

# A STUDY ON CORPORATIVE HOME LOANS - HDFC BANK

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**ABSTRACT:** This study conducts a comparative analysis of home loans, aiming to provide insights into the various factors influencing the decision-making process of borrowers. Through a comprehensive review of existing literature and empirical data collected from multiple sources including financial institutions, government reports, and surveys, this research examines key aspects such as interest rates, loan terms, eligibility criteria, and customer satisfaction levels across different home loan providers. The comparative analysis aims to shed light on the strengths, weaknesses, opportunities, and threats associated with various home loan options, thereby assisting potential borrowers in making informed decisions. Additionally, the study explores emerging trends and innovations in the home loan market, offering recommendations for both borrowers and financial institutions to optimize loan offerings and improve overall customer experience.

## INTRODUCTION

### Introduction:-

India's banking sector is constantly growing; there has been a noticeable change in transactions through ATMs, and also internet and mobile banking. Following the passing of the Banking Laws (Amendment) Bill by the Indian Parliament in 2012, the landscape of the banking industry began to change. The bill allows the Reserve Bank of India (RBI) to make final guidelines on issuing new licenses, which could lead to increase the banks in the country. Some banks have already received licenses from the government, and the RBI's new norms will provide incentives to banks to spot bad loans and take requisite action to keep rogue borrowers in check. Over the next decade, the banking sector is projected to create up to two million new jobs, driven by the efforts of the RBI and the Government of India to integrate financial services into rural areas. Also, the traditional way of operations will slowly give way to modern technology. Home is the most important human need, next only to food, clothing and shelter.

Home is an important facet of economic development; it is a basic need of a human being. It is a place where everyone can relax after returning home from day's tiring work. It is a place where everyone can give time to his/her family and spend beautiful moments with family members. It is a fundamental demand for living and one of the keys to peace and happiness. Every creature yearns for a home. The first and the best training ground for human beings' development of their varied facilities is home. It constitutes a very significant part of the social and physical environment where the individuals grow and mature as good citizens. It also plays an important role in creating employment, maintaining health, social stability and preserving decent human life.

Definition of Home:-

“Home is the social unit formed by a family living together.”  
--- Macmillan Dictionary Home full

fills many requirements. Home provides aesthetic satisfaction, emotional satisfaction, mental health, physical health, comfort and safety. It provides shelter from the dangers of fire and vagaries of weather, it creates conditions promoting good health such as pure water and disposal of all kinds of waste, it provides adequate space of privacy, it creates/provides congenial surroundings in which a person can work and relax. Housing is a highly complex product. It is a bulky, durable and permanent product. It has fixed location, being used only in the place where it is built. Once built, it tends to remain in existence for many years. The houses range from single – family houses to many other types. But housing is more than a complex product. It is both an economic and social process. It plays a tremendous role in the economy. Housing has highly significant social implications because it provides the shelter for our basic unit – the family. Almost every person is affected in his day-to-day living by the kind of house in which he lives.<sup>1</sup> In popular imagination a house is a building with a kitchen, a bathroom, bedroom and a lounge. It will be built sturdily enough to withstand natural elements, and it will have an address on the register of the post-office. Some of the housing in India’s largest cities fit this sort of description. But many city dwellers do not live in such places. Some of the poorest are housed in space on a pavement, near to their low-paid work. Others will have a roof, walls and a door, set in a wasteland along river banks, close to railway lines, or in any place where there is a patch of land available.<sup>2</sup> We have a many sided view of housing. It is a shelter, it is related to capital markets, it is within state roles, it has connection to urbanization in development as a whole, and it is somewhat tied to structural condition in the economy. It can be viewed as consumption but to see it as production yields insights into its structural and gender inequalities and its productivity in society. After discussing what a ‘home’ is and what ‘housing’ let us now discuss ‘housing’ in a historical perspective.

Every citizen of the country dreams of having his own house. Home is a basic need of a human being; it is an important facet of economic development. The dream home is not very far away with home loan, which will fulfill the dream into reality. The demand for home loans has increased manifold in the last decade. There are number of housing finance companies and banks offering cheap home loans at a low interest rate. The home loan schemes offered by both public and private sector banks are very competitive. Our study aimed at comparative analysis of home loans schemes offered by public sector and private sector banks in Nagpur. The paper also examined the satisfaction level and problems faced by customers while availing home loan. For this purpose we have taken four commercial banks in Nagpur city namely SBI, BOI, HDFC Bank and ICICI 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. For the study we have collected both primary data as well as secondary data. Finally the whole research was carried out in a systematic way to reach at exact result. The whole research and findings were based on the objectives.

A home loan is a long term commitment which is critical. The demand for home loans has increased manifold in the last decade. The reason for this growth is not hard to see, changing mindset with globalization and integration with the developed economies, where mortgages rule the roost, income tax sops in the Union Budgets and substantial rise in the income-generating capacity of Indian youth. So, the present scenario of home loans shows good amount of growth and is heading for a bright future. There are number of banks and housing

finance companies offering cheap home loans at a low interest rate. The home loan schemes offered by both public and private sector banks are very competitive. Mostly people prefers public sector banks for home loans, especially because they believe that it is more secure bank and interest rate is lower. On the other hand the private sector banks are coming daily in our country and the preference of younger population is changing because of services & facilities provided by them. And the most important thing is that the customer should know about each and every term related with Home Loans before applying for a Loan. There are different types of home loans tailored to meet customer needs like Home Purchase Loans, Home Improvement Loans, Home Construction Loans, Home Extension Loans, Home Conversion Loans, Land Purchase Loans; Bridge Loans & Mortgage Loans offered by public and private sector banks.

#### **OBJECTIVES:-**

The following objectives represent the whole of our research work.

- To analyse the home loan schemes of private sector and Public sector banks.
- To study the preference of consumers towards home loan.
- To study the problems faced by the consumers in obtaining home loan.
- To study whether income level affects preference towards home loan.
- To study the service provided during the procedure of obtaining home loan by private sector and Public sector banks.

#### **SCOPE OF THE STUDY:-**

Scope of the study is limited to Private sector banks and Public sector banks. While the foreign bank is excluded from the study as the policies and regulations of foreign banks are different from the other Indian banks. It is used to get first- hand knowledge about the home loans facilities of Private and Public banks in India. The scope of the present study is to known about the procedures of home loan, the problems faced by the customers while taking loans from either public or private banks, to known about the awareness of the home loan facility in Indian.

The study of this kind will help the respondents to get the ideas about the various problems and the ways to deal with the problems that arise while taking a home loan.

#### **LIMITATIONS OF HOME LOAN:-**

- This research study was limited only to nationalized and co-operative banks
- This research study was taken in a limited area only (i.e. Kalyan city) and findings may vary if the area of study is changed.
- The data of 3-5 months is been provided.
- The respondents were very much keen to disclose personal information.
- This research study was time bound and due to this only a few aspects of the problem were taken up for study.

## LITERATURE REVIEW

Review of literature helps a researcher to get acquainted with his/her selected research problem and also may provide some guidelines in selecting a proper research methodology. It is also helpful in finding out the research gaps in the existing literature. This will help the researcher in fine-tuning his/her research problem and methodology. Another advantage of reviewing in the existing literature is that in cases where the research problems are similar, the conclusions and findings may be easily compared. This will help the researcher in determining whether his/her findings are possible or not. The literature under review may be of two types: (i) Concerning the conceptual and theoretical framework. (ii) The empirical literature dealing with the studies made in the past which are similar to the one that the researcher intended to undertake. The basic outcomes of such review will be the knowledge as to what data are available for analytical purposes, which will help the researcher to specify his/her own research problem in a more meaningful way. Thus, review of literature is helpful in formulating the research problem and also helps the researcher in deciding about the most appropriate methodology to be used. While comparing the results of the earlier studies with his/her own results, care must be taken to verify whether the objectives and methodology are similar. While reviewing the earlier studies a researcher has to state the objectives of the study, describe the concepts and definitions used, the methodology employed and the important findings and conclusions of the study.

### Review of other researcher:-

1. Birla Institute of Scientific Research (1981)<sup>1</sup> in its study makes a comparative assessment of the performance of public sector banks and major private sector banks since nationalisation. They find that the performance of public sector banks is not satisfactory in rural development activities when compared to the private sector banks.
2. R. Jayakumar (1993)<sup>3</sup> in his study of "Performance of private sector banks in Kerala" makes a comparative examination of performance of public sector banks and private sector banks in Kerala. He finds that in Kerala private sector banks perform better than their public sector counterparts
3. Govindarajalu (1996) <sup>5</sup> in his article "by banks and policy makers for the development of banking sector. Satisfaction and dissatisfaction with bank services" views that the Indian banks have lost the quality of customer service. The dissatisfaction of customers with bank services is an important issue to be considered
4. Sarkar and Das (1997)<sup>6</sup> make a comparison of the performance of the three bank sectors - public, private and foreign - for the year 1995-1996. These banks are compared in terms of profitability, productivity and financial management. They find that the public sector banks are very poor in performance on the basis of these variables than the other two sectors.
5. D. Mishra (1997)<sup>7</sup> makes a study on the performance of commercial banks in India choosing relevant parameters like quality of service, risk management, profitability etc. His conclusion is that the banks should try to increase quality, balance risk management, and optimise profitability in order to survive and succeed. He identifies four challenges for the bank namely competition, credit, customer and control.
6. N. S. Varghese (2000)<sup>9</sup> is of the opinion that new generation private sector banks with their latest technology are able to implement e-banking and are highly preferred by investors in the stock market. He also points out that prominent new generation private sector banks like HDFC and ICICI have entered into internet banking through which greater convenience is offered with lower transaction cost.

7. Anantha Swamy (2001)<sup>13</sup> makes an appraisal of the performance of different bank groups in India in the backdrop of competition, deregulation and changes in the field of banking. He classifies banks into public sector, old private sector, new private sector and foreign banks. His focus has been on profitability, NPA, contingent liabilities, spread etc. for the last five years and arrives at the conclusion that the new private sector banks are performing better than the banks in other sectors.
8. Pushpangadharan's (2002)<sup>17</sup> study on "The quality of customer service in public sector banks" also shows that public sector banks lag behind private sector banks in customer service. The parameters he used in the study are facilities and amenities, speed in completing transactions and providing deposit related and credit related services. The customers of public sector banks are not much satisfied with branch managers' and employees' attitudes. The public sector banks are very poor in respect of customer feedback system and redress of grievances.
9. Qamar (2003)<sup>23</sup> has done a comparative study on the "Profitability and resource use efficiency in scheduled commercial banks in India". He finds that efficiency of new private banks and foreign banks is better though marginally than the old private sector banks and public sector banks.
10. Zhou's (2004)<sup>31</sup> study is on "The dimensions of customer satisfaction in the Chinese retail banking". The factors contributing to customer satisfaction are determined using the model of SERVPERF. Her study points that empathy or responsiveness of the employees, reliability or assurance from the bank and tangibility of services are the important factors affecting customer satisfaction
11. Chakraborty (2005)<sup>33</sup> in the article, "Customer relationship management, a new mantra in Indian banking" views that CRM has an important role for banks in the marketing of products and services in an era of technology. By practicing CRM, the customer base and customer loyalty in banks can be increased.
12. Amit and Anwarin (2006)<sup>40</sup> view that most of the Indian banks are providing retail banking services like phone banking, internet banking, multi-city cheque facility, any branch banking and bill pay services. Along with this technology based services, banks are concentrating on business intelligence for providing better customer services.
13. A research article entitled "Housing Problem and Public Action: Continued Incompatibility Experience from a South Indian State" by M. Mahadeva (2004). In this article, the author has analysed the nature and distribution of the housing problem in Karnataka and examined how the state has addressed this issue.
14. Joshi (1986)<sup>40</sup>, has examined the various reasons for declining trends in profitability. His study is based on published data. He has suggested profits planning both at micro and macro levels for the banking industry to overcome the declining trends in profitability.
15. Das(1997)<sup>41</sup> compares performance among public sector banks for three years in the post-reform period, 1992, 1995 and 1998. He analysed a certain convergence in performance. He also find that while there is a welcome increase in emphasis on non-interest income, banks have tended to show risk-averse behaviour by opting for risk-free investments over risky loans".
16. Yash Paul Pahuja (2003)<sup>42</sup> said, "SB! is one of the fast growing players in the Indian Banking Industry with around 13,000 branches (including its seven associate banks) and 51 foreign offices in 31 countries. These

branches handle 25 million transactions a day. The cost of funds is lowest for SBI at 7.6% as compared to others.

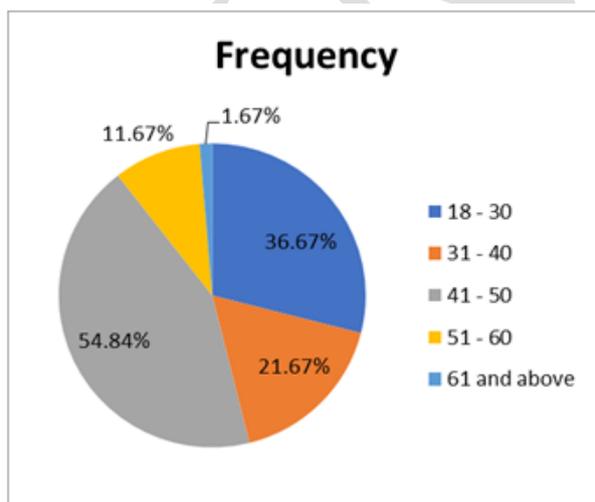
17. Sharma,A.K.(1996) highlights the fact that the challenges of homelessness and urban slums are largely the spill over problems of inadequate rural habitat. He stated that the housing is closely connected with growth of population, modernisation, poverty, development and information and the poor people of India, lack all basic facilities as they are incapable of meeting the rising cost of building materials. He also 14 opined that Indians cannot solve the housing problem without a strong political will and properly designed strategies.

18. A research article entitled “Housing Problem and Public Action: Continued Incompatibility Experience from a South Indian State” by M. Mahadeva (2004). In this article, the author has analysed the nature and distribution of the housing problem in Karnataka and examined how the state has addressed this issue. In particular, it considers the strategies adopted during the 90s and identifies a number of failures including the task force on housing. Some of the major weaknesses, pertaining to 51 incidences by type and by rural-urban areas, on approaches, on financial requirements and issue of development and redevelopment are examined to propose alternative policy strategies to effectively address the housing problem in the state.

**DATA ANALYSIS, INTERPRETATION AND PRESENTATION**

**(I) AGE**

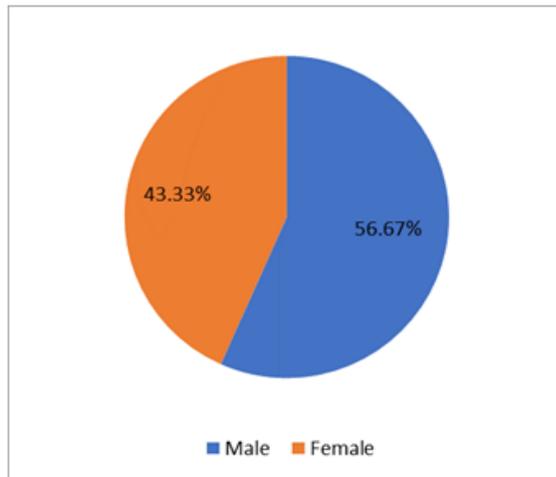
Age		
Basis	Frequency	Percentage
18 - 30	22	36.67%
31 - 40	13	21.67%
41 - 50	17	54.84%
51 - 60	7	11.67%
61 and above	1	1.67%
Total	60	100



From the above table about 59% of the respondents have taken home loan between the age group of 41-50. 37% of the respondents have taken home loan at an age group of 18-30. There is only 2% of the respondents who taken a loan at age group of 61 and above.

**(II) GENDER**

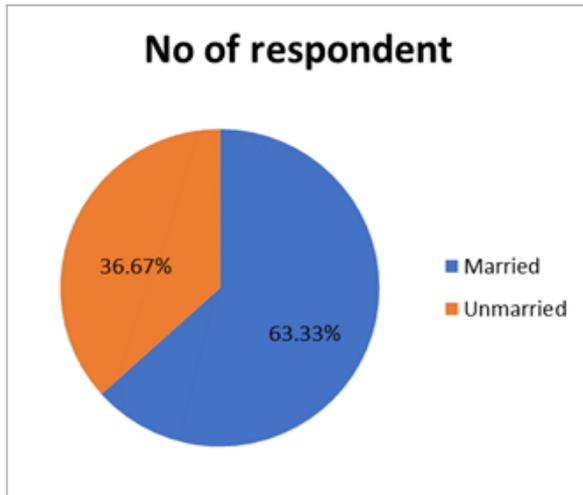
Gender			
	Male	Female	Total
No of respondent	34	26	60
Percentage of respondent	56.67%	43.33%	100



About 57% of the respondents who have taken home loan are male and 43% of the respondents are female.

**(III) MARITAL STATUS**

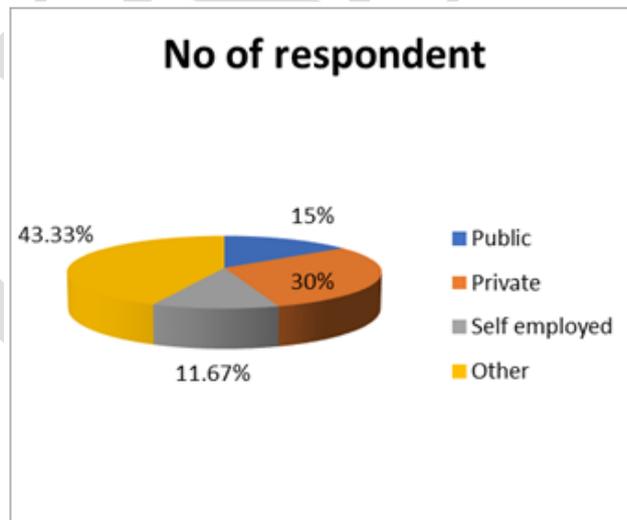
Marital status			
	Married	Unmarried	Total
No of respondent	38	22	60
Percentage of respondent	63.33%	36.67%	100



From the above table 63% of the respondents who have taken home loan are married people and 37% of the respondents are unmarried.

**(IV) OCCUPATION**

Occupation		
	No of respondent	Percentage of respondent
Public	9	15%
Private	18	30%
Self employed	7	11.67%
Other	26	43.33%
Total	60	100



About 43% of the respondents who have taken loan work at other which may be a business. 30% of the respondents who work in the private sector have taken home loan.

**FINDINGS, SUGGESTIONS, AND CONCLUSION**

**FINDINGS**

- 59% of respondents taking home loans are aged 41-50.

- 37% are aged 18-30, and only 2% are aged 61 and above.
- 57% of home loan borrowers are male, while 43% are female.
- 63% of respondents are married, and 37% are unmarried.
- 43% of respondents are involved in "other" occupations, possibly business-related.
- 30% are in the private sector, and 15% are in the public sector.
- 48% of respondents are graduates, 22% have completed HSC, and 18% are post-graduates.
- 51.66% of respondents do not take home loans due to unawareness and affordability issues.
- 27.59% of respondents take loans for new construction, 20.69% for renovation, and 51.72% for other reasons.
- Problems include rejection at the first stage, desired loan not sanctioned, and high interest rates.
- 89.66% of respondents have a loan tenure of 5-10 years.

### SUGGESTIONS

- Implement targeted awareness campaigns to inform people about home loan facilities, especially for those in lower income brackets and older age groups.
- Streamline documentation and reduce processing times to make the loan process more user-friendly.
- Introduce more flexible loan products tailored to different age groups, income levels, and financial conditions.
- Offer competitive and flexible interest rates to cater to diverse financial capabilities.
- Provide better support and guidance to applicants to reduce the rate of rejection at the initial stages.

### CONCLUSION

The analysis of the home loan data reveals significant insights into the demographics, preferences, and challenges faced by borrowers. The majority of borrowers are middle-aged, male, and married, with a substantial portion working in various sectors beyond public and private employment. Educational qualifications play a crucial role in loan acquisition, with graduates forming the largest group of borrowers.

The primary reasons for not taking home loans include financial stability and affordability issues, highlighting a need for better awareness and more inclusive loan products. Private Banks are preferred due to faster processing times and better services. Fixed interest rates and monthly instalment plans are the norm, reflecting borrowers' preference for stability and predictability in loan repayments.

Addressing the challenges faced during the loan procedure, such as documentation issues and high-interest rates, can improve the borrowing experience. Additionally, promoting awareness about government schemes and ensuring competitive interest rates can make home loans more accessible to a broader population.

Implementing these suggestions can lead to a more efficient and inclusive home loan market, benefiting both borrowers and financial institutions.

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