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A STUDY ON FINANCIAL PERFORMANCE OF LIC HOUSING FINANCE LIMITED

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ABSTRACT:

A world without finance is currently inconceivable. It can also describe as finance is the soul of our economic activities. Every business organization, whether manufacturing oriented or service oriented, needs finance, i.e. Money for carrying on its activities. The main objective of the study is to analyse the financial performance of LIC Housing Finance Limited. The study used Profitability, Liquidity and Solvency ratio to analyse the financial statement of the LIC housing finance limited. Based on the analyses, suggestions and conclusions were derived.

KEY WORDS: Finance, LIC housing finance, Source of Income, Expenditure

INTRODUCTION:

A world without finance is currently inconceivable. It can also describe as finance is the soul of our economic activities. Every business organization, whether manufacturing oriented or service oriented, needs finance, i.e.,Money for carrying on its activities. Though business organization gets sufficient money for carrying its Activities, success of the business depends on how well the organization manages them.

Financial performance analysis entails the examination and interpretation of financial statements in order to conduct a complete diagnosis of the business's profitability and financial soundness.

The success of the of a business also a subjective measure how well a firm can finance its Assets and make use of the assets to generate revenues, the business can be stable and healthy if it is financial Performance consistently yields profit.

These measures often determine whether or not that level of performance Is considered adequate. Further, a business organization is considered to be inefficient, if the level is Often found to be low, even if it is making profit.

More specifically, any research on financial performance of a business organization seeks to dwell upon mainly, (1) assessing the short term and long-term solvency (2) assessing the liquidity and profitability, (3) identifying the efficiency of financial operations and (4) analysing the factors determining the solvency level liquidity and profitability.

STATEMENT OF THE PROBLEM:

People are aware of their uncertainty about what the future holds for them, and as a result, they have a great desire for security in both their lives and their belongings. Because of the liquidity crisis, the development of the housing finance sector has slowed in the last year. Housing loan businesses reduced payments and increased portfolio sales through securitisation to repay contractual commitments. Financial performance is important when making various financial decisions, and the study gives useful information for further improving the housing finance sector.

SCOPE OF THE STUDY:

Life insurance Housing finance limited is significantly important for human life today. Financial statements help the management to analyze profit, solvency liquidity and efficiency etc. This analysis will present a complete picture of the business. Using trend analysis, compare present performance to past conditions. To determine how well a company is operating, compare it to peer companies or industry averages.

OBJECTIVES OF THE STUDY:

- To analyse the financial performance of LIC Housing Finance Limited.
- To Observe and analyse the operational efficiency of LIC Housing finance limited.
- To evaluate the solvency, profitability and liquidity of LIC Housing finance limited.

RESEARCH METHODOLOGY:

The study was analytical in nature. The secondary data is collected from books of accounts, articles and website are considered. In this study, the financial performance of LIC housing finance limited was measured for 5 years i.e. from 2017-2018 to 2021-2022. The study used the various tools like:

- Profitability ratios
- Liquidity ratios
- Solvency ratios

REVIEW OF LITERATURE:

Kasturi, highlighted that the performance was assessed by Maintaining the balance between all the measures in program Achieve success. The study evaluated that financial performance Was measured by various financial ratios while non-financial Measures include indicators like orientation of customers, growth, and value to the societies. The measures revealed both short-term and long-run achievements of a company.

Dey, Adhikari and Bardhan, undertook a research to uncover firm-specific factors that would have an influence on the financial performance of the Life Insurance Company of India in order to find out the Results of the study. In order to carry out the research, Ratios, such as Return on Equity (ROE), Liquidity ratio, and Solvency ratio, were used for the purpose of conducting Research and analysis. According to the findings of the research, there is a weak but favorable association between tangibility and Liquidity and financial success.

Das, D., & Debnath, recorded that, with the growth of the industry, insurance penetration And country density are improving, contributing to competitiveness within firms in terms of the policies Offered, the collection of premium revenue, the resolution of claims and others. Paper highlights the Success of the life insurance industry in terms of various metrics and shines light on the different Advertisement platforms used. Subhanam, B. L., & Nagarajan (2019) researched public and private life Insurance companies in India, contrasting consumer expectations in terms of standard of service and evaluating the success of public and private life insurance companies in India.

Hussain, has evaluated the growth of LIC during post privatization period from 2004-05 to 2008-09 where parameters used Are premium, commission, operating Expenses etc. and the analysis finds that the increase in commission expenses being Lower than the increase in gross premium and other operating expenses compared to Premium underwritten is on the higher side.

DATA ANALYSIS AND INTERPRETATION:

LIQUIDITY RATIO

Liquidity ratios are a measure of the ability of a company to pay off its short – term liabilities. Liquidity ratios determine how quickly a company can convert the assets and use them for meeting the dues that arise. The higher the ratio, the easier is the ability to clear the debts and avoid defaulting on payments.

CURRENT RATIO

Current ratio measures a company's ability to pay short – term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

FORMULA

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

TABLE SHOWING THE CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2017-2018	170295.79	27935.93	6.096
2018-2019	199642.18	39779.06	5.018
2019-2020	215565.18	52052.26	4.141
2020-2021	234334.35	68947.95	3.398
2021-2022	252635.45	82163.63	3.074

INTERPRETATION

The above table shows that the current ratio in the year 2017-2018 as 6.096 and then decreased to 5.018 in the year 2018-2019 and decreased to 4.141 in the year 2019-2020 and decreased to 3.398 in the year 2020 -2021 and decreased to 3.074 in the year 2021-2022.

INFERENCE

Current ratio of the company was highest in the year 2017-2018 and lowest in the year 2021-2022.

PROFITABILITY RATIO

Profitability is simply the capacity to make a profit and a profit is what is left over from income earned after deduction of all cost and expenses related to earning the income. Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings compared to its expenses and other relevant cost incurred during a specific period of time. A profitability ratio is a measure of profitability which is a way to measure a company's performance.

NET PROFIT RATIO

Net profit is a profitability ratio that measures the bank's profit to the total amount of money brought into the business.

NET PROFIT RATIO = $\frac{\text{Net profit}}{\text{Total income}} * 100$

TABLE SHOWING THE NET PROFIT RATIO

YEAR	NET PROFIT	TOTAL INCOME	RATIO (in %)
2017-2018	2002.50	14840.61	13.49
2018-2019	2430.97	17364.57	13.99
2019-2020	2401.84	19669.76	12.21
2020-2021	2734.34	19847.69	13.77
2021-2022	2287.28	19953.02	11.46

INTERPRETATION

The above table shows that the net profit ratio in the year 2017-2018 as 13.49 and then increased to 13.99 in the year 2018-2019 and decreased to 12.21 in the year 2019-2020 and decreased to 13.77in the year 2020 -2021 and decreased to 11.46 in the year 2021-2022.

INFERENCE

Net profit ratio of the company was highest in the year 2018-2019 and lowest in the year 2021-2022.

SOLVENCY RATIO

A solvency ratio is a ratio which is used to measure an enterprise's ability to meet its long-term debt obligations and is used often by prospective business lenders. A solvency ratio indicates whether a company's cash flow is sufficient to meet its long-term liabilities and thus is a measure of its financial health.

PROPRIETARY RATIO

Proprietary ratio is a type of solvency ratio that is useful for determining the amount or contribution of shareholders or proprietors towards the total assets of the business. It is also known as equity ratio or shareholder ratio or net worth ratio.

$$\textbf{Proprietary ratio} = \frac{\textbf{Shareholders' equity}}{\textbf{Total assets}}$$

TABLE SHOWING THE PROPRIETARY PROFIT RATIO

YEAR	SHAREHOLERS' EQUITY	TOTAL ASSETS	RATIOS
2017-2018	14241.18	171089.82	0.083
2018-2019	16259.27	200583.47	0.081
2019-2020	18193.09	216805.59	0.083
2020-2021	20521.31	235633.32	0.087
2021-2022	24671.84	254567.46	0.096

INTERPRETATION

The above table shows that the debt ratio in the year 2017-2018 as 0.083 and then decreased to 0.081 in the year 2018-2019 and increased to 0.083 in the year 2019-2020 and increased to 0.087 in the year 2020 -2021 and increased to 0.096 in the year 2021-2022.

INFERENCE

Proprietary ratio of the company was highest in the year 2020-2021 and lowest in the year 2018-2019.

FINDINGS:

- Current ratio of the company was highest in the year 2017-2018 is 6.096 and lowest in the year 2021-2022 is 3.074. So, it is not satisfactory.
- Net profit ratio of the company was highest in the year 2018-2019 is 13.99 and lowest in the year 2021-2022 is 11.46. So, it is not satisfactory.
- Proprietary ratio of the company was highest in the year 2020-2021 is 0.096 and lowest in the year 2018-2019 is 0.081. So, it is satisfactory.

SUGGESTION:

- LIC HFL should focus on increasing its deposits, cash & cash equivalents, fee-based income and reducing its short-term borrowings, non-performing assets and its operating expenses to increase its current ratio and cash position ratio.
- Decreasing net profit ratio is not good for LIC HFL so it should focus on improving its revenue growth, cost reduction, efficient claims management and investment performance.
- LIC HFL should focus on diversifying its investment portfolio and cost management to increase its return on investment ratio.
- The solvency ratio of the ratio is quite good which is suggested to continue in the remaining years.

CONCLUSION:

The study is aimed to analyse the overall financial performance of LIC Housing finance limited for the period of five years i.e. from 2017-2018 to 2021-2022. This study used various ratios to analyse the overall financial performance of LIC HFL. The profitability, solvency, liquidity position of LIC HFL are analyzed in this study. LIC HFL is good in solvency position and facing some issues in generating profits and meeting its short-term obligations. Hence if a given suggestions are implemented, the company can increase its profitability and improve their overall performances.

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