

Comparative Study of Housing Loan Financial Conditions of SBI and HDFC Banks

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ABSTRACT

Every human being wants their own house. The house is the essential unit of the general public. House gives a stage to the family and the family is the most significant social foundation, which leaves its engraving on a person for entire life. But today's time buying the housing is a challenging. Because it is a major expenditure. A middle class and low income group family cannot afford this expenditure. To resolve this problem government provides housing loan facility for every person at lower interest rate. Housing finance sector encourage of tax rebates here housing finance means to take a housing on loan basis in which we pay monthly installments with favorable interest rate a loan facility has been provided on the basis of people's eligibility and the basic rules. In this time many numbers of basis and financial institution enters in housing finance sector which offer cheap loans at low interest rate and easy conditions. These are very important part of wins. The banks and financial institutions provide two types of interest rates that is fixed and floating for loan. Today banks are not only providing home loan but they also provide house improvement, extension, conversion, construction and top up loan etc. The main purpose of this study to comparison and analyze between financial conditions of SBI and HDFC banks. SBI India's largest public sector bank and HDFC bank is largest private sector bank in India.

KEYWORDS: House, SBI Bank, HDFC Bank, House Loan

INTRODUCTION

After food and cloth home is one of the things that everyone wants to own house is a dream of every person that shows the equality of efforts, sacrifices luxuries and above all gathering funds little by little to affords one's dream. House is a place or a shelter to person where he rests and feels comfortable. Housing is a significant part and a portion proportions of financial status of the general population. It viewed as a basic part regarding approach activities and meditation. Housing being one of the three essential needs of life dependably stay in the top needs of any individual, society and economy. House is a profitable and useful in future and furnishes propulsion to economic development and improve GDP. As a person an individual needs his own space and security which can be given by the responsibility for house. The government of India had as of late made the advancement of the housing sector. India has focused on rural improvements simply after the mechanical upset and the persistent moving of provincial populace to the urban regions. The demand of housing loan has increased day by day due to population growth, migration from rural areas to urban areas, the shortage of existing housing stock and breakdown of joint family system. At this time many banks and financial institution providing housing loan. Today housing loan are available in the market at very low cost and easy conditions.

SBI bank:-

The state bank of India was established on July 1955, under the state bank of India act to take over the business of the imperial bank of India. It is the largest public bank in India.

HDFC Ltd.:-

HDFC Ltd. was established in 1977 with the primary objective of meeting a social need was encouraging house ownership by providing long-term finance as loan to households.

Types of house loan -

In this time there is many types of house/home loans. Some are like this-

Home purchase loan:- These are the basic home loan for the purchase of a new home. These loans are given for purchase of a new or already built flat, bungalow and row house.

Home improvement loan:- These loans are given for implementing repair works and renovation in the house that has already been purchased by the customer. It may be requested for external works like structural repairs, waterproofing' internal works like tiling and the flooring' plumbing electrical works and painting or other works like this.

Home extension loan:- These loans are given for expending or extending an existing house. Addition of an extra room. For this kind of loan customer needs to have requisite approvals from the relevant municipal corporation.

Home conversion loan:- It is that where is the borrower has already taken a home loan to finance his current home but now wants to move to another home. It helps the borrower to transfer the existing loan to the new home

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which requires extra funds. So, the new loan pays the previous loan and fulfills the money required for new home.

Home construction loan: - These loans are available for the construction of a new house. The document required by the banks for granting customer a house construction loan is slightly different from the home purchase loan. 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.

Land purchase loan:- Land purchase loans are available for purchase of land for both house construction or investment purpose. Therefore, customer can be granted this loan even if customer not planning to construct any building on it in the future.

Bridge home loan:- These 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.

Balance transfer loan:- these loans help customer to pay off an existing home loan and avail the option of a loan with a lower rate of interest. Customer can transfer the balance of the existing home loan to either the same banks or any other banks.

Stamp duty amount:- These loans are sanctioned to pay the stamp duty amount that needs to be paid on the purchase of property.

NRI home loan:- this is special home loan scheme for the non-resident Indians NRI who wish to build or buy a home or land property In India. They are offered attractive housing finance plans with suitable reimbursement option by many banks in the country.

Top-up loan:- Enchasing the investment in a house without having to dispose it off to fund various needs related to purchase of furniture or business requirement and higher education. The maximum term of loan is 10 years. Top-up loans can give after 1-2 years of the final disbursement of the existing loan or upon possession of the existing financed property.

Review of literature: -

Gupta and Agarwal 2013 say in a comparative study in Meerut (India), to evaluate service Quality and customer satisfaction in private banks and public sector banks.

Tebrez Shams 2013 say in his article entitled customer perception towards home loan industry in India: A study of HDFC bank Ltd. that the housing sector plays an important role in the economic development of the country. In India many factors including location, size of house, interest rate, loan processing time, purchasing power of customer and many more. In his article suggestions were made to improve the services offered by HDFC ltd in India.

Rao H. G.2012in his study entitled An Assessment of the Indian Housing say that the housing dimension in India has been changing in recent years. Mortgage financing markets plays important role in affordable housing markets. In this study also provide future outlook and institutional performance.

Ravindra 2013 say in his article entitled Operational and Financial Performance Evaluation of housing Finance companies in India about the importance of housing sector

in India. His paper has given an attempt to evaluate the operational performance of housing Finance companies LIC housing Finance Ltd and HDFC.

Objective of study: -

1. To comparative study housing loan between SBIs and HDFC banks
2. To evaluate the financial conditions between SBI and HDFC bank

Research Methodology: -

Need of the study: - present study will be conducted on HDFCand SBI bank has been taken as representative unit of private sector banks and public sector banks

Study design: - Descriptive study design was used to fulfil the objectives.

A source of data: -The secondary data was collected from various research paper on internet, journals, bank magazines, past thesis and bank’s site or bulletins. Data collected from official websites of selected banks for 10 years from 2011-2020. The data have been analyzed using the ratios and statistical tools such as Correlation t-test.

Result and Discussions: -

Test of Significance: -

The following hypothesis is framed for the study-

H₀ There is no significant difference between in the financial condition of HDFC bank and SBI bank

H₁ There is significant difference between in the financial condition of HDFC bank and SBI HDFC bank

In order to test the hypothesis of the study the t-test was used and Critical value were calculated. A comparison between the SBI bank and HDFC bank was conducted.

1. Return on equity: -

Table 1 (in %)

Year	HDFC ltd.	SBI Bank
2010-11	20.41	11.34
2011-12	21.67	13.94
2012-13	19.52	14.26
2013-14	19.46	9.20
2014-15	19.34	10.20
2015-16	20.78	6.89
2016-17	18.77	6.69
2017-18	16.79	-3.37
2018-19	12.45	0.39
2019-20	20.62	6.95
Mean	18.98	7.64
t-Score	5.78	
critical value	2.10	

Table1 shows the comparison of Return on Equity performance of HDFC Ltd. and SBI Bank during 2010-11to 2019-2020. Mean value of Return on Equity of HDFC Ltd. and SBI Bank are 18.98 and 7.64 respectively which indicates that HDFC Ltd has high Return on Equityas compare to SBI bank. Difference between average Return on Equity of HDFC Ltd (%18.98) and that of the SBI Bank (%7.64) is statistically significant with t-Score 5.78 and critical value 2.10. Since t-Score is 5.78 with critical value 2.10 at 5% level of significance and 18 degree of freedom. Hence there is significant difference in performance of Return on Equity between HDFC Ltd. and that of SBI Bank.

2. Net profit: -**Table 2 (in crore Rs.)**

Year	HDFC Ltd.	SBI Bank
2010-11	3534.96	8265
2011-12	4122.62	11707
2012-13	4848.34	14105
2013-14	5440.24	10891
2014-15	5990.14	13102
2015-16	7093.10	9950
2016-17	7442.64	10484
2017-18	10959.34	-6547
2018-19	9632.46	862
2019-20	17769.65	14488
Mean	7683.34	8730.7
t-Score	0.42	
critical value	2.10	

Table 2 shows the comparison of Net Profit performance of HDFC Ltd. and SBI Bank during 2010-11 to 2019-2020. Mean value of Net Profit of HDFC Ltd. and SBI Bank are 7683.34 and 8730.7 respectively which indicates that SBI Bank has high Net Profit as compare to HDFC Ltd. Difference between average Net Profit of HDFC Ltd (Rs. 7683.34) and that of the SBI Bank (Rs. 8730.7) is statistically insignificant with t-Score 0.42 and critical value 2.10. Since t-Score is 0.42 with critical value 2.10 at 5% level of significance and 18 degree of freedom. Hence there is no significant difference in performance of Net Profit between HDFC Ltd. and that of SBI Bank.

3. Dividend per share**Table 3 (in Rs.)**

Year	HDFC Ltd.	SBI Bank
2010-11	450	30
2011-12	550	35
2012-13	625	41.5
2013-14	700	30
2014-15	750	3.5
2015-16	850	2.6
2016-17	900	2.6
2017-18	1000	00
2018-19	1050	00
2019-20	1050	00
Mean	792.5	14.52
t-Score	11.55	
critical value	2.10	

Table 3 shows the comparison of Dividend per shares performance of HDFC Ltd. and SBI Bank during 2010-11 to 2019-2020. Mean value of Dividend per shares of HDFC Ltd. and SBI Bank are 792.5 and 14.52 respectively which indicates that HDFC Ltd has high Dividend per shares ratio as compare to SBI Bank. Difference between average Dividend per shares of HDFC Ltd (Rs. 792.5) and that of the SBI Bank (Rs. 14.52) is statistically significant with t-Score 11.55 and critical value 2.10. Since t-Score is 11.55 with critical value 2.10 at 5% level of significance and 18 degree of freedom. Hence there is significant difference in performance of Dividend per shares between HDFC Ltd. and that of SBI Bank.

4. Earning per share: -**Table 5 (in Rs.)**

Year	HDFC Ltd.	SBI Bank
2010-11	24	130.16
2011-12	28	184.31
2012-13	32	210.06
2013-14	35	15.68
2014-15	38	17.55
2015-16	44	12.98
2016-17	46	13.43
2017-18	67	00
2018-19	57	0.97
2019-20	103	16.23
Mean	47.4	60.13
t-Score	0.47	
critical value	2.10	

Table 4 shows the comparison of Earning per shares performance of HDFC Ltd. and SBI Bank during 2010-11 to 2019-2020. Mean value of EPS of HDFC Ltd. and SBI Bank are 47.4 and 60.13 respectively which indicates that SBI Bank has high Earning per shares ratio as compare to HDFC Ltd. Difference between average Earning per shares of HDFC Ltd (Rs. 47.4) and that of the SBI Bank (Rs. 60.13) is statistically insignificant with t-Score 0.47 and critical value 2.10. Since t-Score is 0.47 with critical value 2.10 at 5% level of significance and 18 degree of freedom. Hence there is no significant difference in performance of Earning per shares between HDFC Ltd. and that of SBI Bank.

Findings: -

According to my study

1. There is significant difference in performance of Return on Equity and Dividend per shares between HDFC Ltd. and that of SBI Bank.
2. there is no significant difference in performance of Net Profit and Earning per shares between HDFC Ltd. and that of SBI Bank.

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