A Comparative Study of Housing Loan of Hdfc and Icici Bank, Nagpur

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Abstract— **The HDFC Bank was incorporated on August 1994 by the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. The Housing Development Finance Corporation (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994.**

The above study on comparative study of ICICI Bank and State Bank India, it is found that both the banks managing their ratios at the best in their capacities in given boundaries. However, if we compare both the banks, it suggests that ICICI Bank having the edge on the HDFC reason being ICICI Bank having lower NPAs than the HDFC. ICICI Bank having Gross NPAs less than 1.5% while HDFC having the GNPAs near about 7.5% as per the annual report of both banks for the fiscal 2019. Also, the comparative study of both bank shows the NPAs never been easy handling for the state bank of India and in every two to three year they are doing the provisioning of their NPAs while in case of ICICI BANK Bank these restructuring incidents are rare.

However, findings of the study are suggesting that ICICI Bank has managed their ratios like NPAs, CAR and PCR in a very efficient manner and managed the net profits in a systematic way and paying the great role of successful commercial bank while in case of HDFC they are managing their ratio but are not that much efficient in

***Index Terms*—HDFC Bank, ICICI Bank, GNPA.**

I. INTRODUCTION

Meaning

Finance is the study of funds and management. Its general areas are business finance, personal finance, and public finance. It also deals with the concepts of time, money, risk, and the interrelation between the given factors. It is basically focused on how the money is spent and budgeted. It is one of the most important aspects in handling business. Finance addresses the methods wherein business entities used their financial resources on a certain period of time. It is the application of a set of techniques used by organization in managing their financial affairs. The income and expenditure are emphasized in finance and its differences can easily be indicated.

The term “Management” refers to the optimum utilization of available resources to achieve the desired objectives/goal. “Financial Management” as the name itself suggested, refers to the management of ‘finance’. Every organization, whether business or non-business, needs funds to exits, but to grow, it needs the optimum utilization of these funds. Thus, money or Funds/ Finance are the most important resources and Financial Management deals with optimum utilization of it. In other words, Financial Management is that managerial activity which is concerned with planning and controlling the financial resources.

Definitions

1.According to Weston –

“Financial Management is a process which involves decisions regarding procurement of funds and its optimum use to maximize the overall profit of the company and wealth of the shareholders.”

2.According to Howard -,

“Financial Management is the application of general Managerial Principle to the area of Financial Decision Making.”

1.1 Introduction of Home Loan

The company commands a market share of over 60% in the housing finance sector. Leveraging on its brand equity HDFC Bank Ltd has also entered the Indian Mutual Fund scene quite recently. HDFC Bank Ltd was the only applicant to be given clearance by the government, to enter the Rs 250 bn life insurance business. This in itself speaks volumes about the management's professional reputation.

Financial year 2000 proved to be a boon for housing finance companies, as the tax benefits announced in the budget, coupled with the low real estate prices and rising disposable incomes, spurred housing demand. As a result, demand for housing finance too has registered high rates of growth. The housing sector has now been recognized as an engine of economic growth and HDFC Bank Ltd is well placed to capitalise on this surge in demand.

Against this backdrop, HDFC Bank Ltd logged in an excellent performance. The company's approvals and disbursements during the first half of financial year 2001 witnessed a year-on-year growth of 33% and 32% respectively. The robust growth in itself is a conclusion that HDFC Bank Ltd business is far less susceptible to any economy downturn.

The entry of new players has not in any way significantly reduced HDFC Bank Ltd domination in terms of volume. However, the increased competition has led to a decline in interest spread (the difference between interest income earned and interest paid). Over the last couple of years HDFC Bank Ltd spread has shrunk from 2.1% in financial year 1997 to 1.8% in financial year 2000. When it comes to containing risk, the company's track record is among the best in the financial sector. During the financial year 2000, HDFC Bank Ltd has reduced the quantum of loans where payment was in arrears to just 0.9% of its portfolio. This is because individuals account for nearly 70% of its total outstanding loans. The high level of an individual investor's personal contribution in a house makes the possibility of default less likely.

In keeping with its tradition of playing safe, HDFC Bank Ltd is diversifying its business. The company has chosen the acquisition route to increase its assets and customer base in its core business of housing finance. Its recent acquisition of Home Trust Housing Finance and Gruh Finance will not only increase its size but will also bring the economies of scale.

Introduction To Home Loans

Home is a dream of a person that shows the quantity of efforts, sacrifices luxuries and above all gathering funds little by little to afford one's dream. Home is one of the things that everyone one wants to own. Home is a shelter to person where he rests and feel comfortable. Many banks providing home loans whether commercial banks or financial institutions to the people who want to have a home.

HDFC Bank Home Loan, India have been serving the people for around three decades and providing various housing loan according to their varied needs at attractive & reasonable interest rates. Owing to their wide network of financing, HDFC Bank Ltd Housing Loans provides services at your doorstep and helps you find a home as per your requirements. Many banks are providing home loans at cheapest rate to attract consumers towards them. The more customer friendly attitude of these banks, currently offer to consumers cheapest loan over homes. In view of acute housing shortage in the country, and keeping in mind the social economic role of commercial banks in the present times, the RBI advised banks to encourage the flow of credit for housing finance.

With the RBI reducing bank rate, the home loan market rates nose-diving by 50 basis points. The HDFC BANKlTD and Standard chartered bank has become the first player in this sector to announce a housing loan for a 20 years period. No doubt it will enhance the end cost people to plan their house over longer duration now; it has been made easy for a person to buy that dream house which he dreamt of long ago.

HDFC BANKLTD also provides with Home Improvement Loan for internal and external repairs and other structural improvements like painting, waterproofing, plumbing and electric works, tiling and flooring, grills and aluminium windows. HDFC BANKlTD finances up to 85% of the cost of renovation (100% for existing customers). Current status is that HDFC BANKlTD reduced home loan rates by 50 basis points for all its existing floating rate customers.

Advantages Of Home Loans: -

The various benefits of home loans arising to the customers are: -

(i) Attractive interest rates: -

The various banks offer attractive interest rates to boost and help their customers. Many banks provide loans on fixed or floating rates to facilitate consumers as per their needs.

(ii) Help in owning a home: -
The home availed by a person with the help of banks, because they provide technical and financial assistance to customers for owning their dream home.

(iii) No requirement of guarantor: -
The commercial banks now a day, liberlise their laws regarding home loans. Some of banks don't even require the guarantor to grant loan to their consumers. They also make consumers free by reliving him to find a guarantor to complete the proceedings of availing loan.

(iv) Door-Step Services: -
These door to step services are provided from enquiry stage to the final disbursement takes place such services are beneficial for customers in present busy life. Banks like ICICI Bank and standard chartered bank provide door to step services to customers to borrow loan.

(v) Loan period: -
There are many banks which provide maximum loan tenures upto 15-20 years based on the loan amount and the creatibility of customers. This relieves the customers to repay loan amount till a long period.

(vi) For accidental death insurance: -
Some banks provide free accidental death insurance with housing loan which is also beneficial for the customers.
These benefits or advantages of home loans are responsible for making than so popular among customer that a person who don't have their home and want to buy, they do it with home loan. Home loans help such persons in making their dream home.

Disadvantages Of Home Loans: -
The main disadvantages of home loans are high lightened as below:
(i) Delays in processing: -
Many times, there are huge delays in processing of providing home loans because various formulations to be fulfilled in this process. Due to these delays customers feel mentally as well as financially weak.

(ii) Fluctuating interest rates: -
Some banks give home loans at floating rates, which fluctuate at Different intervals due to some reasons. These changes sometimes, may lead to increase in interest rate which will increase the cost of home loans to the customers

(iii) High Cost: -
The public sector banks charge high processing cost for home loan's sanctioning. They are forced to pay serious charges at various stages to fulfill the requirements. Some consumers are not able to pay such charges so such people could not avail the benefits of home loan schemes.

(iv) Problems in disbursement: -
There are many problems in disbursement of home loan amount. There are some delays in disbursement of loan amount to the customers due to legal formalities. This causes problems to the customers. These are limitations or disadvantages of home loans. But sometimes some banks charges high installments to repay loan amount. Such also causes problem to customers. These limitations can be removed by providing good and promote services to the customers.

II. REVIEW OF LITERATURE

Rao K.N. (2006), in his study "Housing Finance – A Rao K.N. (2006) in "Housing Finance - A Global Perspective" states that there has been a remarkable growth of Housing Loans in India since last more than a half decade. He has also stated tgat the factors which have been contributing to this growth are reduced rate of interest, easy EMIs, less formalities and also some tax benefits on interest payments as well as repayment of principal amount of loan. As other authors, Mr. Rao also in the similar view that LICHFL and HDFC both are the key market players in Home Loans who have initiated to lends Loans for a longer period of 20 or more years, and also, they usually sanction loans upto 85% of the total amount of security.
Chaubey M. (2009) in "Housing Finance in India – Problems and Prospectus" states that according to his study, it was revealed that the customers of home loans selected to take loan due to low interest rate firstly, easy installment schemes secondly, simple procedure thirdly and so on. About 92% of the Home Loan customers opted for floating rate of interest whereas about 60% of the total home loan customers opted for more than 15 years and about 70% accepted that the approval and disbursement of loan is generally

delayed as per its time schedule. It was also suggested that the details of the loan accounts of the customers must be available online for more transparency in dealing and EMIs should be available not only monthly but also quarterly and half yearly.

Vetrivel T (2010) in "A study on Customer's Preference and Satisfaction of fied with Four Basic Banking Services in Coimbatore and Erode" has studied and revealed that 50% customers on an average get satisfied with the service of banks for home loan customers. It was also observed and suggested by him that the insurance services are rarely used by the customers foe which attractive schemes and policies must be offered to get the customers attached to this. It was also observed suggested that the Net Banking [E – Banking] facility was also not utilized by the customers at its optimum for which the banks must put attempts to aware customers about its use and make them fully satisfied.

Kumar N. & Dr. Gangal V. K. (2011) in "Customer Satisfaction in new generation banks in case study of HDFC Bank" say that, for every bank to retain in this competitive world, customer"s satisfaction with speedy and quality service, is the most essential factor to take case of but, they also say that the products and services offered by Indian Banks are not much diversified which creates the need for adopting the customer retention strategies to enhance customer satisfaction and retain them with banks. Deb B. C. et al (2011) in "Importance of Housing Finance Companies in Development of Financial Markets of Bangladesh" state that the economic development of a country can be boosted by the existence of Money Market. The Housing Finance Companies are not direct participants of Money Market, but they can take active participation in Money Market by issuing various Money Market Instruments like collecting short term loans for securitization of mortgage loan. In this paper, the study of the authors shows that a well-built and pulsating Capital Market cannot be sustained in a long run without competent Money Market. But it can be seen that this paper has adopted the word Financial Market, whereas it has emphasized more on Money Market and also it less emphases on Housing Finance.

Rani S (2011) in "Growth and Development of Housing Finance in India: Post Liberalisation period" states that National Housing Policy gave a thrust to the concept of Housing Finance by establishing the National Housing Bank on 9th July, 1988 under the National Housing Bank Act, 1987 which became the regulatory body for the Housing Finance in India and also for providing funds and other assistance to the Housing Finance Institutions. With the help of their study, they concluded that HDFC has been the on the top of the list of housing finance with 37% market share followed by HDFC thru HUDCO with 16% market share and LICHFL with 13% market share.

Chaudhary R. and Junjhua Y. (2011) in "Customer Perception and satisfaction towards Home Loans" where they have studied the customer satisfaction level and their perception towards Baghat Urban Co – op. Bank limited and with the study, they have revealed that people are more satisfied with this bank in aforesaid area in the paper due to the faith of customers for the bank, cheaper rates of interest and convenient repayable EMIs. They have also suggested that to get success in the market of housing loan, the bank has to come up with offer of different services to different groups of customers.

Vadde S. (2011) in "Performance of Non-Banking Financial Companies in India – An Evaluation" states that in India, the Non-Banking Financial Companies play a dominant role in supporting the Capital Market with the help of providing short- and medium-term loans. Such Non-Banking Financial Companies also help in purchasing long term properties through lease or hire purchase. He has, in this paper, studied in all 1215 banks out which the data of HDFC and 3 other Banks were excluded which was giving significance difference in comparison and with this by studying 1211 financial companies in all, they have concluded that the share of investments in total uses of funds increased during the year 2008-09 on account of investments in Mutual Funds and Shares & Debentures of other companies.

III. RESEARCH METHODOLOGY

Research Methodology: -

Research methodology is a way to systematically show the research problem. It may be understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not only the research methods but also the methodology. This Section includes the methodology which includes. The research design, objectives of study, scope of study along with research methodology and limitations of study etc.

Research Design: -
This project is based on exploratory study as well descriptive study. It was an exploratory study when the customer satisfaction level was studied to suggest new methods to improve the services of HDFC Bank in providing home loans and it was descriptive study when detailed study was made for comparison of disbursement of home loans by commercial banks.

Sampling: -
Sampling refers to the method of selecting a sample from a given universe with a view to draw conclusions about that universe. A sample is a representative of the universe selected for study.

Sample Size: -
Large sample gives reliable result than small sample. However, it is not feasible to target entire population or even a substantial portion to achieve a reliable result. So, in this aspect selecting the sample to study is known as sample size. Hence, for my project my sample size was 100.
The Sample Size consists of both the Professional and Business class people. IT peoples, Doctors, Jewelers, Timber Merchants & Real estate Agents are taken as Sample.

Sampling Technique: -
Random sampling technique was used in the survey conducted.

Tools Of Analysis: -
Data has been presented with the help of bar graph, pie charts, line graphs etc.

Plan Of Analysis: -
Tables were used for the analysis of the collected data. The data is also neatly presented with the help of statistical tools such as graphs and pie charts. Percentages and averages have also been used to represent data clearly and effectively.

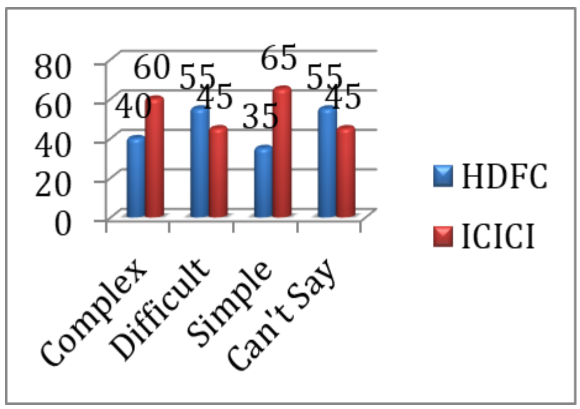
Data Collection Instrument Development: -
The mode of collection of data will be based on Survey Method and Field Activity. Primary data collection will base on personal interview. I have prepared the questionnaire according to the necessity of the data to be collected.

Obectives Of the Study
- To analysze the types of home loan schemes provided by HDFC bank and ICICI Bank.
- To analyze the Risk and return of HDFC bank and ICICI Bank.
- To know that which company provide better loans schemes.
- To study the government policies and facilities loan avail for housing.
- To evaluate and compare the home loan scheme of HDFC bank and ICICI Bank.

IV. DATA ANALYSIS & INTERPRETATION

Q.1. What is your opinion regarding the Home Loan procedure?

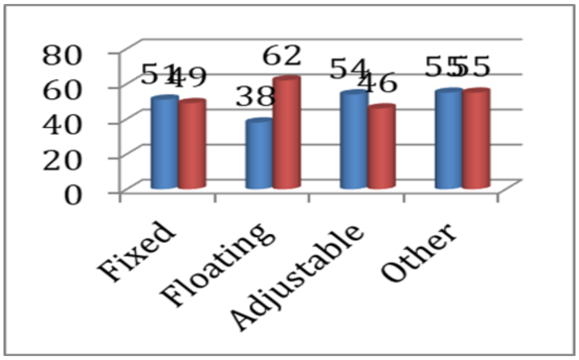
Opinion	HDFC	ICICI BANK	TOTAL
Complex	40%	60%	100%
Difficult (own safety)	55%	45%	100%
Simple	35%	65%	100%
Can't Say	55%	45%	100%



Interpretation
Among 100 respondents, 40% persons think that the Home Loan is HDFC Bank and 60% persons think that the Home Loan is ICICI Bank availing procedure is complex, 55% persons believe that it is difficult of HDFC Bank but 45% Persons believe that it is Easily of ICICI Bank (requires own safety),65% persons think that it is simple of ICICI Bank provide and 35% Persons think that it is simple of HDFC Bank and there are 55% persons who do not have any opinion about it.

Q.2 Which type of interest rate have you preferred?

Types of interest	HDFC	ICICI BANK	TOTAL
Fixed	51%	49%	100%
Floating	38%	62%	100%
Adjustable	54%	46%	100%
Others	55%	45%	100%

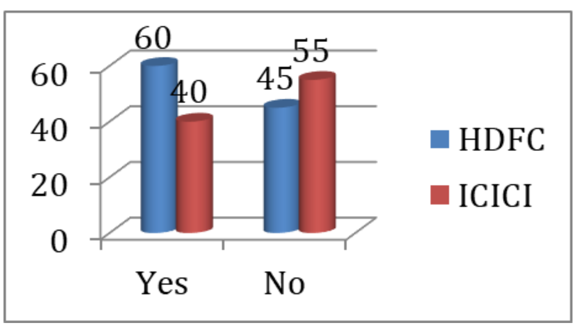


Interpretation: -

Among 100 respondents, 51% persons are interested in fixed rate of interest at the time of Home Loan, 38% persons are interested in floating rate of interest, 9% persons prefer adjustable rate of interest and 55% prefers other interest rates.

Q.3. HDFC and ICICI Bank from where you have availed the Home Loan?

Satisfaction	HDFC	ICICI BANK	TOTAL
Yes	60%	40%	100%
No	45%	55%	100%

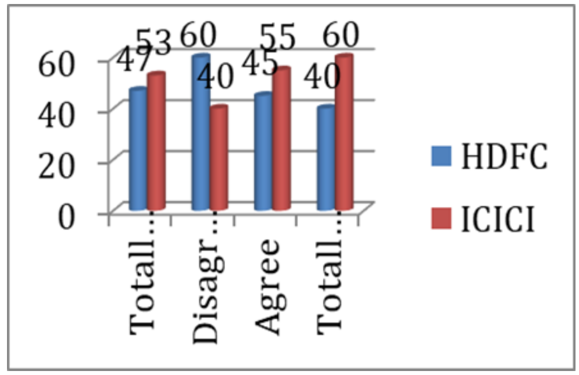


Interpretation: -

Among 100 respondents, 60% persons satisfy with the bank or financial institution from where they have availed the Home Loan but 45% persons are not satisfied with the bank or financial institution from where they have availed the Home Loan.

Q.4. Easy availability is an important factor for Home Loan. Do you agree?

Opinion	HDFC	ICICI BANK	TOTAL
Totally Disagree	47%	53%	100%
Disagree	60%	40%	100%
Agree	45%	55%	100%
Totally Agree	40%	60%	100%

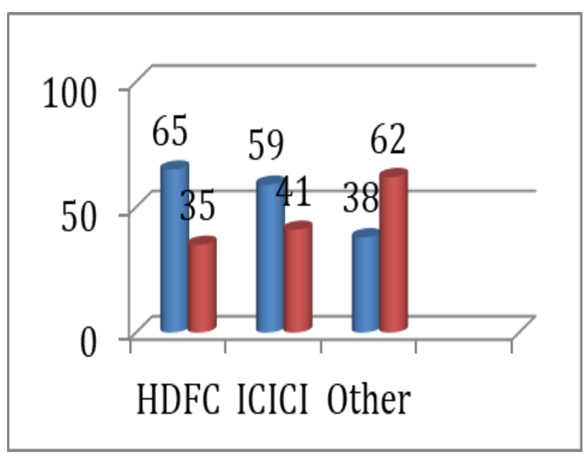


Interpretation: -

Among 100 respondents, 47% persons says that they totally disagree with the fact that easy availability is an important factor for Home Loan, 60% persons disagree with it, 45% persons says that they agree and 40% persons says that they totally agree with the fact that easy availability is an important factor for Home Loan.

Q.5. Have you faced any difficulty while availing the Home Loan from your bank.

Bank	Yes	No	TOTAL
ICICI Bank	65%	35%	100%
HDFC Bank	59%	41%	100%
Other	38%	62%	100%

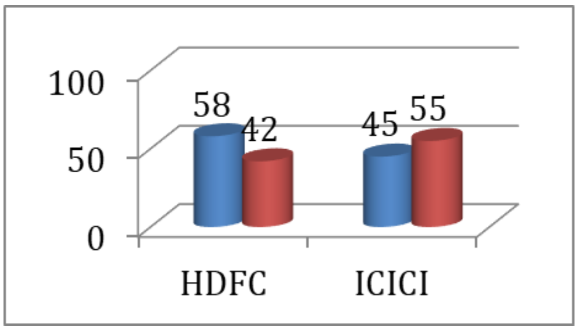


Interpretation: -

Among 100 respondents, 59% persons say that HDFC Bank easily provide Home Loan, 65% persons says that ICICI Bank easily provide Home Loan and 38% persons says that other banks easily provide Home Loan.

Q.6. Does Your bank provide flexible repayment period?

Bank	Yes	No	TOTAL
HDFC Bank	58%	42%	100%
ICICI BANK	45%	55%	100%



Interpretation:

Among 100 respondents, 58% persons say that HDFC Bank provide flexible repayment period, 45% says that ICICI BANK provide flexible repayment period.

V. FINDINGS

Among 100 respondents, 40% persons think that the Home Loan is HDFC Bank and 60% persons think that the Home Loan is ICICI Bank availing procedure is complex, 55% persons believe that it is difficult of HDFC Bank but 45% Persons believe that it is Easily of ICICI Bank (requires own safety),65% persons think that it is simple of ICICI Bank provide and 35% Persons think that it is simple of HDFC Bank and there are 55% persons who do not have any opinion about it.

- Among 100 respondents, 51% persons are interested in fixed rate of interest at the time of Home Loan, 38% persons are interested in floating rate of interest, 9% persons prefer adjustable rate of interest and 55% prefers other interest rates.
- Among 100 respondents, 60% persons satisfy with the bank or financial institution from where they have availed the Home Loan but 45% persons are not satisfied with the bank or financial institution from where they have availed the Home Loan.
- Among 100 respondents, 47% persons says that they totally disagree with the fact that easy availability is an important factor for Home Loan, 60% persons disagree with it, 45% persons says that they agree and 40% persons says that they totally agree with the fact that easy availability is an important factor for Home Loan.
- Among 100 respondents, 59% persons say that HDFC Bank easily provide Home Loan, 65% persons says that ICICI Bank easily provide Home Loan and 38% persons says that other banks easily provide Home Loan.
- Among 100 respondents, 45% persons are indifferent about flexible repayment period, 55% persons says that they agree with the fact that flexible repayment period plays an important role while taking Home Loan and 65% persons totally agrees with the fact.
- Among 100 respondents, 58% persons say that HDFC Bank provide flexible repayment period, 45% says that ICICI BANK provide flexible repayment period.
- Among 100 respondents, 35% persons are indifferent about prepayment penalty, 40% says that they agree with the fact that prepayment penalty need to be taken into consideration while taking Home Loan and 55% persons totally agrees with it.
- Among 100 respondents, 67% persons says that HDFC Bank charges lower prepayment penalty, 48% persons says that ICICI BANK charges lower prepayment penalty.
- Among 100 respondents, 58% persons says that miscellaneous expenses affect their selection of Home Loan but 42% persons says that it does not affect their selection.
- Among 100 respondents, 42% says that HDFC Bank charges lower processing fees, 58% persons says that it is low in case of ICICI BANK.
- Among 100 respondents, 36% persons are indifferent about the treatment provided by banks to them, 54% persons says that they agree that they take into consideration the way. They are treated by banks and 55% persons totally agree with it.

- Among 100 respondents, 39% persons say that HDFC Bank provide good treatment, 47% persons says that ICICI BANK provide good treatment.

VI. CONCLUSION

- The above study on comparative study of ICICI Bank and State Bank India, it is found that both the banks managing their ratios at the best in their capacities in given boundaries.
- However, if we compare both the banks, it suggests that ICICI Bank having the edge on the HDFC reason being ICICI Bank having lower NPAs than the HDFC.
- ICICI Bank having Gross NPAs less than 1.5% while HDFC having the GNPAs near about 7.5% as per the annual report of both banks for the fiscal 2019.
- Also, the comparative study of both bank shows the NPAs never been easy handling for the state bank of India and in every two to three year they are doing the provisioning of their NPAs while in case of ICICI BANKBank these restructuring incidents are rare.
- HDFC need to be more focused on managing the net profits and NPAs part to be a commercially successful bank.

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