

Original Article

A Study on Impact of Pandemic on Financial Performance of Private Housing Finance Companies in India

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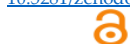


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Abstract

The COVID-19 pandemic has had a profound impact on populations around the world, with more than 82 million people infected and over 1.8 million lives lost. This global health crisis has triggered widespread economic disruptions, affecting nearly every country. To control the spread of the virus, numerous governments enforced lockdowns and strict social distancing measures. While necessary from a public health standpoint, these actions led to significant slowdowns across various sectors of the economy. One of the many sectors adversely affected by the pandemic is housing finance. As economic activities came to a halt and uncertainty loomed large, housing finance companies encountered numerous financial and operational challenges. Disruptions in income levels, reduced consumer confidence, and delays in construction and property transactions all contributed to a decline in demand for housing loans. Additionally, housing finance companies had to deal with increased credit risk and liquidity pressures during this uncertain period. This paper focuses specifically on analyzing the impact of the pandemic on the financial performance of selected private sector housing finance companies in India. It aims to explore how these institutions have been affected and what measures have been taken to manage the crisis, ensuring their continued role in supporting the housing sector amidst ongoing economic uncertainties.

Keywords: - Housing finance companies, profitability ratio, liquidity ratio.

Introduction:

A home is not only a basic human necessity but also a symbol of security and dignity for every individual. Owning a house is a cherished dream for most people, and to turn this aspiration into reality, both banking and non-banking financial institutions play a vital role by offering various housing finance solutions. These institutions are primarily focused on providing long-term financial assistance to individuals for either purchasing or constructing residential properties. Recognizing the importance of the housing sector in national development, the Indian government has taken several initiatives to strengthen and support this domain.

One of the significant steps taken by the government was the establishment of the National Housing Bank (NHB) to serve as the principal agency for housing finance. The idea of setting up NHB was proposed under the National Housing Policy of 1988, which aimed to provide a structured and regulated approach to the housing finance system in the country. Accordingly, the National Housing Bank was established on July 9, 1988, under the National Housing Bank Act, 1987, as a wholly owned subsidiary of the Reserve Bank of India (RBI). NHB was created with a clear vision of promoting a sound, stable, and inclusive housing finance system in India. Its mission emphasizes leveraging the potential of the housing finance market to meet the diverse needs of the population, particularly focusing on low- and middle-income groups.

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Over the years, NHB has played a crucial role in regulating housing finance companies, expanding access to affordable housing finance, and supporting policies that encourage sustainable growth in the housing sector. Through policy measures, financial support, and developmental programs, NHB continues to be a key driver in fulfilling the housing needs of the nation.

Objectives

1. To study the financial performance of private housing finance companies before and during pandemic situation.
2. To study the impact of Covid-19 on Financial Performance with the help of profitability and liquidity ratio
3. To make suggestions for improvement of private housing finance companies in India.

Hypothesis

Null Hypothesis (H0): There is a no significant difference between financial performance of private housing finance companies in pre and during pandemic.

Alternate Hypothesis (H1): There is a significant difference between financial performance of private housing finance companies in pre and during pandemic.

Research Methodology

This study is based on information collected from secondary sources. For the purpose of this research, the following private housing finance companies have been selected: HDFC, DHFL, GRUH Ltd., and Sundaram Home Finance Ltd. To analyze the data, two statistical tests are used: the Paired Sample t-test and the Wilcoxon Signed Rank Test. The choice between these tests depends on how the data behaves. If the data follows a normal distribution (meaning it follows a typical bell-shaped curve), then the Paired Sample t-test is used. If the data does not follow a normal distribution, then the Wilcoxon Signed Rank Test is more suitable (Lind et al., 2012). Before applying these tests, a normality test and an outlier check are done to understand the nature of the data. Based on these

Net Profit Margin Ratio

Table No.1

Private Housing Fianace Companies Net Profit Margin Ratio (in %)					
Years / Companies	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
HDFC	22.22	30.25	24.94	28.65	26.98
DHFL	-8.04	-146.01	-171.60	NA	NA
GRUH Ltd.	22.06	NA	NA	NA	NA
Reliance Home Finance	3.36	-23.64	-189.21	-1871.33	1417.84

(Source: Dion Global Solution Limited)

checks, the appropriate test is chosen to compare the financial performance of the selected companies. The researcher will use the Paired Sample t-test to test the research hypothesis, using a 5% level of significance, which means there's a 95% confidence in the test results.

Future Scope

The present study offers a focused view on the impact of the COVID-19 pandemic on the financial performance of selected private housing finance companies in India; however, there is ample scope for further research. Future studies can expand by including public sector housing finance companies to enable a comparative analysis. Additionally, as the post-pandemic phase unfolds, long-term effects on business strategies, financial stability, and recovery patterns can be explored. Research can also delve into changing customer behavior, repayment trends, and the effectiveness of government relief measures such as moratoriums and interest subsidies. Moreover, examining the role of digital transformation in maintaining operational continuity and exploring cross-country comparisons with housing finance institutions in other developing nations would provide broader insights into the sector's resilience and adaptability.

Limitations Of Study

The present study restricted to the selected private housing finance companies only. The study is limited to their financial performance especially profitability ratio and liquidity ratio. The period of study is pre pandemic and during pandemic only that is from the years 2018-2019 to 2021-2022. Some selected companies' financial statement is not available so that year their performance is not evaluated.

Calculation of ratios and its analysis of public and private housing finance companies

Profitability Ratio

- 1) Net Profit Margin Ratio
- 2) Return on Assets
- 3) Return on Capital Employed

Interpretation: The table presents the Net Profit Margin Ratio (%) of selected Private Housing Finance Companies in India over a five-year period from 2018–2019 to 2022–2023. This ratio indicates how much net profit a company earns as a percentage of its revenue—higher positive values suggest healthy profitability, while negative values suggest losses. First two years that is 2018-2019 to 2019-2020 considered as pre pandemic period and 2022-2023 is considered as post pandemic period. HDFC has consistently maintained strong and positive profit margins, ranging between 22% to 30%, indicating stable and efficient operations over the years. Pandemic situation does not affect the

2) Return on Assets

Table No.2

Private Housing Finance Companies Return on Assets					
Years / Companies	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
HDFC	449.37	491.61	601.32	661.57	2.23
DHFL	-0.97	-15.85	-21.38	NA	NA
GRUH Ltd.	25.64	NA	NA	NA	NA
Reliance Home Finance	0.37	-2.38	-10.20	-53.62	15,548.26

(Source : Dion Global Solution Limited)

Interpretation: The Return on Assets (ROA) data for selected private housing finance companies from 2018–2019 to 2022–2023 reveals significant differences in financial performance and stability across the sector. HDFC consistently demonstrates strong asset efficiency, though the extremely high ROA before pandemic, figures reported in earlier years (e.g., 449.37 in 2018–19 to 661.57 in 2021–22) are likely in basis points, which would translate to more realistic ROA values between 4.49% and 6.62%. The drop to 2.23% in 2022–23 may suggest a slight decline in profitability or a change in asset structure but still reflects solid financial health after pandemic. In contrast, DHFL showed a rapid and steep decline, with ROA falling from -0.97% to -21.38%, highlighting major operational losses that

3) Return on Capital Employed

Table No.3

Private Housing Finance Companies Return on Capital Employed					
Years / Companies	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
HDFC	9.25	10.16	7.89	7.09	41.15
DHFL	13.40	-26.86	96.82	NA	NA
GRUH Ltd.	10.41	NA	NA	NA	NA
Reliance Home Finance	16.42	9.32	-15.72	-481.72	60495.39

(Source : Dion Global Solution Limited)

profit margin of the company so it is a well-managed and financially sound company in the sector. DHFL's performance drastically worsened from a minor loss in 2018–19 to huge negative margins, indicating severe losses in pre pandemic situation 2019–2021. GRUH had a healthy margin in 2018–19. It was **merged with Bandhan Bank in 2019**. Data for the subsequent year is not allowed. Marginal profit in 2018–19, steep and increasing losses until 2021–22 that is in pre and during pandemic with very high negative margins. But in the post pandemic in 2022–23, there's a massive positive spike (1417.84%), likely due to exceptional one-time income not regular operations.

ultimately led to insolvency and halted data reporting after 2020–21. GRUH Finance displayed a healthy ROA of 25.64% in 2018–19 before it merged with Bandhan Bank, after which separate performance data is unavailable. Reliance Home Finance presents a highly volatile trajectory: starting with a modest ROA of 0.37%, then sharply declining into significant negative territory (reaching -53.62% in 2021–22), indicating mounting losses. However, an extraordinary spike to 15,548.26% in 2022–23 is most likely due to non-operational, one-time gains or a sharply reduced asset base, which inflated the ROA unnaturally. Overall, HDFC stands out as the most stable and efficiently run institution, while the others reflect structural issues, distress, or accounting anomalies.

Interpretation: The Return on Capital Employed (ROCE) data for private housing finance companies from 2018–2019 to 2022–2023 highlights major contrasts in operational efficiency and financial health. HDFC shows a generally stable performance with ROCE ranging from 7.09% to 10.16% between 2018–2022, reflecting consistent and efficient use of capital. However, in 2022–23, ROCE jumped significantly to 41.15%, suggesting a substantial increase in profitability or more efficient capital deployment, possibly due to higher earnings or a strategic shift in capital structure. DHFL, on the other hand, initially posted a healthy ROCE of 13.40% in 2018–19 but then suffered a sharp decline to -26.86% in 2019–20, indicating heavy losses. Interestingly, in 2020–21, it reported a seemingly strong ROCE of 96.82%, which may have resulted from an abnormal or one-off accounting adjustment before data reporting ceased amid its insolvency proceedings. GRUH Finance had a solid ROCE of

1) Current Ratio

Table No. 4

Private Housing Finance Companies Current Ratio					
Years / Companies	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
HDFC	1.21	3.98	4.67	4.26	4.90
DHFL	2.32	2.02	0.65	NA	NA
GRUH Ltd.	85.37	71.80	0.54	0.47	0.40
Reliance Home Finance	0.94	1.80	0.77	0.21	0.16

(Source : Dion Global Solution Limited)

Interpretation: Across all three periods—pre-pandemic, during the pandemic, and post-pandemic—HDFC consistently maintained excellent liquidity, demonstrating strong financial discipline and the ability to weather economic disruptions with resilience. In contrast, both DHFL and Reliance Home Finance exhibited declining current ratios over time, with significant deterioration during and after the pandemic, reflecting their deepening financial crises and

2) Dividend Payout Ratio

Table No.5

Private Housing Finance Companies Dividend Payout Ratio (%)					
Years / Companies	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
HDFC	21	21	34.5	40	00
DHFL	00	00	00	NA	00
GRUH Ltd.	40	NA	NA	NA	NA
Reliance Home Finance	00	00	00	00	00

(Source : Dion Global Solution Limited)

Interpretation: During the pre-pandemic period, HDFC maintained a stable and moderate dividend

10.41% in 2018–19, but no data is available after its merger with Bandhan Bank. Reliance Home Finance demonstrates extreme volatility: it started with a relatively good ROCE of 16.42%, fell steadily into losses by 2020–21 (-15.72%), and then plummeted to -481.72% in 2021–22—signifying severe capital erosion. In 2022–23, it recorded a massive and unrealistic ROCE of 60,495.39%, which likely reflects an extraordinary one-time gain (such as debt restructuring, asset revaluation, or reversal of provisions) and a shrinking capital base, rather than true operational recovery. Overall, HDFC continues to display consistent strength, while DHFL and Reliance Home Finance reflect instability, financial distress, and unreliable long-term viability.

Liquidity Ratio

- 1) Current Ratio
- 2) Dividend Payout Ratio
- 3) Debt Equity Ratio

inability to manage short-term liabilities effectively. GRUH Ltd., on the other hand, started with exceptionally high liquidity in the pre-pandemic years, likely due to a unique balance sheet structure, but its current ratio steadily declined following its merger with Bandhan Bank. This shift brought its liquidity levels more in line with industry norms, though the downward trend continued year over year, suggesting tightening short-term financial flexibility.

payout ratio of 21%, demonstrating consistent returns to shareholders while retaining sufficient

earnings for growth. GRUH Ltd. had a notably high payout of 40% in 2018–19, reflecting a strong profit position and perhaps limited reinvestment needs prior to its merger with Bandhan Bank. In contrast, DHFL and Reliance Home Finance paid no dividends, signaling early signs of financial distress or capital preservation strategies amid mounting liabilities.

In the pandemic year (2020–2021), HDFC increased its dividend payout ratio significantly to 34.5%, showcasing its ability to maintain profitability and reward shareholders even amid economic uncertainty. DHFL and Reliance Home Finance

3) Debt Equity Ratio

Table No.6

Private Housing Finance Companies Debt Equity Ratio					
Years / Companies	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
HDFC	4.22	4.16	4.06	4.86	4.72
DHFL	8.88	9.93	11.57	-16.33	-4.35
GRUH Ltd.	8.78	8.98	NA	NA	NA
Reliance Home Finance	9.01	5.52	-127.83	-1.24	-1.19

(Source : Dion Global Solution Limited)

Interpretation: During the pre-pandemic period, HDFC maintained a relatively stable and moderate debt-equity ratio, hovering around 4.2, indicating a balanced leverage structure and strong capital base. In contrast, DHFL and Reliance Home Finance had very high leverage—8.88 and 9.01 respectively in 2018–19—indicating a greater dependency on debt, which posed financial risk. GRUH Ltd. also showed a high debt-equity ratio of 8.78 and 8.98 before its merger, though it remained stable and likely manageable within its operational model.

In the pandemic year (2020–2021), HDFC's ratio remained steady at 4.06, reflecting its resilience and prudent financial management during the economic downturn. However, DHFL's debt-equity ratio spiked to 11.57, signaling extreme financial stress as the company neared insolvency. Reliance Home Finance's ratio plunged dramatically to -127.83, indicating complete erosion of shareholder equity and an unsustainable financial position. GRUH's data was unavailable post-merger.

In the post-pandemic period (2021–2023), HDFC's debt-equity ratio rose slightly to 4.86 and then moderated to 4.72, showing continued financial stability. On the other hand, DHFL's negative debt-equity ratios (-16.33 in 2021–22 and -4.35 in 2022–23) reflected its bankruptcy process and balance sheet collapse. Similarly, Reliance Home Finance posted negative ratios of -1.24 and -1.19, underscoring ongoing insolvency concerns and shareholder value erosion. GRUH's figures remained unavailable,

continued with zero payouts, aligning with their deteriorating financial positions. GRUH Ltd. data was no longer reported separately due to the merger.

In the post-pandemic period (2022–2023), HDFC surprisingly reported a zero payout, likely due to the final stages of its merger with HDFC Bank and a strategic shift in capital planning. DHFL and Reliance Home Finance remained at 0%, consistent with their ongoing financial distress or restructuring. GRUH's data was not available post-merger.

consistent with its full integration into Bandhan Bank.

Conclusion:

HDFC consistently showed strong financial health throughout the period. It maintained stable profitability and steadily growing liquidity. The company managed moderate debt levels, reflecting prudent financial management. HDFC also paid regular dividends, even during the pandemic. In contrast, DHFL experienced declining liquidity and rising debt, leading to insolvency. Reliance Home Finance showed extreme financial distress with negative ratios and no dividends. GRUH Ltd. displayed strong performance before its merger, with high liquidity and profitability. However, it stopped reporting independently post-2019 due to integration with Bandhan Bank.

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The study, authored by Mr. Sunil Ratnaka Sonawane from Athalye Sapre Pitre College (Autonomous), Devrukh, investigates the impact of the COVID-19 pandemic on the financial performance of selected private sector housing finance companies in India. The abstract highlights that the pandemic caused widespread economic disruptions, affecting the housing finance sector due to income disruptions, reduced consumer confidence, and delays in construction and property transactions, leading to increased credit risk and liquidity pressures.

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