



Comparative Study of Housing Loan of HDFC and Allahabad Bank

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Abstract

In developing countries like India, the house is a dream of most of the people living in a villages as well as slum in urban areas and middle class people living in houses on rental basis. For these aspirants of houses, housing loan is golden opportunity to bring their dreams into reality. 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 fulfil 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.

Shelter is a basic human need and productive investment. Home loan means a sum of money borrowed from a financial Institution or Bank to purchase a house. Home loan consists of an adjustable or fixed rate payment terms. As most of the people don't have the cash funds to pay for a home, outright they can apply for a home loan which will pay the upfront costs for the home also which will have to be paid back monthly over a specified period of time. Without home loans most of the people could not afford to buy a home. According to National Association of Home Builders, the housing industry as a whole contributes about 17% to 18% of the nation's GDP. The most common purpose of a home loan is to provide funds to a buyer who needs to purchase a home. Home Equity loans allow a home owner to borrow against the difference between the home's value and the current loan balance.

Keywords: *Home Loan, Banks, House, Home, Finance, People.*



Introduction:

Housing is one of the basic needs of human beings and it is essential as food and clothing. The problem of housing has been of great importance ever since the evolution of mankind. It is viewed not only as a basic need, but an instrument of change to generate income, provides safe living and increase productivity. The house plays a significant role in the socio-psychological development of individuals. Housing has a vital bearing on the health and status of people. Proper accommodation is an important indicator of the standard of living of people. A house is a permanent shelter to protect human beings from the vagaries of nature. Now housing is a symbol of social prestige and an indicator of the social status. It provides aesthetic contentment, emotional and mental satisfaction, comfort and safety. The home gives shelter from natural dangers like rain, wind, snowfall, flood, heat etc. Home is a place where persons feel happy and spend their time with loved ones.

It is a great financial decision to own a house during the lifetime of a person. Of all our investments, buying a house is surely the most emotional; nothing compares to the feeling of owning one. Home loan offered by financial institutions is the best solution to an individual to fulfil his dreams of having a house, therefore the concept of housing loan in India became so popular. Quality housing can facilitate psychological and social outcomes such as security and a sense of control over one's life. Housing property forms an important share of the total wealth of households in India and an estimate made it to be as high as 28% of the household property. A home sometimes represented as 'dwelling' is defined as a holding space, a physical and psychological envelope within which every individual can find an opportunity to be himself, along with the family (Report on Trend and Progress of Housing in India, 2013).

Home is defined in the Oxford Advanced Learner's Dictionary as "Place where one lives permanently, especially as a member of a Family or Household"

Wikipedia defines "A Home is a dwelling place used as a permanent or semi-permanent residence for an individual, Family, Household or several families in a Tribe".

Meaning & History of Home Loan

Home loans, also known as mortgages, use the borrower's home for collateral. This home can be a single-family house up to a four-unit property, as well as a condominium or cooperative unit. Lenders fund home loans, but both the lenders themselves and brokers who act on behalf of the lenders originate, or process, them. Home loans came into widespread use in the United States in the boom years of the late 1800s. Since the average person usually cannot afford to pay cash for something as expensive as a home, lenders began offering loans for the difference between the



purchase price of a home and the cash down payment supplied by the buyer. These loans were interest-only loans of between five and 10 years that were due in full at the end of the loan term. Homeowners would refinance the loan at the end of each term or save up enough cash to pay off the loan in the meantime. The Great Depression and its resulting foreclosures demanded a move to the modern amortized mortgage, which configures payments into both principal and interest portions. These 15- to 30-year loans pay off the home by the end of the loan term.

Types of Home Loans:

The two most widely used types of home loans are fixed-rate loans and adjustable rate loans. A fixed-rate loan keeps the same interest rate for the life of the loan, which means that the principal and interest portions of the monthly payment stay the same. Adjustable-rate mortgages begin with a lower interest rate for the first few years and then adjust to market rates after the initial period is over. Caps are placed on how much the rate can adjust at any given time, as well as on how much the rate can increase over the duration of loan. This means the principal and interest portions of the monthly payment change repeatedly through the duration of loan.

There are different types of home loans tailored to meet our needs. Here is a list of few:

Home Purchase Loans: This is the basic home loan for the purchase of a new home.

Home Improvement Loans: These loans are given for implementing repair works and renovations in a home that has already been purchased.

Home Construction Loan: This loan is available for the construction of a new home.

Home Extension Loan: This is given for expanding or extending an existing home. e. g: addition of an extra room etc.

Home Conversion Loan: This is available for those who have financed the present home with a home loan and wish to purchase and move to another home for which some extra funds are required. Through home conversion loan, the existing loan is transferred to the new home including the extra amount required, eliminating the need of prepayment of the previous loan.

Land Purchase Loans: This loan is available for purchase of land for either construction or investment purposes.

Bridge Loans: Bridge loans are designed for people who wish to sell the existing home and purchase another one. The bridge loans help finance the new home, until a buyer is found for the home.

Home Loan Procedure:



With the increasing competition in the market for offering Home Loans, the otherwise tedious process of availing loans has gone a tremendous change in the recent years. However, there is still some process involved in the procurement of Home loan. It is advisable for borrower to first look at the different stages required for obtaining a Home Loan. Here is step by step procedure of procuring home loan.

Step 1: Application form

Step 2: Personal Discussion

Step 3: Bank's Field Investigation

Step 4: Credit appraisal by the bank and loan sanction

Step 5: Offer Letter

Step 6: Submission of legal documents & legal check

Step 7: Technical / Valuation check

Step 8: Registration of property documents

Step 9: Signing of agreements and submitting post-dated cheques

Step 10: Disbursement

Objectives of the Study:

- To undertake the comparative analysis of public & private banks in housing loan sector.
- To study consumer preference for the above two mentioned banks.
- To analyse the satisfaction level of public and private bank (Allahabad & HDFC banks home loan customers.
- To know the strength of the Allahabad bank & HDFC brand.
- To identify the popular schemes of the above two mentioned banks.

Research Methodology:

Proposed Study is an empirical one and is based on Primary as well as secondary data.

Collection of Primary Data:

The Primary data for my Study was being collected by conducting survey among 100 people through Questionnaires and telephonic Interview. Primary data also included information collected by personal interview with the Managers of Allahabad Bank and HDFC Bank.

Collection of Secondary Data:

The Sources of Secondary data include Annual Reports, Manual, Research papers on Housing loan, Websites and official records of Allahabad Bank and HDFC bank.

Sample Techniques:



The Sample was selected using a Convenient Sampling.

Execution of Survey work:

The Researcher have done survey work to collect primary and secondary data. The Researcher was personally approached to individuals and got the questionnaires filled by them. Selection of individuals was Random.

System of Research Methodology:

Table No. 1.

<i>Survey Research</i>	<i>It was a Descriptive Research</i>
<i>Research Instrument</i>	<i>Questionnaires</i>
<i>Contact Method</i>	<i>Personal Interview</i>
<i>Sampling Unit</i>	<i>Customers</i>
<i>Sampling</i>	<i>Random</i>
<i>Sampling size</i>	<i>100 Respondents.</i>

Source: Researcher.

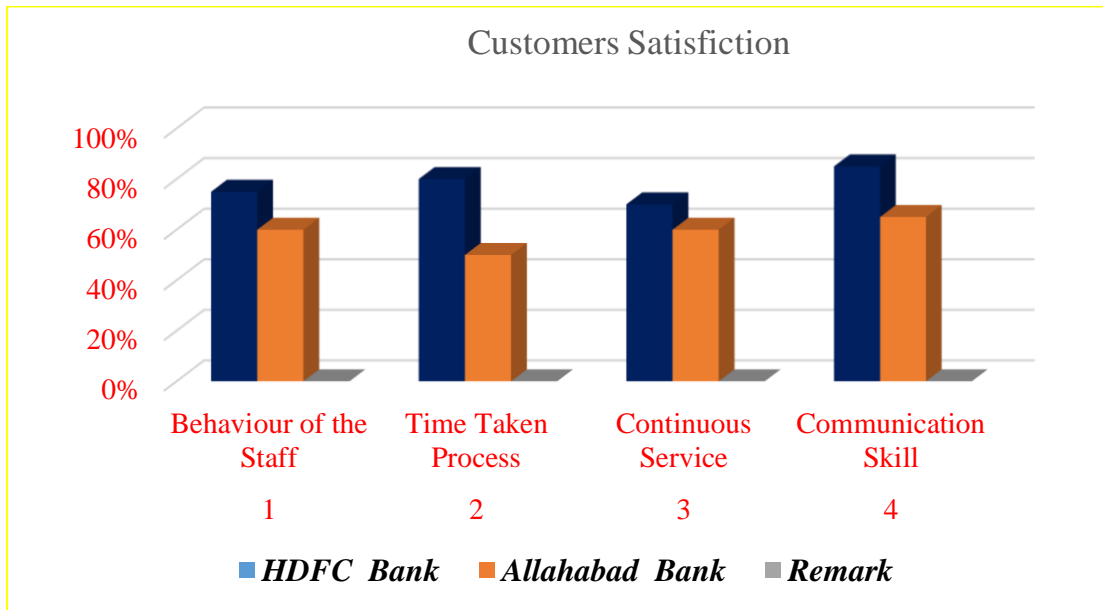
Data Analysis and Interpretation:

Table No. 2: The above analysis denotes the customer satisfaction ratio under the following Heads:

S. No.	Particulars	HDFC Bank	Allahabad Bank	Remark
01	Behaviour of the Staff	75%	60%	Here the ratio defers 15%
02	Time Taken Process	80%	50%	Here the ratio defers 30%
03	Continuous Service	70%	60%	Here the ratio defers 10%
04	Communication Skill	85%	65%	Here the ratio defers 20%

Source: Survey Field:

Figure No. 1:



These leading banks develop and innovate various ideas into customer satisfaction goal here by if we differentiate their interest rates and other factors to understand their process into Housing loans we can summarize the data as follows:

Table No. 3:

S. No.	Variables	HDFC Bank	Allahabad Bank
01	Interest Rate	8.50% to 8.55%	8.75% to 9.25%
02	Processing Fee	0.50% (Maximum 11500/-)	0.61%
03	Maximum Tenure	30 Years	20 Years

Source: Survey data.

Findings:

- Quality of service like behaviour and time taken to process is very much important criteria which as seen by people before taking home loan.
- According to my survey, respondents are satisfied from the bank where they taking the home loan.
- People get knowledge about home loans from Television, Internet etc.
- According to my survey, interest rates on home loan of HDFC Bank are lower than Allahabad Bank.
- According to my study, loan procedure of HDFC is easy than Allahabad Bank.
- According to my survey maximum people say that hidden charges are taken by private banks.
- Processing fee of HDFC Bank is lower as compare to Allahabad Bank.



- According to my survey, tenure of home loan affects in their selection.
- According to my survey maximum respondent's grade HDFC loan procedure as excellent.
- According to my survey maximum respondents grade HDFC loan procedure as well.

Suggestions:

- The staff should be trained to deal with the customers.
- Staff should be friendly and approachable.
- To introduce plans for the low- income group.
- Bank should review the housing loan portfolio at periodical intervals for capturing the new market to avoid risk and for updating their schemes.
- Branches can arrange customers meeting to popularize their loan schemes.
- Attractive incentives should be given to borrowers.
- Forms of loan application should be simplified.
- All information regarding housing loan should be available on the website.
- Reduce rate of interest based on the credit rating should be introduced.

Limitations of the Study:

- ✓ This research study was time bound.
- ✓ This research study was taken in a limited area only.
- ✓ While analysis of data, some human errors could have been possible.
- ✓ The sample size is small due to the specified reasons.
- ✓ Respondents may give biased answers for the required data. Some of the respondents didn't like to respond.

Conclusions:

On the basis of data analysis and preparation, I would notify that people prefer HDFC Bank more to Allahabad Bank. Youngsters prefer private banks because of the services and facilities offered by them. Customer satisfaction becomes the most differentiating factor for housing loan.



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