

A COMPARATIVE STUDY OF HOME LOANS OF STATE BANK OF INDIA (S.B.I.) AND HOUSING DEVELOPMENT FINANCE CORPORATION (H.D.F.C.) BANKS: AN EMPIRICAL STUDY OF BATHINDA, PUNJAB

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Abstract:

Every human being wants their own house. House is a profitable and useful in the future and furnishes propulsion to economic development. But in today's scenario buying the home is a challenging chore, because it is a major expenditure. A middle class family cannot afford this expenditure. To resolve this activity, government provides housing finance loan facility for every person at lower interest rate. Housing finance sector encourage of tax rebates. Housing finance means to take a home on loan basis in which we pay monthly installments with favorable interest rates. A loan facility has been provided on the basis of people's eligibility and the bank's rules. Many number of banks and financial institutions entered in housing financing sector which offer cheap loans at low interest rate. Interest rate is very important part of loans. The banks and financial institutions provide two types of interest rates i.e. fixed and floating for loan. Banks are not only provides home loan but they also provides improvement, extension, conversion, construction loan etc. The main purpose of this study to comparison and analyze between home loan procedure and customer satisfaction of S.B.I. India's largest public sector bank and H.D.F.C. is the largest private sector banks in India. For this study we have taken S.B.I. and H.D.F.C. banks which represent the city of Bathinda, Punjab.

Keywords: Interest Rate, Home Loans, Financial Institutions, Fixed and Floating Interest Rate.

1. Introduction

Home is one of the things that everyone one wants to own. Home is a dream of every person that shows the quantity of efforts, sacrifices luxuries and above all gathering funds little by little to afford one's dream. Home is a shelter to person where he rests and feels comfortable. The demand of home loans has increased dramatically. For fulfill this purpose many banks are providing home loans whether commercial banks or financial institutions to the people who want to have a home. Part of the reason for this increase is because the accessibility of loans has gotten bigger. Today, home loans are available in the market at very low interest rates that meet the demands of many home buyers. A home represents the largest asset that typically people have and this is why home loans have such a huge impact in the loan market today. When a person purchases a home, he or she will be investing a huge amount of cash. Many people can't come up with the whole money to pay out the house, while some others can't even afford to invest money for the house they will like to purchase. When getting a home loan, the individuals should consider taking care of different aspects related to the home loan.

The origin of western type commercial Banking in India dates back to the 18th century. The story of banking starts from Bank of Hindustan established in 1770 and it was first bank at

Calcutta under European management. It was liquidated in 1830-32. In 1786 General Bank of India was set up. The Bank of Calcutta established in 1806 immediately became Bank of Bengal. In 1921 these 3 banks merged with each other and Imperial Bank of India got birth. Imperial Bank of India was later renamed in 1955 as the State Bank of India. Thus, State Bank of India is the oldest Bank of India. After the independence, Reserve Bank of India (RBI) was nationalized and given wide powers. The operations of all the banks in India are controlled by the Reserve Bank of India. All the Indian banks are governed by the Reserve Bank of India (RBI).

After 1969, commercial banks are broadly classified into nationalized or public sector banks and private sector banks. The State Bank of India (S.B.I) and its associate banks along with another 21 banks are public sector banks. The private sector banks include a small number of Indian scheduled banks, which have not been nationalized, and branches of foreign exchange banks. After 1991, the banking scenario has been changed completely. The impact of globalization and privatization has affected work culture of both, public sector and private sector banks.

Further, in India there are two types of banks. The Public Sector and Private Sector Banks, which can be differentiated on the basis of the following points – A public sector bank is one where more than fifty percentage of the stake is owned by the Government. All nationalized banks are public sector banks. There are a total of 27 public sector banks in India [19 nationalized banks + 6 State bank groups (S.B.I. + 5 associates) + 1 IDBI bank + 1 recent Bhartiya Mahila Bank].

In a private sector banks majority of the stake belong to private shareholders. These banks are managed and control by private promoters. The old private sector banks are those which existed before the nationalization in 1969. The new private sector banks are those which that got their banking license after the liberalization in 1990s. There are 29 private sector banks in India.

2.1 Types of home loan

There are different types of home loans available in the market to cater borrower's different needs.

- Home Purchase Loan
- Home Improvement Loan
- Home Extension Loan
- Home Conversion Loan
- Home Construction Loan
- Land Purchase Loan
- Bridge Loan

a) Home Purchase Loan: These are the basic home loans for the purchase of a new home. These loans are given for purchase of a new or already built flat/bungalow/row-house.

b) Home Improvement Loan: These loans are given for implementing repair works and renovations in a home that has already been purchased by the customer. It may be requested for external works like structural repairs, waterproofing or internal works like tiling and flooring, plumbing, electrical work, painting, etc.

c) Home Construction Loan: These loans are available for the construction of a new home. The documents required by the banks or bank for granting customer a home construction loans are slightly different from the home purchase loans. Depending upon the fact that when customer bought the land, the lending party would or would not include the land cost as a component, to value the total cost of the property.

d) Home Extension Loan: Home Extension Loans are given for expanding or extending an existing home. For example addition of an extra room, etc. For this kind of loan, customer needs to have requisite approvals from the relevant municipal corporation.

e) Home Conversion Loan: It is that loan wherein the borrower has already taken a home loan to finance his current home, but now wants to move to another home. The Conversion Home Loan helps the borrower to transfer the existing loan to the new home which requires extra funds, so the new loan pays the previous loan and fulfills the money required for new home.

f) Land Purchase Loan: Land Purchase Loans are available for purchase of land for both home construction or investment purposes. Therefore, customer can be granted this loan even if customer is not planning to construct any building on it in the near future. However, customer has to complete construction within tenure of three years on the same land.

g) Bridge Loan: Bridge Loans are designed for people who wish to sell the existing home and purchase another. The bridge loan helps finance the new home, until a buyer is found for the old home.

h) Top up loans: Enriching the investment in a house without having to dispose it off to fund various needs related to Higher Education, Purchase of Furniture and Business Requirements. The maximum term of the loan is 10 years. Top up loans can give after 1 to 2 years of the final disbursement of the existing loan or upon possession/completion of the existing financed property.

3. Review of Literature

- Sangwan and Bhan (2012) this study can find out the satisfaction level of customers and problems faced by them in obtaining home loans. For this purpose, we have taken four commercial Banks in Chandigarh city namely H.D.F.C. Bank, Punjab National Bank(P.N.B.), Union Bank of India and Industrial Credit and Infrastructure Corporation of India(I.C.I.C.I). Bank. It includes two public sector banks and two private sector banks. In the research methodology a sample size of 200 respondents has been taken through random sampling. They have taken both primary data as well as secondary data, in the primary data questionnaire has been used to check the satisfaction level of customers about home loans. In the secondary data, the annual reports of RBI, commercial banks and brochures of these banks have been studied. Finally the whole research was carried out in a systematic way to reach at exact results. The whole research and findings were based on the objectives. Some of the limitations faced in collecting the data were Lack of time, lack of data, non-response, reluctant attitude and illiteracy of respondents, which posed problems in carrying out the research.
- Gupta and Agarwal (2013) this is a comparative study in Meerut city, India, to evaluate service quality and resultant customer satisfaction in private banks as compare to public sector ones.
- Rao (2013) this study discussed about the perception and problems of home loan takers in Andhra Pradesh. The author has focused on research by taking into account H.D.F.C. and S.B.I. bank. The paper discussed about the Housing Policy frame work, trends and progress in Housing Finance, the operational performance of H.D.F.C. and S.B.I. with regard to providing housing finance to individuals, perception and problems of home loan takers in the State of Andhra Pradesh. The author concluded by stating that the Housing Finance in India faced a number of set-back in decades but the designing of a shelter policy, the organization of the housing finance market, the introduction of fiscal incentives have brought about a number of changes in the housing finance. The services and product innovations are the key tools for success.
- Thakur G. (2014) this study concluded that people prefer H.D.F.C. bank more than S.B.I. bank for home loan. As private banks are coming daily in our country still, mostly people

prefer government banks for loan especially older persons are more dependent on government banks. It is true that younger population preference is changing and they prefer more private banks because of services and facilities provided by private banks. The interest rate is lower in public (S.B.I.) bank in comparison with private (H.D.F.C.) bank but services are not up to the mark.

- Kumara swamy (2014) this study discussed about the importance of housing finance and the institutions providing housing finance. A detailed discussion of the marketing strategies adopted by financing institutions have been discussed by taking into account the loan criteria eligibility, loan amount, interest rate, security, loan tenure, margin and processing fee. Finally the paper highlights the performance of the housing sector, major findings and suggestions to improve the effective marketing of housing finance for both public and private sector banks.
- Sharma and Garg (2014) this study concluded that the public sector banks are very popular among the customer these days because the interest rate is lower in State Bank of India as compare to H.D.F.C. bank and the trust level that customer have with these banks is very high in comparison to H.D.F.C. bank. The public sector bank also provide better facilities and services to the customer and give all the information to the customer time to time through Short Message Service(SMS) and internet banking. The information provided by the private banks is sometimes fake and they tried to cheat customer for their own benefits.
- Gupta and Sinha (2015) this examining on the respondent regarding the purchase of home loan and low rate of interest, easy accessibility, status/ reputation of the institution and scheme offered by the company are the major factor for selection of the housing finance institution comparative study on Factor Affecting consumer's Buying Behavior towards Home Loan (with special reference to S.B.I. and L.I.C.H.F.L.)” and found that fixed rate of interest is most preferred option by the customers.
- Chithra and Muthurani (2015) this study conducted on customer perception towards home loan in H.D.F.C are done Chennai with the 85 sample size and simple random sampling. The study shows that H.D.F.C. bank home loans has product portfolio for satisfying different consumer needs. The bank has got goodwill and this can be used for promoting its services. If new promotional activity and services introduced, it will help very much to organization to increase the business.
- Murugan and Jansirani (2017) a study carried out in Chennai to Customer perception towards home loan by selecting the 500 customer on randomly basis. This study made an attempt to evaluate in depth the performance and operational problems faced by the banking sector in extending finance to the housing sector and based on findings; identify the areas of concerns and strategic interventions required.

4. Objectives of the study

- To comparative study of home loan between S.B.I. and H.D.F.C. bank
- To evaluate the customer satisfaction between S.B.I. and H.D.F.C. bank in context of home loans.

5. Research Methodology

5.1 Need of the Study: Present study will be conducted in Bathinda (Punjab) region; S.B.I & H.D.F.C bank has been taken as a representative unit of private sector banks and public sector banks. A survey of 100 people each from both the banks has been conducted who are the general people of the banks. Professors, businessmen, Engineers and persons from self-employed

category, etc. will be surveyed.

5.2 Study design: Descriptive study design was used to fulfill the objectives.

5.3 Area of the study: The study is conducted in S.B.I. and H.D.F.C. Bank in Bathinda

5.4 Sampling Technique: Convenient Sampling method was used for research purpose.

5.5 Sample size: The sample comprised of 100 respondents out of which 50 are from S.B.I. and 50 are from H.D.F.C. Bank.

5.6 Sources of Data: The primary data were collected using the survey method with the help of structured questionnaire. The secondary data was collected from various Research paper internet, marketing journal, books, magazines and past thesis etc.

6. Results and Discussions

Table 1: Socio Demographic Profile of Respondents of S.B.I. and H.D.F.C.

Sr. No.	Socio-Demographic Traits	S.B.I. Bank (N=50)	H.D.F.C. Bank (N=50)
		Frequency (%)	Frequency (%)
i)	Age (years)		
	18-30	28.0	38.0
	31-43	40.0	34.0
	44-56	30.0	20.0
	57-69	2.0	8.0
ii)	Gender		
	Male	60.0	68.0
	Female	40.0	32.0
iii)	Marital Status		
	Married	82.0	72.0
	Unmarried	18.0	28.0
iv)	Qualification		
	High School/Intermediate	14.0	12.0
	Graduate	32.0	42.0
	Post-graduate	34.0	28.0
	Others	20.0	18.0
v)	Occupation		
	Service	46.0	22.0
	Businessman	12.0	24.0
	Self-employed	22.0	46.0
	Farmer	20.0	8.0
vi)	Monthly income (Rs.)		
	Rs. 20000-50000	48.0	38.0
	Rs. 50001-80000	32.0	50.0
	Rs. 80001-110000	20.0	12.0

	Rs. 110001-140000	0	0
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Table 1 shows that at S.B.I. most (40%) of respondents are between the age of 31 to 43 years, 30% are between 44 to 56 years followed by 28% and 2% between the age of 18 to 30 and 57 to 69 years respectively. While in H.D.F.C. most (38%) of respondents are between the age of 31 to 30 years, 34% were between 31 to 43 years followed by 20% and 8% between the age of 44 to 56 and 57 to 69 years respectively.

In S.B.I. 60% respondents are male and 40% are female. In H.D.F.C. 68% respondents are male and 32% are female. In S.B.I. maximum (82%) of the respondents are married, 18% are unmarried and in HDFC (72%) of the respondents are married and 28% are unmarried.

It shows that at S.B.I. the majority of 34% respondents are post-graduate and 32% are graduate whereas 14% and 20% are high-school/intermediate and others passed respectively. While in H.D.F.C. 42% respondents are Graduate and 28% are Post-graduate whereas 12% and 18% are high-school and others pass outs.

Regarding the Occupation at S.B.I. the majority of the respondents are service that is 46% while remaining three categories that is businessman, self-employed and farmer holds for 12%, 22% and 20% respectively. Whereas on the other side at H.D.F.C. 46% of the respondents are self-employed while service, businessman and farmer holds for 22%, 24% and 8%.

It shows that at S.B.I. the majority of 48 percent respondents earned an income of Rs. 20,000-50000 followed by the group of Rs. 50001-80000 with 32 percent, and the smallest sample of 20 percent earned the income of Rs. 80001-110000.

Whereas on the other side at H.D.F.C. the majority of 50% respondents earned an income of Rs. 50001-80000 followed by the group of Rs. 20000-50000 with 38 percent and the smallest sample of 12 percent earned the income of Rs. 80001-110000.

7. Test of Significance

The following hypothesis is framed for the study:

H₀: There is no significant difference between in the home loan of S.B.I. and H.D.F.C. Banks

H₁: There is significant difference between in the home loan of S.B.I. and H.D.F.C. Banks

In order to test the hypothesis of the study t-test was used and ρ values were calculated. A comparison between the S.B.I. and H.D.F.C. was conducted table.

Table 2: Difference Between of Home Loan of S.B.I. and H.D.F.C.

S. No	Factor	S.B.I.		H.D.F.C.		t-value	p-value
		Mean	Std. deviation	Mean	Std. deviation		
1.	The application form of home loan is easy to understand	3.88	0.659	3.90	0.416	-0.181	0.859
2.	Are you satisfying with the interest rate charges by bank	3.94	0.890	3.98	0.428	-0.286	0.775
3.	Do you agree that your bank loan processing is fast	3.60	1.010	3.72	0.833	-0.648	0.519

4.	Do you satisfy with the after home loan services provided by your bank are best as compare to other bank	3.86	0.756	3.56	0.786	1.944	0.055
5.	Are you satisfied with the employees behavior of the bank	4.04	0.879	4.12	0.593	-0.533	0.595
6.	Would you like to prefer public sector bank for home loan	3.86	0.989	3.10	0.994	3.829	0.000**
7.	Would you like to prefer private sector bank for home loan	2.58	1.144	3.50	1.164	-3.984	0.000**

**Significant at 0.01 level

*Significant at 0.05 level

Table 2 illustrates the findings of t-test which is individually applied to all the factors that determines the customer satisfaction to check which factors bear significant difference with respect to these banks. The t-test compares the actual difference between two means in relation to the variation in the data (expressed as the standard deviation of the difference between the means). The replies of respondents from both banks are recorded and ranked from strongly agrees to strongly disagree as 1 to 5 respectively.

The table 2 suggested that the difference between of Home Loan of S.B.I. and H.D.F.C. Bank. The null hypothesis (H_0) was rejected and alternate hypothesis (H_1) was accepted as p- value (0.000) is smaller than α value (0.01) suggesting that there exist significant difference in Home Loan of S.B.I. and H.D.F.C. Banks

Association of Demographic Variables with the level of customer satisfaction

Table 3: Association of demographic profile with level of customer satisfaction of S.B.I. Bank

S. No	Factors	Age	Qualification	Occupation	Monthly income
1.	The application form of home loan is easy to understand	.506**	-.045	-.382**	.289*
2.	Are you satisfying with the interest rate charges by bank	-.051	.043	.028	.034
3.	Do you agree that your bank loan processing is fast	.351*	-.188	.119	.449**
4.	Do you satisfy with the after home loan services provided by your bank are best as compare to other bank	.311*	-.162	.069	.070
5.	Are you satisfied with the employees behavior of the bank	.252	.402**	-.254	.076
6.	Would you like to prefer public sector bank for home loan	-.040	-.209	.205	.290*
7.	Would you like to prefer private sector bank for home loan	.027	.158	.137	-.179

From table 3 it was found that age has a strong positive correlation with the application form of home loan is easy to understand. There was significant positive relation with loan processing,

after home loan services provided by your bank are best as compare to other bank. Qualification has a strong positive correlation with the employee behavior of the bank. It was also found that Occupation has a highly negative correlation with the application form of home loan is easy to understand. Monthly income has strong positive correlation with loan processing. There was significant positive correlation with application form of home loan and public sector bank.

Table 4: Association of demographic profile with level of customer satisfaction of H.D.F.C. Bank

S.No.	Factors	Age	Qualification	Occupation	Monthly income
1.	The application form of home loan is easy to understand	.506**	.137	.212	-.022
2.	Are you satisfying with the interest rate charges by bank	.049	-.229	.227	-.378**
3.	Do you agree that your bank loan processing is fast	-.186	.007	-.063	.013
4.	Do you satisfy with the after home loan services provided by your bank are best as compare to other bank	.015	-.517**	.471**	-.145
5.	Are you satisfied with the employees behavior of the bank	.184	.143	.468**	-.023
6.	Would you like to prefer public sector bank for home loan	-.126	.339*	.377**	.009
7.	Would you like to prefer private sector bank for home loan	.009	-.056	-.038	-.066

**Significant level at the 0.01 level (2-tailed).

*Significant level at the 0.05 level (2-tailed)

Table 4 reveals that age has a strong positive correlation with the application form of home loan is easy to understand. Qualification has a strong negative correlation with the after home loan services provided by your bank are best as compare to other bank. There was significant positive correlation with public sector bank. It was found that Occupation has strong positive correlation with the after home loan services provided by your bank are best as compare to other bank, employee's behavior and public sector bank. It was found that Monthly income has a strong negative correlation with interest rate.

Findings

- According to my study HDFC and SBI Bank have widest range of home loan products.
- According to my study maximum people prefer fixed rates on home loans.
- According to my research the rate of interest of SBI is less than HDFC Bank.
- People get knowledge about home loans from television, internet, Newspaper, Media or families and friends.
- The majority of the respondents want to take a loan for the construction of the new house.
- As far as reputation of bank is concerned maximum numbers of respondents prefer public banks and not private bank. Because they think that the public banks are more secured as compare to the private banks.

Suggestions

- The documentation work and formalities should be reduced while providing loans to the customer.
- The bank should improve their customer service.
- The behavior of the staff of the bank towards the customer should be more personalized.
- The banks need to improve on the customer satisfaction level due to stiff competition among the banks.
- The booklet and attractive advertisement should be provided to the customer for awareness about different housing loan schemes offered by the banks
- According to the customer point of view the documentation work should be less and must be fast procedure in H.D.F.C. bank.
- The banks should focus on the customer satisfaction factors due to stiff competition among the banks.

Conclusion

The present study concludes that there are various satisfactory factors which affect the satisfaction level of customers of housing loan. On the basis of collected data, it is being concluded that customers are satisfied by S.B.I. bank because the interest rate is lower in S.B.I. as compare to H.D.F.C. Bank and the trust level that customer have with these banks is very high in comparison to H.D.F.C. Bank, especially older persons are more dependent on Public banks. Overall in level of customer satisfaction the customer more satisfied with the S.B.I. Bank in variables of application form of home loan is easy to understand, interest rate charges by bank, loan processing is fast, employee behavior and public sector bank. But, in H.D.F.C customer satisfied with the after home loan services provide by your bank as compare to other bank. So, there is need to reduce the rate of interest, terms and conditions, procedural formalities and processing fees.

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