A COMPARITIVE STUDY OF HOUSING FINANCE OF (SBI) STATE BANK OF INDIA AND HOUSING DEVELOPMENT FINANCE CORPORATION BANK (HDFC)

A Project Submitted To

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Bachelor of Commerce (Accounting &Finance)

Under The Faculty of Commerce

By

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NAAC Re-Accredited Grade 'A+'(CGPA : 3.31) (3rd Cycle)

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CERTIFICATE

This is to certify that **MR. SURAJ SANTOSH JANGAM** has worked and duly completed his Project Work of Bachelor in Commerce (Accounting and Finance) under the Faculty of Commerce under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** in the subject of Project Work and his project is entitled, "**A COMPARITIVE STUDY OF HOUSING FINANCE OF STATE BANK OF INDIA AND HOUSING DEVELOPMENT FINANCE CORPORATION BANK "** under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and facts reported by his personal findings and investigations.

GUIDING TEACHER,

ASST. PROF. DR. KISHOR CHAUHAN

Date of submission

DECLARATION

I the undersigned **Mr. SURAJ SANTOSH JANGAM** hereby, declare that the work embodied in this project work titled "**A COMPARITIVE STUDY OF HOUSING FINANCE OF STATE BANK OF INDIA AND HOUSING DEVELOPMENT FINANCE CORPORATION BANK "** forms my own contribution to the research work carried out under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has not been previously submitted to any other University for any Degree/Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, hereby further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

SURAJ SANTOSH JANGAM

Certified by

ASST. PROF. DR. KISHOR CHAUHAN

Acknowledgment

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CHAPTER 1

INTRODUCTION

1.1 DEFINITION AND IMPORTANCE OF HOUSING FINANCE

According to Wallace F . Smith "Housing finance is a factor of production quite distinct from labor ,materials and risk-taking. "The price of other factors involved in housing construction need to be paid mostly in cash at time they are used. In housing sector finance serves the following vital purposes.

Finance is need for :

A. Purchase and development of house-sites , purchase of building materials and actual building a house;
B. Meeting the annual charges consisting of the up keep and maintenance expenses including rehabilitation of kutcha houses , taxes , interest and amortization charges on capital. c.
C. Covering risks involved in long term housing investment.

1.2 HOUSING FINANCE IN INDIA

Only after the industrial revolution and the continual migration of rural residents into urban areas was the need for housing sector development highlighted in India's first 25 years after gaining its independence. The desire to purchase a home is constant, but the majority of people lack the necessary financial resources to do so. Many businesses have chosen to extend housing loans as a result of seeing this as a chance to increase their bottom lines while also closing the current supply and demand gap. The current boom in the housing sector, together with the genuine demand resulting from individual housing needs, is likely to create a foundation for the mortgage lending organisations to make a profit. What had previously been a fairly low-profile industry in India is now suddenly undergoing activity that looks to have a promising future. Twenty percent of the new housing units in India are financed by housing financing institutions. Government classified the housing sector as a vital sector due to the discrepancy between the required and actual number of homes, and it is only through government action that housing finance has grown to be a significant industry in India. With the creation of National Housing Bank, the government has given this industry the much-needed boost.

As traditionally, as far as the builders are concerned, financing of building is mostly done through advances from consumers, which in turn will affect the demand for housing, the housing finance business did not have much official introduction. Early in the 1980s, there weren't many organisations that paid people could turn to for financing when they wanted to purchase apartments. Finding the money to buy a property was a difficult process, much like the house search itself. There were very few institutions on the market that could assist people in obtaining financing, and they did so at astronomical interest rates. HDFC and a few other non-banking organisations were the only home finance institutions in the market. Furthermore, they were mostly limited to the larger cities and only a small number of people were familiar with them. It was mostly a seller's market with interest rates between 12% and 18%, but if we look at the housing market now, there has been a significant shift in recent years, particularly the previous two decades. The structured and formal housing finance superstructure that has developed in India as part of the housing finance system is rather new.

The government and its housing agencies, general financial institutions, the insurance industry, banks and specialised housing finance companies, and the private sector that provides housing finance and staff housing to their employers are just a few of the players in the country's housing finance system at the moment. Additionally, a sizable informal sector accounts for more than two thirds of the nation's home financing. In addition to the Specialized Housing Finance Institution, the Cooperative Housing Finance Societies which act as conduits for the Allotted Credit are Significant in the Housing Market. The Specialized Housing Finance Institution plays very marginal role in terms of deposit mobilisation at present due to various discriminations faced by them vis-à-vis the Competing Institutions in the form of TDS, etc. and also due to limited geographical spread.

ADVANTAGES OF HOUSING FINANCE

1. Housing finance generates employment among financial services, both directly and indirectly.

2. The development of homes has increased demand for products from the cement, brick, glass, sanitary products, and electrical fittings businesses.

3. Rural housing promotes the development of rural areas while preventing labour migration to urban areas.

4. Housing finance encourages the construction of more homes, which leads to the development of more infrastructure, including roads, power plants, drinking water facilities, etc.

5. Industrial institutions like factories build townships by giving their workers greater housing options. As a result, housing finance eases traffic in cities.

6. As a result of housing finance, there has been vertical expansion, the reconstruction of crumbling homes, and remodelling of the existing homes.

7. Housing facilities not only get better, but they also exhibit the national culture. An example of contemporary housing designed by a French architect is Chandigarh City.

8. Modern home amenities, one of the primary advantages of housing finance, make non-conventional energy more well-known

1.3 OBJECTIVES OF HF-

This study aims to assess how well India's banking industry has performed in providing mortgage financing over the past ten years. In-depth analysis has been done on the initiatives they used to connect with needy borrowers around the nation. It was suggested that they look into the difficulties they had creating connections between borrowers and suppliers. Bankers and the regulator are both concerned about the rise of NPAs in housing finance. Subject to the availability of information relevant to this delicate topic, this element has been thoroughly investigated. The study's particular goals are listed below.

To promote a sound ,healthy viable and cost effective housing finance system to cater to all segments of the population and to integrate the housing finance system with the overall financial system.

(a) To encourage the development of a network of institutions focused on home finance that can effectively cater to various geographic areas and income ranges.

(b) To increase resources for the industry and direct them towards housing.

(c) To lower the cost of housing financing.

(d) To control the actions of home financing firms using the Act's regulatory and oversight power.

(e) To promote the expansion of the supply of buildable land as well as building supplies for housing and to modernise the nation's housing stock.

(f) To promote the emergence of public entities as suppliers and facilitators of serviced land for housing.

1.4 PROBLEMS OF HOUSING FINANCE

Problems of housing finance are many and highly complicated. Hence ,they merit discussion here.

1. **<u>The nature of housing finance is long-term.</u>**

Housing needs specialised financing, particularly long-term financing, for a number of reasons.

The product in question is not easily marketable and does not generate a profit as in industry or agriculture. However, personal savings or contributions can only pay for a relatively tiny portion of the overall cost of housing; the remaining amount must therefore be paid for through long-term credit.

2. **<u>A focus on mortgages</u>**

The lifeblood of house finance is mortgage finance.

House is the most expensive good, hence it requires a significant initial financial outlay.

The initial capital investment will be far greater than the lifetime earnings of the majority of families. Therefore, the majority of home builders must use debt as a source of revenue.

Because of this, Charles Abrams noted that "a mortgage system is acknowledged as vital most everywhere." It follows that most individuals would be unable to purchase a property if Polonius' counsel to "neither a borrower, nor a lender be" were to be followed.

3. **<u>The supply and demand are out of balance</u>**

The difficulty in financing housing stems from the lack of resources in comparison to the substantial investment requirements of housing. The provision of funding always falls under the category of home financial demands. The World Bank's belief that "housing is a bottomless hole" is likely due to this widespread occurrence of housing finance. Both wealthy and poor countries suffer from this uneven housing finance situation, although it is particularly bad in developing and underdeveloped nations.

4. **<u>Housing Finance is not as Self Liquidating as Agricultural Finance of Industrial Finance</u>**

Its particular quality creates a significant issue for housing finance. An investor can look for a different income stream as the source of repayment, whether they are in business or agricultural. In other words, investments in the agricultural or industrial sectors typically produce speedy returns. Housing investment, meanwhile, is not. It is true that the property can be rented out once it is finished, which will begin producing a return, but this will be a relatively small sum compared to the substantial investment, and it will also come very slowly and leisurely month by month. Lenders are hesitant to provide loans to home builders because of this. Hence, while interest only makes up a small fraction of overall annual costs in industry or agriculture, in the case of housing it is the largest recurring cost factor .Hence ,housing finance is much more sensitive to the level of interest rates than agricultural and industrial finance.

The requirement for long-term financing of housing is an important finding from the analysis above. But, India's so-called long-term is paradoxically shorter than the medium-term in the majority of wealthy nations. In India, long-term financing typically lasts up to 15 years, with 20-year terms occurring only in unusual circumstances. The loan term under social housing programmes ranges from 10 to 30 years. However, the length of long-term financing varies by industrialised country, often between 35 and 75 years.

1.5 RISK INVOLVED IN HOUSING FINANCE

In addition to issues, the housing finance industry is fraught with dangers. These dangers result from the peculiarities of the housing market. The housing market is unstable and disorganised due to its peculiarity. Its rentals or prices are subject to abrupt changes. Compared to the majority of other investment types, houses are significantly less negotiable. Selling homes requires a lot of time. Getting rid of an ancient house is challenging. The difference between old and new residential property's prices or rents becomes increasingly alarming. When the disparity is big, there is a risk of capital loss when building or purchasing new homes; when the gap is limited, older homes are riskier investments, according to a United Nations report.

Due to its unique characteristics, a house provides very weak and inadequate security. Creditors must emphasise both the type of the "assets" backing the loan and the credit worthiness or the ability of the borrower to repay the loan in order for the loan to be safe and secure. The importance of choosing the security for the loan must be increased generally as the loan's term lengthens. Housing requires long-term financing, so the need of security should be emphasised more. However, the bulk of borrowers for housing purposes are not very creditworthy. For him, the house as collateral for the loan is the only real security.

1. **Risks in analysis of the security:**

An evaluation of the property usually comes first when analysing a security. When the difference between the property's value and the loan amount is small, the creditor will typically conduct a thorough appraisal of the asset before approving the loan. Lest he put himself in danger. Real estate appraisals are fraught with difficulties and issues. A house's value, for instance, can change drastically depending on the surrounding area's future development because it is an immovable object. Another appraisal is the estimation of future benefits, such as the rental income it generates, which also depends on a number of variables that are subject to frequent change. Thus the valuation of the house property is quite laborious and full of uncertainties and so full of risk and hence ,lenders hesitate to lend .With the result ,housing finance tends to develop at a very low pace.

2. **Risks in affirmation of borrower's legal position:**
   The identification of the debtor's legal situation is a further step in the investigation of the security for the mortgage (borrower). In some circumstances, it might be challenging for the creditor to determine whether the debtor can offer the security in the event of default. Because each location is distinct and housing is immovable, this challenge is exacerbated. Ownership is not implied by possession. The passing of legal paperwork known as "deeds" rather than a change in possession is how ownership of the property or houses in the compound is transferred.

3. **Risks in tracing evidence of title of ownership:**
   When making a loan secured by a house, the lender must confirm that the borrower genuinely has complete ownership of the property and that there are no other existing claims against it. In India, it is difficult to find out the accurate information due to the predominance of inheritance and other regulations, and even if one is successful, it is difficult to obtain control of the mortgaged property by going to court due to the Punjab and Alienation Act and other similar laws. Furthermore, if the borrower defaults on the loan, the lender may incur significant costs as a result of the regulations governing mortgage loans.
   Housing lacks the standard financial resources that either agriculture or industry have access to because home financing is so tightly entwined with these risks. Given these dangers and issues with housing finance, it is reasonable to conclude that financing housing programmes offers complex issues for lower income groups that are present in both developed and developing nations. It seems logical

to take these risks and issues into account given how prevalent poverty, backwardness, and a lack of experience in the housing industry are in this developing nation.

1.6 CLASSIFICATION OF HOUSING FINANCE

Housing finance can be classified in these categories:

1. **Period wise classification: the most important classification according to the period or duration of credit may falls in to these categories viz.** (i) Short-term loan (6to18month)
(ii) Medium-term loan (2-5years)
(iii) Long-term loan (5-25years)

2. **Purpose wise classification-:**
(i) Credit for construction /extension
(ii) Credit for plot purchase
(iii) Credit for maintenance of House
(iv) Credit for Housing expenditure/renovation
(v) Credit for purchasing flat/individual house

3. **Security wise classification** (a)
Secured:
(i) Secured against mortgage of land
(ii) Secured against some tangible property of debtor as-bond, insurance policies etc.

(b) Unsecured: The unsecured loans are generally offered on the personal security of the borrower .It is advance on the promissory or personal notes of the borrower with or without another's guarantee.

4. **Credit wise classification-**
(i) Institutional credit
(ii) Non institutional credit

1.7 TYPES OF HOUSING FINANCE

1. **Home Purchase Loans:**

   Home Purchase Loans are the basic home loan you can opt for purchasing new home .This type of Home Loan is offered by all kinds of Banks and HFCs.

2. **Home Construction Loans:**

   Loans for home construction are specifically designed to be used for new home development. This loan's formalities are a little different from those of a typical housing loan. The land on which the building is being built is purchased within a year, and the cost of the land is then factored into the total cost of the property's appraisal.

3. **Home Extension Loans:**

   Home Extension Loans is offered for meeting the operating cost of alteration to an existing building .Extension here means addition of an extra room etc.

4. **Home Conversion Loans:**

Home Conversion Loans are offered to those who want finance for the purchase of another home by converting the already existing home and on which loan is already sanctioned .Through this loan ,the existing loan is transferred to the new home including the extra amount required and there is no need for pre-payment of the previous loan.

5. **Land Purchase Loans:**

Land Purchase Loans can be availed for purchasing land for both home construction as well as investment purposes.

6. **Stamp Duty Loans:**

Stamp Duty Loans is offered for the payment of stamp duty in the transaction of the property.

7. **Bridge Loans:**

Bridge Loans are offered for selling the existing home and purchasing of another .The bridge loan assists in the finance of new home ,until a buyer is found for the old home.

Documents required to apply for a housing loan is as follows:

1. Completed Home Loan Application Form
2. Passport size Photographs
3. Proof of Identification: (Anyone of the below)
    - PAN Card
    - Passport
    - Aadhaar Card
    - Voter's ID Card
    - Driving License

4. Proof of Age: (Any one of the below)
    - Aadhaar Card
    - PAN Card
    - Passport
    - Birth Certificate
    - 10thClassMarksheet
    - Bank Passbook
    - Driving License
5. Proof of Residence: (Any one of the below)

   Property Documents Required For Home Loan:

    - NOC from Society/Builder
    - A detailed estimate of the cost of construction of the house
    - Registered Sale Deed ,Allotment Letter or Stamped Agreement of Sale with the Builder (original document)
    - Occupancy Certificate (in case of ready-to-move-in properties)

- Property Tax Receipts ,Maintenance Bills and Electricity Bills
- Receipts of the advance payments made towards the purchase of flat (original document)
- An approved copy of the building plan (key plan/floor plan in case of purchase of flats)
- Original of the land tax paid receipt and possession certificate as issued by the revenue authority
- Payment receipt or bank account statements showing payments made to the Builder or Seller

TYPES OF INTEREST RATES:

1. Fixed Interest

A fixed interest rate is exactly what it sounds like—a predetermined, fixed amount of money that is attached to a loan or line of credit and that must be repaid along with the debt. The most popular type of interest for customers is a fixed rate since it is simple to compute, simple to comprehend, and steady. Both the borrower and the lender are aware of the precise interest rate responsibilities associated with a loan or credit account.

2. Variable Interest

Variable interest rates have the potential to cause interest rates to fluctuate as well. Variable interest is typically correlated with changes in base interest rates over time (like the so-called" prime interest rate" that lenders use to set their interest rates.) If a loan is structured with variable rates and the prime interest rate decreases, borrowers stand to gain (usually in tougher economic times.) However, if base interest rates increase, the borrower of a variable rate loan may be required to pay a higher interest rate because the loan's interest rate is correlated with the prime interest rate. Banks take this precaution to safeguard themselves against interest rates becoming excessively out of whack, where the borrower may end up paying less than the market value for a loan's or credit's interest. On the other hand, borrowers also benefit. They won't overpay for a loan with a variable rate that is related to the prime interest rate if the prime rate declines after they are authorised for credit or a loan.

3. Annual Percentage Rate (APR)

The amount of your total interest expressed annually on the total cost of the loan is the annual percentage rate. When customers choose to carry a debt on their credit card account, credit card firms frequently utilise APR to set interest rates. The margin that the bank or lender charges the customer is added to the prime rate to compute the annual percentage rate (APR). The annual percentage rate is the outcome.

4. The Prime Rate

The prime rate is the interest that banks frequently offer favoured clients for loans since it is typically less expensive than the standard interest rate provided to clients. The U.S. federal funds rate, or the rate banks use when borrowing and lending money to one another, is linked to the prime rate. The interest rates that banks do charge for home loans, auto loans, and personal loans are related to the prime rate, even though Main Street Americans typically don't get the best bargain on the prime interest rate.

5. The Discount Rate

The discount rate, which is the interest rate the U.S. Federal Reserve charges financial firms for short-term loans of stolen money, is typically walled off from the general public (even as short as one day or overnight.) Banks rely on the discount rate to make up for daily financing shortfalls, address liquidity problems, or prevent a bank from failing in a real crisis.

6. Simple Interest

The rate that banks frequently use to determine the interest rate they charge borrowers is known as simple interest (compound interest is the other common form of interest rate calculation used by lenders.) Similar to APR, simple interest calculation follows a straightforward formula.

7. Compound Interest

Compound interest is a common tool used by banks to determine bank rates. In essence, compound rates are computed on the principal and interest, the two major parts of a loan. The annualised loan interest is determined using compound interest. In order to calculate the interest payments due on a loan for the following year, or what accountants refer to as "interest on the interest" of a loan or credit account balance, lenders add that interest amount to the loan balance.

1.8 BANK PROFILE:

A) STATE BANK OF INDIA

State Bank of India (SBI), a Fortune 500 business, is a statutory body for public sector banking and financial services in India with its main office in Mumbai. SBI has a long history dating back more than 200 years, making it the bank that Indians have had the most faith in. With a quarter of the market share, SBI is the biggest bank in India, serving over 44 million customers through a network of over 22,000 branches, 58,500 ATMs, and 66,000 BC outlets. The bank's core values of service, transparency, ethics, political correctness, and sustainability are reflected in its unwavering commitment to innovation and customer centricity. Via its subsidiaries, SBI General Insurance, SBI Life Insurance, SBI Mutual Fund, SBI Card, etc., the bank has successfully diversified its business lines. It has established a global footprint and runs a time-zone journey across 233 offices in 32 different nations. SBI, which is evolving with the times and aspires to provide ethical and sustainable financial solutions, keeps redefining banking in India.

HISTORY

The bank is the oldest commercial bank in the Indian subcontinent and descended from the Bank of Calcutta, formed in 1806 through the 22 Imperial Bank of India. The Bank of Madras combined with the Bank of Bombay and the other two presidential banks in British India to form the Imperial Bank of India, which later changed its name to the State Bank of India in 1955. In 1955, the Indian government acquired control of the Imperial Bank of India, renaming it State Bank of India, with the Reserve Bank of India owning a 60% interest.

Name of Directors of SBI bank:

Sr.no	Name	Post
1	Shri Dinesh Kumar Khara	Chairman
2	Shri C .S. Setty	Managing Director
3	Shri Ashwani Bhatia	Managing Director
4	Shri Swaminath	Managing Director
5	Shri Ashwini Kumar Tewari	Managing Director
6	Shri B. Venugopal	Director
7	Dr Ganesh Natarajan	Director
8	Shri Ketan S. Vikamsey	Director
9	Shri Mrugank M Paranjape	Director
10	Dr. Pushpendra Rai	Director
11	Shri Sanjeev Maheshwari	Director
12	Shri Debasish Panda	Director
13	Shri Debasish Panda	Director

❖ RECOGNITION & AWARDS

- ❖ Best Transaction Bank in India by "The Asian Banker "for the second time in a row.
- ❖ "The Best Trade Finance Bank (India) -2019 "for the eighth consecutive year by Global Finance Magazine.
- ❖ "Green Bond Pioneer Award "for being the largest new emerging markets Certified Climate Bond issuer of 2018 by Climate Bond 23 Initiative.
- ❖ 'Best MSME Bank Award -Large bank' by CIMSME.
- ❖ YONO, our digital initiative ,won the "Mobile Banking Initiative of the

Year-India” at the Asian Banking and Finance Retail Banking Awards, Singapore and ET BFSI Innovation Awards.

- ❖ At the Asian Banker Financial Technology Innovation Awards 2018 SBI received awards in a number of categories including The Risk Data and Analytics Technology Implementation of the Year for OFSAA.

- ❖ **<u>PRODUCT OF SBI BANK:</u>**

- ➢ Personal finance
- ➢ Home loans
- ➢ Personal loan
- ➢ Auto loans
- ➢ Education loan
- ➢ Loan against securities
- ➢ Gold loan
- ➢ Consumer durable loans

HOUSING FINANCE PRODUCTS

1. <u>Regular home loans</u>

The largest mortgage lender in the nation is SBI Home Loans. It offers alternatives for buying already built property, buying under construction property, buying pre-owned homes, building a house, expanding a house, and fixing and renovating.

2. <u>Balance Transfer of Home Loan</u>

To transfer a home loan from Scheduled Commercial Banks (SCBs), Private and Foreign Banks, Housing Finance Companies (HFCs) registered with the National Housing Bank (NHB), and the borrower's employers if they are Central or State Government or their undertakings or Public Sector Undertakings, one must use SBI's Balance Transfer of Home Loan service. However, the borrower must first meet the eligibility requirements for home loans as per the bank's instructions. The borrower must possess legitimate paperwork proving ownership of the home or apartment.

3. <u>NRI Home Loan</u>

Many NRIs (Non- Resident Indians) can obtain home loans when investing in real estate thanks to SBI NRI Home Loan. Financially, it makes sense to use a home loan rather than personal financing to buy a property, especially if you can invest your personal money elsewhere for better returns.

4. **Privilage Home Loan** specifically for government employees tailored home loan.

SBI has introduced the SBI Privilege Home Loan, which is only available to government workers.

Employees of the Central Government or the State Government, including PSBs, PSUs of the Central Government, and other people with pensionable service, may apply for this house loan. The amount of the loan will be decided after taking into account the applicant's income and capacity for repayment, age, assets, and liabilities, as well as the cost of the proposed house or apartment.

5. **Shaurya Home Loan**

The SBI Shaurya Home Loan Program is intended for the nation's military personnel. Only defence personnel will be eligible for this unique home lending programme. Only defence personnel applicants will be offered the SBI Shaurya Home Loans, which will feature lower interest rates and other extra incentives. Defense workers will also benefit from easy repayment alternatives and maybe a longer repayment time for their house loans in addition to lower interest rates.

6. **Realty Home Loan**

The consumer has the option to purchase a plot from SBI Realty for the purpose of building a residence. After the financing has been approved, the house must be built within 5 years. The client may also apply for a second home loan to build a house on a plot financed by SBI Realty. The maximum loan amount that can be given to a consumer is Rs. 15 crores, with a manageable repayment period of 10 years.

7. **Home Top Up Loan**

SBI provides its customers with "SBI Home Top Up Loan" so they can borrow money over and beyond the amount of their mortgage. Customers who already have an SBI house loan but need additional cash might choose home top up loans. It may be used for any private objective. The interest rates are significantly lower than those for personal loans generally.

8. <u>Tribal Plus</u>

For the purchase or construction of a new house or apartment (without mortgage of the land), for the purchase of an existing (old) house or apartment that is not older than ten years, and for the repair, renovation, or extension of an existing house or apartment, SBI Tribal Plus Home Loan may be used. All SBI branches in these areas have access to this programme.

9. <u>Reverse Mortgage Loan</u>

SBI Reverse Mortgage Loan offers older persons in India who own or live in a home on their own an additional source of income. Seniors who lack sufficient income to maintain themselves can benefit from this product. In the case of a living spouse, the bank pays the borrower(s) against the mortgage of their residential property. The loan is not expected to be repaid by the borrower throughout the course of his lifetime.

10. <u>Loan against Property (P-LAP)</u>

Take out a loan against your home to cover personal expenses like paying for education, a wedding, health care, etc., rather than for speculation. It should be noted that borrowing under the SBI LAP is not allowed for commercial purposes.

11. <u>Home Loan to Non-Salaried–Differential offering</u>

This product is especially made for people who aren't paid a salary and offers clients the finest home loan value. Home loans for the purpose of building or purchasing a residential home or apartment, taking over home loans from other banks or housing finance companies, or repairing or renovating an existing home or apartment.

12. <u>Flexi pay Home Loan</u>

Only for salaried borrowers, SBI Flexi pay Home Loan offers eligibility for a greater loan amount. Customers have the choice to pay simply interest during the pre-EMI moratorium period and then moderated EMIs after that. The following years will see an increase in the EMIs. For young earners, this SBI house loan option is particularly helpful. A significant portion of home loan buyers may be drawn to SBI by the SBI Flexi pay home loan.

B) HDFC BANK

By assets, HDFC Bank, also known as Housing Development Finance Corporation, is India's largest private lender. The bank was established on August 30, 1994, and is headquartered in Mumbai, India. As part of the RBI's 1994 liberalisation of the Indian banking sector, HDFC Bank was the first to gain a "in principle" approval to open a bank in the private sector. In January 1995, HDFC Bank started conducting business as a Scheduled Commercial Bank.

Mumbai serves as the headquarters of HDFC Bank. Now, the Bank has an impressive network of more than 1416 branches scattered across 550 cities in India. Every branch is connected in real time online. Moreover, Telephone Banking provides services to customers in more than 500 locations. Moreover, the Bank has a network of roughly 3382 networked ATMs in these cities.

Vision, Mission and Values

HDFC Bank's mission is to be a world class Indian bank. We have a two-fold objective :first ,to be the preferred provider of banking services for target retail and whole sale customer segments.
The second objective is to achieve healthy growth in profitability ,consistent with the bank's risk appetite .The bank is committed to maintaining the highest level of ethical standards ,professional integrity ,corporate governance and regulatory compliance .HDFC Bank's business philosophy is based on five core values: Operational Excellence ,Customer Focus, Product Leadership, People and Sustainability.

Boards of directors of HDFC bank :

Sr.no	Name	Post
1	Mr. Sashidhar Jagdishan	Managing director &chief executive
2	Mr. Kaizad Bharucha	Executive director
3	Mrs. Renu Karnad	Non – executive directors
4	Mr. Shrikanth Nadhamuni	Non – executive directors
5	Mr. Sanjiv Sachar	Independent Director
6	Mr. MD Ranganath	Independent Director
7	Mr. Umesh Chandra Sarangi	Independent Director
8	Mr. Malay Patel	Independent Director

RECOGNITION&AWARDS

- QIMPRO Awards 2019
- Euro money Awards for Excellence 2019
- Governance Now BFSI Awards 2019
- Business world Magna Awards 2019
- Express Computer BFSI Digital Innovation Awards 2019.
- FE CFO Awards 2019
- The Banker Bank of the Year Awards 2018
- The Banker Global Private Banking Awards 2018
- Outlook Money Awards 2019
- FE Best Bank Awards

Loan product of HDFC bank:

- Auto loans
- Personal loans
- Home loans
- Gold loans
- Agri and tractor loans
- SHG loans
- Offshore loans to NRIs

- Business loans
- Two- wheeler loans
- Loans against securities

Housing loan products of HDFC bank:

1. **Home loan:**

   With EMIs starting at $652 per month and interest rates as low as 6.80%*p.a., HDFC's home loans are specifically designed for people who work for salaries because they have longer terms and a lower interest rate. To assist you in making the best choice while purchasing a home, HDFC offers you legal and technical counselling.

2. **Plot loan from HDFC bank:**

   HDFC's Plot Loans help acquire the land for your home so that can start turning dream home in to reality.

3. **HDFC rural housing finance:**

   HDFC's Rural Housing Finance provides with the Home Loan perfectly suited to fit needs. HDFC offer Home Loans to salaried and self-employed individuals wishing for a space of their own in their home town or village

4. **Home improvement loan**

   HDFC's Home Improvement Loans can upgrade existing home to a contemporary design and a more comfortable living space.

5. **Home extension loan**

   A growing family requires an extended house to comfortably accommodate all its requirements. With HDFC's Home Extension Loans you can now add more space to your home ensuring that all your family needs have an extra room for expression.

6. **<u>Top up loan</u>**

A Top Up Loan is an additional loan provided by a housing finance company on an existing home loan ,with minimal new documentation .Sometimes dreams need a little extra help.

7. **<u>Loan against property</u>**

Avail HDFC's loan against property for personal or business needs .Both residential and commercial properties can be mortgaged for taking a loan against property.

8. **<u>Non- residential property loan</u>**

HDFC's Non-Residential Premises Loan will help customer own the workplace of choice so that you can take a step closer to your business goals.

9. **<u>HDFC reach home loan</u>**

HDFC provide specially designed loans for purchasing a new or an existing home. HDFC reach home loan Is for enhance your home in many ways such as tiling and flooring ,internal and external plaster and painting or Extend/ add space to your home such as additional rooms etc.

CHAPTER - 2

RESEARCH METHODOGY

Meaning:

The practical "how" of any given piece of research is simply referred to as research methodology. More specifically, it is about how a researcher designs a study in a systematic manner to ensure valid and reliable results that address the search aims and objectives. In other words, the methodology chapter should justify the design choices by demonstrating that the methods and techniques chosen are the best fit for the research aims and objectives and will yield valid and reliable results. A good research methodology yields scientifically sound results, whereas a bad methodology does not. Below, we'll look at the main design options

Research definition:

A research study is defined as a careful examination of a specific concern or problem using scientific methods. "Research is a systematic inquiry to describe, explain, predict, and control the observed phenomenon," writes American sociologist Earl Robert Babbie. It employs both inductive and deductive methods." Inductive research methods examine an observed event, whereas deductive research methods confirm the observed event. Deductive methods are more commonly associated with quantitative analysis, while inductive approaches are more commonly associated with qualitative research.

2.1 OBJECTIVES OF THE STUDY:

1. To investigate the concept of a home loan/housing finance in today's context.
2. To comprehend the financial statements of the bank.
3. To learn about the financial performance, profitability, and liquidity of SBI Bank and HDFC Bank.
4. Compare and contrast financial statements.
5. Research the home loan products of SBI and HDFC banks
6. Make recommendations based on the study's findings.

7. To use ratio analysis to analyse the financial statements and assess its position.

8. To learn about the bank's history, services, and so on.

9. To comprehend the significance and necessity of the balance sheet and profit and loss account.

10. To compare the SBI and HDFC bank's five-year ratios.

11. To determine which bank offers the best services.

2.2 SOURCE OF DATA COLLECTION:

Data collection is the systematic gathering of observations or measurements. Data collection allows you to gain first-hand knowledge and original insights into your research problem, whether you are conducting research for business, government, or academic purposes. There are two kinds of information.

1.PRIMARY DATA

2.SECONDARY DATA

1. **PRIMARY DATA:**
   It is first-hand information gathered by the researcher. Various approaches are used to collect primary data in order to obtain precise, accurate, realistic, and relevant data. Investigation and observation were the primary sources of primary data. It was accomplished through a direct approach and observation by bank officials.

2. **SECONDARY DATA:**

Secondary data is the data which is already collected by someone else . It is a second hand data .It can be obtained from the internet, news ,magazines, books, Journals etc. It may be either published data or unpublished data. Secondary data means data that are already available i.e., they refer to the data which have already been collected and analyzed by someone else.

Types of data used in this study: The required data for the study are basically secondary in nature and the data are collected form

1. The audit reports of the banks.
2. In this project, I used secondary data obtained from the Internet. The data I used came from the bank's official website and a few other websites that contained financial information about the bank. To achieve the stated goals, data is gathered from secondary sources such as annual reports, journals, and related research papers. Secondary data is information gathered by someone other than the data's intended user.

2.3 DATA PROCESSING AND ANALYSIS:

This is an analytical study of financial statement of the bank. In analytical study ,one has to use facts, data or information already available and analyze these to make critical evaluation of the material. The data that has been collected from different sources are analyzed to know the bank's financial position by using ratio analysis. The data collected were edited and elastic for analysis. The analytical tools used in this study are:

Analytical tools applied:

The study employs the following analytical tools

1. Horizontal trend analysis
2. Vertical analysis
3. Ratio Analysis

a) **<u>Horizontal Trend Analysis :</u>**

Horizontal analys is compares account balances and ratios over different time periods.

b) Vertical Analysis :

It is the proportional analysis of a financial statement where each item on a financial statement is listed as a percentage of another item.

c) Ratio Analysis :

It is the most power tool of financial statement analysis. This is very useful in analyzing the business's financial position and finance performance. Ratio analys is includes Liquidity ratio, Solvency ratio ,Portability ratio etc. I try to evaluate the various ratio to analyze the impact on company's performance over the five seven years.

2.4 Hypothesis

A hypothesis is a concept or idea that you test through research and experiments . In other words, it is a prediction that is can be tested by research. Most researcher scome up with a hypothesis statement at the beginning of the study.

Types of hypothesis

- **Null hypothesis**
- **Alter native hypothesis**

Null hypothesis (H0):

A null hypothesis is a statistical hypothesis that proposes that no statistical significance exists in a set of given observations. The null hypothesis attempts to demonstrate that there is no variation between variables or that a single variable is no different than its means. It is assumed to be true until statistical evidence from another hypothesis disproves it.

Alternative hypothesis(H1) :

. An alternative hypothesis asserts that there is a statistically significant difference between the set of variables. It is what the researcher is attempting to demonstrate in an indirect manner.

For this project, a hypothesis was developed based on the current performance of both banks.Both SBI Bank and HDFC Bank are in the banking sector and operate in the same region.

H0: There is a no difference in the performance of both the bank.

H1: There is significant difference in the performance of the bank.

2.5 SCOPE OF THE STUDY

The scope of this study is constrained by the amount of secondary data obtained. The topic itself states that it is a comparative study of bank financial statements. In this project, the financial statements of banks were analysed using various ratios. By using ratios, we can determine whether the bank's position is ideal or not. The data in this project was derived from the bank's audited report and spans the last five years.

Though ,everyone tries to fulfil the objective of the study but still there are some limitations:

2.6 LIMITATION OF THE STUDY

1. We are unable to collect primary data because COVID is restricted by the government.
2. This research study was time-limited, and only a few aspects were studied.
3. Because secondary data is gathered by someone else, it cannot be relied on completely.
4. In the early stages, there was little knowledge of the banks.
5. This study is based solely on financial statements and does not take into account the bank's overall performance.
6. The ratio alone will not reveal the bank's good or bad financial position.
7. The study of financial performance can only provide information about a bank's financial condition and cannot provide a comprehensive picture of the bank's operations.

CHAPTER – 3 REVIEW OF LITERATURE

GHOSH S. (2014) in According to "A study on Housing Finance Policies and Appraisal Process of Home Loan in India," owning a home is one of the most important goals in a person's life. To realise this dream home, one must apply for a Home Loan, for which he must go through the Bank's Credit Appraisal Process. Banks/HFCs, on the other hand, develop a plethora of financial and non-financial tools and techniques to assess the creditworthiness of the applicant. The author has primarily focused on the guidelines followed by Indian banks/HFCs during the Credit Appraisal Process in this paper. He has concluded that the one of the major contributor to the Economic Development of India id Housing Sector.

SRINI VAS K.T. (2014) in According to "A study on the Financial Performance of National Housing Banks (NHB) in India," the primary goal of National Housing Banks is to serve as an apex institution to promote housing finance through financial and other assistance to financial institutions. Heal claims that the National Housing Banks' financial performance is sound and commendable.

RAJALAKSHMI. S. (2013) in their research paper entitled According to "A Study on Housing Loan Borrowers of Public and Private Sector Banks in Thoothukudi Area," today's young people's top priority in life is to own a home. Everyone must apply for a Housing Loan, which is subject to certain requirements for determining the borrower's eligibility. The authors regarded the interest rate as one of the most important benefits of taking out a home loan. They concluded that the home loan market has grown at a 40% annual rate over the last four years. They also concluded that, in comparison to the rise in property prices, people's incomes have been rising faster, resulting in more affordable Home Loans.

MAHAJAN A.(2013) in According to "A comparative study of disbursement of Housing Loan of Public,Private, and Co-operative Bank in Sangli-Miraj-Kupwad Corporation Area," owning a home provides psychological utility. He discovered that cooperative banks charge higher interest rates than private and public sector banks, and that cooperative banks have a higher NPA proportion. According to his paper, the Sangli USB bank has fewer formatives than the SBI and HDFC banks.

A VIJAYA KUMAR (2012) this study is related to "Evaluating performance of banks through the CAMEL Model- A case study of State bank of India and its Associates" . In this study, the CAMEL rating Approach was used to assess the overall health and financial status of SBI and its associate banks. This study is based on secondary data from annual reports and other sources. Secondary data are collected from 1996-1997 to 2009-2010. Finally, this study shows that the liquidity position of the State Bank of India and its associate banks is improving. However, when these ratios are compared, State Bank of India has an advantage over associate bank.

M. DHANABHAKYAM AND M. KAVITHA (2012) this study is related to "Indian public sector bank financial performance". The researcher learned about public sector banks in India thanks to this study. This study includes six public sector banks. Ratio analysis, correlation, and regression are used to assess the financial performance of banks. The goal of this study is to analyse the financial performance of public sector banks and to improve their performance. Secondary data from banking annual reports 2001 to 2010 are used to complete this objective. With the assistance of this study, banks' performance not only improves, but they also earn more profit.

RANI S.(2011) in According to "Growth and Development of Housing Finance in India: Post Liberalization Period," the National Housing Policy gave a boost to the concept of Housing Finance by establishing the National Housing Bank on July 9,1988 under the National Housing Bank Act,1987, which became the regulatory body for Housing Finance in India as well as providing funds and other assistance to Housing Finance Institutions. They concluded from their research that HDFC is at the top of the list of housing finance companies, with

37% market share, followed by SBI via HUDCO with 16% market share and LICHFL with 13% market share.

DEB B. C. (2011) in According to the report "Importance of Housing Finance Companies in the Development of Financial Markets in Bangladesh," the presence of a money market can help a country's economic development. Housing Finance Companies are not direct participants in the money market, but they can participate actively by issuing various money market instruments, such as collecting short-term loans for securitization of mortgage loans. The authors' research in this paper demonstrates that a well-built and pulsating Capital Market cannot be sustained in the long run without a competent Money Market. However, it can be seen that this paper has used the term Financial Market, whereas it has emphasised more on the Money Market and less on Housing Finance.

KUMAR N. & DR. GANGAL V.K. (2011) in According to "Customer Satisfaction in New Generation Banks: A Case Study of HDFC Bank," the most important factor for any bank to retain in this competitive world is customer satisfaction with prompt and quality service. However, they also state that the products and services offered by Indian banks are not very diverse, necessitating the adoption of customer retention strategies to improve customer satisfaction and retain customers with banks.

BHATTACHARJEE. (2007) A research article entitled "Reverse Mortgage-A Financial Product for Senior Citizens" by Bhattacharjee K. (2007). A reverse mortgage is a home equity loan available to senior citizens that allows them to convert their home equity loan into cash while maintaining ownership. A reverse mortgage functions similarly to a traditional mortgage loan, but in the opposite direction. A borrower is someone who does not make regular payments to a lender. Dewan Housing launched the first reverse mortgage loan in 2006. "Saksham" was the name of a reverse mortgage product. Then ICICI and NHB introduced a new reverse mortgage product. Reverse mortgages can be a valuable source of income for seniors who own property but lack liquid assets. As a result, it is primarily intended for home-rich senior citizens who are otherwise cash-strapped.

RAO K.N.(2006) in According to "Housing Finance- A Global Perspective," there has been a significant increase in Housing Loans in India over the last half-decade. He also stated that factors contributing to this growth include lower interest rates, easier EMIs, fewer formalities, and some tax breaks on interest payments as well as principal repayment. Mr. Rao, like other authors, believes that LIC HFL and HDFC are key market players in Home

Loans because they have begun to lend Loans for a longer period of 20 or more years, and they usually sanction loans up to 85% of the total amount of security.

MANISH MITTAL AND ARUNNA DHADEMADE (2005) They discovered that higher profitability is the only significant parameter for evaluating banking sector performance from the perspective of shareholders. Banks must strike a balance between commercial and social objectives. They discovered that public banks are less profitable than private banks. Foreign banks are at the bottom of the list in terms of net profitability. Private sector banks earn more non-interest income than public sector banks because they provide more fee-based services to businesses and corporations. As a result, public sector banks must provide such services urgently in order to compete with private sector banks.

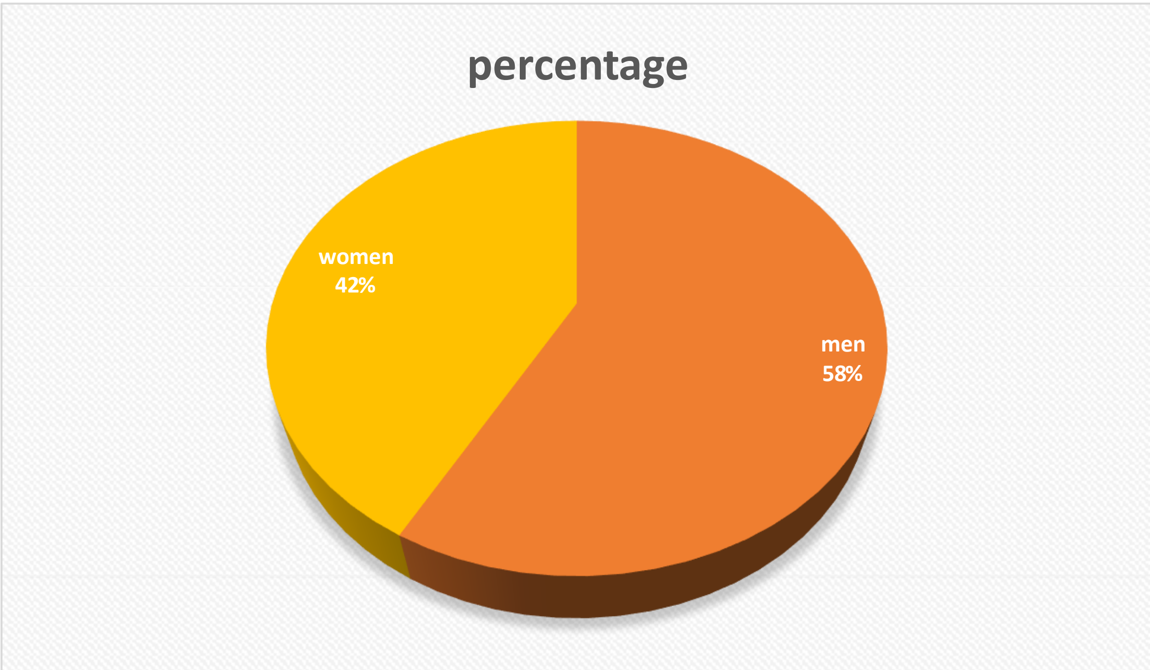
AJAY DUA (2000) In his study The article "Management of Bombay's Housing Renewal Program a Critique" attempted to gain a better understanding of the process and management of housing renewal programmes in Bombay. There search focuses on assessing the impact of various conservation measures currently in place as well as examining alternatives proposed by many expert groups and researchers before formulating its own set of recommendations. The research findings are based in part on responses from approximately 300 households, primarily tenants living in three identified areas of the city.

CHAPTER -4

DATA ANALYSIS AND INTERPRETATION

1) Gender

Variable	No. of Respondents	Percentage
Male	58	58%
Female	42	42%
Total	100	100%

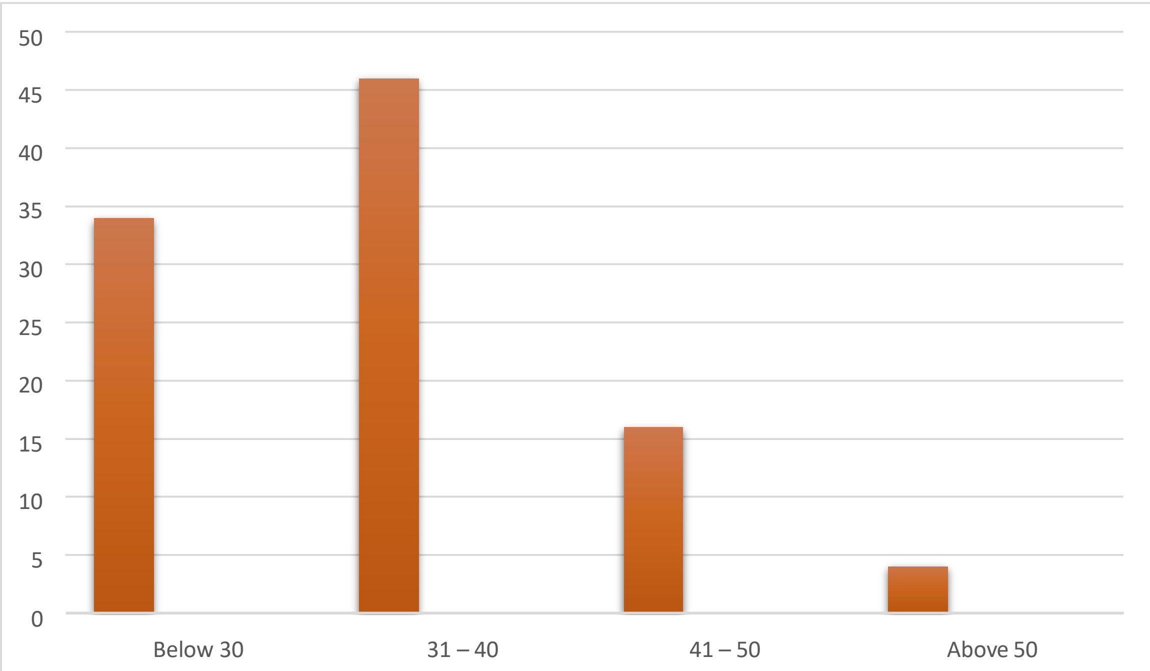


Interpretation

From the above table and chart , it is clear that 58% of respondents are Male and 42% of respondents are Female .

2) <u>Age wise Classification</u>

Variable	No. of Respondents	Percentage
Below 30		34%
31 – 40		46%
41 – 50		16%
Above 50		4%
Total	100	100%



Interpretation

34% of respondents are from below- 30 years

46% of respondents are from 31-40 years

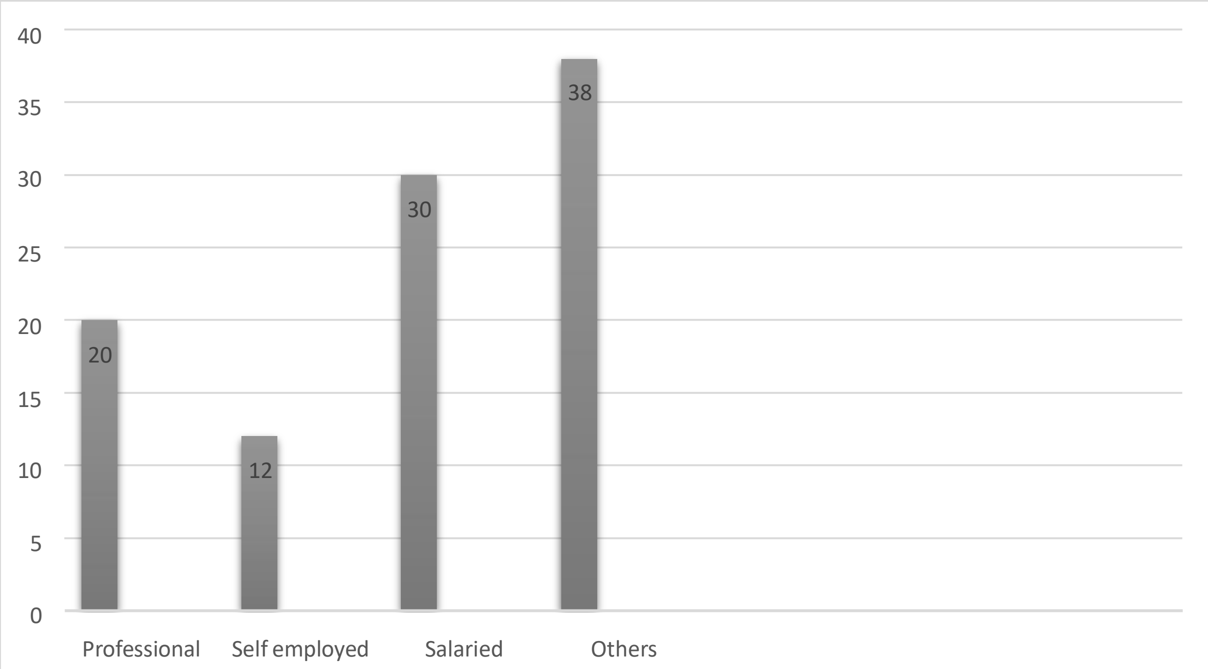
16% of respondents are from 41-50 years

4% of respondents are from above 50 years

3) <u>Occupation of Respondents</u>

Variable	No .of Respondents	Percentage
Professional	20	20%
Self employed	12	12%
Salaried	30	30%

Others	38	38%
Total	100	100%



Interpretation

20 % of respondents are into Professional

12 % of respondents are into self employed

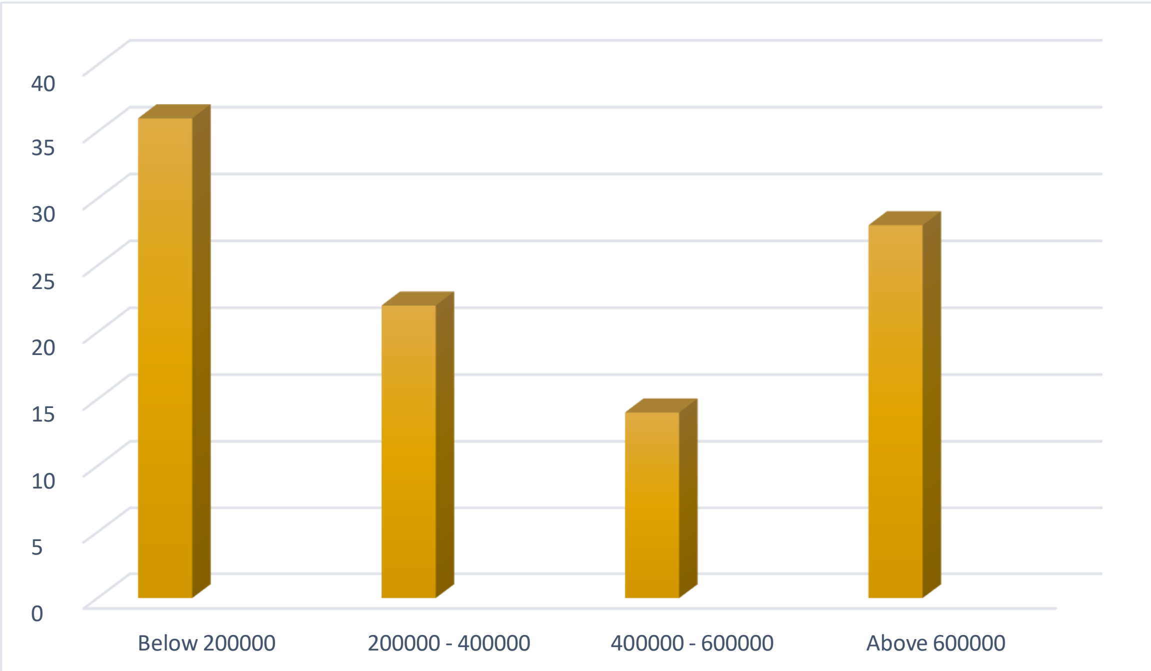
30 % of respondents are into Salaried

38 % of respondents are into others

4) <u>Yearly income of the respondents</u>

Variable	No of Respondents	Percentage
Below 200000	36	36%
200000 – 400000	22	22%

400000 – 600000	14	14%
Above – 600000	28	28%
Total	100	100%



Interpretation

36% of the respondents belongs to below 200000

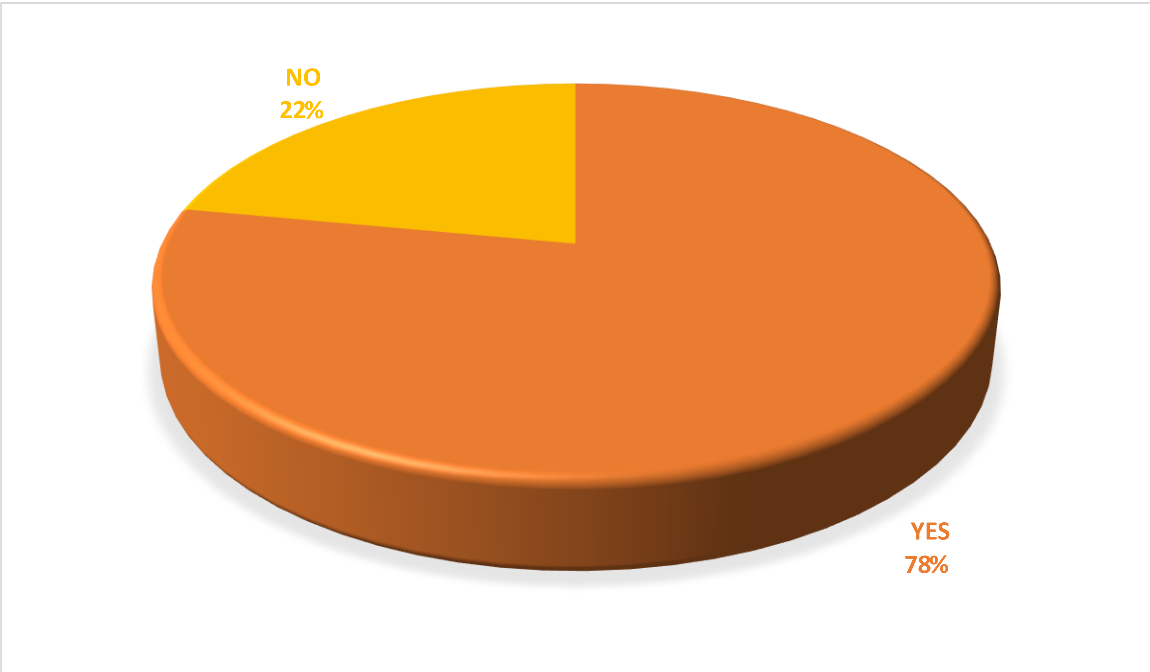
22% of the respondents belongs to 200000 - 400000

14% of the respondents belongs to 400000 - 600000

28% of the respondents belongs to above 600000

5) Number of respondents own a home

Variable	No of Respondents	Percentage
YES	78	78%
NO	22	22%
Total	100	100%



Interpretation

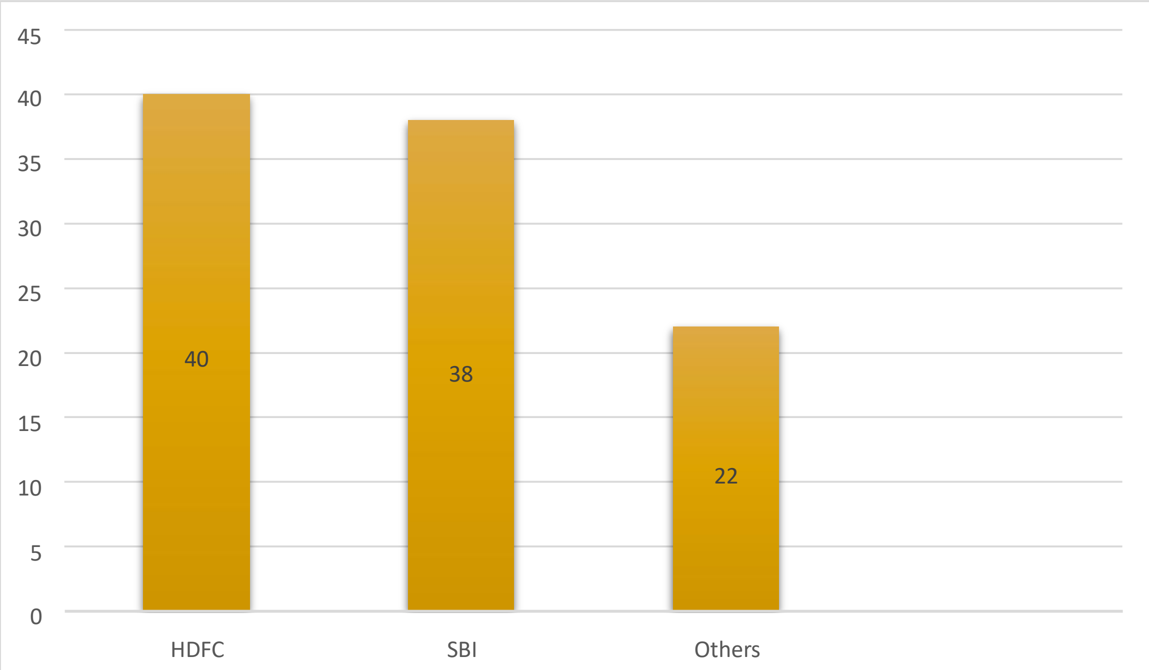
78% of respondents own a home

22% of respondents do not own a home

6) Respondents awareness about the home loans product

Variable	No of Respondents	Percentage
HDFC	38%	38%
SBI	22%	22%
Others	40%	40%

Total	100%	100%



Interpretation

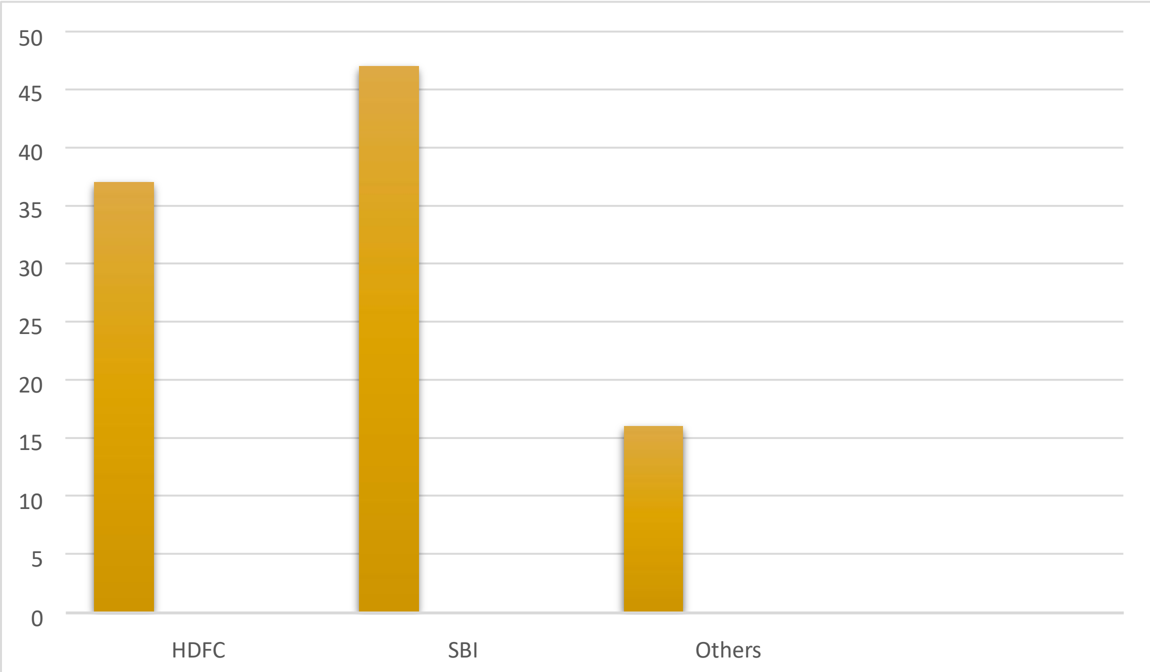
38% of respondents are aware about the HDFC bank home loan products.

22% of respondents are aware about the SBI bank home loan products.

40% of respondents are aware about the Others bank home loan products.

7) According to respondents which bank's home loan product do they find most reliable

Variable	No of Respondents	Percentage
HDFC	37%	37%
SBI	47%	47%
Others	16%	16%
Total	100%	100%



Interpretation

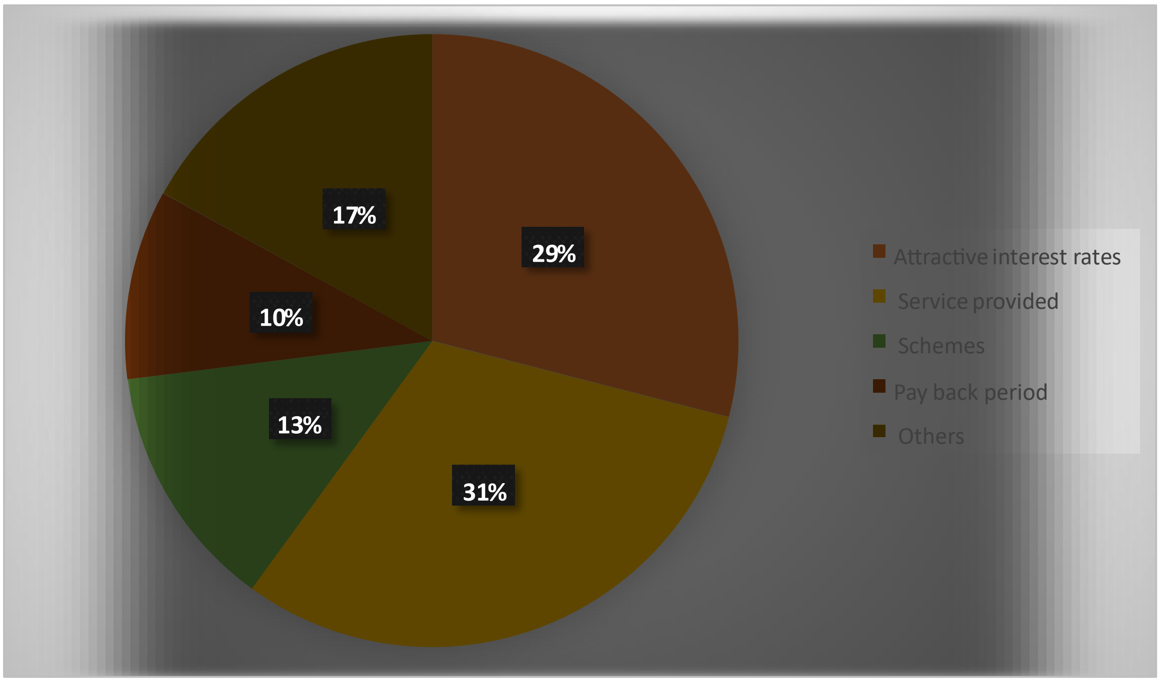
37% of respondents are reliable with HDFC bank home loan products.

47% of respondents are reliable with SBI bank home loan products

16% of respondents are reliable with Others bank home loan products

8) Through which method respondents finds the bank's home loan product most reliable

Variable	No. of Respondents	Percentage
Attractive interest rates	29	29%
Service provided	31	31%
Schemes	13	13%
Pay back period	10	10%
Others	17	17%
Total	100	100%



Interpretation

29% of respondents know the home loan product by Attractive interest rates.

31% of respondents know the home loan product by service provided.

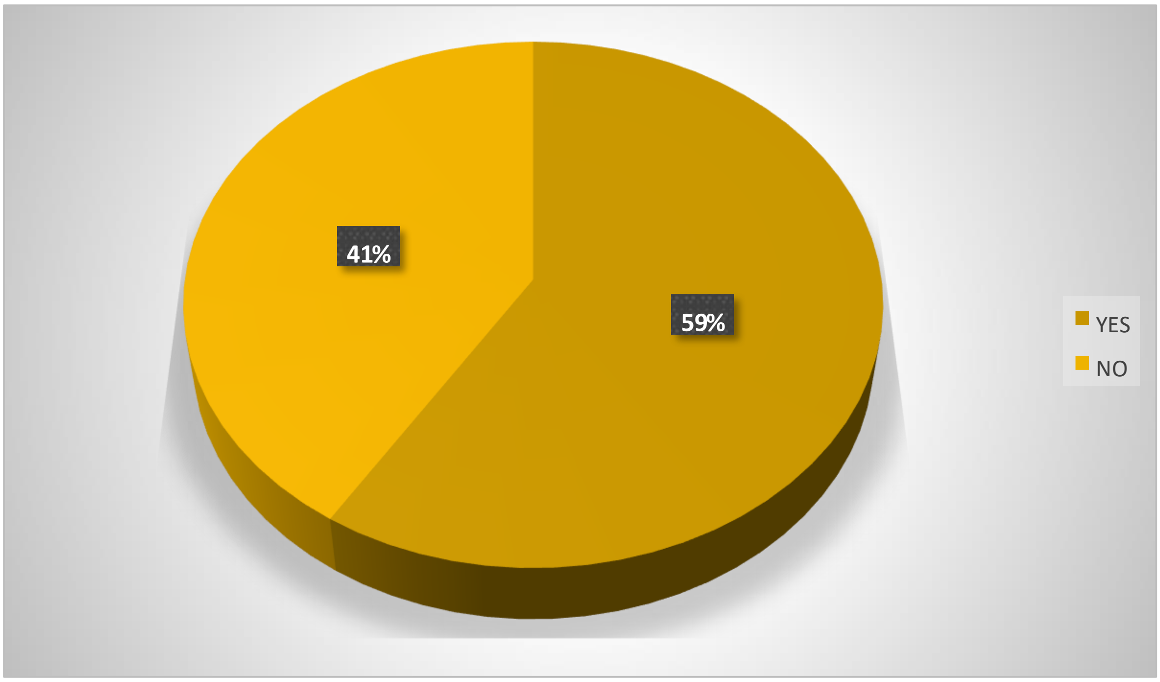
13% of respondents know the home loan product by Schemes.

10% of respondents know the home loan product by Payback period.

17% of respondents know the home loan product by Others.

9) <u>Respondents who has taken home loan</u>

Variable	No of Respondents	Percentage
YES	59	59%
NO	41	41%
Total	100	100%



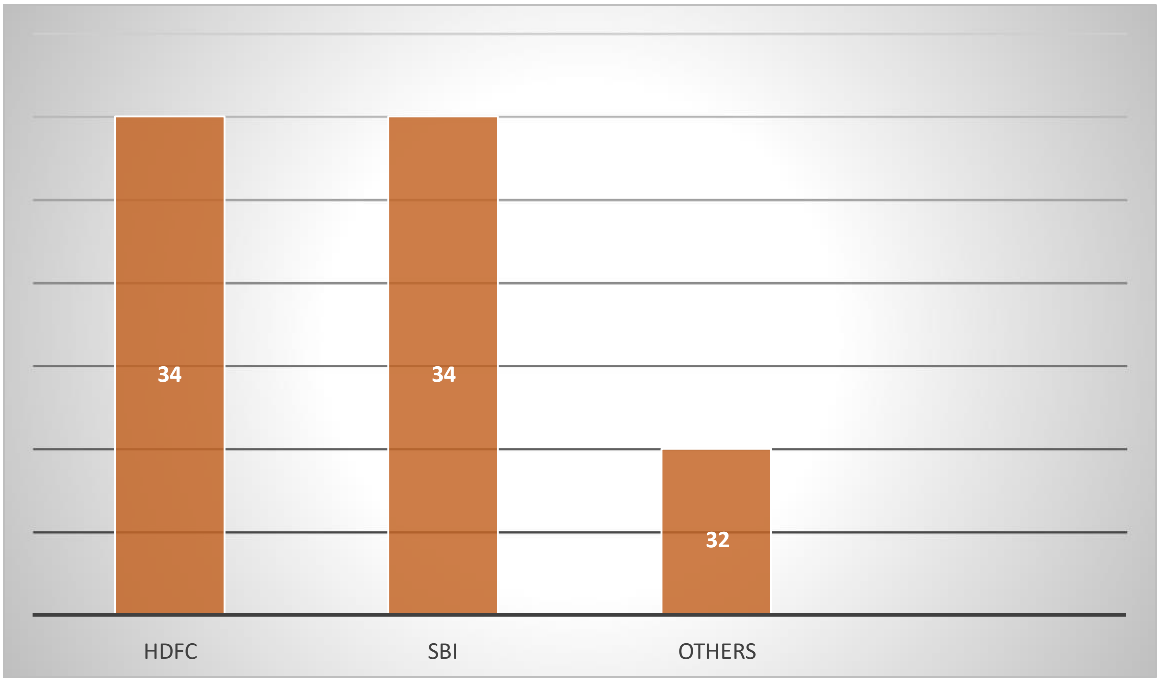
Interpretation

59% of respondents have taken a home loan

41% of respondents have no home loan

10) Respondents bank preference for the home loan

Variable	No of Respondents	Percentage
HDFC	34%	37%
SBI	34%	47%
Others	32%	16%
Total	100%	100%



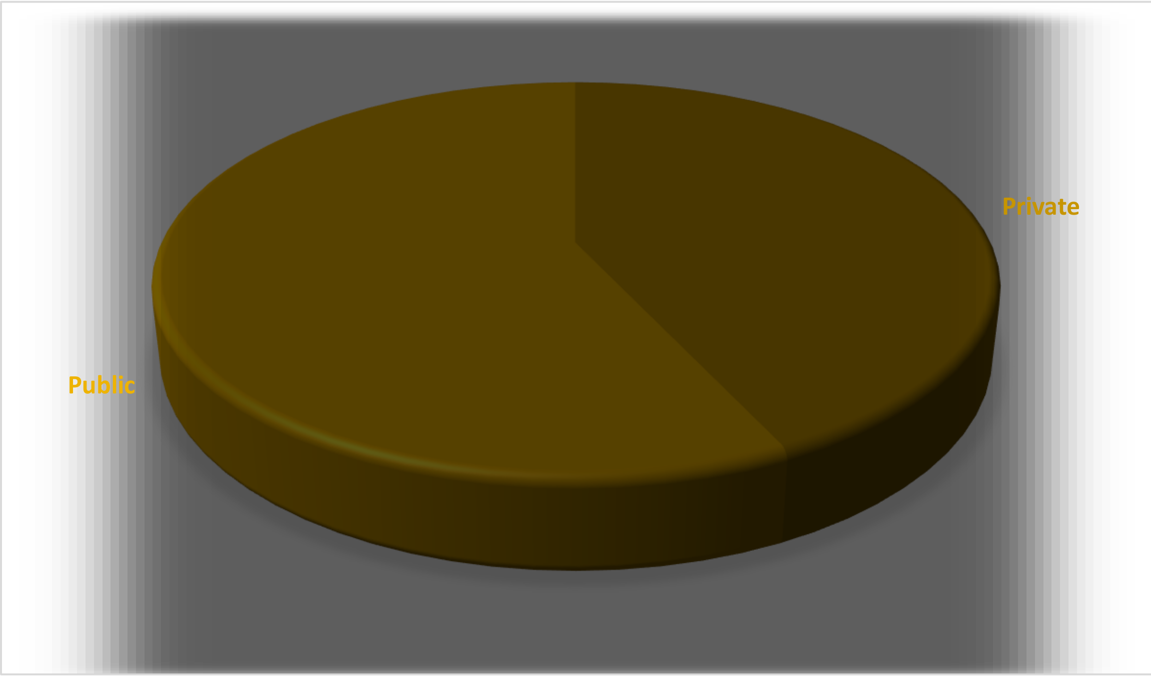
Interpretation

34% of respondents prefer HDFC & SBI bank product.

32% of respondents prefer Other bank product .

11) Respondents preference for public sector or private sector bank for housing loan

Variable	No of Respondents	Percentage
Private sector (HDFC)	43	43%
Public sector (SBI)	57	57%
Total	100	100%



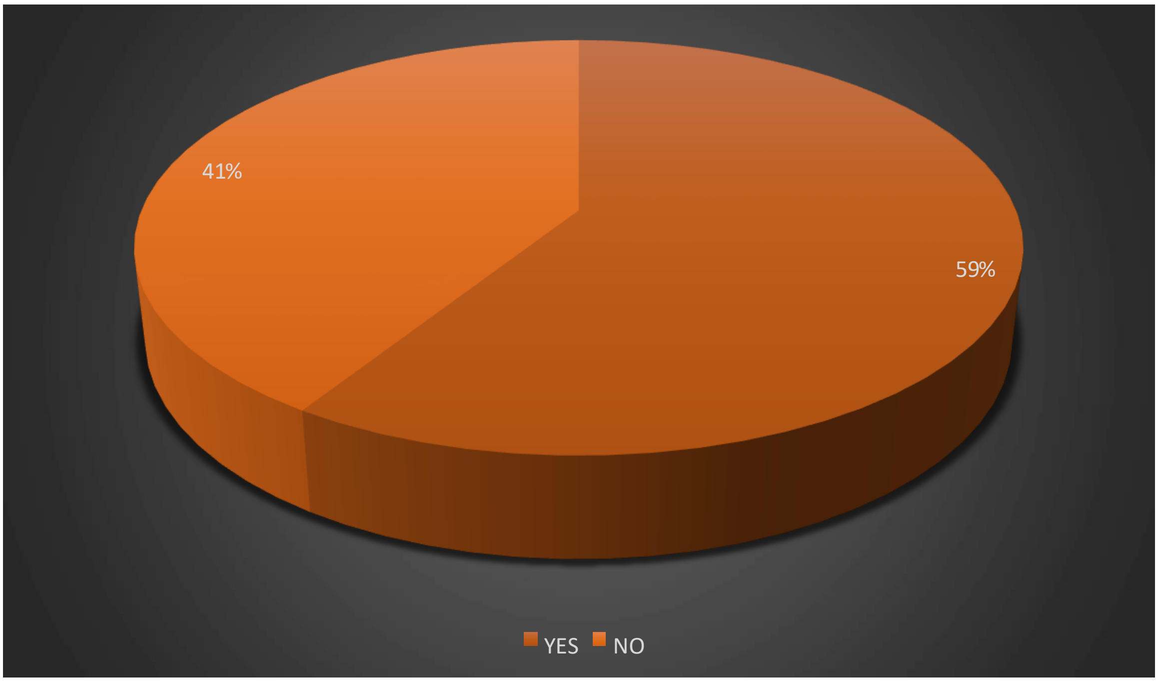
Interpretation

43% of them prefer private sector (HDFC) for housing bank.

57% of them prefer public sector (SBI) for housing bank

12) Respondents satisfaction with the interest rate charges by the banks

Variable	No of Respondents	Percentage
YES	59	59%
NO	41	41%
Total	100	100%



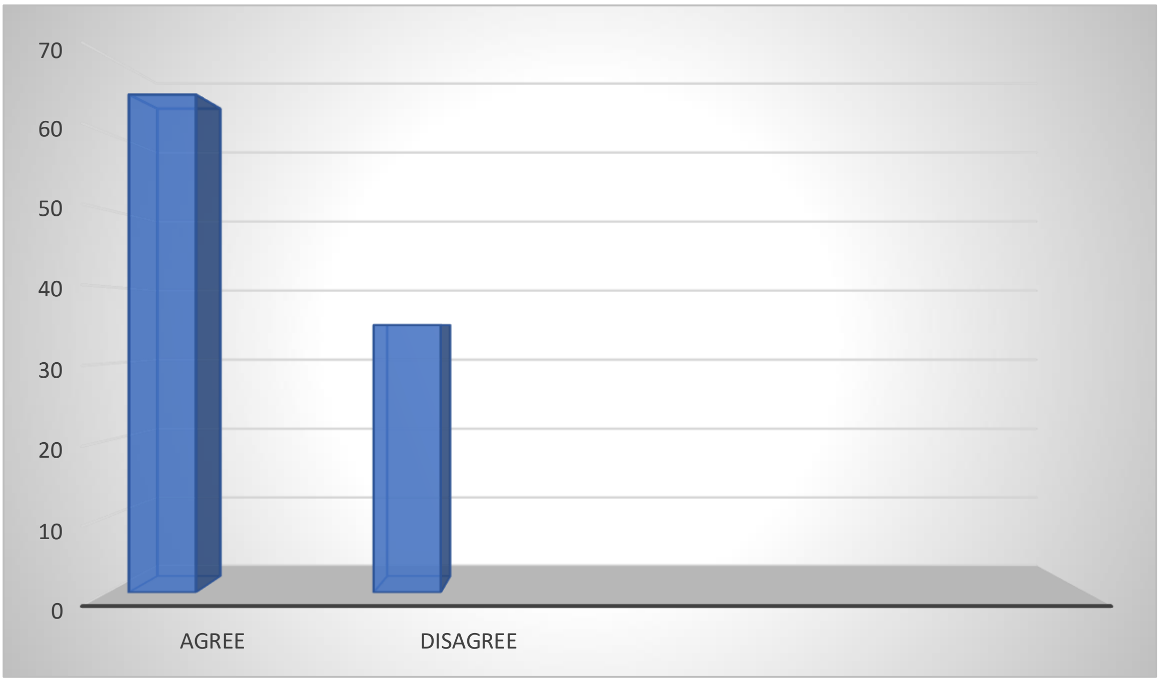
Interpretation

59% of respondents are satisfied with the interest rates.

41% of respondents are not satisfied with the interest rates .

13) <u>Respondents view on Bank loan procedure is faster</u>

Variable	No of Respondents	Percentage
Agree	65	65%
Disagree	35	35%
Total	100	100%



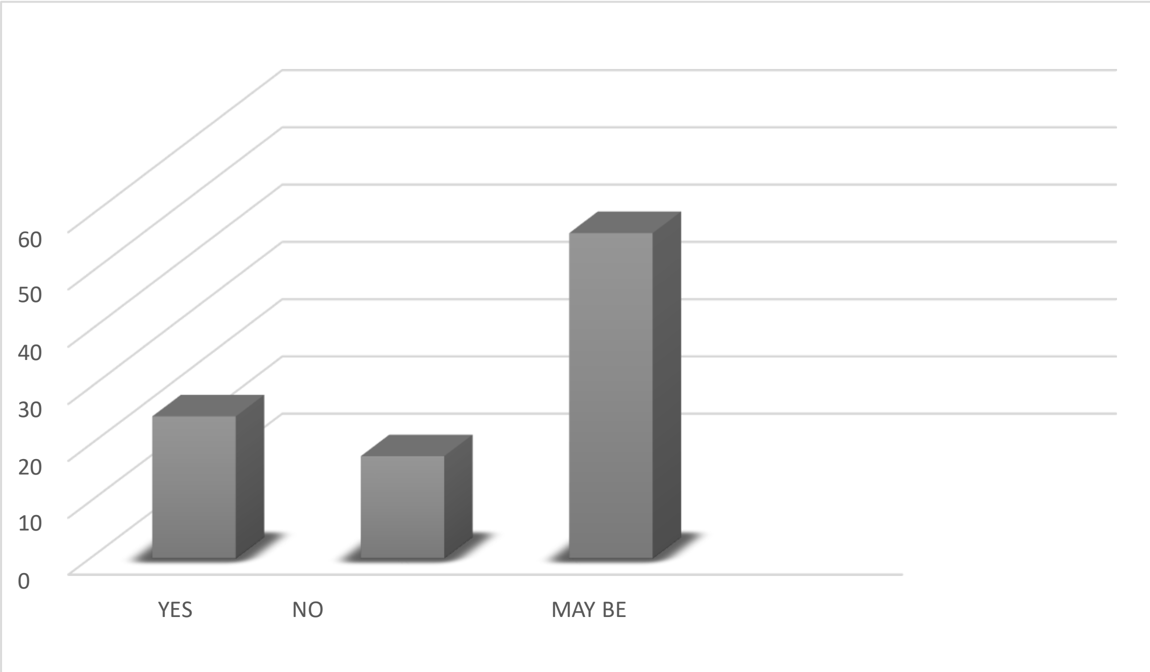
Interpretation

65% of respondents agree that the bank procedure is fast

35% of respondents disagree that the bank procedure is fast

14) <u>If respondents is interested in taking home loan in future</u>

Variable	No of Respondents	Percentage
YES	25%	25%
NO	18%	18%
May be	57%	57%
Total	100%	100%



Interpretation

25% of respondents are interested in taking home loan in future .

18% of respondents are not interested in taking home loan in future .

57% of respondents may take home loan in future .
comparison of home loan of State Bank of India and Housing development finance corporation

Parameters	**STATE BANK OF INDIA**	**HDFC BANK**
Name of the scheme	Regular Home loan	Home loan
Purpose	For purchase of ready built property, purchase of under construction property ,purchase of pre-owned homes, construction of a house, extension of house and repair/renovation.	For purchase home, for purchase properties in existing co-operative housing society, for construction or renovate of house.

Features	• Low Interest Rates • Low Processing Fee • No Hidden Charges • No Prepayment Penalty • Interest charges on Daily reducing Balance • Repayment upto 30 years • Home Loan Available as Overdraft • Interest Concession for Women Borrowers	• Attractive loan of interest • Longer tenure • Door step service • Providing legal and technical counselling to make right decision. • Offer online home loan solution.
Maximum Age	70 years	65 years
Loan tenure	Up to 30 years	Up to 30 years
Overdraft facility	Available	Available
Concession for women borrower	Available	Available
Rate of Interest	Loan Up to 30 lakh:7% p.a. term loan 7.35% for max gain Above 30 to 75 lakh: 7.25% for term loan 7.60% for max gain Above75lakh: 7.35%forterm loan7.70%for max gain	For any loan amount: 6.80%to7.30%p.a.
Total Interest on 10 lakh	Rs. 3,93,302	Rs. 3,80,964
EMI	11611	11508
Processing fees	0.40% of loan amount	0.50% of loan amount

Balance Sheet of Housing Development Finance Corporation Bank (HDFC) from the year 2017 to 2020.

	31.03.16	31.03.2017	31.03.2018	31.03.2019	31.03.20
Capital and liabilities					
capital	776,27,77	797,35,04	892,45,88	892,46,12	892,46,12
Reserve and surplus	179816,08,85	216394,79,86	229429,48,68	233603,19,93	250167,66,30
Minority interest	6267,40,44	6480,64,58	4615,24,51	6036,99,13	7943,82,20
Deposits	2253857,56,44	2599810,66,19	2722178,28,21	2940541,06,11	3274160,62,54
Borrowings	258214,39,05	336365,66,48	369079,33,88	413747,66,10	332900,67,03
Other liabilities and provision	271965,91,64	285272,43,87	290238,19,13	2936425,68,92	331427,10,24
total	**2970897,64,19**	**3445121,56,02**	**3616444,56,45**	**3888467,06,31**	**4197492,34,43**
Asset					
Cash and balance with RBI	160424,56,91	161018,61,07	150769,45,69	177362,74,09	166968,46,05
Balance with banks and money at call and short notice	43734,89,64	112178,54,46	44519,65,14	48149,52,30	87346,80,31
Investments	705189,07,67	1027280,86,90	1183794,24,19	1119247,76,62	1228284,27,77
Advances	1870260,89,28	1896886,82,01	1960118,53,51	2226853,66,72	2374311,18,12
Fixed assets	15255,68,28	50940,73,77	41225,79,26	40703,05,26	40078,16,81
Other assets	176032,52,41	196815,97,81	236005,32,50	276150,31,32	300503,45,37
Total	**2970897,64,19**	**3445121,56,02**	**361444,56,45**	**3888467,06,31**	**4197492,34,43**
Contingent liabilities	1184201,34,24	1184907,81,79	1166334,80,21	1121246,27,83	1221083,11,09
Bills for collection	106611,67,61	77727,05,90	74060,22,00	70047,22,64	55790,69,54

Ratio analysis:

1. Credit deposit ratio

The credit-deposit ratio, also known as the CD ratio, is the ratio of how much a bank lends in relation to the deposits it has mobilised. The CD ratio assesses a bank's liquidity and health; if the ratio is too low, banks may not be earning as much as they could.

FORMULA: CREDIT DEPOSIT RATIO = TOTAL ADVANCE/TOTAL DEPOSIT*100

Table no: 4.2

SBI bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total Advance	1870260,898	1896886,82,1	1960118,53,1	2226853,66,2	2374311,18,2
Total Deposit	2253857,56,44	2599810,66,19	2722178,28,21	2940541,06,11	3274160,62,54
Credit Deposit Ratio	82.98	72.90	72	75.72	72.51

(Source: Done by researcher)

Table no: 4.3

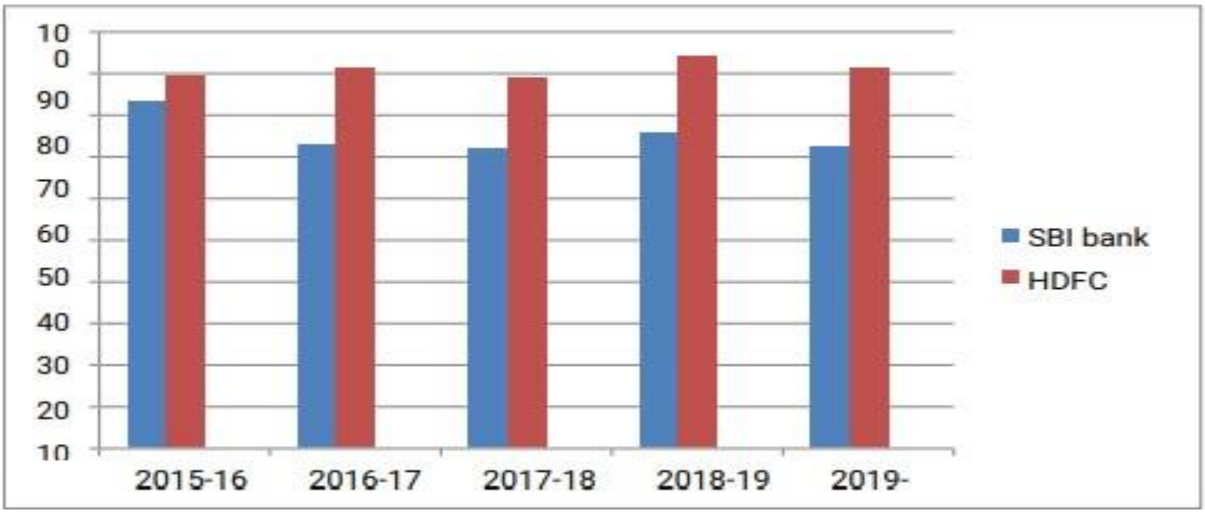
HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total Advance	4,872,904,174	5,854,809,871	7,000,338,363	8,692,226,631	10,436,708,771
Total Deposit	5,458,732,889	6,431,342,479	7,883,751,419	9,225,026,779	11,462,071,336
Credit Deposit Ratio	89.26	91.03	88.79	94.22	91.05

(Source: Done by researcher)

Table no: 4.4

Credit deposit ratio:					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	82.98	72.90	72	75.72	72.51
HDFC bank	89.26	91.03	88.79	94.22	91.05

Graph no.1: Credit deposit ratio graph:



Interpretation

The credit deposit ratio measures how much a bank lends out of the deposits it has mobilised. The RBI does not specify a minimum or maximum level for the ratio, but a very low ratio indicates that banks are not misusing their resources. A high ratio, on the other hand, indicates a greater reliance on deposits for lending, implying a potential strain on resources.

In the case of SBI bank, the credit deposit ratio is the highest, at 82.98 in 2015-16, when compared to previous years, which is favourable. In the fiscal year 2016-17, the CD ratio fell to 72.90%. This is due to the fact that the deposit is increased by 13.30% while total advances are only increased by 1.40%. The CD ratio in 2017-18 is 72.00%. This is due to advances and deposits being increased, but at a lower rate of 3.23% and 4.50%, respectively. The CD ratio increased to 75.72% in 2018-19. This is because advances have increased rapidly by 11.98%, while deposits have increased at a slower rate of 7.43%. In 2019-20, the CD ratio falls again to 72.51%, while deposits and advances rise slightly to 10.18%.

In 2015-16, the CD ratio was 89.26%, but in 2016-17, it increased to 91.03%. This year, deposits and advances have increased by 15.12% and 16.77%, respectively. However, the CD ratio fell again in 2017-18, reaching 88.79% as deposits increased more than advances.

Deposits are up 18.42%, but advances are up at the same rate of 16.38%. In 2018-19, the CD ratio increased to 94.22%. This is the highest co ratio in comparison to previous years. The reason for this is a 19.46% increase in deposit. Advances increased as well, but at a slower rate, 14.59%. However, the 2019-20 CD ratio falls to 91.05% due to advances increasing more than deposits by 9.52% a 16.71%. CD ratio of HDFC Bank is higher as compared to SBI Bank .It means SBI bank is not making full use of their resources. Bank should increase their deposit to increase their CD ratio.

2. Total Debt Ratio

The debt ratio is a percentage that compares a company's total liabilities to its total assets. It denotes the company's ability to satisfy its liabilities with its assets, or the number of assets that must be sold in order to pay all of its liabilities. It is concerned with the overall debt burden of the company.

FORMULA: TOTAL DEBT RATIO= TOTAL LIABILITIES/ TOTAL ASSET

Table no: 4.5

SBI bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total liability	211478,85,968	322792,94,112	338611,10,573	365397,14,026	394643,22,201
Total asset	2970897,64,19	3445121,56,02	3616444,56,45	3888467,06,31	4197492,34,43
Total debt ratio	0.73	0.94	0.94	0.94	0.94

(Done by researcher)

Table no: 4.6

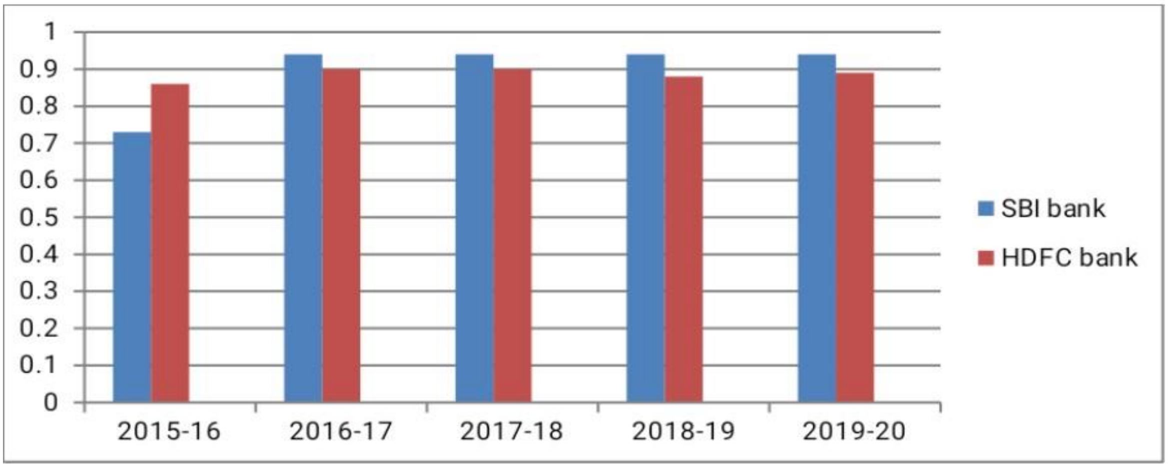
HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total liability	6559576945	8005502119	9935870452	11391330470	14044717321
Total asset	7,622,123,264	8,923,441,607	11,031,861,695	12,928,057,065	15,808,304,373
Total debt ratio	0.86	0.90	0.90	0.88	0.89

(Done by researcher)

Total debt ratio:					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	0.73	0.94	0.94	0.94	0.94
HDFC bank	0.86	0.90	0.90	0.88	0.89

(Done by researcher)

Graph no. 2: Total debt ratio graph:



Interpretation:

The debt ratio quantifies a company's leverage in terms of total debt to total asset. A debt-to-asset ratio greater than 1.0 indicates that a company has more debt than assets. When the debt ratio is less than 1.0, the company has more assets than debt. The graphs above show the total debt ratios of SBI and HDFC banks. In 2015-16, SBI Bank's ratio is 0.73, which is lower than HDFC Bank's ratio of 0.86. A lower ratio indicates that the bank has more assets than debt. This means that SBI Bank outperformed HDFC Bank in 2015-16. SBI and HDFC bank's total debt ratios in 2016-17 are 0.94 and 0.90, respectively. Both the bank's and the market's performance appears to be stable. In comparison to last year, SBI's Total Debt ratio has increased from 0.73 to 0.94. Total liabilities (34.49%) increased more than total assets (13.77%). SBI's total debt ratio in 2017-18 is 0.94, while HDFC's debt ratio is 0.90. Both banks demonstrate that they have more assets than debt, which is advantageous to them. In the academic year 2018-19.

SBI bank has a total debt ratio of 0.94, which is higher than HDFC bank's total debt ratio of 0.88. In this year, HDFC Bank outperformed SBI Bank. SBI bank maintained the same ratio as last year, but HDFC bank's Total debt ratio decreased from 0.90 to 0.88. Because Total Bank's total asset increased by 14.67%, Total liability increased at a lower rate of 12.78%. In 2019-20, HDFC Bank's total debt ratio is 0.89%, which is lower than SBI Bank's 0.94%. This year, HDFC Bank maintained a low total debt ratio, which is good for the bank. SBI bank has maintained 0.94 over the last four years, which is not bad for a bank. However, when compared to HDFC bank, SBI bank must maintain a low liability in relation to their total assets.

3. Debt Equity Ratio

The debt-equity ratio (also known as the debt-equity ratio, risk ratio, or gearing) is a leverage ratio that compares total debt and financial liabilities to total shareholders' equity.

FORMULA : DEBT EQUITY RATIO =TOTAL LIABILITIES /SHAREHOLDER EQUITY

Table no: 4.8

SBI bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total Liabilities	2644817949	3428463102	3737305839	4197746523	3408444923
Total Shareholder Equity	1442744360	2171921490	2303219456	2344956605	2510601242
Debt Equity Ratio	1.83	1.57	1.62	1.79	1.30

(Source: Done by researcher)

Table no: 4.9

HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total liabilities	719440778	987070828	1567984170	1582345735	1874109644
Total Shareholder Equity	743041242	917939488	1095991243	1536726595	1763587052
Debt Equity Ratio	0.96	1.07	1.43	1.03	1.06

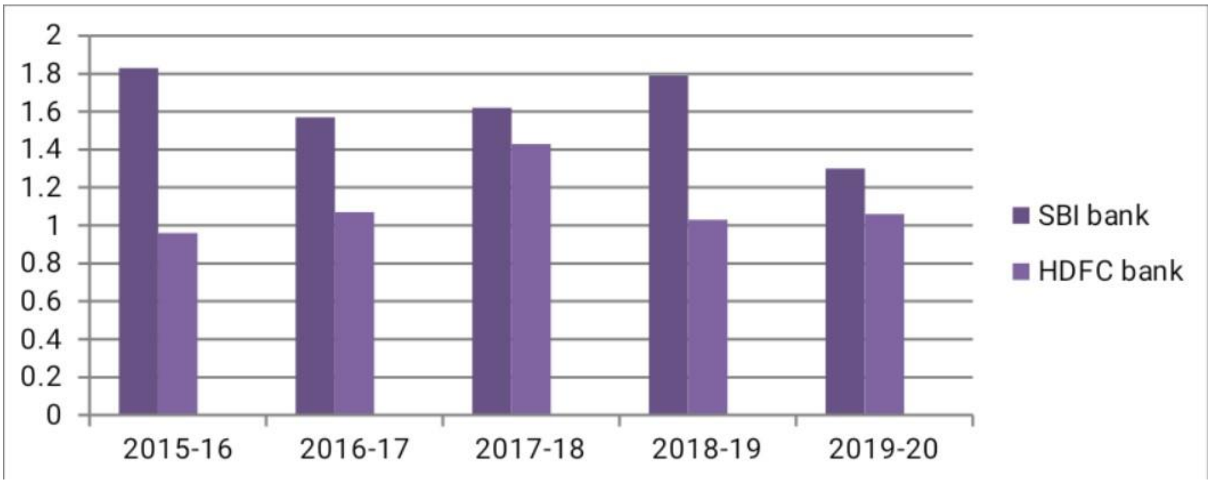
(Source: Done by researcher)

Table no: 4.10

Debt equity ratio:					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	1.83	1.57	1.62	1.79	1.30
HDFC bank	0.96	1.07	1.43	1.03	1.06

(Source: Done by researcher)

Graph no.3. Debt equity ratio graph:



Interpretation:

A debt-to-equity ratio reflects a bank's debt position. A low debt equity ratio indicates that the company uses less debt from lenders and more equity from shareholders. A higher ratio indicates that the bank is getting more of its funding from borrowers' funds. A D/E ratio of 1.5 or lower is considered desirable, while a ratio greater than 2 is considered less desirable.

In 2015-16, SBI bank's debt equity ratio is 1.83, while HDFC bank's debt equity ratio is 10.93. Because both ratios are less than 1.5, both banks are performing well.

SBI banks' D/E ratio fluctuated for 11.57 in 2016-17.

Because the shareholder fund increased by 33.57% in 2016-17, but the long-term liability increased by only 22.86%.

In the case of HDFC Bank, the D/E ratio increased to 1.07 in 2016-7.B because long- term liabilities grew faster than shareholder funds, by 27.11% and 19.05%, respectively. SBI bank's D/E ratio in 2017-18 is 11.62, which is greater than 1.5, which is not desirable for a bank. The D/E ratio of HDFC Bank is 1.43. This means that HDFC Bank outperformed SBI Bank in 2017-18.

In 2018-19, HDFC bank's debt equity ratio is 31.03, which is favourable for the bank. On the other hand, SBI bank's D/E ratio has increased to 1.79, which is quite risky. SBI bank's liability increased by 10.9% this year, but shareholder funds increased by only 1.77%. As a result, the DIE ratio has been raised to 1.79.

SBI bank's liability decreased by 23.16% in 2019-20, while shareholder funds increased by 6.59%, resulting in a D/E ratio of 1.30, which is favourable for the bank. HDFC Bank's DIE equity ratio, on the other hand, is 1.06. In terms of performance over the last five years, HDFC Bank outperforms SBI Bank.

4. Borrowing to net worth Ratio

To calculate your loan-to-net-worth ratio, divide the amount you want to borrow by your net worth.

Formula: Borrowing to net worth ratio = Borrowing/ Net worth

Table no: 4.11

SBI bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Borrowing	258214,39,05	336365,66,48	369079,33,88	413747,66,10	332900,67,03
Net worth	1442744360	2171921490	2303219456	2344956605	2510601242
Borrowing to net worth	1.78	1.54	1.60	1.76	1.32

(Source: Done by researcher)

Table no: 4.12

HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Borrowing	717,634,520	984,156,439	1,564,420,848	1,577,327,790	1,868,343,231
Net worth	743041242	917939488	1095991243	1536726595	1763587052
Borrowing to net worth	0.97	1.07	1.42	1.03	1.06

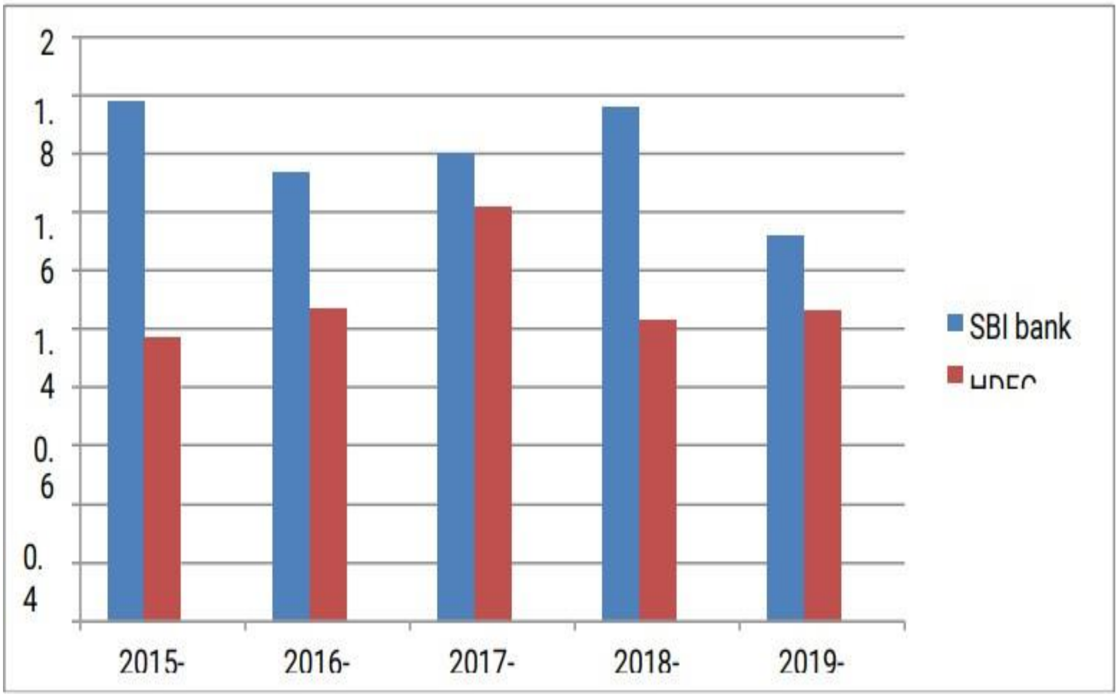
(Source: Done by researcher)

Table no: 4.13

Borrowing to net worth ratio:					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	1.78	1.54	1.60	1.76	1.32
HDFC bank	0.97	1.07	1.42	1.03	1.06

(Source: Done by researcher)

Graph no.4. Borrowing to net worth ratio graph:



Interpretation:

Borrowing to net worth ratio is a financial metric that compares a company's debt to its net worth. It is an indicator of a company's financial health. The ratio assists investors in determining how much of a bank's financing is debt. A high borrowing net worth ratio is not a good sign for a bank, whereas a low ratio is desirable.
Borrowing to net worth ratio in 2015-16 is 1.78, which is greater than HDFC Bank's net worth ratio of 0.97, indicating that HDFC Bank is in a better position than SBI Bank. In fiscal year 2016-17, HDFC Bank's ratio increased to 1.07 as borrowing and net worth

increased by 27.08% and 19.05%, respectively. The SBI bank's ratio has been reduced to 1.54. In 2017-18, SBI bank's borrowing to net worth ratio is 1:6, which is significantly lower than HDFC bank's ratio of 1.42.

In 2018-19, SBI Bank's borrowing to net worth ratio is 1.76, while HDFC Bank's net worth increased to 28.68%, resulting in a drop in borrowing to net worth ratio to 1.03. Borrowing of SBI bank is reduced by 24.29% in 2019-20, resulting in a borrowing to net worth ratio of 1.32, which is a positive sign for the bank.

HDFC Bank's borrowing-to-net worth ratio, on the other hand, is 1.06. Based on the last five years of performance, we can conclude that HDFC Bank outperforms SBI Bank.

5. Investment to Deposit Ratio Investment-

Investments divided by total deposits equals the deposit ratio. This allows you to see how much of your deposit is invested in government securities. Because banks require additional government security to meet their day-to-day liquidity requirements, this ratio typically reflects a higher value than the SLR.

Formula: Investment to deposit ratio = Total investment / Total deposit

Table no: 4.14

SBI bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total investment	705189,07,67	1027280,86,90	1183794,24,19	1119247,76,62	1228284,27,77
Total deposit	2253857,56,44	2599810,66,19	2722178,28,21	2940541,06,11	3274160,62,54
Investment to deposit Ratio	0.31	0.39	0.43	0.38	0.38

(Source: Done by researcher)

Table no: 4.15

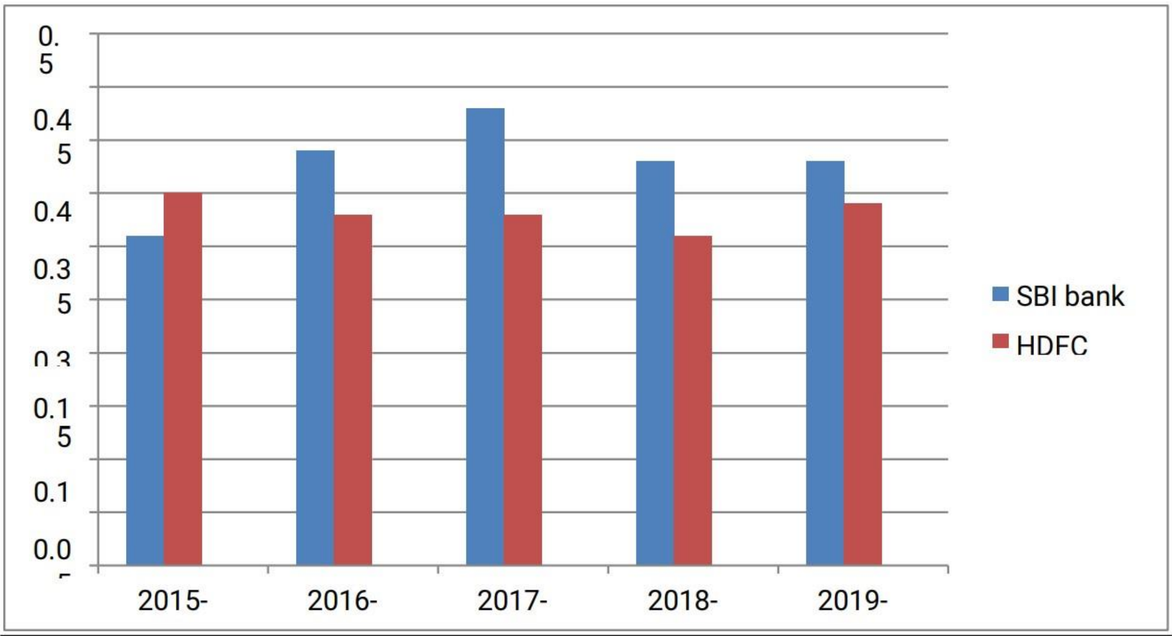
HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total investment	1.936,338,475	2,107,771,120	2,384,733,488	2,894,458,722	3,893,049,519
Total deposit	5,458,732,889	6,431,342,479	7,883,751,419	9,225,026,779	11,462,071,336
Investment to deposit Ratio	0.35	0.33	0.30	0.31	0.34

Table no: 4.16

Investment to deposit ratio:					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	0.31	0.39	0.43	0.38	0.38
HDFC bank	0.35	0.33	0.30	0.31	0.34

(Source: Done by researcher)

Graph no.5. Investment to Deposit Ratio graph



Interpretation-

Total investment deposit ratio is an absolute growth that helps to understand how much of the deposit is invested in government securities because banks require additional government security to meet their day-to-day liquidity. SBI's investment deposit ratio in 2015-16 is 0.31, which is lower than HDFC's investment deposit ratio of 0.85. This demonstrates that HDFC Bank outperforms SBI Bank. SBI Bank's investment deposit ratio rises from 0.31 to 0.39 in 2016-17, as investment rises by 31.35%. While HDFC's bank investment ratio has been reduced to 0.33. There is a decrease in the Investment Deposit ratio because total deposit is increased at a higher rate (i.e.15.12%) than investment (i.e.8.13%).

SBI bank's investment deposit ratio in 2017-18 is 0.43, which is higher than HDFC bank's le.0.30. SBI bank's ratio increased from 0.39 to 0.43 in comparison to the previous year because investment increased by 13.22%.

In 2018-19, SBI bank's and HDFC bank's investment deposit ratios are 0.98 and 0.31, respectively. SBI bank outperforms HDFC bank this year. In the case of SBI bank, the ratio fell from 0.43 to 0.38 because investment fell by 5.77% while deposits increased (by7.43).

SBI bank's investment deposit ratio is higher than HDFC bank's in 2019-20, at 0.38 and 0.34, respectively. SBI banks outperform HDFC banks once again this year.

6. Equity Multiplier Ratio

The equity multiplier is a financial leverage ratio that measures the amount of a firm's assets that are financed by its shareholders by comparing total assets with total shareholder's equity.

FORMULA: EQUITY MULTIPLIER = TOTAL ASSET/TOTAL EQUITY

Table no: 4.17

SBI bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total asset	29708976419	34451215602	36164445645	38884670631	41974923443
Total shareholder Equity	1442744360	2171921490	2303219456	2344956605	2510601242
Equity multiplier ratio.	20.59	15.86	15.70	16.58	16.72

(Source: Done by researcher)

Table no: 4.18

HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total asset	7,622,123,264	8,923,441,607	11,031,861,695	12,928,057,065	15,808,304,373
Total shareholder Equity	743041242	917939488	1095991243	1536726559	1763587052

Equity multiplier ratio	10.25	9.72	10.07	8.41	8.96

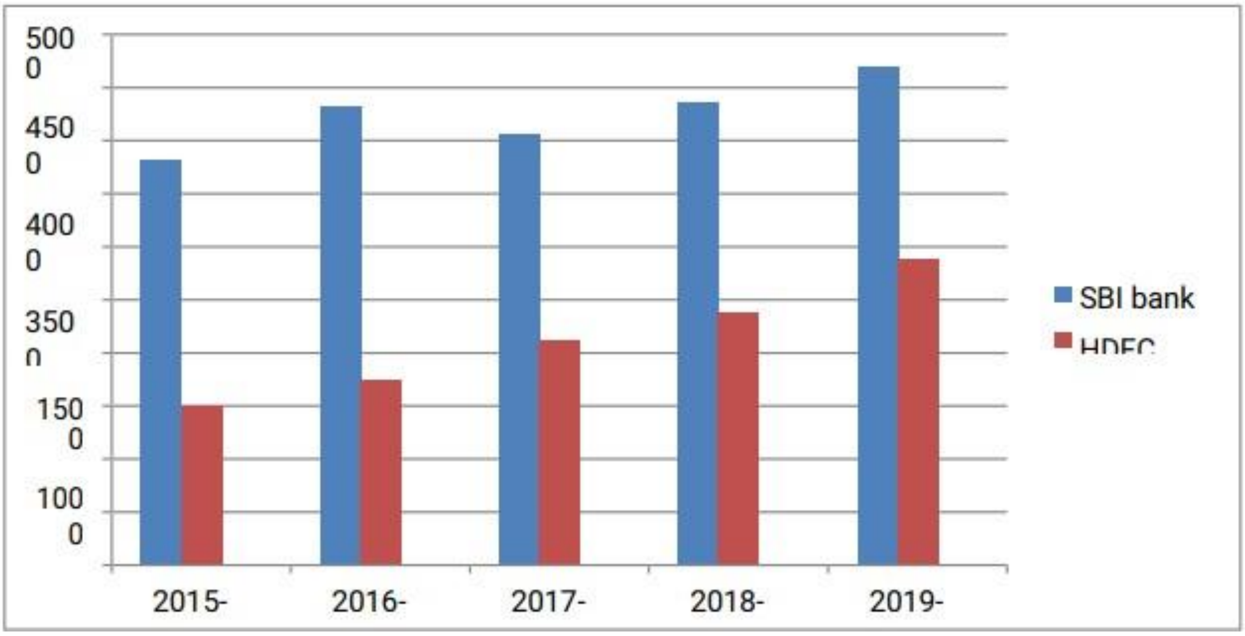
(Source: Done by researcher)

Table no: 4.18

Equity multiplier ratio:					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	20.59	15.86	15.70	16.58	16.72
HDFC bank	10.25	9.72	10.07	8.41	8.96

(Source: Done by researcher)

Graph no.6: Equity multiplier ratio graph



Interpretation:

The equity multiplier is a measure of financial leverage. It is useful in determining how much of a bank's assets are financed by equity and debt. There is no such thing as an ideal equity multiplier. It will differ depending on the industry. A high equity multiplier indicates that a bank is borrowing heavily to finance an asset.

SBI bank's equity multiplier ratio in 2015-16 is 20:59, which is significantly higher than HDFC bank's ratio of 10.25. It demonstrates that SBI Bank has a lower equity Fund for Finance assets.

SBI bank's equity multiplier ratio in 2015-16 is 20:59, which is significantly higher than HDFC bank's ratio of 10.25. It demonstrates that SBI Bank has a lower equity Fund for Finance assets.

SBI and HDFC bank's equity multiplier ratios in 2016-17 are 15.86 and 9.72, respectively. SBI has a higher equity multiplier ratio than HDFC this year as well. When compared to the previous year, SBI bank's ratio has decreased from 20.59 to 15.86. This is due to the fact that Asset shareholder equity has increased (by 33.57%) more than Asset (by 13.77%).

HDFC Bank's equity multiplier ratio in 2017-18 is 10.07, which is higher than SBI Bank's ratio of 10.07. In 2018-19, HDFC Bank's equity multiplier ratio is 8.41, which is better than SBI Bank's ratio of 16.58. B.IO Because of the increased shareholder equity fund of 28.68%, the HDFC bank ratio has decreased from 10.07 to 8.41. In 2019-20, SBI bank's and HDFC bank's equity multiplier ratios are 16.72 and 8.96, respectively. Lowering the equity multiplier ratio is beneficial to banks, so HDFC bank outperforms SBI bank.

7. Proprietary Ratio

The proprietary ratio (also known as the equity ratio) is the ratio of shareholders' equity to total assets, and it provides a rough estimate of the amount of capitalization currently used to support a business.

Formula: Proprietor Ratio = Proprietor fund / Total asset

Table no: 4.19

HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20

Proprietor fund	1442744360	2171921490	2303219456	2344956605	2510601242
Total asset	2970897,64,19	3445121,56,02	3616444,56,45	3888467,06,31	4197492,34,4
Proprietary Ratio	0.048	0.063	0.064	0.060	0.060

(Source: Done by researcher)

Table no: 4.20

HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Proprietary fund	743041242	917939488	1095991243	1536726595	1763587052
Total asset	7,622,123,264	8,923,441,607	11,031,861,695	12,928,057,065	15,808,304,37
Proprietary Ratio	0.097	0.103	0.099	0.119	0.112

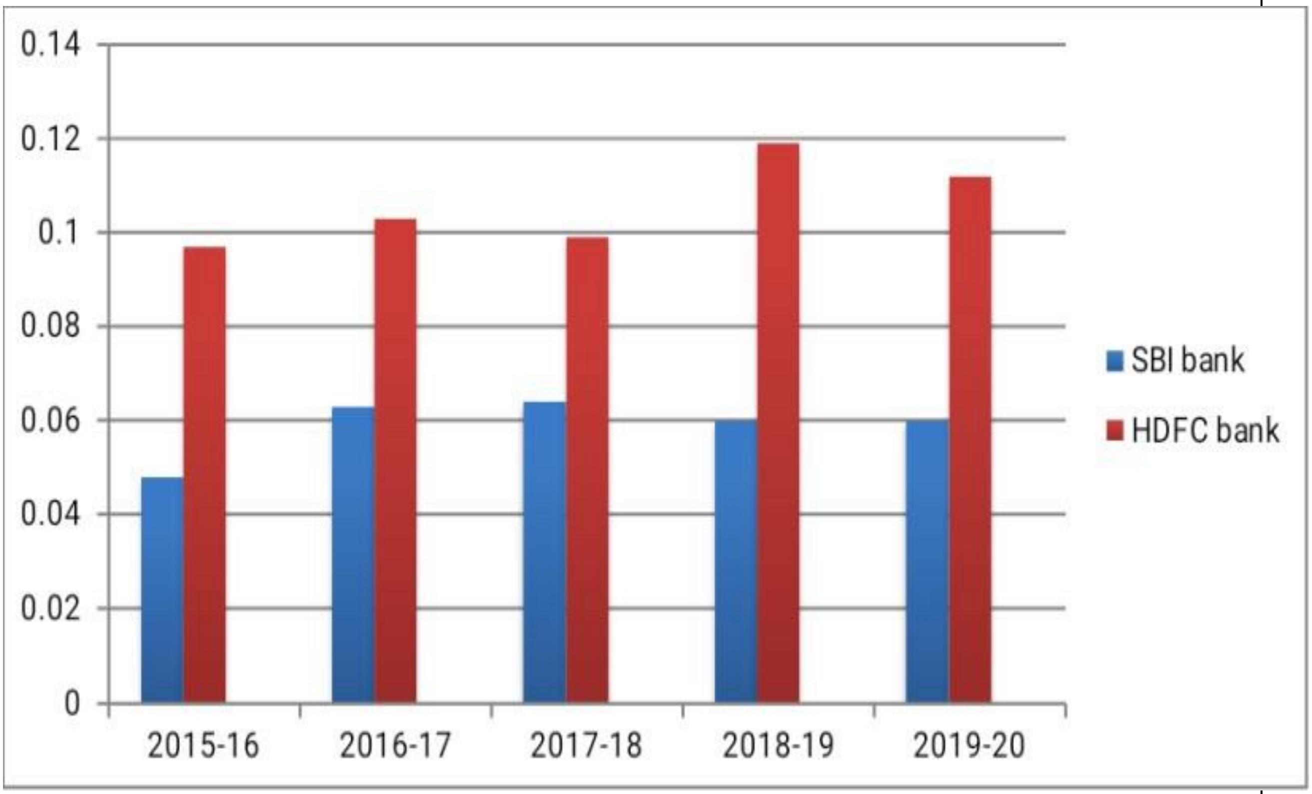
(Source: Done by researcher)

Table no: 4.21

Proprietary ratio					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	0.048	0.063	0.064	0.060	0.060
HDFC bank	0.097	0.103	0.099	0.119	0.112

(Source: Done by researcher)

Graph no. 7: Proprietary ratio graph



Interpretation:

Proprietary Ratio denotes the proportion of a company's total assets that are financed by the proprietor's fund. The proprietary ratio is also referred to as the equity ratio. It aids in determining a bank's financial strength. A high proprietary Ratio indicates the relative proportion of capital contribution by shareholders to total bank assets. A low ratio indicates greater reliance on external sources. Banks should mix and balance their external and internal sources so that none are overburdened in comparison to the others. SBI Bank's proprietary ratio for 2015–16 was 0.048, which is lower than HDFC Bank's proprietary ratio of 0.097. SBI's low ratio demonstrates reliance on outside sources as opposed to internal ones.

Due to a 19% growth in proprietary fund in the 2016–17 fiscal year, HDFC's proprietary ratio increased from 0.097 to 0.103. Proprietary Fund and Total grew in the case of SBI Bank by 33.57% and 13.76%, respectively, which caused SBI Banks' ratio to rise to 0.063.

The proprietary ratio of HDFC Bank in 2017–18 is 0.99, which is higher than SBI Bank's proprietary ratio of 064. Since assets increased by 19.11% in 2016–17, HDFC Banks' proprietary ratio declined from 0.103 to 0.099.

The proprietary ratio at HDFC Bank climbed to 0.119 in the 2018–19 fiscal year as a result of assets growing by 28.65% higher than the proprietary fund by 14.67%. In comparison to HDFC Bank, SBI Bank's proprietary ratio is 0.06, which is low. The proprietary ratio of an HDFC bank in 2019–20 is 0.112, more than the proprietary ratio of an SBI bank, which is 0.060. Given that HDFC has a greater ratio during the past five years than SBI, we can conclude that HDFC relies more on internal funding sources than SBI, whilst SBI has a lower ratio and relies more on external funding.

8. Current ratio

A liquidity ratio called the current ratio assesses a company's capacity to settle short-term debts that are due within a year. It explains to investors and analysts how a business can use its present assets to the fullest extent possible to pay down its current liabilities and other payables.

FORMULA : CURRENT RATIO : CURRENT ASSET/ CURRENT LIABILITY

Table no. 4.22

SBI bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
current asset	21082653505	31973648444	33392018853	35716136973	38569107225
current liability	19733514787	29671929576	31179246962	33782027611	33811784844
current ratio	1.07	1.08	1.07	1.06	1.14

(Source: Done by researcher)

Table no: 4.23

HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
current asset	6880426387	8455692187	10615563165	12379579835	15209159409
current liability	6250152383	7582169781	9530390175	10872758521	13406251774
current ratio	1.10	1.12	1.11	1.14	1.13

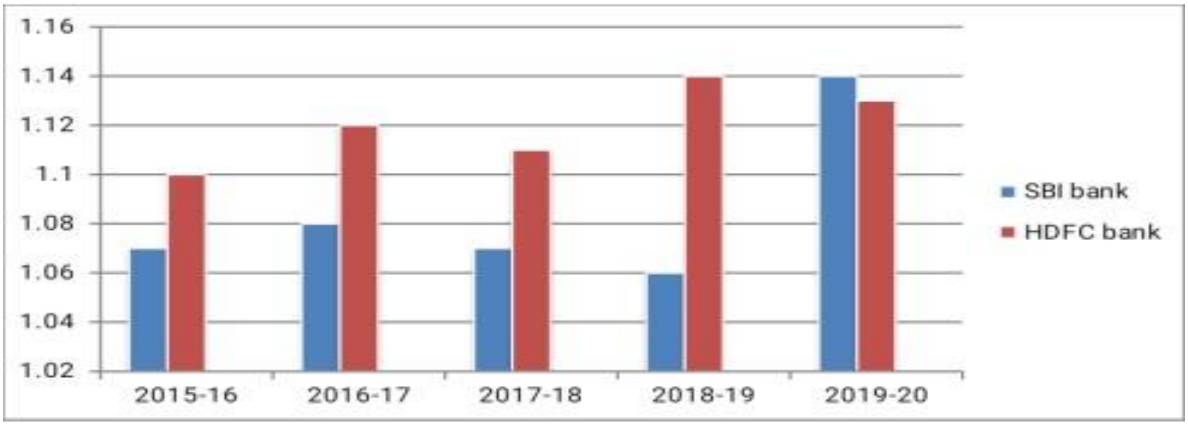
(Source: Done by researcher)

Table no: 4.24

Current ratio					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	1.07	1.08	1.07	1.06	1.14
HDFC bank	1.10	1.12	1.11	1.14	1.13

(Source: Done by researcher)

Graph no.8. Current ratio graph



Interpretation:

The liquidity ratio known as the current ratio gauges a company's ability to meet short-term obligations. A current ratio above one shows that a company has enough cash on hand to cover its current obligations, while one below one suggests that a bank may experience short-term liquidity problems. SBI banks' current ratio for the 2015–16 fiscal year is 1.07, which is lower than HDFC banks' current ratio of 1.10. Since both banks' current ratios were above 1, they both had successful 2015–16 financial years. The current ratios for SBI and HDFC banks in 2016–17 are 1.08 and 1.12, respectively. Each bank has sufficient current assets to cover its current liabilities. In 2017–18, HDFC Bank's current ratio was 1.11, which was higher than SBI Bank's current ratio of 1:07. Both banks did well, but when comparing their results, HDFC bank outperformed SBI bank. The present ratios of HDFC Bank (1.14 and 1.06 respectively) and SBI Bank are higher in 2018–19.

Current Asset at SBI Bank increased by 7.40% in 2019–20, which caused the current ratio to rise from 1.06 to 1.14. HDFC Bank's ratio is 1.13 for the same year. Both banks have enough liquidity to satisfy their present liabilities when the overall ratio is taken into account.

9. Return on Asset Ratio

A sort of return on investment indicator called return on assets (ROA) gauges a company's profitability in relation to its total assets. By comparing a company's earnings (net income) to the capital it has invested in assets, this ratio shows how well the business is doing.

FORMULA: RETURN ON ASSET RATIO = NET INCOME/ TOTAL ASSET *100

Table no: 4.25

SBI bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Net Income	2728710285	2986404537	3065275207	3306873594	3680106492
Total Asset	2970897,64,19	3445121,56,02	3616444,56,45	3888467,06,31	4197492,34,43
Return on Asset	9.2	8.6	8.5	8.5	8.8

(Source: Done by researcher)

Table no: 4.26

HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Net Income	743732155	861489858	1013444478	1241077909	1470682663
Total Asset	7,622,123,264	8,923,441,607	11,031,861,695	12,928,057,065	15,808,304,373
Return on Asset	9.8	9.7	9.2	9.6	9.3

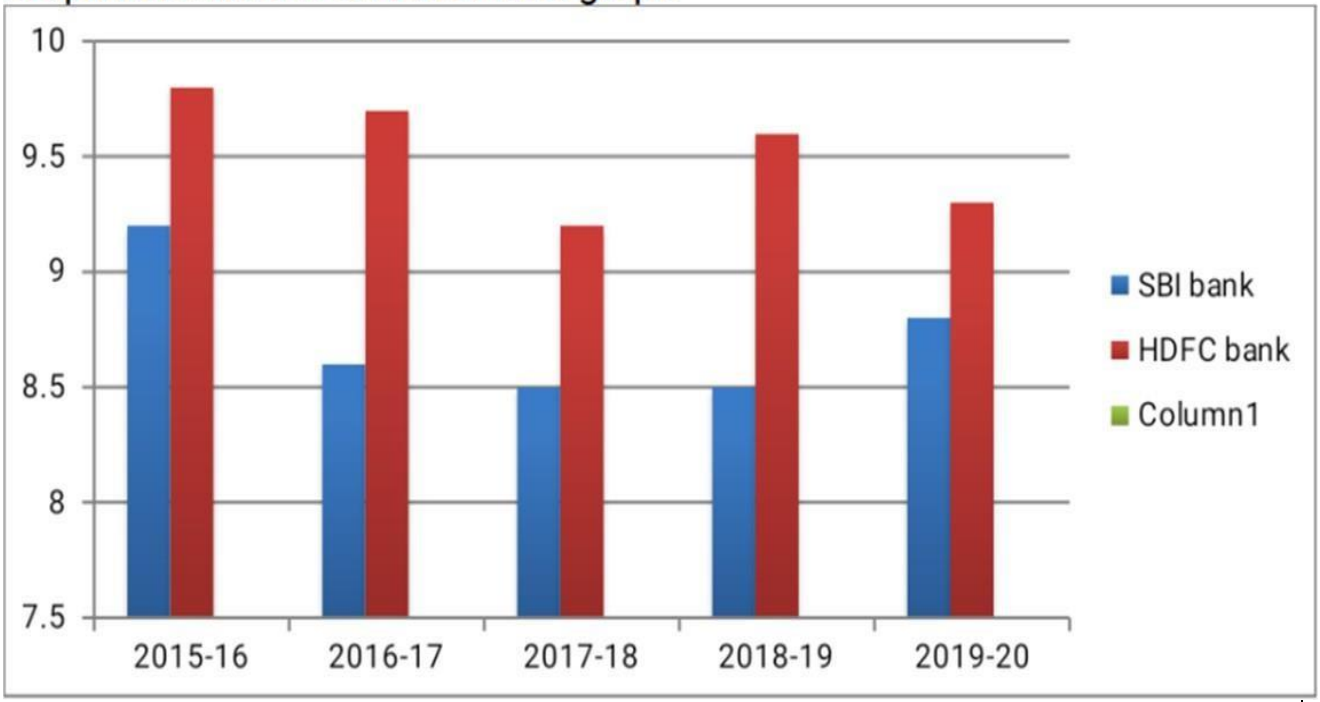
(Source: Done by researcher)

Table no: 4.27

Return on asset ratio					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	9.2	8.6	8.5	8.5	8.8
HDFC bank	9.8	9.7	9.2	9.6	9.3

(Source: Done by researcher)

Graph no.9: Return on asset ratio graph



Interpretation:

Investors can get a general indication of how effectively a company's or bank's assets are used from the Return on Asset. The performance of the company or bank is improved by a greater ROA number since the company is generating more income with fewer investments. In general, ROAs over 5% are regarded as favourable, while a low ROA percentage means that the company or bank is not profiting sufficiently from the use of its assets.

HDFC Bank's ROA in 2015–16 is 9.8, whereas SBI Bank's ROA is 9.2. Both banks are doing well and earning enough money from their investments and assets.

SBI Bank's assets climbed by 13.78% in 2016–17, but net income only rose by 8.63%, causing ROA to drop to 8.6%. The ROA of HDFC Bank remains at 9.7%. When comparing the two banks, HDFC is in a better position than SBI.

HDFC Bank's ROA in 2017 was 9.2, which is higher than SBI Bank's ROA of 8.5%.

SBI Bank maintains the same ROA ratio, 8.8, for the 2018–19 fiscal year. On the other hand, the ROA of HDFC Bank increased from 9.20 to 9.6%. As net income climbed by 18.34%, HDFC Bank's ROA ratio increased to 9.6. The ROA ratios of SBI and HDFC banks are 8.8% and 9.3%, respectively, for the 2019–20 fiscal year. When comparing the performance of both banks over the course of the previous five years, HDFC is in a stronger position than SBI bank. That indicates HDFC Bank uses its assets effectively and generates a lot of income from them.

10. Return on Equity Ratio

Return on Equity (ROE) is the measure of a company's annual return (net income) divided by the value of its total shareholders' equity.

FORMULA: RETURN ON EQUITY RATIO = NET INCOME/ SHARE HOLDERS EQUITY *100

Table no: 28

SBI bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Net Income	2728710285	2986404537	3065275207	3306873594	3680106492
Shareholder Equity	1442744360	2171921490	2303219456	2344956605	2510601242
Return on Equity	189.13	137.50	133.09	141.02	146.58

(Source: Done by researcher)

Table no: 4.29

HDFC bank (amounts in Rs.)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20

Net Income	743732155	861489858	1013444478	1241077909	1470682663
Shareholder Equity	743041242	917939488	1095991243	1536726595	1763587052
Return on Equity	100.09	93.85	92.47	80.76	83.39

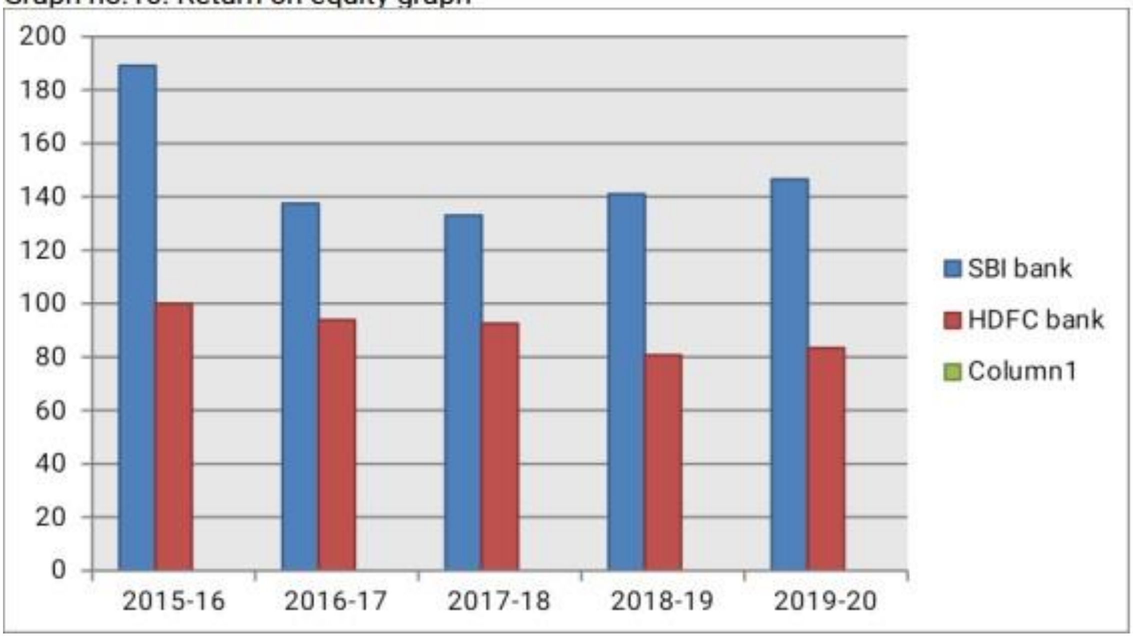
(Source: Done by researcher)

Table no: 4.30

Return on equity ratio					
years	2015-16	2016-17	2017-18	2018-19	2019-20
SBI Bank	189.13	137.50	133.09	141.02	146.58
HDFC bank	100.09	93.85	92.47	80.76	83.39

(Source: Done by researcher)

Graph no.10: Return on equity graph



Interpretation:

Return on equity (ROE) is a measure specifically used to compare bank and company performance. A ROE is a metric for management's capacity to generate income from the equity at its disposal, similar to return on capital. A rising ROE indicates that a company bank is generating more profits without using much additional capital. It also shows how well the bank's management uses shareholder money. Generally speaking, a greater ROE is preferable, while a declining ROE may signify less effective use of equity capital. SBI Bank's ROE for the 2015–16 fiscal year is 189.13, which is significantly better than HDFC Bank's ratio of 100.09%. It implies that SBI banks earn more money from shareholders equity funds than HDFC banks do.

In 2016–17, SBI's bank ratio decreased from 137.50 percent to 137.50 percent as a result of a 33.57% growth in shareholder equity funds but a mere 8.62% increase in net income. If HDFC Bank ROE were to drop to 93.85%, Shareholders Equity Fund would likewise increase by 19.05% while Net Income would increase at a lower rate of 13.67%. HDFC Bank's ROE for the 2017–18 fiscal year is 92.47%, which is lower than SBI Bank's ROE of 133.09%. SBI Bank is in a stronger position than HDFC Bank when comparing the two rates. In the 2018–19 fiscal year, SBI bank's net income increased by 7.30%, which caused ROE to jump to 141:02. On other hand, HDFC bank ROE rate is fall from 92.47%to 80.76% because shareholder equity fund is increased by 28.68% but Net income is only increased by15.61%. By considering last five year performance of both the bank SBI bank is performing better than HDFC bank.

CHAPTER - 5

CONCLUSION AND SUGGESTION

Conclusion

The most popular institutions and medium for investing and transferring money are banks. Globalization and liberalisation have led to an increase in the complexity of the banking industry. The goal of the current study is to evaluate and contrast the results of the two biggest Indian banks, SBI and HDFC. The ratio analysis is the foundation of the analysis. Return on Equity (ROE), Return on Asset (ROA), Current Ratio, Equity Multiplier Ratio, Cash Deposit Ratio, Total Equity Ratio, Debt Equity Ratio, Proprietary Ratio, and Borrowing to Net Worth Ratio are some of the numerous ratios that are employed in the study. The results of the quick analysis of all two banks are as follows:

1. As compared to SBI Bank, HDFC Bank has a greater credit deposit ratio (CD ratio). It me and SBI bank is not making full use of their resources. To improve their CD ratio, banks should grow their deposits.

2. A bank has more debt than assets if the debt ratio is higher than 1.0. A bank has more assets than debt if its debt-to-asset ratio is less than 1. The both the banks with a debt ratio less than 1 shows that a bank has more assets than debt. Following analysis of both banks' overall debt ratios, HDFC Bank is in a stronger position.

3. Risk and debt equity ratio are related. A greater ratio denotes higher risk and indicates that the bank is using debt to finance its expansion. Depending on the industry, the ideal debt to equity ratio should not be higher than 2.0. Debt equity ratios for SBI and HDFC banks are under 2.0, which is a sign of strong banks. Nonetheless, when comparing the two banks' ratios, HDFC bank outperformed SBI bank.

4. For the past five years, the proprietary ratio at both banks has been stable. The ratios don't differ significantly from one another. This means that the financial situation of the banks is shown in the table. SBI Bank is in a better position than HDFC Bank when looking at both banks' combined five-year record.

5. The current ratios of SBI and HDFC Bank are comparatively constant, which is a sign of the bank's highly liquid assets and its capacity to make timely payments on its current obligations. When considering their respective ratios, HDFC Bank is in a better position than SBI Bank.

6. A greater ROE is often preferable, whereas a declining ROE may signify less effective use of equity capital. When comparing the return on equity ratios of the two banks, HDFC bank outperforms SBI bank.

7. A low return on asset % suggests that the bank is not generating enough revenue from the utilisation of its assets, and vice versa. When comparing the two banks' cumulative five-year performance, HDFC is in a stronger position than SBI. That indicates that HDFC Bank is using its assets effectively and making a profit.

8. Since banks perform better when their investment deposit ratios are greater, SBI bank has a higher ratio than HDFC bank.

9. A high equity multiplier suggests that a bank is financing assets largely through debt. We may conclude that HDFC Bank is operating better than SBI Bank by looking at overall ratios and a lower equity multiplier ratio, which is favourable for banks.

10. A borrowing to net worth ratio that is higher than 2 indicates that the bank is unable to use its assets to satisfy its debt, which is not ideal. A ratio less than 2 indicates that a business can pay off debt using assets. Because the borrowing ratio for SBI and HDFC banks is under 2, both banks are in a strong position. Because SBI Bank's borrowing to net worth ratio is larger than HDFC Bank's, SBI Bank's proportion of total assets is higher.

SUGGESTION

- HDFC has a stronger position than SBI in the home loan application procedure. Compared to HDFC, SBI's growth rate is lower. SBI must therefore focus on its home loan operations.

- Why HDFC has a reasonable growth rate when compared to the combined income and expenses of the SBI and HDFC banks.

- SBI needs to focus on managing their income and expenses. Both banks should provide cutting-edge financial solutions that are accessible to the average citizen.

- In order to improve customer satisfaction, consumer complaints should be addressed, and a separate committee can be formed to do so.

- Banking personnel should receive enough training regarding the availability of financial products, their advantages, etc. This will both attract new clients and keep old ones.

APPENDICES

QUESTIONNAIRE

1) NAME ?

____

2) GENDER?

- Male□ □ Female□ 3) AGE ?
- below 30□
- 30-40□
- 40-50□
- above 50□

4) Occupation ?

- Professional□
- Self- employed□
- Salaried□
- Others□

5) Which income group do you belong? (Per annum)

- Below 2 lakhs☐
- 2-4 lakhs☐
- 4-6 lakhs☐
- 6 lakhs and above☐

6) Do you own a home ?
- yes☐
- no☐

7) Are you aware of the home loan product of any of the following banks?
- HDFC☐ ☐ SBI☐
- Others☐

8) Which bank's home loan product do you find most reliable?
- HDFC☐
- SBI☐
- OTHERS☐

9) IF yes why?
- Attractive interest rates☐
- Service provided☐
- Schemes☐
- Payback period☐
- Others☐

10) Have you ever taken home loan?
- yes☐
- no☐

11) If yes , from which bank ?
- HDFC☐ ☐ SBI☐
- Others☐

12) Would you like to prefer public sector or private sector bank for housing loan?

Private (HDFC)
Public (SBI)

13) Are you satisfying with the interest rate charges by the bank?
- yes☐

- no☐

14) Do you agree that your bank loan processing is faster?
    - Agree☐
    - Disagree☐

15) In near future would you be interested to take home loan?
    - yes☐
    - no☐
    - may be☐