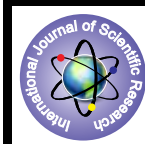


Home Loan: A Comparative Analysis Of SBI And HDFC Bank



Social Science

KEYWORDS : Home loans, Banking.

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ABSTRACT

Every citizen of the country dreams of having his own house. Especially when you plan to buy a home on loan. Home loans means that you buy a house on installments. In other words when you want to own a home and cannot afford to pay the amount in lump sum, you can pay it in monthly installments with an interest rate. There are number of companies and banks offer cheap loans at a low interest rate. Loan is offered to a borrower to purchase or build a new house on the basis of his/her eligibility and the bank's lending rules. Government gave encouragement for house finance subsidiaries by offering number of tax concessions to individuals with the overall encouragement given to this sector, a number of players entered in housing finance. One of the most important benefits of taking a home loan is the interest rate that is allowed on the home loan. So this particular section will keep the housing loan demand high and increased lending rates can only shelve their plans for some time.

Introduction

The demand for housing has increased rapidly due to population growth, migration from rural areas to urban areas, the decay of the existing housing stock and breakdown of traditional joint families. The information technology revolution and rapid growth of knowledge based industries in recent years have also further contributed to the already growing acute shortage of housing India particularly in urban areas. Since housing requires huge investment, a critical constraint for the development of housing is lack of finance. Every citizen of the country dreams of having his own house. Especially when you plan to buy a home on loan. Home loans means that you buy a house on installments. In other words when you want to own a home and cannot afford to pay the amount in lump sum, you can pay it in monthly installments with an interest rate. On an average a person spends almost two-thirds of his life in a house which is his sanctuary in his old age.

In rural areas the situation is even more alarming. The Government and some public sector undertakings have been trying to tackle the problem but their efforts do not much even the fringe of the problem. The central and state governments cannot solve this problem. Today there are 350 housing finance companies registered with the registrar of companies, of these 29 have been approved by National Housing Bank for financial assistance. The housing finance industry has been borrowing at the rate of nearly 35% for the last two years.

Two of the country's largest lenders, State Bank of India and HDFC, have cut home loan rates in a surprise bonanza for borrowers who earlier this month saw interest rates inch up. SBI, for the first time, has offered better loan deals to women borrowers. This move, the bank says, will empower women by increasing their share in home ownership.

A day after RBI governor Raghuram Rajan decided to hold rates, SBI said that its home loan rates for up to Rs 75 lakh have been reduced from a high of 10.5% to 10.1% if there is a woman borrower involved. Home loans where a male is the sole borrower will incur 10.15%.

HDFC, meanwhile, said that it has launched a "Winter Bonanza" for home loan customers effective Friday under which loans up to Rs 75 lakh will be available at 10.25% as against 10.75%. The mortgage company said that the new rates are valid for all new applications submitted before January 31, 2014.

The lower rates will be available only to new borrowers since there has been no change in the benchmark rates. In the case

of SBI, new borrowers will see their rates change when the bank revises its base rate. In the case of HDFC, the benchmark is the prime lending rate or PLR. SBI had hiked its base rate to 10% from 9.8% in November. HDFC had hiked its prime lending rate by 10 basis points to 16.75% on December 1 this year

HOUSING FINANCE GETS CHEAPER

	New rates %	New rates %	Old rates %
Loan limit	Women customers	Others	
HDFC			
Upto Rs. 75 lakh	10.25	10.25	10.75* & 10.50
SBI			
Upto Rs. 75 lakh	10.10	10.15	10.50*&10.25
Above Rs. 75 lakh	10.25	10.3	10.50*

Public Sectors Bank

State Bank of India (SBI)

The state bank of India was established on 18th July 1955, under the state bank of India act to take over the business of the imperial bank of India. SBI is owned by the government of India and is the largest bank in the India sub continent. SBI is the second largest bank in the world. SBI has been awarded "The Most Preferred Home Loan Provider" by AWAAZ Consumer Awards. SBI home loans give concession on interest rates on GREEN HOMES under its environment protection program. SBI offers „SBI-optima" additional home loans and „SBI-Home line" special personal loans for existing home loan borrowers who have a repayment record of 3years, etc. State bank of India housing finance offers loan for construction and renovation of houses at the lowest interest rates which range from 10.05% & goes up to 10.20 %p.a.

HIGHLIGHT

Interest Rate	10.20%
Loan Amount	Minimum - `5,00,000 Maximum - `30,00,000
Tenure	Minimum - 5 years Maximum - 30 years
Time to Process Loan	7 days

Interest Rates

Tenure	Interest Type	Interest Rate	Offer
1-30 years	Floating	10.20%	Regular (up to `5Lakhs-10.05% Above `3 Lakhs-10.20%)

Private Sector Banks**Housing Development Finance Corporation (HDFC)**

"HDFC"-a household name that Indians proudly reckon with Housing Development Finance Corporation Limited (HDFC Ltd) was established in 1977 with the primary objective of meeting a social need was encouraging home ownership by providing long-term finance to households. Over 3 decades of exclusive experience, a dedicated team of experts and a complete package to meet all your housing finance needs, HDFC Home Loans, help you realize your dream. HDFC of housing finance offers loan for construction and renovation of houses at the lowest interest rates which range from 10.40% - 10.65% p.a.

HIGHLIGHT

Interest Rate	10.65%
Loan Amount	Minimum - ` 5,00,000 Maximum - ` 15,00,000
Tenure	Minimum - 5 years Maximum - 35 years
Time to Process Loan	7

INTEREST RATES

Tenure	Interest Type	Interest Rate	Offer
1-35 years	Floating	10.60%	Regular (up to `5,00,000 Lakhs - 10.40% Above ` 15,00,000 Lakhs- 10.65%)

Objective of the Study

To compare the analysis between HDFC bank and SBI bank.
To assess the customer satisfaction between public and private sector bank.
To know various rates available while providing home loan.
To understand current scenario of the "India Housing Finance".

Period of Study

The researcher herself carried out the field work for this study. It was conducted during the period from April 2014 to May 2014. The researcher have used interview schedule for collecting the data. The Study was collected on Saturday and Sundays. Care was taken to ensure completeness and accuracy in the interviews.

Research Design: Research design denotes the description of the research design. The aim was to collect relevant information, which fulfill our requirement and can be analyzed at a later stage of study without any problem. This was to be done in minimum expenditures and least efforts and in a set period of time. For my research I select „DESCRIPTIVE RESEARCH DESIGN' to know the Comparative Study Of The Home Loan Offered By SBI Bank And HDFC Bank in AMBALA City. This helped us in having enough provision for protection against bias and maximizes reliability. Descriptive study, as its name implies, is designed to describe something –for example, the characteristics of the users of a given product, the degree to which product use varies with income, age, or other characteristics.

Collection of Data

This study is compiled with the help of both primary and secondary data.

Primary Data: The primary data for my study was being col-

lected by conducting survey. To analyze buying behavior and in order to gain an insight into the buyer need-satisfaction level, a questionnaire was formulated and administered among 80 people.

Secondary Data: It included extensive study of literature available in reports of HDFC bank and SBI Bank, articles, newspapers, journals, magazines describing the banks. Study of secondary data gave me an insight into the problem into hand. It also provides me with clues and helped in designing primary research. It provided us a more accurate picture about the functioning of various service providers in the Ambala city.

Findings:

According to my study HDFC and SBI Bank have widest range of home loan products.

Home loan availing procedure is very much difficult for the people who demanding it.

HDFC bank has Flexible loan repayment options but SBI has fixed repayment options.

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.

The loan amount of SBI is minimum 5 lakh and maximum 30 lakh but HDFC has 5 lakh -15 lakh.

The tenure of SBI is minimum 5 lakh and maximum 30 lakh but HDFC has 5 lakh -35 lakh.

People get knowledge about home loans from television, internet, or families and friends.

According to the respondents, interest rates of SBI bank are lower than HDFC.

The majority of the respondents want to take a loan for the construction of the new house.

SBI has offered better loan deals to women borrowers.

According to the respondents, reputation of banking institution is to be taken into consideration. As far as reputation of bank is concerned maximum number 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:

Loans should be made easily available and there should be fewer formalities while providing loans.

Housing schemes and process of passing loan should be easy to make the people understand.

There should not be any file processing charges in the banks.

To respect the customers by giving them individual attention and also help them to know the bank better by public sector bank.

The formalities and paperwork should be reduced while providing the loans to the customers.

The behavior of the staff of the bank toward the customer should be more personalized.

Relevant information should be provided to customers time to time.

Emphasis should be given on retaining customers.

People who deal with customers should have complete knowledge about the housing finance industry.

To provide plans for the low-income group.

Limitations:

Some respondent's behavior is dynamic in nature.

Educated respondents are co-operating and it can only be used.

In the questionnaire respondents were asked refused to give personal information.

This research study was time bound and due to this only few topics were taken up for study.

The majority of the respondents were from educated middle class and perhaps this is the section of society which is being targeted by the Home Loan Companies.

This research study was taken in a limited area only and findings may vary if the area of study is increased or changed.

Conclusions:

After the thorough analysis of the research hypothesis it has been found that the public sector banks are very popular among the customers these days because the interest rate is lower in State Bank of India as compare to HDFC Bank and the trust level that customer have with these banks is very high in comparison to HDFC Bank, especially older persons are more dependent on Public banks. It is true that the preference of younger population is changing and they prefer more private banks because of services and facilities provided by them. The appearance of banks also becomes very important for the present generation. But now a day public sector bank also provides better facilities and services to the customers and give all the information to the customers time to time through SMS and INTERNET BANKING and the information given by the public bank is also up to the mark. The information provided by the private banks is sometimes fake and they tried to cheat the customers for their own benefits. In all I would like to comment that the public sector banks are still a better option.

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