

## DEVELOPMENT & ADVANCES OF LIC HOUSING FINANCE LTD.

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### ABSTRACT

LIC Housing Finance Ltd. is a subsidiary of LIC which was created with an objective of providing Long Term loans for the purchase or construction of houses or flats. It has its H.Q. in MUMBAI. The Authorized Capital of the Company is Rs.1500 Million (Rs.150 crores). It's paid -up capital is Rs. 1,009.9 Million. In its incorporation year 1989 company started various schemes like Griha Prakash, Griha Tara, Griha Shobha and Griha Lakshmi. It had created about 9, 40,000 satisfied customers in the year 2008. LICHL launched a 'New Fixed 10' scheme in which it charged a fixed interest rate of 11.50% for 10 years. It had set a target of generating total business of Rs. 33,000 crore in the year 2014. LIC held 45% share in the asset management company while LICHL owned 20%. The cost of borrowings reduced to 8.5% till June 30, 2017.

**KEYWORDS:** Housing, Finance, Company, Insurance.

### INTRODUCTION

LICHL is one of the biggest housing finance companies in India, incorporated on *June 19, 1989* whose main objective is to provide long term finance to individuals for the purchase, development and construction of a house/flat. It is a subsidiary company of LIC. It has the widest range of networks of offices across the country. The *LICHL URBAN DEVELOPMENT FUND* is sponsored by *LIC HOUSING FINANCE LIMITED* and co-sponsored by *LIC OF INDIA*.

LICHL is registered with National Housing Bank. It is listed on the National Stock Exchange and Bombay Stock Exchange. The company is traded as BSE: P 500253 and NSE: LICHSFIN. Its shares are traded in Demat format. The Global Depository Receipt of this company is listed in the Luxembourg Stock Exchange. Its subsidiaries are LIC HFL Care Homes Limited, LIC HFL Financial Services Limited, LIC HFL Asset Management

Company Private Limited. In the FY 2019 it had 9 regional offices, number of back-offices were 24, and 282 Marketing offices across the country. It has 2 foreign offices in KUWAIT and DUBAI to serve the NRIs in Bahrain, Dubai, Kuwait, Qatar, Saudi Arabia.

### CAPITAL STRUCTURE

The Authorized Share Capital of the LIC Housing Finance Limited is Rs. 1500, 000,000 divides into 750,000,000 Equity Shares of Rs.2- each. The LIC Housing Finance Limited has the power to increase its capital from time to time, in accordance with the Article of Association of the LIC Housing Finance Limited and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the capital into Equity Share Capital and Preference Share Capital, and to attach thereto respectively

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any preferential qualified or special rights, privileges or conditions. If and whenever the capital of the LIC Housing Finance Limited is divided into shares of different classes, the rights of any such class may be varied, modified, extended, abrogated or surrendered as provided in the Articles of Association of the LIC Housing Finance Limited and the legislative provisions in force.

The LIC Housing Finance Limited in general meeting, from time to time by a special resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Indian Companies Act 1956, and shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the general meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the directors shall determine; and in particular, such shares may be issued with a preferential or qualified right to dividend, and in the distribution of assets of the LIC Housing Limited and with a right of voting at general meetings of the LIC Housing Finance Limited in conformity with Section 87 and 88 of the Indian Companies Act 1956. Whenever the capital of the LIC Housing Finance Limited has been increased under the provisions of the Article of Association, the directors comply with the provisions of Section 97 of the Indian Companies Act 1956.

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, forfeiture, lien, transfer and transmission, voting or otherwise.

The LIC Housing Finance Limited (subject to the provisions of Sections 78, 80 and 100 to 105 of the Companies Act 1956) from time to time, by Special Resolution, reduce its capital (if any) or its Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorized by law, and, in particular, capital may be paid off on the footing that it may be called upon again or otherwise,

Subject to the provisions of Section 94 of the Companies Act 1956, the LIC Housing Finance Limited in general meeting, from time to time in accordance with the Articles of Association of the Company, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided or consolidated may determine, that, as between the holders of the shares resulting from such sub-division. or consolidation, one or more of such shares shall have some preference or special advantages as regards dividends, capital or otherwise over or as compared with the other or others. Subject as aforesaid, the LIC Housing Finance Limited in general meeting also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

## **YEAR BY YEAR PROGRESS**

In its incorporation year (1989), company started various schemes like: Griha Prakash, Griha Tara, Griha Shobha and Griha Lakshmi. In 1996 LICHL decided to carry out fund based and one fund based activities, viz. debt securitization, lease and hire purchase, renting of properties. In 2005 it launched a new scheme 'Griha Vikas'. De-listed from the Calcutta Stock Exchange Association Ltd (CSE) with effect from December 09, 2004. It launched a Loan Product that eliminates the requirement of charge on house financed. Goldman Sachs acquired share in LIC HFL. In 2006 almost 94% of loan assets were in the retail category. It focused non-core disbursements (project funding and retail income securitization).

It also introduced a New Griha Lakshmi scheme for disbursement of loans against liquid securities acceptable to the LICHFL.

It focused on non-securitization. Introduced 'New Griha Lakshmi' scheme for disbursement of loans against liquid securities acceptable to the LICHFL. Designed and launched of the IT enabled appraisal score card system for unbiased appraisal. It introduced the concept of multiple due dates for Equity Monthly Instalments (EMI).

Here is the progress of LICHFL from 2007 to 2017:

**2007:**

- LICHFL launched its Fixed Deposit Scheme.
- LICHFL entered into Reserve Mortgage Product.
- 8, 50,000 satisfied customers.
- LICHFL is one of the top 500 financial companies in the world (as per the Global Financial Brand Index, 2017).

**2008:**

- Formed three new wholly owned subsidiaries in 2007-08 to manage its interest in financial services, ventures fund and assets management.
- Rated 'AAA' by CRISIL for the seventh consecutive years in 2007-08; maiden fixed deposit program received the **FAAA/STABLE** rating from CRISIL.
- 9, 40, 000 satisfied customers.

**2009:**

- LICHFL cut interest rates for new loan by 0.5 % where for customer opting for floating rate loans between INR 30,00,000 and INR 15,00,000, the new rate was 8.75 % against 9.25%.
- As at September 16, 2009 the LICHFL stock was the Second Best Bloomberg Asia Pacific Diverse Financial Services Index.

**2010:**

- Second Best Home Loan Provider awarded by Outlook Profit.
- The world's leading independent arbiter on branding 'Super brands' has awarded the 'SUPERBRANDS' status to LICHFL.
- 'Fix-O-Floaty' – the scheme has caught the attention of market and with stood the pricing competition unlisted by other market players incorporating market sentiments and offering flexibility to the customer was a huge success.
- Dividend increased with 150 percent.

**2011:**

- Launched a unique interest rate scheme 'MIMNI 5' to cater to housing finance needs of the priority sector population residing in Tier II and Tier III cities.
- 34.06 percent increase in disbursements in 2010-11.
- Dividend increase with 175 percent.
- 12, 00,000 satisfied customers.

**2012:**

- Received 'Outstanding Company in Home Finance' award on September 16, 2012.

**2013:**

- LICHFL launched a 'New Fixed 10' scheme in which it would charge a fixed interest rate of 11.50% for 10 years.
- Customer also could opt to shift the floating rate loan after 5 years.

**2014:**

- LICHFL has set of target of generating total business of Rs. 33,000 crore in the year 2014.
- The loan portfolio grew by 18%.

**2015:**

- In the year 2015 LICHFL bought 19.3% shares from Nomura Mutual Funds for Rs. 27.3 crore.
- LIC held 45% share in the asset management company while LICHFL owned 20%.

**2016:**

- The net profit increased by 20% in the second quarter of the FY.
- It saw 8.73% increase in loans disbursed to Rs. 9,123 crore as against Rs. 8,390 crore subsidized by disbursements in the individual loan category.

**2017:**

- LICHFL reported a jump of 15% in the net profit of Rs. 470 crore in the first quarter, while it had posted PAT of Rs. 408 crore in the same period last year.
- Net Interest Margin dipped to 2.5% from 2.61% in the same quarter last year.
- The cost of borrowing reduced to 8.5% till June 30,2017 as compared to 9.08% last year same quarter.
- Gross NPA's stood at 0.72% as against 0.59% last year same quarter.

**CONCLUSION**

LIC Housing Finance Ltd. has been in the group of the most trusted housing finance companies in India for more than the last THREE DECADES. Its FD is rated as a stable and safe investment to make by CRISIL i.e. highly stable company that offers guaranteed returns. It provides a large variety of FD schemes which suits the requirements of each and every type of investor. It offers competitive rate of interest and a healthy return on the overall investment including other schemes related benefits. It is good for those borrowers who are taking the loan for the first time. It has reduced the rate of

interest from 6.9% to 6.66% for limited period, probably the lowest rate currently being offered by any lender Company. If someone is looking for an NBFC, LICHFL is the first company which comes in the mind because it sits on the top most companies when it comes to Housing Finance.

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