

Housing Finance: A Comparative Study of SBI and HDFC Bank

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ABSTRACT

Banking sector is very significant for healthy economy. One in every of the foremost vital and major roles contend by banking sector is that of loaning and credit creation. State bank of India was founded on 1st July, 1955. Its headquarters is in Mumbai. HDFC was formed in 1978. This study aims to analyse the housing finance performance of these two banks. It is useful for customers to know about the housing loan. This study will help the banking industry for the improvement on their housing finance business model. In the housing finance HDFC Bank is in better position that of SBI. The growth rate is decreased compared to HDFC Bank. So, it is important that SBI wants to concentrates on their housing finance products and activities. It is suggested for the entire bank to take effective steps to improve the operating efficiency of the housing finance sector. HDFC Bank having good brand image in the mind of housing finance.

KEYWORDS: SBI, HDFC Bank, Housing Finance performance, Average

INTRODUCTION

Banking sector is very significant for healthy economy. One in every of the foremost vital and major roles contend by banking sector is that of loaning and credit creation. It's usually inspired as a result of it's the result of funds being transferred from the system to productive functions that conjointly results into economic process. Bank is a financial institution that is licensed to deal with money and its substitutes by accommodating time and demand deposits, constructing loans, and spending in securities. The Bank generates profits from the modification in the interest rates charged and paid. The development of Banking is an inevitable precondition for the healthy and rapid development of the national economic structure. Banking institutions have contributed much to the development of the housing finance. Today we cannot imagine the business world without banking institutions. Banking is as important as blood in the human body. For Decoding housing by all by 2022 banks plays lead role for giving finance in housing sector.

Profile of Banks-

SBI-

State bank of India was founded on 1st July, 1955. Its headquarters is in Mumbai. It has a global presence

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around the world. Its key products include credit cards, Consumer banking, Corporate Banking, Insurance, Investment Banking, and Wealth Management. SBI Home Loans comes to us on the solid foundation of trust and transparency built in the tradition of State Bank of India.

HDFC Bank

HDFC, the market leader in housing finance, India's first private sector retail housing finance institution, the housing development and finance corporation (HDFC), was formed in 1978. There was effectively no market rate housing finance available. HDFC steadily grew into a major force in this sector.

Scope of study-

This study aims to analyse the housing finance performance of these two banks. It is useful for customers to know about the housing finance. This study will help the banking industry for the improvement on their housing finance business model.

Objectives-

The objectives of study are-

1. To examine and compare the housing loan trends of SBI and HDFC Bank for past 10 years.

2. To examine or analyse which bank is better in housing loan sector

Research Methodology-

This study aims to assess the financial and housing loan performance in SBI and HDFC Bank that is one is public sector bank and second is private sector bank. To satisfy the purpose the previous 10 years from 2011 to 2020 financial statement of the selected banks have been collected. For this study we used average t-test.

Test of Hypothesis:

H₀ There is no difference in Housing Finance of SBI and HDFC Bank.

H₁ There is difference in Housing Finance of SBI and HDFC Bank.

Review of Literature:

Dr. Mahboob Atiya(2013) carried out a study in article “A Comparative Study on Profitability of SBI and HDFC” that the Return on Net Worth and Adjusted Return on Net worth of SBI and HDFC was found almost with similar trend. It is also proved through t-Test that the financial performance in terms of Return on Net worth of SBI does not differ significantly from HDFC Bank. In this article also suggested for the entire bank to take effective steps to improve the operating efficiency of the business.

C. Gomathi (2014) in article “Study on housing loan offered by public sector banks in Harur Taluka” find that most of the housing finance companies in India have introduced several new home loan products in order to meet the needs of a wide variety of customers. The various home loan schemes have market. The customer can choose those schemes which he feels is good for him and have the capacity to repay it on that specified time period.

Chepuri and Dr. Banana K. (2018) in the article “Financial performance of Andhra Bank, SBI, ICICI and HDFC Bank: A Comparative Study” they find that The HDFC bank performance is optimum and identified a growth in profit per employee, consistency in proportion of performing assets and symmetry in return on equity. In a comparison of four banks the financial performance of HDFC bank stood at top and the performance of Andhra Bank stood at a low level.

Manwani S. and others 2019 in the article “Impact of factors affecting customer satisfaction towards home loan scheme of ICICI: A Robust Analysis” they find that customer satisfaction is at the utmost priority for bank. They conclude that banks can only grow in

the market if they provide accessibility and trustworthiness in the market as they have weak impact. The bank is suggested to go to even at the suburb level so as to avail customer benefits. They said that if ICICI bank can perform well they have a simplified financing and repayment system. So that confidence in bank services can be developed.

Nirmal A. K. and Dr. Derashri P.(2020) has did the study on

“Comparative study of HDFC Bank and SBI”. They find that both the banks managing their ratios at the best in their capacities in given boundaries.

Types of Home Loan:

These day many product are available in housing loan. Banks are giving Home Purchase Loan, Home Improvement Loan, Home Extension Loan, Home Conversion Loan, Bridge Loan, Home Construction Loan, Land Purchase Loan, Loan against commercial property, Loan against residential property, Loan to purchase another commercial property, Top-up home loan, Lease rental discounting, NRI home loan etc.

Analysis and Interpretation:

To review and compare the performance of the housing loan of SBI.

**Table 1 housing Finance of SBI
(Amount in crore rs)**

year	Amount	AGR
2011	34601.62	----
2012	144641.46	7.46
2013	183595.82	26.93
2014	190903.26	3.98
2015	223377.32	17.01
2016	263664.54	17.91
2017	359221.42	36.24
2018	473495.65	31.81
2019	464416.77	-1.91
2020	497211.94	7.06
AAGR		16.28

The above table shows annual housing loan and average annual growth rate. The annual growth rate of housing finance shows a fluctuating rate from year 2011 to 2020. The annual growth rate of housing finance is in year 2017 is maximum that is 36.24 % and in year 2019 is lowest that is -1.91%. The average annual growth rate of housing finance is 16.28% and the above table shows a mixed trend of housing finance.

Table 2 Housing Finance of HDFC Bank
(Amount in crore rs)

year	Amount	AGR
2011	20073.71	----
2012	24710.82	23.10
2013	29886.14	20.94
2014	36802.80	23.14
2015	46157.78	25.42
2016	63854.38	38.34
2017	83110.84	30.16
2018	95895.68	15.38
2019	115786.32	20.74
2020	133026.95	14.89
AAGR		23.57

The above table 2 shows annual housing loan and average annual growth rate. The annual growth rate of housing finance shows a fluctuating rate from year 2011 to 2020. The annual growth rate of housing finance is in year 2017 is maximum that is 36.24 % and in year 2019 is lowest that is -1.91%. The average annual growth rate of housing finance is 16.28% and the above table shows a mixed trend of housing finance.

Table 3 housing Finance of SBI and HDFC Bank
(Amount in crore rs)

year	SBI's Amount	HDFC's Amount
2011	34601.62	20073.71
2012	144641.46	24710.82
2013	183595.82	29886.14
2014	190903.26	36802.80
2015	223377.32	46157.78
2016	263664.54	63854.38
2017	359221.42	83110.84
2018	473495.65	95895.68
2019	464416.77	115786.32
2020	497211.94	133026.95
Average Annual	283512.98	64930.54
t value	4.25	
critical value on 99%= 2.88 and 95%= 2.10		

From the table 3 it is clear that at 0.05 % level of significance the significant value is 2.10 and 0.01 % level of significance the significant value is 2.88. In this table the t value is 4.25. Since it is more than 0.05 and 0.01 level of significance the significant value. There exists significance difference between housing Loan of SBI and HDFC Bank. Hence the H_0 hypothesis is rejected and H_1 is accepted.

Finding:

The average annual growth rate of housing finance is 16.28% for SBI and 23.57% is for HDFC Bank. In this study HDFC Bank's average annual growth rate of housing finance is better than SBI. The annual growth rate of housing finance is Highest for SBI in year 2017 that is 36.24% and for HDFC Bank in year 2016 that is 38.34%. The annual growth rate of housing finance is Lowest (negative) for SBI in year 2019 that is -1.91% and for HDFC Bank in year 2020 that is 14.89%. It can easily be viewed that SBI and HDFC Bank reported a mixed trend in their housing finance.

Suggestions:

In the housing finance HDFC Bank is in better position than that of SBI. The growth rate is decreased compared to HDFC Bank. So, it is important that SBI wants to concentrate on their housing finance products and activities. It is suggested for the entire bank to take effective steps to improve the operating efficiency of the housing finance sector. HDFC Bank having good brand image in the mind of housing finance.

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