



## A Comparative Study On Financial Performance And Home Loan Services Provided By SBI Bank And HDFC Ltd In Madurai City

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### ARTICLE INFO

### ABSTRACT

Nowadays, home loan is the only solution for most of the middle class people to purchase or construct a house. SBI bank and HDFC Ltd are the leading banks providing home loan services to the needy people. A Comparative study helps to analyse the pros and cons. The present study analyses and compares the home loan services provided by SBI Bank and HDFC Ltd in Madurai city. The reasons for preferring SBI bank and HDFC Ltd are, there are various factors which influence the decision of taking home loan from SBI Bank or HDFC Ltd. The level of customer satisfaction towards SBI bank and HDFC Ltd have been analysed using chi-square test, percentage and T test.

**Key words:** Home loan, Reason, Factors, customer satisfaction

### INTRODUCTION

Home loan is a secured loan. It helps the people to make their dream true. Several banks offer home loan with attractive offers and schemes. Among them SBI bank and HDFC Ltd are the leading banks. There are various differences in policies between SBI bank and HDFC Ltd regarding home loan. Eligibility condition, Documents required, interest rate, sanction duration, repayment facility, pre-closure facility and tenure differ from SBI bank and HDFC Ltd. Now it is essential to compare and analyse the reasons for preferring, the factors influencing decision, customer satisfaction level of SBI bank and HDFC Ltd and presented the result.

### REVIEW OF LITERATURE

**Ms. Prabha Garg, Dr. Ramphool Sharma (2014)** in his study titled “Home Loan: A Comparative Analysis Of SBI And HDFC Bank” revealed that HDFC bank has flexible loan repayment options but SBI has fixed repayment options. According to this study the rate of interest of SBI is less than HDFC Bank. The majority of the respondents want to take a loan for the construction of the new house. SBI has offered better loan deals to women borrowers.

**Utkarsh Gupta, Dr. Richa Sinha (2015)** in his article titled “A Comparative Study on Factors Affecting Consumer’s Buying Behavior towards Home Loans (With Special Reference To State Bank Of India And Life Insurance Corporation, Allahabad)” revealed that Maximum percentage of the respondents had opted for “Home Purchase” category of Home loan, both in LIC (42%) and SBI (48%). “Fixed rate of interest” is the most preferred option by the respondents regarding the purchase of Home Loan.

**Raju Kaur et al (2017)** in his article “A Comparative Study of Home Loans of State Bank of India (S.B.I.) and Housing Development Finance Corporation (H.D.F.C.) Banks: An Empirical study of Bathinda, Punjab” infers that the rate of interest of SBI is less than HDFC Bank. 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, because they think that the public banks are more secured as compared to the private banks.

**Ninu Rose , Dr. A M Viswambaran (2020)** in their article “A Comparative Study on Home Housing Finance Provided by Federal bank and Canara bank in Ernakulam District” revealed that Majority of Federal bank customers are paying 8% to 9% interest rate, while in the case of Canara bank customers majority of

them are paying 7% to 8%. The tenure of loan among most of the Federal bank respondents, are between 15 to 20 years and majority of Canara bank customers are between 15 to 20 and 20 to 25 years.

**Snehal Shah et al (2022)** in the article “ A Comparative Study of Home Loan in Public and Private Sector Banks” revealed that the interest rate is the prime factor which attracts the most in home loans than other schemes or services. Home loan procedure is much difficult for people demanding it as they lack awareness about it. Many consumers avail the home loan directly through lenders. The facilities of both SBI and HDFC banks are reliable.

## **RESERCH DESIGN**

This study is based on descriptive research. This study is purely based on both primary data and secondary data. For collecting primary data the researcher used questionnaire. Based on the responses of the respondents, “Comparative study on home loan provided by SBI and HDFC Ltd” has been measured.

### **Sampling Design**

Samples have been selected using convenient sampling technique. Due to time constraint the researcher has taken 50 samples from SBI bank and 50 samples from HDFC Ltd for collecting primary data.

### **Collection of Data**

Primary data have been collected using questionnaire from samples. Secondary data have been collected from websites, journals, magazines, newspapers and annual report.

### **Tools for data analysis**

The researcher has used simple statistical methods to analyse the data. Simple statistical tools like percentage, chi-square test, and T test are used to analyse and interpret the collected data and finally the researcher has given the report.

### **Area coverage**

The researcher conducted the study only in Madurai city. The researcher collected the data from the customers of the SBI and HDFC Ltd branches of Madurai city.

## **OBJECTIVES OF THE STUDY**

- To know the reasons for preferring SBI bank or HDFC Ltd for home loan.
- To analyse the factors influencing the decision of taking home loan from SBI bank or HDFC Ltd.
- To measure the customer satisfaction level of SBI bank and HDFC Ltd regarding home loan.

## **LIMITATIONS OF THE STUDY**

This study has the following limitations

- This study concentrates only in comparing the home loan provided by SBI bank and HDFC Ltd.
- This study has been conducted only in Madurai city.

## **ANALYSIS AND INTERPRETATION OF DATA**

This study deals with the comparative study on home loan services provided by SBI bank HDFC Ltd in Madurai city. For that the researcher has collected the data, analysed and presented the report. For easy understanding, some of the chi-square test analysis, percentage and T test analysis are given below.

### **I. Demographic profile of the respondents**

Demographic profile of the respondents are analysed and revealed the relationship between various demographic variables and the preferred bank. For this, the researcher has used the chi-square test based on the hypothesis formed below.

**H<sub>0</sub>** = There is no significant relationship exist between demographic variables and preferred bank for home loan.

**H<sub>1</sub>** = There is a significant relationship exist between demographic variables and preferred bank for home loan.

**Table 1: Demographic Profile**

S.No	Particulars	No. of Respondents		$\chi^2$ value	Critical value	H <sub>0</sub> accepted/rejected	
		SBI Bank	HDFC Ltd				
1.	Age	18-30 years	11 (22%)	12 (24%)	0.7723	7.815 Df=3	<b>H<sub>0</sub> Accepted</b>
		31-40 years	13 (26%)	15 (30%)			
		41-50 years	17 (34%)	13 (26%)			
		Above 50 years	9 (18%)	10 (20%)			
		<b>Total</b>	<b>50 (100%)</b>	<b>50 (100%)</b>			
2.	Gender	Male	39 (78%)	36 (72%)	0.480	3.841 Df=1	<b>H<sub>0</sub> Accepted</b>
		Female	11 (22%)	14 (28%)			
		<b>Total</b>	<b>50 (100%)</b>	<b>50 (100%)</b>			
3.	Educational Qualification	School level	5 (10%)	9 (18%)	2.8426	7.815 Df=3	<b>H<sub>0</sub> Accepted</b>
		UG Courses	13 (26%)	17 (34%)			
		PG Courses	14 (28%)	11 (22%)			
		Others	18 (36%)	13 (26%)			
		<b>Total</b>	<b>50 (100%)</b>	<b>50 (100%)</b>			
4.	Occupation	Public sector	18 (36%)	6 (12%)	9.0542	7.815 Df=3	<b>H<sub>0</sub> Rejected</b>
		Private sector	11 (22%)	19 (38%)			
		Self Employed	9 (18%)	8 (16%)			
		Business	12 (24%)	17 (34%)			
		<b>Total</b>	<b>50 (100%)</b>	<b>50 (100%)</b>			
5.	Annual Income	Below 3 Lakhs P.A	2 (4%)	17 (34%)	8.2381	7.815 Df=3	<b>H<sub>0</sub> Rejected</b>
		3 to 5 Lakhs P.A	16 (32%)	14 (28%)			
		5 to 7 Lakhs P.A	17 (34%)	10 (20%)			
		Above 7 Lakhs P.A	15 (30%)	9 (18%)			
		<b>Total</b>	<b>50 (100%)</b>	<b>50 (100%)</b>			

Source: primary data

Table 1 reveals the relationship between the various demographic variables and preferred bank for home loan.

**Age:** Majority (34%) of the respondents between 41-50 years preferred SBI bank for home loan and majority (30%) of the respondents between 31-40 years preferred HDFC Ltd for home loan. As per the results of chi-square test, the table value for degrees of freedom 3 at 5% level of significance is 7.815 and the calculated value is 0.7723. The calculated value is smaller than the table value of Chi-square distribution. Hence the null hypothesis is accepted. It was concluded that there is no significant relationship between age group of the

respondents and their preferences.

**Gender:** Majority (78%) of the respondents is male and they preferred SBI bank for home loan and majority (72%) of the respondents were male and they preferred HDFC Ltd for home loan. As per the results of chi-square test the table value for degrees of freedom 1 at 5% level of significant is 3.841 and the calculated value is 0.480. The calculated value is smaller than the table value of Chi-square distribution. Hence the null hypothesis is accepted. It was concluded that there is no significant relationship between gender of the respondents and their preferences.

**Education:** Majority (36%) of the respondents belong to other type of education and they preferred SBI bank for home loan and majority (34%) of the respondents had UG level education and they preferred HDFC Ltd for home loan. As per the results of chi-square test the table value for degrees of freedom 3 at 5% level of significant is 7.815 and the calculated value is 2.8426. The calculated value is smaller than the table value of Chi-square distribution. Hence the null hypothesis is accepted. It was concluded that there is no significant relationship between educational qualification of the respondents and their preferences.

**Occupation:** Majority (36%) of the respondents is public sector employees and they preferred SBI bank for home loan and majority (38%) of the respondents are private sector employees and they preferred HDFC Ltd for home loan. As per the results of chi-square test the table value for degrees of freedom 3 at 5% level of significant is 7.815 and the calculated value is 9.0542. The calculated value is greater than the table value of Chi-square distribution. Hence the null hypothesis is rejected. It was found that there is a significant relationship between occupation of the respondents and their preferences.

**Annual Income:** Majority (34%) of the respondents earned 5 to 7 lakhs per annum and they preferred SBI bank for home loan and majority (34%) of the respondents earned below 3 lakhs per annum and they preferred HDFC Ltd for home loan. As per the results of chi-square test the table value for degrees of freedom 3 at 5% level of significant is 7.815 and the calculated value is 8.2381. The calculated value is greater than the table value of Chi-square distribution. Hence the null hypothesis is rejected. It was concluded that there is a significant relationship between annual income of the respondents and their preferences.

## II. Purpose of getting home loan from SBI bank and HDFC Ltd

The purpose of getting home loan from SBI bank or HDFC Ltd is presented in the following table.

**Table 2: Purpose of getting home loan**

S. No	PURPOSE	SBI BANK		HDFC Ltd	
		No of Respondents	Percentage (%)	No of Respondents	Percentage (%)
1.	Purchase of ready built property	13	26	12	24
2.	Purchase of under construction property	7	14	9	18
3.	Purchase of pre-owned homes	9	18	7	14
4.	Construction of a house	16	32	14	28
5.	Extension of house and repair/renovation	5	10	8	16
	Total	50	100	50	100

Source: primary data

Table 2 reveals that the purpose of getting home loan. Majority (32%) of the respondents taken home loan for the purpose of constructing a house from SBI bank and (28%) of respondents taken home loan for the purpose of constructing a house from HDFC Ltd.

## III. Reasons for preferring SBI bank or HDFC Ltd for home loan

The reasons for preferring SBI bank or HDFC Ltd for home loan are analysed using t test based on the following hypothesis and shown in the following table.

$H_0$  = There is no significant relationship exist between reasons and preference of bank for home loan.

$H_1$  = There is a significant relationship exist between reasons and preference of bank for home loan.

**Table 3: Reasons for preferring banks**

S. No	Reasons	SBI Bank		HDFC Ltd		t value	p value
		Mean	SD	Mean	SD		
1.	Easy accessible	3.38	1.244	2.54	1.313	3.556	0.00042*

2.	Eligibility Criteria	3.04	1.355	3.52	1.266	-1.409	0.08263*
3.	Simple procedure	2.24	1.098	3.44	1.264	-3.883	0.00015*
4.	Public sector or Private sector Bank	3.28	1.400	2.58	1.401	2.026	0.02412*
5.	Suggested by friends or relatives	3.30	1.446	3.44	1.280	-0.444	0.32964

Source: primary data p value < 0.05\*

Table 3 reveals the reasons that motivate the customers for getting home loan from SBI bank or HDFC Ltd. As compared with HDFC Ltd, SBI bank got higher mean value of 3.38 for the reason “Easy accessible”. It was inferred that respondents prefer SBI bank for “Easy accessible”. HDFC Ltd got higher mean value of 3.52 for the reason “Eligibility Criteria” and inferred that the respondents prefer HDFC Ltd for “Eligibility Criteria”. HDFC Ltd got higher mean value of 3.44 for the reason “Simple procedure” and inferred that the respondents prefer HDFC Ltd for “Simple procedure”. SBI got higher mean value of 3.28 for the reason “Public sector or Private sector bank” and inferred that the respondents prefer SBI bank for “Public sector bank”. HDFC Ltd got higher mean value of 3.44 for the reason “Suggested by friends or relatives” and inferred that the respondents prefer HDFC for “Suggested by friends or relatives”.

#### T Test Result:

The t value for the reasons “Easy accessible”, “Eligibility Criteria”, Simple procedure”, “Public sector or private sector bank” are greater than the critical value and its p value also less than the significant level 0.05. Hence null hypothesis is rejected. It was inferred that there is a significant relationship exist between the reasons and preference of bank for home loan. The t value for the reason “suggested by friends or relatives” is smaller than the critical value and its p value is greater than the significant level 0.05. Hence null hypothesis is accepted. It was inferred that there is no significant relationship exist between the reason “suggested by friends or relatives” and preference of bank for home loan.

#### IV. Factors influencing the decision of home loan taken from SBI Bank or HDFC Ltd

The factors which influence the decision of home loan taken towards SBI bank or HDFC Ltd are analysed using T test based on the following hypothesis and presented on the following table.

$H_0$  = There is no significant relationship exist between the factors and the decision of home loan taken from SBI bank or HDFC Ltd.

$H_1$  = There is a significant relationship exist between factors and the decision of home loan taken from SBI bank or HDFC Ltd.

**Table 4: Factors influencing the decision of home loan**

S. No	Factors	SBI Bank		HDFC Ltd		t value	p value
		Mean	SD	Mean	SD		
1.	Application & Formalities	3.04	1.212	3.62	1.227	-2.556	0.00687*
2.	Document Required	2.62	1.354	3.80	1.355	-4.017	0.00010*
3.	Staff Assistance	2.48	1.359	3.38	1.308	-3.334	0.00081*
4.	Interest Rate	3.64	1.274	2.54	1.297	3.386	0.00070*
5.	Processing Fee	3.46	1.403	2.52	1.374	2.728	0.00440*
6.	Loan sanction period	2.54	1.313	3.42	1.341	-2.501	0.00788*
7.	Repayment Period	3.64	1.191	2.52	1.266	4.008	0.00010*

Source: primary data p value < 0.05\*

Table 4 reveals the factors influencing the decision of taking home loan from SBI bank or HDFC Ltd. As compared with HDFC Ltd, SBI bank got higher mean value of 3.64, 3.46, and 3.64 for the factors “Interest Rate”, “Processing Fee”, “Repayment Period” respectively. It was inferred that the factors “Interest Rate”, “Processing Fee” and “Repayment Period” influenced the respondents’ decision to take home loan from SBI bank. As compared with SBI bank, HDFC Ltd got higher mean value of 3.62, 3.80, 3.38 and 3.42 for the

factors “Application & Formalities”, “Document required”, “Staff Assistance”, and “Loan sanction period” respectively. It was inferred that the factors “Application & Formalities”, “Document required”, “Staff Assistance”, and “Loan sanction period” influenced the respondents’ decision to take home loan from HDFC Ltd.

#### T Test Result:

The t value for all the factors “Application & Formalities”, “Document required”, “Staff Assistance”, “Interest Rate”, “Processing Fee”, “Loan sanction period” and “Repayment Period” are greater than its critical value and its p value also less than the significant level 0.05. Hence null hypothesis is rejected. It was inferred that there is a significant relationship exist between the factors and the decision of home loan taken from SBI bank or HDFC Ltd. The above factors affect the decision of the respondents regarding home loan from SBI bank or HDFC Ltd.

#### V. Customer satisfaction level of SBI Bank and HDFC Ltd regarding home loan

Customer satisfaction level of SBI bank or HDFC Ltd regarding home loan are analysed using T test based on the following hypothesis and presented in the following table.

$H_0$  = There is no difference between customer satisfaction level of SBI bank and HDFC Ltd regarding home loan.

$H_1$  = There is a difference between customer satisfaction level of SBI bank and HDFC Ltd regarding home loan.

**Table 5: Customer Satisfaction level of SBI bank and HDFC Ltd**

S. No	Particulars	SBI Bank		HDFC Ltd		t value	p value
		Mean	SD	Mean	SD		
1.	Can get desired amount of home loan	2.74	1.426	3.20	1.370	-1.754	0.0428
2.	Excellent customer service	2.90	1.389	3.54	1.328	-2.100	0.02044*
3.	Satisfied pre-closure facility	3.56	1.296	2.80	1.370	2.284	0.01335*
4.	Quick response for complaints	2.58	1.372	3.64	1.174	-3.901	0.00014*
5.	Overall Performance regarding home loan	2.94	1.376	3.50	1.374	-1.939	0.02912*

Source: primary data p value < 0.05\*

Table 5 reveals that the customer satisfaction level of SBI bank and HDFC Ltd regarding home loan. As compared with SBI bank, HDFC Ltd got higher mean value of 3.20, 3.54, 3.64, and 3.50 for customer satisfaction based on “Can get desired amount of home loan”, “Excellent customer service”, “Quick response for complaints” and “Overall performance regarding home loan” respectively. It was inferred that on these basis customers are highly satisfied with HDFC Ltd. SBI bank got higher mean value of 3.56 for “Satisfied pre-closure facility”. It was inferred that SBI bank customers are highly satisfied with pre-closure facility.

#### T Test Result:

The t value for “Can get desired amount of home loan”, “Excellent customer service”, “Satisfied pre-closure facility”, “Quick response for complaints” and “Overall performance regarding home loan” are greater than its critical value and its p value also less than the significant level 0.05. Hence null hypothesis is rejected. It was inferred that there is a difference between customer satisfaction level of SBI bank and HDFC Ltd regarding home loan.

### FINDINGS

The researcher has analysed the data and summarized the findings. They are listed below.

- Majority (34%) of the respondents in the age between 41-50 years preferred SBI bank for home loan and majority (30%) of the respondents between 31-40 years preferred HDFC Ltd for home loan. Based on the chi-square test, it was concluded that there is no significant relationship between age group of the respondents and their preferences.
- Majority (36%) of the respondents are public sector employees and they preferred SBI bank for home loan and majority (38%) of the respondents are private sector employees and they preferred HDFC Ltd for home loan.
- Majority (32%) of the respondents had taken home loan for the purpose of constructing a house from SBI



bank and (28%) of respondents taken home loan for the purpose of constructing a house from HDFC Ltd.

- The respondents prefer SBI bank for “Easy accessible” and “Public sector bank”
- The respondents prefer HDFC Ltd for “Eligibility Criteria”, “Simple procedure” and “Suggested by friends or relatives”.
- The factors “Interest Rate”, “Processing Fee” and “Repayment Period” influenced the respondents’ decision to take home loan from SBI bank.
- The factors “Application & Formalities”, “Document required”, “Staff Assistance”, and “Loan sanction period” influenced the respondents’ decision to take home loan from HDFC Ltd.
- Null hypothesis formed to evaluate the customer satisfaction level is rejected. HDFC customers are highly satisfied based on “Can get desired amount of home loan”, “Excellent customer service”, “Quick response for complaints” and “Overall performance regarding home loan”.

### **CONCLUSION**

This study compares and analyses the reasons for preferring SBI bank or HDFC Ltd for home loan, factors influencing the decision of home loan taken from SBI bank or HDFC Ltd and the level of satisfaction of the customers of SBI bank and HDFC Ltd in Madurai city. This study also helps to know the pros and cons of both the banks. This study helps in decision making of taking home loan.

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