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Comparative Analysis of Selected Indian Housing Finance Companies Based on Camel Approac

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ABSTRACT
The purpose of this research is to undertake a detailed comparative analysis of selected Indian Housing Finance Companies (HFCs) utilizing the CAMEL technique. The CAMEL framework provides a strong framework for assessing the entire financial health and performance of financial institutions. It consists of the following elements: capital adequacy, asset quality, management quality, earnings capability, and liquidity. Based on their financial statements, regulatory disclosures, and pertinent financial indicators, the selected HFCs will be closely examined.

The research focuses on whether the chosen HFCs have enough capital to withstand losses and maintain their financial viability. The quality of loan portfolios and credit risk management procedures will be analyzed in order to assess asset quality. The effectiveness of leadership, risk management techniques, and corporate governance will all be carefully considered when assessing management quality.

In addition, the study will evaluate profitability ratios, cost control, and revenue diversification techniques in order to look at the HFCs' potential to make money. The ability of these businesses to satisfy immediate obligations and effectively manage cash flow will be the main focus of liquidity research. In order to help stakeholders, regulators, and investors make well-informed decisions about their investment and engagement strategies in the housing finance sector, this research will use the CAMEL framework to provide insightful information about the relative strengths and weaknesses of the chosen Indian HFCs..

Keywords: Housing Finance Companies, CAMEL Model

1. INTRODUCTION

One of the essential desires of people is housing. It is linked with the socio-economic development of a country. In India, infrastructure is to be well developed. The sector of housing in India has remained underdeveloped from last three decades. There is substantial gap between demand and supply of housing needs. Maslow says house is amongst basic need. The housing business provides the country's second greatest number of jobs. Housing finance is becoming major issue and major area of operation for corporate in India. Besides private sector, semi government and nationalized banks are in the race. With various schemes to suit customer requirement and with attractive interest rates, these housing finance companies are offering most attractive finance options for home seekers.

The following table shows the status of housing finance companies as per reported on 31st march, 2019 which holding the Certificate of Registration (CoR) from NHB under section 29A of the National Housing Bank Act, 1987:

Total Housing Finance Companies	99
Total number housing finance companies which collect public deposits	81
Public Limited Companies	79
Private Limited Companies	20
New Housing Companies which has been granted COR in the year 2018-19	Baid Housing Finance Limited, Family Home Finance Private Limited, APAC Housing Finance Private Limited, Wonder Home Finance Limited, Adani Housing Finance Private Limited, Easy Home Finance Limited, Sasvitha Home Finance Private Limited, Varashakti Housing Finance Private Limited, Capital India Home Loans Ltd.

2. LITERATURE REVIEW

Manoj (2016) emphasized the projected scarcity of housing in India from 2012 to 2017, during the XII Plan period. The housing market has drawn a lot of participants, such as commercial banks and HFCs. He talked about the disadvantages HFCs have over commercial banks and offered suggestions for improving their financial performance.

Kavitha, R. (2017). This study evaluates the financial performance of five Indian Housing Finance Companies (HFCs) from 2014 to 2016 using the CAMEL method. The HFCs' asset quality is poor, despite having excellent capital adequacy, according to the authors. They also conclude that the HFCs must raise both their revenue potential and managerial effectiveness.

Samy, N. G., & Nandhini, M. (2017). An analysis of the financial performance of a few Indian non-banking financial companies. The research presented here tries to assess the financial standing and performance of NBFC companies and make recommendations for their improvement. In conclusion, Tata Capital Housing Finance Limited performs well when compared to other NBFCs, and other businesses must take care of their working capital if they want to grow their financial leverage in the future.

Sreedhar, M., & Reddy, N. (2018). The research presented here evaluates the liquidity, solvency, profitability, and efficiency of five Indian housing finance companies (HFCs) from 2016 to 2018 using a range of financial ratios. According to the authors, the HFCs have had inconsistent results over the last few years, with some businesses doing well and others not so well.

S. Satyanarayana and S. Ramu (2019). A comparative analysis of India's Housing Finance Companies (HFCs), both public and private. This study compares the operational and financial performance of private and public HFCs. It was discovered that the private HFCs outperformed the public ones, guaranteeing greater sustainability to produce earnings and efficient use of capital.

Sharma, V., & Sharma, V. (2020). (Sharam, 2020) Ten Indian Housing Finance Companies (HFCs) are compared in this study based on their financial performance from 2018 to 2020. The writers evaluate the HFCs' liquidity, solvency, profitability, and efficiency using a range of financial ratios. They discover that over the previous few years, the HFCs have demonstrated a mixed performance, with some companies doing well and others not so well.

Dwivedi, P., & Aggarwal, S. (2021), this study applies the CAMEL approach to evaluate the financial performance of five Indian Housing Finance Companies (HFCs) during the 2019–2021 period. The HFCs' asset quality is poor, despite having strong capital adequacy, according to the authors. They also conclude that the HFCs must raise both their earning potential and management effectiveness.

Kumarie, M. S. (2021). (Kumarie, Financial Performance of Housing Finance Companies in India, 2021) . This study examines the financial results of five Indian Housing Finance Companies (HFCs) from 2010 to 2020. The writers evaluate the HFCs' liquidity, solvency, profitability, and efficiency using a range of financial parameters. They discover that over the last few years, the HFCs have steadily improved their financial performance, with HDFC and HUDCO leading the way.

2.1. camel approach

Financial authorities in the United States created the "CAMEL" approach to gauge a financial institution's health. As a result, the Federal Financial Institutions Examination Council in the United States established the "Uniform Financial Institutions Rating System." In October 1987, the National Credit Union Administration (NCUA) also adopted this approach (Milligan, 2002). The CAMEL Model is an acronym for Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity. The CAMEL model evaluates the financial institution's overall state as well as its advantages and disadvantages (Sarker, 2005). Since the early 1990s, there have also been initiatives in India aimed at evaluating the financial soundness of financial institutions.

3. RESEARCH METHODOLOGY

3.1 objective of the research

To analyze the financial performance of particular Indian housing finance companies utilizing CAMEL standards.

3.2 Type and Nature of the Research:

The researcher has used analytical research methods. The purpose of this descriptive-analytical study is to perform an extensive evaluation of the Indian housing finance sector.

3.3 Data Collection method:

The majority of the data used in this research study is secondary. Records, yearly reports, documents, linked topics, and relevant websites are the sources of secondary data.

3.4 Sampling units of the research study:

The researcher has taken following five samples for research study:

1. Housing Development Finance Corporation Limited (HDFC)
2. LIC Housing Finance Limited
3. India bulls Housing Finance Limited
4. Housing and Urban Development Corporation (HUDCO)
5. Can Fin Homes Limited

3.5 Period of the analysis (study):

The researcher has taken a five-year period for the study from the year 2018-19 to the year 2022-23.

3.6 Test and Model to be used for evaluation:

For analysis and assessment, the CAMEL model and the ANOVAs test will be employed.

3.7 Hypothesis:

1. H0: There is no substantial difference in capital adequacy among the Selected Housing Finance Companies.

H1: There is a substantial inequality in capital adequacy among the selected housing finance companies.

2. H0: There is no substantial difference in asset quality among the Selected Housing Finance Companies.

H1: There is a substantial inequality in asset quality among the selected housing finance companies.

3. H0: There is no substantial difference in management efficiency among the Selected Housing Finance Companies.

H1: There is a substantial inequality in management efficiency among the Selected Housing Finance Companies.

4. H0: There is no substantial difference in earnings quality among the Selected Housing Finance Companies.

H1: There is a substantial gap in earnings quality among the Selected Housing Finance Companies.

5. H0: There is no substantial difference in liquid position among the Selected Housing Finance Companies.

H1: There is a substantial gap in liquid position among the Selected Housing Finance Companies.

3.8 Limitations of the study:

1. This study relies on secondary data, and all of its limitations apply.
2. The paper only examines the financial performance of HFCs.
3. The study's conclusions are restricted for the five-year period (2018-19 to 2022-23).

4. ANALYSIS

4.1 Capital Adequacy Ratio

Capital adequacy ratio refers to Tier-1 capital and Tier-II capital to the risk weighted assets, of a NBFC

Table:1 Descriptive Capital Adequacy Ratio

Year	HDFC	LIC	Indiabulls	HUDCO	CanFin	F- Ratio
2018-19	19.1	14.36	26.49	57.97	16.44	106.741
2019-20	17.6	13.89	22.82	56.94	22.26	
2020-21	22.2	15.28	22.84	64.01	25.46	
2021-22	22.8	18.08	22.49	74.29	23.15	
2022-23	24.3	18.23	23.01	73.79	23.07	
Average	21.2	15.968	23.53	65.4	22.076	
Ranking	4	5	2	1	3	

As shown in above table, HUDCO has the greatest average capital adequacy ratio (65.40%), followed by Indiabulls (23.53%) and CANFIN (22.076%). Because of its subpar capital adequacy performance, LIC has the lowest average capital adequacy ratio of 15.97 percent. Regarding capital adequacy, each of the chosen housing finance companies is in a strong position.

Hypothesis Testing:

Anova's F-ratio finding shows that there is a noteworthy variation in capital adequacy between the HFCs. :

Therefore, the null hypothesis is rejected. The logical conclusion would be, there is a significant variation between the chosen housing finance companies in capital sufficiency.

4.2 Asset Quality

It consists of an assessment of the exposure of the product segment. It is regarded as a housing finance company's strength as well. Included in it is the subsequent ratio:

Return on Asset Ratio

Table:2 Descriptive Return on Asset Ratio

Year	HDFC	LIC	Indiabulls	HUDCO	CanFin	F-Ratio
2018-19	2.45	1.21	3.14	1.62	1.58	8.145753
2019-20	2.93	1.1	2.13	2.24	1.78	
2020-21	2.25	1.16	1.28	2.05	2.06	
2021-22	2.33	0.89	1.43	2.17	1.68	
2022-23	2.39	1.09	1.5	2.1	1.87	
Average	2.47	1.09	1.896	2.036	1.794	
Ranking	2	5	3	1	4	

Hypothesis Testing:

Analyzing the results, it is concluded that there are significant differences in asset quality amongst the chosen housing finance providers. There is a rejection of the null hypothesis.

4.3 Management Efficiency

:

Analyzing the effectiveness and efficiency of a company's management is the goal of management efficiency. It displays a company's profitability and financial productivity. Included in it is the following ratio:

Return on Net worth Ratio

Table:3 Descriptive Return on Net worth Ratio

Year	HDFC	LIC	Indiabulls	HUDCO	CanFin	F-Ratio
2018-19	14.52	14.9	21.6	10.17	16.65	2.204379
2019-20	16.94	13.15	14.46	13.84	17.49	
2020-21	11.95	13.3	6.81	11.96	17.47	
2021-22	12.56	9.23	4.44	11.86	15.36	
2022-23	12.98	11.72	5.11	11.01	17.03	
Average	13.79	12.46	10.484	11.768	16.8	
Ranking	2	3	5	4	1	

According to the above table, CANFIN has achieved the greatest average return on net worth ratio of 16.8%, ahead of LIC (12.46%) and HDFC (13.79). Indianbulls ranks fifth in terms of average ranking.

Hypothesis Testing:

Anova single factor result shows the management efficiency of the chosen housing financing companies differs significantly from one another. Therefore, the null hypothesis is disproved. The efficacy of management varies greatly amongst the HFCs.

4.4 Earnings

One crucial factor that indicates the degree of profitability and consistency of earnings for housing companies is the quality of earnings. It explains how future earnings will increase and be sustainable. It displays the discrepancy between interest earned and interest paid.

Net Interest Margin Ratio:

Table:4 Descriptive Net Interest Margin Ratio

Year	HDFC	LIC	Indiabulls	HUDCO	CanFin	F-Ratio
2018-19	3.3	2.36	5.08	4.52	3.29	18.81279
2019-20	3.4	2.34	3.88	3.65	3.52	
2020-21	3.5	2.37	4.42	3.26	3.88	
2021-22	3.5	2.29	4.14	3.1	3.57	
2022-23	3.6	2.41	3.94	3.2	3.45	
Average	3.46	2.354	4.292	3.546	3.542	
Ranking	4	5	1	2	3	

It displays the difference between interest earned and interest paid. Indiabulls has the top spot in the table above with the highest average of 4.29 percent, followed by CANFIN (3.542) and HUDCO (3.54). With the lowest average ratio of 4.292 percent, LIC is ranked last. The greater the net interest margin ratio, the higher the company's earnings.

Hypothesis Testing:

The Anova single factor indicates that there are significant disparities in earnings amongst the companies selected home loan providers. Therefore, the null hypothesis is disproved.

4.5 Liquidity:

Liquidity relates to the short-term financial commitments of a company's current assets and liabilities. The ratio used to present it is as follows

Table:5 Descriptive Current Ratio

Year	HDFC	LIC	Indiabulls	HUDCO	CanFin	F-Ratio
2018-19	1.33	2.96	1	51.69	0.86	9.089281
2019-20	1.24	2.16	0.98	45.64	0.72	
2020-21	1.21	1.75	1.14	43.92	0.79	
2021-22	1.08	1.56	1.06	9.01	0.74	
2022-23	0.45	1.1	0.58	5.06	0.7	
Average	1.062	1.906	0.952	31.064	0.762	
Ranking	3	2	4	1	5	

In above calculation, HUDCO has secured highest rank in current ratio of 31.064 percent followed by LIC (1.906) and HDFC (1.062) respectively. All selected housing finance companies performance is better in terms of current ratio.

Hypothesis Testing:

From the Anova single factor testing, the researcher concluded that there is significant difference between the HFCs with respect to liquidity. Thus null hypothesis is being rejected. The liquid position of HFCs are different.

4.6 Final Rating determined by CAMEL parameters:

According to aforementioned table, HUDCO has achieved the top rank in terms of overall ranking determined by CAMEL parameters. It has a mean of 3. HDFC and India bulls, with respective ratings of 2.8 and 3, took second and third place.

Table:6 CAMEL Analysis

CAMEL PARAMETERS	HDFC	LIC	Indiabulls	HUDCO	Can Fin
Capital Adequacy (C)	3	5	2	1	4
Asset Quality (A)	2	5	3	1	4
Management (M)	2	3	5	4	1
Earnings (E)	4	5	1	2	3
Liquidity (L)	3	2	4	1	5
Average	2.8	4	3	1.8	3.4
Relative Final Rating	2	5	3	1	4

CONCLUSION:

Based on a financial performance analysis, this study was conducted. Despite being a high volume, low profit industry, some housing finance companies outperform others. According to the survey, the interest margin ratio has decreased for housing finance companiesGiven that every company in the current fiscal year maintains the RBI's recommended ratio of 15%, capital sufficiency is good. The HFCs' better liquidity status implies that the funds are being spent wisely. The CAMEL technique is a valuable instrument for evaluating the stability of home finance firms' finances and provides the essential steps to enhance their performance. In the aforementioned study, HUDCO holds the top position based on the CAMEL model rating, whereas LIC is ranked last, indicating a need for improvement in their financial performance

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