



A STUDY ON COMPARITIVE ANALYSIS ON HOME LOANS IN ICIC BANK AND HDFC BANK

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ABSTRACT

Against the milieu of rapid urbanization and a changing socio-economic scenario, the demand for housing has grown explosively. The importance of the housing sector in the economy can be illustrated by a few key statistics. According to the National Building Organization (NBO), the total demand for housing is estimated at 2 million units per year and the total housing shortfall is estimated to be 19.4 million units, of which 12.76million units is from rural areas and 6.64 million units from urban areas. The housing industry is the second largest employment generator in the country. It is estimated that the budgeted 2 million units would lead to the creation of an additional 10 million man-years of direct employment and another 15 million man-years of indirect employment. A year equates a century, knowledge compresses time and the information technology sweeps the world, gathering momentum with each new application, soaring towards fresh goal, rapidly opening vistas hitherto unknown. Here we are, in the 21st century. Years that catapults us towards new challenges at every stage of endeavor. It gives us good reason for aiming high. Keeping the above philosophy in mind, this project is carried out with an objective to identify the basic needs of the applicants and the process of Home Loans in HDFC Bank Ltd.

The various areas covered in the report are:

- Business Process of Home loans
- Types of Appraisal
- Property Documentation
- Know your customer compliances



Repayment Track Record lending The final outcome of the report is to find out the number of the applicants who have applied for bank loans in the month of June and the analysis of the population applying for Home Loans through the sample size 40. The report includes the various products that are introduced by the bank such as Home Loans, Loan against property, Land Loan, Property OD, Lease Rental Discounting, Balance Transfer, etc. It consists of questionnaire which helped to analyze the final outcome of the report.

INTRODUCTION

Home loans work like any other debt. That is, loans are simply specific money that we borrow from a bank, a private lender, or some other type of lender. Afterwards, we must repay our debts with interest. However, unlike other types of loans, home loans are different in several respects. Owning a piece of land or property is a lifetime dream for every individual. There are many home loans provider in the market. There are different types of home loan i.e.

- **Home Purchase Loans**
- **Home Improvement Loans**
- **Home Construction Loans**
- **Home Extension Loans**
- **Home Equity Loans**
- **Land Purchase Loans**
- **Bridge Loans**

Home purchase loans: These are the basic forms of home loans used for purchasing of a new home. With about a million home lenders and mortgage brokers it's becoming a tough challenge as the days are progressing. But at the same time, when the sites are coming up with all the



latest tools and relevant information for us, and with all such conveniences, obtaining a home purchase loan or mortgage has become really pretty simple. However, at the same time though, we may be flummoxed to look so many attractive rates and offers in the market, not to forget the hidden costs associated with each of them.

Home improvement loan: Home improvement loans are used to finance improvements and add on to the existing set of credentials of beauty on your owned house, recently purchased property or rented accommodation. Home improvement loans are used to maintain or enhance the value of your house. In general it includes: repairs, remodeling, energy-related items (permanent in nature), repairs, a new kitchen, a new bathroom, terrace, an extension or general property improvements. Luxury items and fireplaces are generally not eligible, though. Many improvements in landscape and even swimming pools are nowadays considered to be a part of home improvement.

Home construction loan: Home construction loans are used to finance for the construction of our newly acquired home or if we are planning to build a home.

RESEARCH METHODOLOGY

Design of Research:

The research will be exploratory in nature. A population of peoples who take home loan from these banks will be considered for this study. I will try to explore about the home loans which would make a difference in the behavior of the consumer. Effort will be made to throw light on most of the factors which have either indirect or direct effect on the behavior of the consumer. I will also explore the impact of home loans on the market share of the banks.

Sampling plan:**• Population:**

The study aimed to include the customers of HDFC and ICICI in SHIMLA, to make a comparative analysis of home loan schemes of these two banks...

• Sample Size:

A Sample size of 100 respondents will be taken for the current study because it is not possible to cover the whole universe in the available time period. So it is necessary to take the sample size. In 100 respondents 50 respondents from ICICI and 50 from HDFC. The samples will be the peoples of age group lying between eighteen to thirty years. The sample will be taken in the form of strata based on age, sex, and income group.

• Sampling technique:

The sampling technique will be probabilistic sampling more specifically the random convenient and judgmental sampling will be used. As in probabilistic sampling the select unit for observation with known probabilities so that statistically sound assumptions are supported from the sample to entire population so that we had positive probability of being selected into the sample. I will go for stratified random sampling as we are interested to study the home loan by HDFC and ICICI banks, so we will make the strata on the basis of age, occupation, income level, gender. And from each strata we will go for random sampling.

Sources of Data:

I will use primary source of data that is structured questionnaire. As these banks are established from so many years, so many researchers have done research on this topic, so we will find secondary data also and also use this data for the help of this research. So, this research data will collected from the primary source and secondary source. Our method of collecting the data



is from the questionnaire that will be filled by the respondent from the sample, it will be structured questionnaire.

LIMITATIONS

- ✓ Although best of the efforts were made to conduct a perfect survey but still it faces certain limitation. Following were certain limitation of this project.
- ✓ 1. The survey was conducted only on 100 respondents.
- ✓ 2. Some of the respondents did not answer all the questions, which could hamper the final results to a certain extent.
- ✓ 3. The study confines itself to the respondents of SHIMLA region only. Hence findings would not be relevant to other cities.

REVIEW OF LITERATURE

In August 2001 James B. Thomson and Ben R. Craig had studied about the Federal Home Loan Bank Lending to Community Banks, are Targeted Subsidies Necessary? The Gramm-Leach-Bliley Act of 1999 amended the lending authority of the Federal Home Loan Banks to include advances secured by small enterprise loans of community financial institutions. Three possible reasons for the extension of this selective credit subsidy to community banks and thrifts are examined, including the need to: subsidize community depository institutions, stabilize the Federal Home Loan Banks, and address a market failure in rural markets for small enterprise loans.

They empirically investigate whether funding constraints impact the small-business lending decision by rural community banks. Specifically, they estimate two empirical models of small-business lending by community banks. The data reject the hypothesis that access to increased



funds will increase the amount of small-business loans made by community banks.

In December 2006 Fulbag Singh and Reema Sharma had studied about the housing Finance in India. Housing, as one of the three basic needs of life, always remains on the top priority of any person, economy, government and society at large. In India, majority of the population lives in slums and shabby shelters in rural areas. From the last decade, the Government of India has been continuously trying to strengthen the housing sector by introducing various housing loan schemes for rural and urban population. The first attempt in this regard was the National Housing Policy (NHP), which was introduced in 1988. The National Housing Bank (NHB) was set up in 1988 as an apex institution for housing finance and a wholly-owned subsidiary of Reserve Bank of India (RBI). The main objective of the bank is to promote and establish the housing financial institutions in the country as well as to provide refinance facilities to housing finance corporations and scheduled commercial banks. Moreover, for the salaried section, the tax rebates on housing loans have been introduced.

The paper is based on the case study of LIC Housing Finance Ltd., which analyzes region-wise disbursements of individual house loans, their portfolio amounts and the defaults for the last ten years, i.e., from 1995-96 to 2004-05 by working out relevant ratios in terms of percentages and the compound annual growth rates. A relevant chart has also been prepared to highlight the results.

In May 18, 2007 Michael LaCour-Little had studied about the Economic Factors Affecting Home Mortgage Disclosure Act Reporting. The public release of the 2004- 2005 Home Mortgage Disclosure Act data raised a number of questions given the increase in the number and percentage of higher-priced home mortgage loans and continued differentials across demographic groups. Here we assess three possible explanations for the observed increase in 2005 over 2004: (1) changes in lender business practices; (2) changes in the risk profile of borrowers; and (3) changes in the yield curve environment. Results suggest that after controlling for the mix of loan types, credit risk factors, and the yield curve, there was no

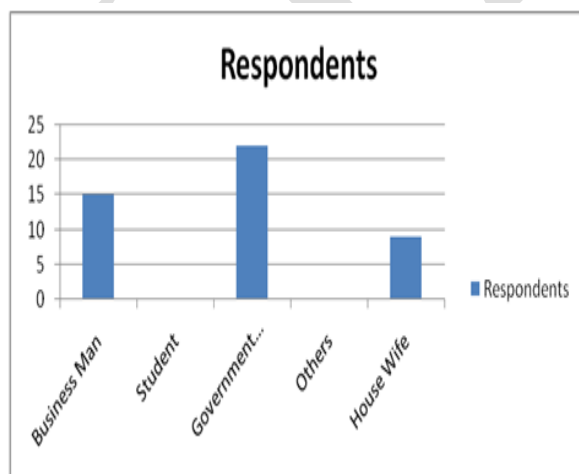
statistically significant increase in reportable volume for loans originated directly by lenders during 2005, though indirect, wholesale originations did significantly increase. Finally, given a model of the factors affecting results for 2004-2005, we predict that 2006 results will continue to show an increase in the percentage of loans that are higher priced when final numbers are released in September 2007.

DATA ANALYSIS AND INTERPRETATION

INTERPRETATION: HDFC: NO.50

1) What is your occupation?

Business Man	15
Student	0
Government Employees	22
Other	0
House Wife	9

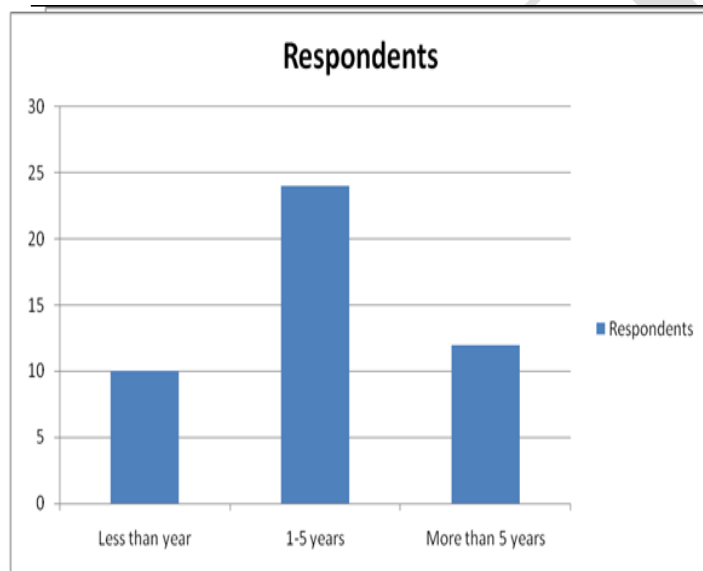


Interpretation:

Total Number of Respondents was 46. :- 0 of our Respondents was Students. 22 of the Respondents were into government employees 15 of our Respondents were Businessman. 9 of our Respondents were Housewives. None of our Respondent belonged to the category of others. 4 respondents did not answer.

2) From how many years you are associated with this bank?

Less than 1year	10
1-5 years	24
More than 5 years	12

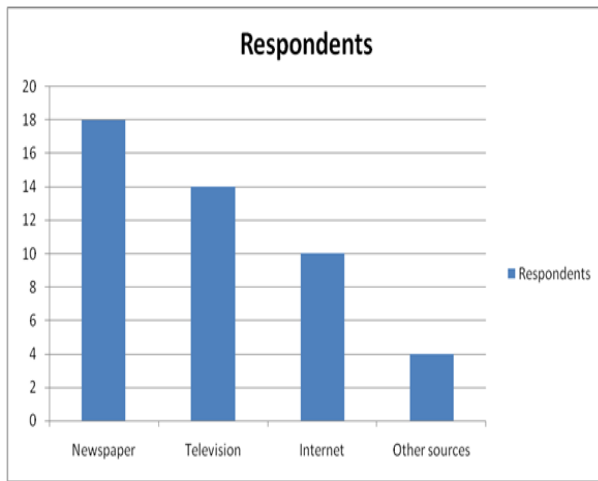


Interpretation

- o Total Number of Respondents was 46
- o 10 persons are associated less than 1 year
- o 24 persons are associated from 1-5 years.
- o 12 persons are associated from more than 5 years.

3) How do you come to know about the home loan schemes of that bank?

Newspaper	18
Television	14
Internet	10
Other sources	4

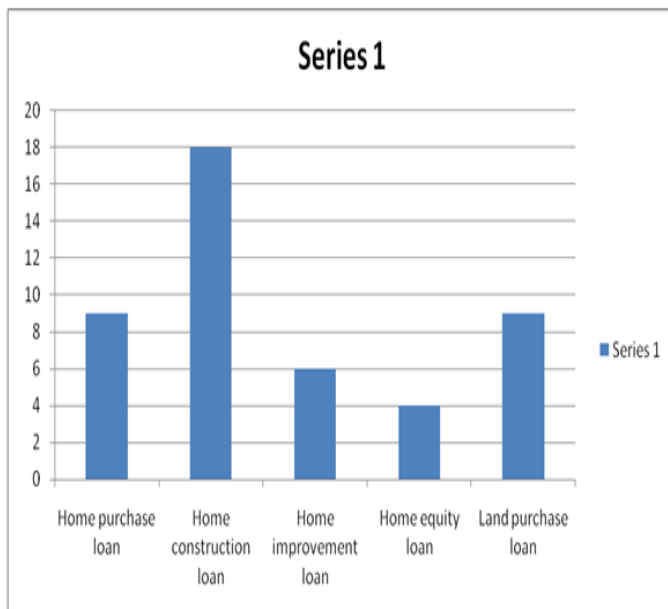


Interpretation

- o Total Number of Respondents was 46
- o 18 persons came to know from newspaper
- o 14 persons came to know from television
- o 10 persons came to know from internet
- o 4 persons came to know from other resources

4) Are you aware of these type of home loans?

Home purchase loan	9
Home construction loan	18
Home improvement loan	6
Home equity loan	4
Land purchase loan	9



Interpretation

- o Total Number of Respondents was 46
- o Only 4 persons know home equity loan.
- o Many of peoples know home construction loan.
- o 9 peoples know home purchase loan.
- o 6 peoples know home improvement loans.

FINDINGS, SUGGESTIONS & CONCLUSION

FINDINGS

According to my study ICICI and HDFC 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 HDFC 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 ICICI. bank. The banks should focus on the customer satisfaction factors due to stiff competition among the banks.

CONCLUSION:



All the people are availing loan facility from both the banks. No. of respondents of HDFC were 46 and 47 of ICICI Bank. People related with HDFC are more satisfied with the interest rate as compared to ICICI. HDFC people much know about home loans then ICICI. Both ICICI and HDFC mostly offer mobile banking services. Processing of HDFC is fast then ICICI. After home loan services of ICICI is good as compare to HDFC. Peoples related with HDFC is more satisfy with the employee behavior as compared to ICICI. People are more satisfied by HDFC for time taken for sanctioning the loan. From all this I conclude that HDFC bank provide good home loan services as compared to ICICI and many people are very much satisfied with HDFC.

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