International Journal of Interdisciplinary Research in Arts and Humanities (IJIRAH)
Impact Factor: 4.675, ISSN (Online): 2456 - 3145
(www.dvpublication.com) Volume 2, Issue 1, 2017

COMPARATIVE STUDY ON FINANCIAL PERFORMANCE AND HOME LOAN OF SBI AND HDFC

K. Pavithra*, S. Kirubadevi & S. Brindha*****
Assistant Professor, Department of B.Com (Financial Services), PSGR Krishnammal College for Women, Coimbatore, Tamilnadu

Cite This Article: K. Pavithra, S. Kirubadevi & S. Brindha, "Comparative Study on Financial Performance and Home Loan of SBI and HDFC", International Journal of Interdisciplinary Research in Arts and Humanities, Volume 2, Issue 1, Page Number 112-118, 2017

Abstract:

The banking sector plays a magnificent role in an economy for the smooth as well as efficient functioning of the different activities of the society. Finance is like blood to every form of activities. The role of bank has been transformed as prime mover of economic change, particularly in developing countries. It is necessarily more complex in view of dynamic contribution expected from time to time in the challenging task of optimum economic growth. The present study is made to find out the performance of housing loan and financial position of selected banks namely HDFC and SBI. The study is based on secondary data collected from published financial reports from official website of selected banks for five years from 2011-2012 to 2015-2016. The data have been analyzed using the ratios and statistical tools such as correlation and t-test. On the basis of the analysis of financial and housing loan performance of selected banks it has been found that the HDFC shows outstanding performance when compared to SBI.

Key Words: Financial Analysis, Financial Position, Banking Sector, HDFC & SBI and Housing Loan

Introduction:

The financial sector plays a major role in mobilization and allocation of financial savings from the net savers to the borrowers. The banks are the most important segment of the financial sector. The structure of the banking industry affects its performance and efficiency which in turn affects the banks' ability to collect savings and channelize them into productive investment. The effective role of intermediation performed by banks adds gain to the real sector of the economy.

Housing Development Finance Corporation Limited (HDFC):

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalisation of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. In 1994, HDFC Bank Limited was incorporated, with its registered office in Mumbai, India. Its first corporate office and a full service branch at Sandoz House, was inaugurated by the then Union Finance Minister Dr. Manmohan Singh. HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

State Bank of India (SBI):

In 1960, the State Banks of India was given control of eight state-associated banks under the State Bank of India (Subsidiary Banks) Act, 1959. These are now called its associate banks.State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. As of 2014-15, it had assets of INR 20,480 billion (USD 310 billion) and more than 14,000 branches, including 191 foreign offices spread across 36 countries, making it the largest banking and financial services company in India by assets. The company is ranked 232nd on the Fortune Global 500 list of the world's biggest corporations as of 2016. State Bank of India is one of the Big Four banks of India, along with ICICI Bank, Bank of Baroda and Punjab National Bank. The bank traces its ancestry to British India, through the Imperial Bank of India, to the founding, in 1806, of the Bank of Calcutta, making it the oldest commercial bank in the Indian Subcontinent. Bank of Madras merged into the other two "presidency banks" in British India, Bank of Calcutta and Bank of Bombay, to form the Imperial Bank of India, which in turn became the State Bank of India in 1956. Government of India owned the Imperial Bank of India in 1955, with Reserve Bank of India (India's Central Bank) taking a 60% stake, and renamed it the State Bank of India. In 2008, the government took over the stake held by the Reserve Bank of India. State Bank of India is a banking behemoth and has 20% market share in deposits and loans among Indian commercial banks. The new logo of the SBI was actually the aerial view of the Kankaria Lake in Gujarat. There has been a proposal to merge all the associate banks into SBI to create a "mega bank" and streamline the group's operations.

Statement of the Problem:

Financial system of a country is the most essential factor for the successful economic development and performance of the country. The Indian Banking system consists of a large network of bank branches, helping with the financial needs of the people. It plays a significant role in Indian economy and it is considered that banks and financial institutions are the important components of a sound financial system of the country. Financial analysis is mainly done to compare the profitability and financial performance of the respective banks by analyzing the information from the financial statements. Financial analysis is done to evaluate the performance and liquidity of the banks by properly analyzing the items of Balance Sheet. It helps in better understanding of banks financial position, liquidity and performance by analyzing the financial statements with various tools and evaluating the relationship between various elements of financial statements. Trend analysis is mainly done to know the growth rate of home loans of the respective banks and to predict their future growth rate. Therefore, this study aims to analyze and compare the financial performance and home loan of SBI and HDFC banks for a period of five years.

Scope of the Study:

This study aims to analyze the financial performance and home loan transaction of two private banking sectors from 2011-2012 to 2015-2016. It is also considered useful to present the data for five years each, primarily to observe the changes. Various financial tools were used to analyze the data such as financial ratios, t-test, correlation, and trend analysis for examining the financial performance and home loan transactions of the banks. It is useful for the investors to know about the profitability and performance of each bank..With the advances in computational tools, performance evaluation systems have evolved over a period of time from single-aspect systems to more comprehensive systems covering all aspects of banking sectors. This will help the banking industry for the improvement or change in their business model.

Objectives:

- ✓ To review and compare the performance of the housing loans of the banks.
- ✓ To make a comparative study on financial performance of the selected banks.

Research Methodology:

The study aims to assess the financial and housing loan performance position of two private banks HDFC and SBI. To satisfy the purpose, the previous five years from (2011-2012) to (2015-2016) financial statement of the selected banks have been collected. The ratios which have been used for this study are Credit deposit ratio**,** Return on share holders fund, correlation, trend analysis and t-test.

Limitations:

- ✓ As this study is only for State bank of India and Housing Development and Finance Corporation so comparison between other banks is not possible.
- ✓ The study covers the periods from 2011 – 2015, only the changes that took place during this period are taken into consideration.

Review of Literature:

- ✓ Vaghela Manisha in her project "Difference between housing loans provided by SBI and HDFC bank (2013) [1]" has investigated about the home loan services in both the banks. She also studied about consumer perception about the home loan of both the banks and different types of housing loans of SBI and HDFC bank. In this project she concluded in terms of interest payments, HDFC scores over SBI. SBI also scores over HDFC in terms of total interest paid, and thus, the effective interest rate comes to 9.69%for SBI in comparison to 9.78%for HDFC. Here HDFC borrowers end up paying Rs.70,348 more than SBI borrowers. She concluded like banks and financial institutions do not pass the benefit of floating rate of interest to new borrowers, where should you borrow your money from bank i.e. SBI or HDFC.
- ✓ Abishiek Kesari in his study "Service quality of HDFC bank (2012) [2]" has concluded the responsiveness, assurance and reliability are the critical dimensions of service quality of HDFC bank and they are directly related to overall service quality. The study brings about the areas which require urgent attention of the employees, the management, and the policy makers of the industry. These are the areas in which customers are highly dissatisfied with the services of the banks against their expectation. He also told that these limitations are too serious to be avoided as these question the front line people dealing with the customers and the approach of the management in taking customers seriously. He told in his study that in the days of intense competition, superior service is the only differentiator left before the bank banks to attract, retain and partner with the customers. Superior service quality enables a firm to differentiate itself from its competition, gain a sustainable completive advantage, and enhance efficiency. Thus improving service quality leads to the customer satisfaction and ultimately to customer loyalty.

- ✓ Mehul Rasadiya in his study "Financial analysis of HDFC bank (2011) [3]" has studied about the overall work of the HDFC bank. He studied about the functions, capital structure, and network of the bank, market share accounts of religious institutions and their associate companies. He also studied about the different services of the bank, their vision, mission. In analysis and interpretation part he used the ratio analysis to study about the financial position. He used current ratio, quick ratio, debt equity ratio, net assets value ratio, net profit ratio, RCE ratio. After calculating these ratios he recommended that the better inventory management is required because it's consistently decreasing which is an obstacle to be in competition. They are market leader but their nearest competitor is very close with respect to market share. So if they want to compete with them it is necessary to utilize their resource in best way.

Analysis and Interpretation:

The analysis and interpretation of the study on "Comparative study on financial performance and home loan of SBI and HDFC banks". The collected facts have been categorized, tabulated and the following statistical measures have also been employed in executing the objective of the study.

Objective 1:

- ✓ To review and compare the performance of the housing loans of the banks.

Table 4.1: Advances- HDFC Bank

4Year	Actual Value	AGR	CAGR
2011-12	195420.03		
2012-13	239720.64	22.67%	
2013-14	303000.27	26.40%	
2014-15	365495.03	20.63%	
2015-16	464593.96	27.11%	
AAGR		**24.20%**	
CAGR			**24.17%**

The above table depicts the annual growth rate, average annual growth rate and compound annual growth rate of Advances. The annual growth rate of Advances shows a fluctuating rate from the year 2011-12 to 2015-16. The Annual growth rate in the year 2012-13 was 22.67% and it has been increased to 27.11% in the year 2015-16 showing a fair sign. The average annual growth rate was 24.20% and the compound annual growth rate was 24.17%.

Table 4.2: Advances- SBI

Year	Actual Value	AGR	CAGR
2011-12	867578.89		
2012-13	1045616.55	20.52%	
2013-14	1209828.72	15.70%	
2014-15	1300026.39	7.46%	
2015-16	1463700.42	12.59%	
AAGR		**14.07%**	
CAGR			**13.97%**

The above table depicts the annual growth rate, average annual growth rate and compound annual growth rate of Advances. The annual growth rate of Advances shows a fluctuating rate from the year 2011-12 to 2015-16. The Annual growth rate in the year 2012-13 was 20.52% and it has been decreased to 12.59% in the year 2015-16 showing an unfair sign. The average annual growth rate was 14.07% and the compound annual growth rate was 13.97%. The compound annual growth rate of HDFC is 24.17% and that of SBI is 13.97%. Hence, HDFC's home loan performance is better when compared to SBI.

Table 4.3: HDFC Bank

Trend Analysis:

Year	Actual Value	Trend Value
2011-12	195420.03	
2012-13	239720.64	
2013-14	303000.27	
2014-15	365495.03	
2015-16	464593.96	
2016-17		512882.7
2017-18		579294.9
2018-19		645707.1
2019-20		712119.3
2020-21		781369.3

The above table shows the Advances from the year 2011-12 to 2015-16 and trend value estimated from the year 2016-17 to 2020-21. The Advances in the year 2011-12 is 195420.03 crores and it has been increased to 464593.96 crores in the year 2015-16. In case of future prediction, the estimated Advances amounts to 512882.7 crores in the year 2016-17, 579294.9 crores in the year 2017-18, 645707.1 crores in the year 2018-19, 712119.3 crores in the year 2019-20, and 781369.3 crores in the year 2020-21.

Table 4.4: SBI Bank

Trend Analysis:

Year	Actual Value	Trend
2011-12	867578.89	
2012-13	1045616.55	
2013-14	1209828.72	
2014-15	1300026.39	
2015-16	1463700.42	
2016-17		1611346
2017-18		1756011
2018-19		1900677
2019-20		2045342
2020-21		2186034

The above table shows the Advances from the year 2011-12 to 2015-16 and trend value estimated from the year 2016-17 to 2020-21. The Advances in the year 2011-12 is 867578.89 crores and it has been increased to 1463700.42 crores in the year 2015-16. In case of future prediction, the estimated Advances amounts to 1611346 crores in the year 2016-17, 1756011 crores in the year 2017-18, 1900677 crores in the year 2018-19, 2045342 crores in the year 2019-20, and 2186034 crores in the year 2020-21. The actual value of HDFC is 464593.96 in the year 2015-16 and SBI is 1463700.42 in the year 2015-16. Hence, SBI has a better trend value when compared to HDFC

Objective 2:

- ✓ To make a comparative study on financial performance of the selected banks

Table 4.5: Composition of Total Income of HDFC and SBI from (2011-12 to 2015-16) (Amount in Crores)

	SBI			HDFC		
Year	**Interest Income**	**Other Income**	**Total Income**	**Interest Income**	**Other Income**	**Total Income**
2011-12	106,521.45	14351.45	120872.90	27,286.35	5,243.69	32530.04
2012-13	119,657.10	16034.84	135691.94	35,064.87	6,852.62	41917.49
2013-14	136,350.80	18552.92	154903.72	41,135.53	7,919.64	49055.17
2014-15	152,397.07	22575.89	174972.96	48,469.90	8,996.35	57466.25
2015-16	163,685.31	28158.36	191843.67	60,221.45	10,751.72	70973.17
CAGR			12.24%			21.54%

The composition of total income of HDFC and SBI is presented in the table for the period ranging 2011-12 to 2015-16. The total income of SBI in 2011-12 is 120872.90 crores and it has been increased to 191843.67 crores in the year 2015-16. The total income of HDFC in 2011-12 is 32530.04 crores and it has been tremendously increased to 70973.17 crores in the year 2015-16. The compound annual growth rate of SBI is 12.24% and that of HDFC is 21.54% representing good growth in HDFC Bank.

Table 4.6: Compositions of Total Expenses of HDFC and SBI from (2011-12 to 2015-16) (Amount in Crores)

		2011-12	2012-13	2013-14	2014-15	2015-16	CAGR
SBI	Interest Expenses	63,230.37	75,325.80	87,068.63	97,381.82	106,803.49	
	Operating Expenses	26,068.99	29,284.42	35,725.85	38,677.64	41,782.36	
	Other Expenses	19,866.25	16,976.74	21,218.07	25,811.93	33,307.15	
	Total Expenses	109165.6	121587	144012.6	161871.4	181893	13.61%
HDFC	Interest Expenses	14989.58	19253.75	22652.9	26074.24	32629.93	
	Operating Expenses	8590.07	11236.12	12042.2	13987.55	16979.71	
	Other Expenses	3783.32	4701.34	5881.7	7188.56	9067.32	
	Total	27362.97	35191.21	40576.8	47250.35	58676.96	21.01%

	Expenses						

The composition of total expenses of HDFC and SBI is presented in the table for the period ranging 2011-12 to 2015-16. The total expense of SBI in 2011-12 is 109,165.61 crores and it has been increased to 181,893.00 crores in the year 2015-16. The total expense of HDFC in 2011-12 is 27362.97 crores and it has been tremendously increased to 58676.96 crores in the year 2015-16. The compound annual growth rate of SBI is 13.61% and that of HDFC is 21.01% indicating that SBI has low expenses when compared to HDFC.

Correlation- Total Income and Total Expenses of SBI:

Hypothesis: "There exists no correlation between the total income and total expenses of SBI during the study period"

Table 4.7: Correlations

		SBI- Total Income	SBI-Total Expenses
SBI- total income	Pearson Correlation	1	.999**
	Sig. (2-tailed)		.000
	N	5	5
SBI- total expenses	Pearson Correlation	.999**	1
	Sig. (2-tailed)	.000	
	N	5	5
**. Correlation is significant at the 0.01 level (2-tailed).			

From the above table it is clear that there exists positive significant correlation between total income and total expenses of SBI during the study period at 1% level of significance with the correlation value of 0.999 and significant value of .000. Hence the hypothesis is rejected.

Correlation- Total Income and Total Expenses of HDFC:

Hypothesis: "There exists no correlation between the total income and total expenses of SBI during the study period"

Table 4.8: Correlations

		HDFC-Total	HDFC-Total
HDFC- Total income	Pearson Correlation	1	1.000**
	Sig. (2-tailed)		.000
	N	5	5
HDFC-Total expenses	Pearson Correlation	1.000**	1
	Sig. (2-tailed)	.000	
	N	5	5
**. Correlation is significant at the 0.01 level (2-tailed).			

From the above table it is clear that there exists positive significant correlation between total income and total expenses of HDFC during the study period at 1% level of significance with the correlation value of 1.000 and significant value of 0.000. Hence the hypothesis is rejected.

Credit Deposit Ratio:

It is the ratio of how much a bank lends out of the deposits it has mobilized. It indicates how much of a bank's core funds are being used for lending the main banking activity. A higher ratio indicates more reliance on deposits for lending and vice versa.

Credit Deposit Ratio= Credits/Deposits

Table 4.9: Credit Deposit Ratio

	SBI			HDFC		
Year	**Credits**	**Deposits**	**Cr dep ratio**	**Credits**	**Deposits**	**Cr dep ratio**
2015-16	1,463,700.42	1,730,722.44	0.845716	464,593.96	546,424.19	0.850244
2014-15	1,300,026.39	1,576,793.24	0.824475	365,495.03	450,795.64	0.810778
2013-14	1,209,828.72	1,394,408.51	0.867629	303,000.27	367,337.48	0.824855
2012-13	1,045,616.55	1,202,739.57	0.869362	239,720.64	296,246.98	0.809192
2011-12	867,578.89	1,043,647.36	0.831295	195,420.03	246,706.45	0.792116
Avg			0.847695			0.817437

Interpretation:

SBI: Highest credit deposit ratio 0.869 is obtained in the year 2012-13 and lowest credit deposit ratio 0.824 is found in the year 2014-15. The average credit deposit ratio of SBI is 0.847.

HDFC: Highest credit deposit ratio 0.850 is obtained in the year 2015-16 and lowest credit deposit ratio 0.79 is found in the year 2011-12. The average credit deposit ratio of HDFC is 0.817.

Comparison: The average credit deposit ratio of SBI is 0.847 and HDFC is 0.817. This indicates the credit deposit ratio of SBI is better when compared with HDFC.

Return on Share Holder's Fund:

Return on share holder's investment ratio is a measure of overall profitability of the business and it is computed by dividing the net income after interest and tax by average stock holder's equity. It is also known as return on equity. The ratio is usually expressed in percentage. Higher ratio means high return on share holder's investment

Return on Share Holder's fund = Profit for the year / Shareholders Fund

Table 4.10: Return on Share Holders Fund

	SBI			HDFC		
Year	**Shareholders Fund**	**Net Profit**	**ROI Ratio**	**Shareholders Fund**	**Net Profit**	**ROI Ratio**
2015-16	144,274.44	9,950.65	6.897029	72,677.77	12,296.21	16.9188
2014-15	128,438.22	13,101.57	10.20068	62,009.42	10,215.92	16.47479
2013-14	118,282.25	10,891.17	9.207781	43,478.63	8,478.38	19.50011
2012-13	98,883.68	14,104.98	14.26421	36,214.14	6,726.28	18.57363
2011-12	83,951.20	11,707.29	13.94535	29,924.38	5,167.09	17.26716
Avg			10.90301			17.7469

Interpretation:

SBI: The highest return on investment ratio of 14,104.98 is obtained in the year 2012-2013 and the lowest ratio of 9.950 is obtained in the year 2015-2016. The average return on investment is 10.90301.

HDFC: The highest return on investment ratio of 19.50011 is obtained in the year 2013-2014 and the lowest ratio of 16.474 is obtained in the year 2014-2015. The average return on investment is 17.7469.

COMPARISION: The average return on investment of SBI is 10.90301 and for HDFC is 17.7469.This indicates that the return on investment is higher in HDFC when compared to SBI.

T-test:

Credit Deposit Ratio:

T-test has been applied to test the significant difference between SBI and HDFC with regard to credit deposit ratio at 5% level of significance.

H0: There is no significant difference between SBI and HDFC with regard to credit deposit ratio.

Table 4.11: T-test- Credit Deposit Ratio

T	**Df**	**Sig. (2-tailed)**	**Mean Difference**	**Std. Error Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
2.267	8	.053	.03026	.01335	-.00052	.06104

From the table it is clear that at 5% level of significance the significant value is 0.053. Since it is more than 0.05 there exists no significant difference between SBI and HDFC with regard to credit deposit ratio. Hence the null hypothesis is accepted.

Return on Shareholder's Fund:

T-test has been applied to test the significant difference between SBI and HDFC with regard to Return on Shareholder's Fund at 5% level of significance.

H0: There is no significant difference between SBI and HDFC with regard to Return on Shareholder's Fund.

Table 4.12: T-test- Return on Shareholders' Fund

T	**Df**	**Sig. (2-tailed)**	**Mean Difference**	**Std. Error Difference**	**95% Confidence Interval of the Difference**	
					Lower	**Upper**
-4.500	8	.002	-6.84389	1.52085	-10.35098	-3.33680

From the table it is clear that at 5% level of significance the significant value is 0.002. Since it is less than 0.05 there exists significant difference between SBI and HDFC with regard to return on share holders fund. Hence the null hypothesis is rejected.

Findings and Suggestions:

Findings:

- ✓ The average credit deposit ratio of SBI is 0.847 and HDFC is 0.817. This indicates the credit deposit ratio of SBI is better when compared with HDFC.
- ✓ The average return on investment of SBI is 10.90301 and for HDFC is 17.746 9.This indicates that the return on investment is higher in HDFC when compared to SBI.
- ✓ The total income of SBI in 2011-12 is 120872.90 crores and it has been increased to 191843.67 crores in the year 2015-16. The total income of HDFC in 2011-12 is 32530.04 crores and it has been

tremendously increased to 70973.17 crores in the year 2015-16. The compound annual growth rate of SBI is 12.24% and that of HDFC is 21.54% representing good growth in HDFC Bank.

- ✓ The total expense of SBI in 2011-12 is 109,165.61 crores and it has been increased to 181,893.00 crores in the year 2015-16. The total expense of HDFC in 2011-12 is 27362.97 crores and it has been tremendously increased to 58676.96 crores in the year 2015-16. The compound annual growth rate of SBI is 13.61% and that of HDFC is 21.01% indicating that SBI has low expenses when compared to HDFC.
- ✓ There exists positive significant correlation between total income and total expenses of SBI during the study period at 1% level of significance with the correlation value of 0.999 and significant value of .000. Hence the hypothesis is rejected.
- ✓ There exists positive significant correlation between total income and total expenses of HDFC during the study period at 1% level of significance with the correlation value of 1.000 and significant value of 0.000. Hence the hypothesis is rejected.

Suggestions:

- ✓ In the home loan process HDFC is in better position that of SBI. The growth rate of SBI is decreased compared to HDFC. So, SBI wants to concentrates on their home loan activities.
- ✓ According to the total income and expenses by the SBI and HDFC banks, HDFC has a fair growth rate. SBI has to concentrate on their Income and Expense management.

References:

1. Abishiek kesari in his study “Service quality of HDFC bank (2012)”was published in the website www.scribd.com
2. Mehul Rasadiya in his study “Financial analysis of HDFC bank(2011)”was published in the website www.moneycontrol.com
3. Vaghela manisha in her project “Difference between housing loans provided by SBI and HDFC bank (2013)” was published in the website of slideshare.