at a higher rate than the income.

The percentage of interest expenditure to interest income of Vysya bank Housing Finance Ltd., reveals that the trend showed an upward trend. Ignoring the first two years when started comparing with the third year i.e., from the year 1993-94, its ratio was 65.49 per cent i.e., interest expenditure being 65.49 per cent of the interest income. This trend continued for 2000-2001. It was 80.31 per cent, which means out of every 100 rupees earned in the form of interest on housing loans almost 80 rupees was paid as interest and only 20 rupees being available for meeting other expenses including establishment. This margin was very low and at this level no organisation could survive for a longer period.

The total application of funds of Vysya Bank Housing Finance Ltd., comprise Housing loans, investments, miscellaneous expenditure, current
assets, loans and advances, current liabilities and provisions. The total application of funds of Vysya Bank Housing Finance Ltd., in 1991-92 amounted to Rs. 336.44 lakhs and it increased to Rs. 18,127.60 lakhs in 2000-2001 showing an increase of 53.56 times at a compound growth rate of 50.79 per cent. The housing loans has increased at a high compound growth rate of 56.15 per cent over the period, followed by investments 52.56 per cent, current assets, loans and advances 47.36 per cent, fixed assets 44.43 per cent, current liabilities and provisions 30.95 per cent and miscellaneous expenditure (-) 18.92 per cent.

The Vysya Bank Housing Finance Ltd., lends housing finance to individuals, builders, corporate bodies and others. In the beginning it concentrated on lending loans to individual borrowers and as such loans lent to individuals accounted for 79.79 per cent of the total housing loan for 1991-92. Over the ten year period, the amount lent increased substantially and from 150 crores in 1991-92 it increased to Rs. 157.84 crores in 2000-2001 showing an increase of 105 times. As the funds lent increased, the component of funds lent to individuals also increased. From 79.49 per cent in 1991-92 it increased to 96.94 per cent in 2000-2001. This means the company prefers the individual borrowers more than the builders and corporate and other borrowers. The total housing loans lent of Vysya Bank Housing Finance Ltd., show that it was increasing every year. It was just 1.88 crores in 1991-92 and it increased to Rs. 163.84 crores in 2000-2001 with a compound growth rate of 56.15 per cent.
The computation of average interest rate on housing loans of Vysya Bank Housing Finance Ltd, reveals that for 1991-92, the average lending rate was 7.75 per cent. Later for the next two years it showed an increasing trend. For 1994-95, it showed a declining trend and it was 10.62 per cent. For 1995-96 it was 12.62 per cent and then onwards it showed a slight fluctuation and for 2000-2001, it was 11.15 per cent.

The total amount of loans sanctioned by HDFC in 1991-92 was Rs 711.86 crores and it increased to Rs 6879.77 crores in 2000-01 at a compound growth rate of 29.45 per cent. The LIC Housing Finance Ltd, sanctioned Rs 511.46 crores in 1991-92 and it increased to Rs 1716.56 crores in 2000-01, registering a compound growth rate of 13.62 per cent. For the same period the Can Fin Homes Ltd, sanctioned Rs 111.76 crores in 1991-92 and it increased to Rs 312.83 crores in 2000-01 with a compound growth rate of 12.59 per cent. During 1991-92, the Vysya Bank Housing Finance Ltd, sanctioned a loan of Rs 2.83 crores and it increased to Rs 63 crores in 2000-01 accounting a compound growth rate of 34.65 per cent.

A comparative analysis of loans sanctioned reveals that though in terms of absolute amount, the Vysya Bank Housing Finance Ltd, had shown a higher growth rate, it is HDFC which had performed well in terms of absolute amounts. Its compound growth rate was 29.45 per cent which indicates that HDFC stood first among the other institutions in terms of loans sanctioned. Its contribution was substantial in terms of total funds sanctioned. The difference among the companies in the amounts of loans
sanctioned was tested by ANOVA and found that the difference was significant at 1% level. Thus it can be inferred that the companies are significantly different in terms of the amounts of loans sanctioned by them.

During 1991-92, HDFC disbursed a total loan amount of Rs 627.48 crores. It increased to Rs 5803.01 crores in 2000-01, registering a compound growth rate of 29.19 per cent. The LIC Housing Finance Ltd., disbursed a loan of Rs 264.72 crores in 1991-92 which increased to Rs 1597.03 crores in 2000-01 at a compound growth rate of 18.31 per cent. The Can Fin Homes Ltd., for the same period, disbursed a loan of Rs 99.87 crores in 1991-92 and it increased to Rs 277.85 crores in 2000-01, registering a compound growth rate of 14.03 per cent. During 1991-92, the Vysya Bank Housing Finance Ltd., disbursed a loan of Rs 2.43 crores and it increased to Rs 56 crores for 2000-01 at a compound growth rate of 36.41 per cent. The analysis of variance (ANOVA) reveals that there was no consistency among the four companies regarding the pattern of disbursement of funds. The variation at 1% level of significance was significant. This necessarily leads us to conclude that there was no uniformity in the disbursement of housing loans by these companies.

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 pattern 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 total shareholders' funds of HDFC was Rs 187.98 crores in 1991-92 and it increased to Rs 2371.94 crores in 2000-01, registering a compound growth rate of 31.30 per cent. During 1991-92, the total shareholders' funds of LIC Housing Finance Ltd was Rs 31.27 crores and it increased to Rs 640.12 crores in 2000-01 at a compound growth rate of 37.16 per cent. The total shareholders' funds of Can Fin Homes Ltd was Rs 174.2 crores in 1991-92 and it increased to Rs 100.06 crores in 2000-01 with a compound growth rate of 17.46 per cent. The total shareholders' funds of Vysya Bank Housing Finance Ltd., was Rs 319 crores in 1991-92 and it increased to Rs 2320 crores in 2000-2001 at a compound growth rate of 26.99 per cent. The ANOVA calculated for the shareholders' funds for these companies which indicates at 1% level of significance, that there was no uniform pattern in the growth of shareholders' funds.

An analysis relating to the borrowed funds reveals that the LIC Housing Finance Ltd's borrowings more than HDFC. The borrowed funds of Can Fin Homes Ltd., increased to 283 per cent or 2.83 times over the ten-year period with a compound growth rate of 11.94 per cent. The Vysya Bank Housing Finance Ltd., reveals too much of inconsistency revealing an increase of 83200 per cent with a compound growth rate of 77.89 per cent. The analysis of variance relating to borrowed funds reveals that there was no consistency among the four housing finance companies as regards to borrowed funds. At 1% level, the ANOVA reveals the variation to be significant.
The HDFC's long term funds accounted to Rs 2609.71 crores in 1991-92 and increased to Rs 17841.71 crores in 2000-2001 with a compound growth rate of 23.82 per cent. The LIC Housing Finance Ltd., showed an increase of 1324 per cent or 13.24 times in its long term funds with a compound growth rate of 28.86 per cent. The Can Fin Homes Ltd., had a long term loan of Rs 302.78 crores in 1991-92 and it increased to Rs 906.90 crores over the ten year period revealing a compound growth rate of 12.4 per cent. During 1991-92, the Vysya Bank Housing Finance Ltd.'s term loans stood at Rs 3.38 crores and it increased to Rs 181.28 crores in 2000-01, registering a compound growth rate of 50.80 per cent. The Analysis of Variance (ANOVA) reveals at 1% level, the term loans of these four companies were varying too much and there was no particular pattern of growth.

The study relating to debt equity ratio reveals 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. Anova indicates significant at 1% level of significance. The calculated value is 3.726 which is very near to the table value. This leads us to conclude that though there is variability in debt-equity ratio among the four companies.

A comparative analysis of share capital of all the four companies reveals that no attempt has been made to increase the share capital. This necessarily leads us to conclude that these companies depended purely on the
retained earnings and borrowed capital for their additional fund requirements. At 1% level of significance the calculated value is 50.312 which indicates significant difference between one company and the other regarding growth of share capital.

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 percent. 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 comparative analysis regarding share capital in the total resources indicates all the four companies have reduced the proportion of share capital in the total resources of the organisation. This has been done by adding more and more borrowed funds over the ten year period. All the four companies had the same pattern and there was consistency in the pattern as revealed by ANOVA.

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 analysis relating to proportion of deposits in borrowed funds reveals that other than LIC Housing Finance Ltd, all the remaining three companies indicate the deposits to range between 31 per cent and 47 per cent of the borrowed funds. There was no semblance among the companies as far as the proportion of deposits in the borrowed funds of the organisation was concerned. This was confirmed by ANOVA. At 1% level of significance the deviation or variation was very much significant.

The analysis pertaining to proportion of deposits in the total resources indicates no uniformity in the proportion of deposits to the total resources. This was confirmed by ANOVA. At 1% level of significance, it indicates that the percentage of deposits to the total resources being different for each of the four select housing finance companies.

The comparative analysis pertaining to deposits reveals no uniformity in the mobilisation of deposits by the housing finance companies since they have their own pattern of funding or capital structure. This conclusion was adequately supported by ANOVA. At 1% level of significance, the difference in deposits mobilised by the companies indicates significant variability.

The retained earnings of HDFC stood at Rs. 143.02 crores in 1991-92 and it increased to Rs. 2251.86 crores in 2000-2001 at a compound growth rate of 34.62 per cent. During 1991-92, the LIC Housing Finance Ltd., had the retained earnings of Rs. 6.27 crores and it increased to Rs. 565.13 crores in 2000-2001, registering a compound growth rate of 56.83 per cent. The Can Fin Homes Ltd., had the retained earnings of Rs. 7.42 crores in 1991-92 and
it increased to Rs 79.57 crores in 2000-2001 accounting a compound growth rate of 26.63 per cent. The Vysya Bank Housing Finance Ltd., had a very low retained earnings of Rs 0.20 crores in 1991-92 and it increased to Rs 14.83 crores in 2000-2001 at a compound growth rate of 62.19 per cent. The analysis which reveals that null hypothesis was rejected at 1% level of significance. Therefore, this leads us to conclude that the companies under the study had significantly different pattern of retained earnings.

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.

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 profit after tax to gross income of all the select housing finance companies range between 9 per cent and 64 71 per cent. This huge difference was observed only in the case of Vysya Bank Housing Finance Ltd. Excluding this extreme values, it was observed that the ratio ranged between 9.96 per cent and 20.31 per cent. The pattern of change was almost similar. This finding was confirmed by ANOVA indicating the variation to be not significant at 1% level of significance.

The proportion of profit after tax to shareholders’ funds was almost on the same lines in all the select housing finance companies. This was substantiated by ANOVA. The ANOVA reveals that the deviation between the companies is not significant at 1% level of significance. This means that all the four select housing finance companies had almost the same pattern as far as profit after tax to shareholders fund ratio was concerned.

In 1991-92, HDFC had a working capital of Rs.106 51 crores and it increased Rs 1252 45 crores in 2000-2001 registering a compound growth rate of 25.21 per cent. LIC Housing Finance Ltd., had Rs 39 28 crores in 1991-92 as its working capital and it increased to Rs. 411 82 crores in 2000-2001 registering a compound growth rate of 27.35 per cent. The Can Fin Homes Ltd., had a working capital of Rs 22.30 crores in 1991-92 and it increased to Rs. 44 37 crores in 2000-2001 accounting a compound growth rate of 9.17 per cent. In 1992-93 the Vysya Bank Housing Finance Ltd., had a working capital of Rs. 1.22 crores in 1992-93 and it increased to 11.46 crores in 2000-2001 with a compound growth rate of 69.62 per cent. The analysis reveals that HDFC and LIC Housing Finance Ltd., showed almost an upward
trend in the growth of working capital. As against this the Can Fin Homes Ltd, and the Vysya Bank Housing Finance Ltd, showed a declining trend for the later four years. There was no uniform pattern in the growth of working capital. This was substantiated by ANOVA. At 1% level of significance, it indicates that variability was significant with regard to growth of working capital in terms of absolute values.

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 proportion of fixed assets in application of funds reveals that over a period of ten years the percentage total funds invested in fixed assets has shown a declining trend. It was basically due to more funds being invested in the total activity and the proportion of investments in fixed assets remaining constant. The observation is that the private sector companies invested more in fixed assets compared to the subsidiaries of public sector organisations. Thus variability seen in the pattern of investment in fixed assets was significant as indicated by ANOVA. The investment in fixed assets by the select housing finance companies differs much since the calculated value of $T^2$ was 29.974 and at 1% level of significance it reveals that the difference was very much significant.
The average short term investment of the select housing finance companies account for 16, 5, 7 and 4 per cent respectively. There was lot of inconsistency in the investment. This was proved to be correct with ANOVA. The variation was significant at 1% level of significance.

All the select housing finance companies indicate downward trend in their expenditure and charges. This means in the later part of the decade, the companies had spent less amount compared at the beginning of the decade. The ANOVA indicates that the increase in expenditure and charges was not uniform in the case of the select four housing finance companies since 'F' value at 1% level of significance was 23.405.

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 reflects considerable inconsistency in growth of branches among the four companies.

The analysis of total assets of the four companies indicates that the quantum of assets owned significantly differed. This was supported by
ANOVA at 1% level of significance. Thus it can be inferred that the companies were significantly different in terms of the amounts of total assets of the four housing finance companies.

A comparative analysis of loans outstanding indicates that the rate of growth and its trend looked alike in the case of HDFC and LIC Housing Finance Ltd, Can Fin Homes Ltd, also slightly nearer to these two companies. However, the Vysya Bank Housing Finance Ltd, showed that from very high rate of increase, it is declined at a very faster rate. The rate of growth in loans outstanding again shows inconsistency as shown by ANOVA. At 1% level of significance, it was 19.235.

After making a detailed 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 was better the following procedure has been followed:

Step 1. For each of the 29 parameters selected and studied the companies were given rankings from one to four based on their performance as measured by compound growth rate or indexed growth rate or any another measure used.

Step 2. A consolidated list was prepared for all the 29 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:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Poor performance</td>
</tr>
<tr>
<td>2</td>
<td>Average</td>
</tr>
<tr>
<td>3</td>
<td>Good</td>
</tr>
<tr>
<td>4</td>
<td>Excellent performance</td>
</tr>
</tbody>
</table>

Thus, ultimately a company which gets the highest aggregate numerical value is considered to be the better housing finance company.

The comparative analysis based on rankings leads us to conclude that it was LIC Housing Finance Ltd, which stood as excellent housing finance company since it had the highest counts i.e., 70 out of 116. This was followed by HDFC with 65 out of 116 counts. It means that these two organisations 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.

**SUGGESTIONS**

1. The housing finance companies should strive to reduce the gap between the amount of loans sanctioned and the amount of loans disbursed so as to have better yield on their loans.
(2) The housing finance companies are also required to increase their equity stake in order to reduce financial risk of their business.

(3) The institutions like LIC Housing Finance Ltd., should intensify their deposit mobilization efforts and increase the proportion of deposits in their total resources. This will reduce the average cost of funds as cost of deposits is less than any other source of funds.

(4) Since the profit (after tax) to gross income is so less, the housing finance companies may also make efforts to reduce their operating costs.

(5) The housing finance companies particularly HDFC and LIC HFCL should also increase their current ratio in order to reduce the risk of technical insolvency.

(6) The housing finance companies, particularly those companies which have been established in the recent years, are also required to increase their investments in other financial assets in order to reduce unsystematic risk by diversification.

(7) The average increase of loans sanctioned by housing finance companies over the period may not be considered as satisfactory. So the companies should redesign their loan packages to suit to the requirements of the borrowers and thereby increase their clientele base as well as the loan amounts.

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