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Performance of Home Loan: A Study with Reference to HDFC Bank: Chennai

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Abstract

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. Many banks are providing home loans at cheapest rates to attract customers towards them. The more customers 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 loans market nose-diving by 50 basis points. The HDFC Bank 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. From this study we can find out perceptions about home loans of HDFC housing development finance corporation Ltd, and to study the satisfaction level of customers of HDFC about home loans and etc. for this study 200 sample selected and the Random sampling technique was used in the survey. The data has been presented with the help of Bar diagram, Graph, Pie charts, Line graphs, etc. The tables were used for the analysis of the collected data. Percentages and averages have also been used to represent data clearly and effect.

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Home Loan,
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Introduction

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 wants to own. Home is a shelter to person where he rests and feels comfortable. Many banks providing home loans whether commercial banks or financial institutions to the people want to have a own

home. Many banks are providing home loans at cheapest rates to attract customers towards them. The more customers friendly attitude of the banks, currently offer to consumers cheapest loan over homes. HDFC – (Housing Development and Finance Corporation) 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 Housing Loans provides services at your doorstep and helps to find a home as per your requirements. HDFC 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 finances up to 85% of the cost of renovation (Berstain David, 2008; Fanning, 1982).

Scope of the Study

The Indian housing finance industry has grown by leaps and bound in few years. Total home loans disbursements by banks has risen which witnessed phenomenal growth from last 5 years. There is greater number of borrowers of home loans. So by this study we can find out perceptions about home loans of HDFC housing development finance corporation Ltd, Study the satisfaction level of customers of HDFC about home loans and etc.

Objectives of the Study

The objective of this study is to know the customers perceptions about home loans of HDFC Housing Development Finance Corporation Ltd.

To study the satisfaction level of customers about home loans.

To study the problems faced by customers in obtaining home loans.

Hypothesis & Statistical Tools

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 this study 200 sample selected, The sample size consists of both the Professional and Business class people, IT peoples, Doctors, Jewellers, Timber Merchants & Real Estate Agents are taken as sample.

Random sampling technique was used in the survey. The data has been presented with the help of Bar diagram, Graph, Pie charts, Line graphs, etc. The tables were used for the analysis of the collected data.

Percentages and averages have also been used to represent data clearly and effectively.

Research Methodology & Design

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. This project is based on exploratory study when the customer satisfaction level was studied to suggest new methods to improve the services of HDFC Ltd, in providing home loans and it was descriptive study when detailed study was made for comparison of disbursements of home loans by commercial banks. The primary data was collected with the help of 200 samples and the secondary data was collected from internal sources. The secondary data was collected on the basis of organizational files, records, preserved information in the company's database and website of the company.

Limitations of the Study

The sample size of 200 customers and 4 banks might be a limitation because of difficulty in generalization of results.

There was a limitation of time to conduct such a big survey in limited available time.

Ignorance and Reluctant attitude of customers was also a major limitations in this study.

Analysis of Data & Results

From the above table we find that 51% of the respondents fall in the age group of 18-25 years, 20.5% fall in the age group of 26-35 years and 18.5% fall in the age group of 36-49 years, 6% of the respondents are in the age group of 50-60 years and 4% of the respondents are above than 60 years. Therefore most of the respondents are relatively young (below 26 years of age).

Table 2 clearly shows that 48% of the respondents are working professional, 20% of the respondents are doing their own business, 14% of the respondents are government employee and 12% of them are self-employed, 3.5% of the respondents are students and 2.5% of the respondents are house wife.

Therefore it can be concluded that majority of the respondents (48%) are working professional.

From the above we can understand that 82% of the respondents are aware about the HDFC Ltd, and 18% of the respondents are unaware about HDFC Ltd.

Table.1 Classification of Age of Respondents

Age Group	Number of the Respondents
18 – 25 Years	102
26 – 35 Years	41
36 – 49 Years	37
50 – 60 Years	12
More than 60 Years	08
Total	200

Table.2 Classification of Profile of the Respondents

Profile of the Respondents	Number of the Respondents
Student	7
Housewife	5
Working Professional	96
Business	40
Self Employed	24
Government Employee	28
Total	200

Table.3 Classification of Knowledge of the Respondents about HDFC Ltd

Category	Number of the Respondents
Yes	164
No	36
Total	200

Table.4 Reasons for Taking Home Loans

Reasons for Taking Home Loans	Number of the Respondents
Non availability of funds	72
Reluctance to pay cash in time	70
Availability of Tax benefit	48
Others	10
Total	200

Table.5 Classification of Sources of Home Loans

Name of the Sources	Number of the Respondents
HDFC Ltd	110
Punjab National Bank	30
Indian Bank	14
Canara Bank	40
Other Banks	06
Total	200

Table.6 Sources of Information about Home Loans Scheme

Sources of Information	Number of the Respondents
Newspapers	98
Magazines	32
Banners / Hoardings / Pamphlets	22
Word of Mouth	40
Other Sources	08
Total	200

Table.7 Opinion about Home Loan Schemes of HDFC Ltd (In Number of the Respondents)

Services of HDFC Ltd	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Amount of Loan	120	70	10	000	000
Legal Formalities	84	90	26	000	000
Interest Rates	64	112	24	000	000
Repayment Options	52	128	20	000	000
Security Demanded	40	64	96	000	000
Installments	110	80	10	000	000
Services	90	60	36	12	02
Processing for Sanction of Loan	110	48	36	06	

Table.8 Opinion of Customers about the Services of HDFC Ltd (In Number of the Respondents)

Services of HDFC Ltd	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Professional Management	172	20	08	000	000
Reliable & Transparent	134	66	00	000	000
Socially Responsible	142	20	30	008	000
Customer care	48	136	16	000	000
Query Handling	40	152	08	000	000

Table.9 Preferences of Respondents for Home Loans by various Banks

Name of the Banks	Number of the Respondents
HDFC Ltd	156
Punjab National Bank	04
Indian Bank	20
Canara Bank	14
Other Banks	06
Total	200

The above table shows that 36% of the respondents are taking home loans due to non-availability of funds, 35% of the respondents are taking due pay cash in one time, 24% of the respondents are availing for the purpose of tax benefit and 5% of the respondents are taking for other reasons. Therefore it can be understood that majority of the respondents (36%) are taking home loans due to non-availability of funds.

The analysis showed that a 55% of the respondents took home loan from HDFC Ltd, 20% of the respondents from Canara Bank, 15% of the respondents from Punjab National Bank, 7% of them from Indian Bank and 3% from other banks. Therefore majority of the respondents have taken home loan from HDFC Ltd.

Table 6 shows that 49% of the respondents got information about home loans from newspapers, 20% of the respondents collected information from word of mouth which include information from friends, relatives, colleagues etc., 16% of the customers from magazines, 11% of the customers through banners/hoardings/pamphlets and only 4% of the customers got information about home loan schemes from other sources.

Table 7 explains that customers of HDFC Ltd gave 60% of the amount of loan and legal proceedings, 56% to interest rates, 45% to proceedings and services, 55% to installments, from this we can understand that customers of HDFC Ltd, didn't give response regarding the services of the bank/company except to the amount of loan and legal formalities.

From the above table it can be understood that customers of HDFC Ltd are quite satisfied from their services like query handling and social responsibility of banks towards customers and professionally managed services. They don't give so good response to reliability and transparency services of banks, so customers satisfaction level towards HDFC Ltd services is satisfied.

Table 9 shows that 78% of the surveyed customer prefer HDFC Ltd for home loans and therefore it is ranked as 1 by the respondents.

Findings, Suggestions & Conclusions

HDFC Ltd having good brand image in the minds of customers.

Majority of the people got loans from HDF Ltd.

Most of the customers are not aware of the products of HDFC Home Loans.

Some of the customer's felt that the interest rates are somewhat high.

Customer's awareness is medium about HDFC Products.

HDFC Ltd providing good services to their customers.

To increase their customers, the HDFC Ltd should provide specialized services in this sector. These services can be such as proper guidance to the customer regarding the processing of loans, especially for the customers who are illiterate.

To satisfy their customers and for good dealings in future the HDFC Ltd should make prompt disbursement of loan amount to the customers so that they can buy or construct their dream home as early as possible.

The HDFC Ltd should use easy procedure or say less lengthy procedures for the sanctioning of loan to the customers. There should be less number of legal formalities. In case this exists then these should be completed in lesser time. This will be helpful in attracting more customers.

Although the interest rates on specific norms, yet customers seek less interest rates which can lower their cost of house.

So banks should try to lower their interest rates. Needless to say that the bank which is having lower interest rates have the maximum clients for loans.

The bank has to take care of awareness creation about their products and services among the customers.

They should reduce the administration and legal charges.

The bank should consider the present competition and should act according to the customer needs.

Home loans have long gestation periods when compare to other types of loans. so peoples are eager to take home loans to construct/buy a dream home.

They should try to provide proper knowledge regarding their home loan schemes, even to people who don't know about such schemes and their benefits especially to rural areas and backward urban areas peoples.

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