



# A Study On Financial Instrument Of Lic Housing Finance

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## Abstract:

This study conducts a comparative analysis of investor satisfaction with mutual funds and stock market returns, aiming to understand investor preferences, risk tolerance, and return expectations. By evaluating financial performance, risk factors, and market trends, the research identifies key determinants influencing investor decisions. Data is collected through surveys and financial reports, analysed using statistical methods to derive insights into satisfaction levels and investment behaviour. The findings offer valuable implications for financial advisors, policymakers, and investors in making informed investment choices.

## Keywords:

Financial Instrument, LIC Housing Finance, Finance, Economic Activities, Business Organization, Capital Management, Financial Performance Analysis, Profitability, Financial Soundness

## Introduction:

It is today impossible to imagine a future without finance. The foundation of economic activity is finance, which makes it possible for companies, whether they are manufacturing or service-oriented, to run efficiently. Financial resources are necessary for any company to continue operating, but how well these resources are managed determines how successful the business is. Securing capital is simply one aspect of effective financial management; another is making effective use of it to produce profits.

When evaluating a company's profitability and financial stability, financial performance analysis is essential. In order to assess how well a company funds its assets and uses them to create income, financial

statements must be examined and interpreted. With a variety of financial products and services targeted at housing financing solutions, LIC Housing financing stands out as a noteworthy financial organization in this regard.

Analysing LIC Housing Finance's financial instruments, investigating their effects on business performance, and comprehending how these tools support sustainability and financial growth are the main objectives of this study. Our goal in conducting this study is to shed light on LIC Housing financing's financial tactics and their efficacy in the housing financing industry.

### **Statement of problem:**

In order to address the growing anxiety over investment choices in a financial landscape that is becoming more and more volatile, the study compares and analyzes investor satisfaction with stock market returns and mutual funds. Determining which option best suits their financial objectives, risk tolerance, and return expectations is a challenge for many individuals. A thorough comparison analysis is required due to the ambiguity around the variables that affect investor happiness, such as risk, returns, liquidity, and market swings. By identifying important factors that influence satisfaction and assisting investors in making wise selections, this study aims to close the knowledge gap.

### **Objectives:**

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

### **Research Methodology:**

This study's research methodology uses a descriptive and analytical technique to look at stock market results and investor satisfaction with mutual funds. Investors are given structured questionnaires to complete in order to collect primary data, and reliable web sources, financial reports, and journals are used to obtain secondary data. To choose respondents who are pertinent to the study, a purposive sampling technique is employed. To ascertain investor preferences, risk perceptions, and return expectations, the data is examined using statistical techniques such mean scores, percentage analysis, and hypothesis testing. The purpose of the study is to shed light on the variables affecting investors' overall happiness and investment decisions.

### **Sample Design:**

The study adheres to a systematic publication format, starting with an abstract that offers a succinct synopsis of the goals, methods, main conclusions, and implications of the research. After outlining the study problem, significance, and scope in the introduction, a literature review that includes pertinent theories and previous studies is presented. The research methodology details the data collection methods, sampling techniques, and analytical tools used. The findings are interpreted through statistical analysis

and compared with previous research in the results and discussion section. The conclusion summarizes key insights, practical implications, and recommendations for future research. Proper citations and references are included to ensure academic integrity, and the document follows a clear, professional format suitable for journal or conference publication.

### Statistical Tools:

- Current ratio
- Cash position ratio
- Quick ratio

### Limitations of the study:

There are some restrictions on this analysis of LIC Housing Finance's financial products. Firstly, the research is confined to a specific geographical area, which may not adequately represent broader market conditions. Second, replies from a small sample size and secondary sources are used to collect data, which may cause biases. Thirdly, the results may not be as broadly applicable as they may be due to changes in the financial and economic landscape over the study period. Finally, the depth of study was limited by time constraints, which prevented a more thorough assessment of all affecting elements.

### Review of literature:

**S. Manicka Vasuki (2022)**, analyzed the financial performance of Bank of Baroda. Her objectives were to study the financial performance of Bank of Baroda and to offer valuable suggestions to maximize the financial performance of the bank. Her study used secondary data collected from Bank of Baroda's website, Reserve Bank of India and other related sources for the period of 5 years from 2017-18 to 2021-22. She concluded that the bank's financial performance can be maximized by increasing the Net profit margin, Earnings per share, Return on Asset employed and Interest income.

**M. Nirmala and K. S. Kavitha (2019)**, examined the financial performance of HDFC Bank. The main objective of their study was to determine the capital adequacy, asset quality, management efficiency, earnings and liquidity of the HDFC bank for the period of 5 years from 2013-14 to 2017-18. Researcher used the secondary data collected from annual reports of the bank, bulletins, periodicals, newsletters, internal reports of the bank and websites. They used CAMEL rating analysis and comparative balance sheet for analysis. They found that HDFC bank was the best bank for investing. They concluded that in terms of capital adequacy ratio parameter, HDFC bank was at the top position during the study period.

### Analysis:

#### 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**

Current ratio = Current assets / current liabilities.

**TABLE 4.1.1****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         |
| 2022-2023 | 8.65           | 91245.31            | 4.098         |
| 2023-2024 | 2768452.45     | 98456.67            | 5.984         |

**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 and increased to 4.098 in the year 2022-2023 and increased to 5.984 in the year 2023-2024.

**CASH POSITION RATIO**

Cash position ratio is a liquidity that measures a firm's ability to pay off its current liabilities with only cash and cash equivalents. The cash ratio is much more restrictive than the current ratio or quick ratio because no other current assets can be used to pay off current debt only except only cash.

CASH POSITION RATIO = CASH + CASH EQUIVALENTS / CURRENT LIABILITIES

**TABLE 4.1.2****TABLE SHOWING THE CASH POSITION RATIO**

| YEAR      | CASH + CASH EQUIVALENTS | CURRENT LIABILITIES | CURRENT RATIO |
|-----------|-------------------------|---------------------|---------------|
| 2017-2018 | 2096.44                 | 27935.93            | 0.075         |
| 2018-2019 | 3013.51                 | 39779.06            | 0.075         |
| 2019-2020 | 1978.95                 | 52052.26            | 0.038         |
| 2020-2021 | 1346.72                 | 68947.95            | 0.019         |
| 2021-2022 | 937.39                  | 82163.63            | 0.011         |

|            |          |          |      |
|------------|----------|----------|------|
| 20022-2023 | 1422. 83 | 25131167 | 1.10 |
| 2023-2024  | 1437.49  | 9129. 9  | 0.10 |

## INTERPRETATION

The above table shows that the cash position ratio in the year 2017-2018 as 0.075 and then same to 0.075 in the year 2018-2019 and decreased to 0.038 in the year 2019-2020 and decreased to 0.019 in the year 2020-2021 and decreased to 0.011 in the year 2021-2022 and increased 1.10 in the year 2022-23 and decreased in 0.10 in the year 2023-2024.

### 3. 3 QUICK RATIO

Quick ratio is also known as Acid test ratio is used to determine whether a company or a business has enough liquid assets which are able to be instantly converted into cash to meet short term dues. It is calculated by dividing the liquid current assets by the current liabilities

Quick ratio = Liquid assets/current liabilities

**TABLE 4.1.3**

**TABLE SHOWING THE QUICK RATIO**

| YEAR      | LIQUID 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         |
| 2022-2023 | 345656.46     | 98561.56            | 4.056         |
| 2023-2024 | 4562135.56    | 96523.56            | 5.098         |

## INTERPRETATION

The above table shows that the quick ratio in the year 2017-2018 as 6.096 and then decreased to 5.018 in the year 2018-2019 and decreased 4.141 in year 2019-2020 and decreased to 3.398 in the year 2020-2021 and decreased is 3.074 in the you 2023-2024

### Conclusion:

Although the study has some limitations, it offers useful insights for investors, policymakers, and financial institutions to improve decision-making and optimize financial performance. Future research

could broaden the scope to include comparative analyses with other financial institutions to gain a broader perspective on industry trends. This study on the financial instruments of LIC Housing Finance emphasizes the critical role of financial management in ensuring business stability and profitability. Through an in-depth analysis of financial performance, the research highlights how effective capital utilization and investment strategies contribute to growth in the housing finance sector.

#### Reference:

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