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A COMPARARTIVE STUDY ON HOUSING LOAN OF INDIAN BANKAND HDFC BANK

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INTRODUCTION

1.1 INTRODUCTION

India's banking sector is constantly growing; there has been a noticeable change in transactions through ATMs, and also internet and mobile banking. Following the passing of the Banking Laws (Amendment) Bill by the Indian Parliament in 2012, the landscape of the banking industry began to change. The bill allows the Reserve Bank of India (RBI) to make final guidelines on issuing new licenses, which could lead to increase the banks in the country. Some banks have already received licenses from the government, and the RBI's new norms will provide incentives to banks to spot bad loans and take requisite action to keep rogue borrowers in check. Over the next decade, the banking sector is projected to create up to two million new jobs, driven by the efforts of the RBI and the Government of India to integrate financial services into rural areas. Also, the traditional way of operations will slowly give way to modern technology. Home is the most important human need, next only to food, clothing and shelter. Home is an important facet of economic development; it is a basic need of a human being. It is a place where everyone can relax after returning home from day's tiring work. It is a place where everyone can give time to his/her family and spend beautiful moments with family members. It is a fundamental demand for living and one of the keys to peace and happiness. Every creature yearns for a home. The first and the best training ground for human beings' development of their varied facilities is home. It constitutes a very significant part of the social and physical environment where the individuals grow and mature as good citizens. It also plays an important role in creating employment, maintaining health, social stability and preserving decent human life.

Definition of Home: -

"Home is the social unit formed by a family living together."

–Merrian Webster Dictionary"Home is the place where your parents live and where you grow up"

- Macmillan Dictionary

Home full fills many requi rements. Home provides aesthetic satisfaction, emotional satisfaction, mental health, physical health, comfort and safety. It provides shelter from the dangers of fire and vagaries of weather, it creates conditions promoting good health such as pure water and disposal of all kinds of waste, it provides adequate space of privacy, it creates/provides congenial surroundings in which a person can work and relax. Housing is a highly complex product. It is a bulky, durable and permanent product. It has fixed location, being used only in the place where it is built. Once built, it 3 tends to remain in existence for many years. The houses range from single – family houses to many other types. But housing is more than a complex product. It is both an economic and social process. It plays a tremendous role in the economy. Housing has highly significant social implications because it provides the shelter for our basic unit – the family. Almost every person is affected in his day-to-day living by the kind of house in which he lives. In popular imagination a house is a building with a kitchen, a bathroom, bedroom and a lounge. It will be built sturdily enough to withstand natural elements, and it will have an address on the register of the post-office. Some of the housing in India's largest cities fit this sort of description. But many city dwellers do not live in such places. Some of the poorest are housed in space on a pavement, near to their low-paid work. Others will have a roof, walls and a door, set in a wasteland along river banks, close to railway lines, or in any place where there is a patch of land available. We have a many-sided view of housing. It is a shelter, it is related to capital markets, it is within state roles, it has connection to urbanization in development as a whole, and it is somewhat tied to structural condition in the economy. It can be viewed as consumption but to see it as production yields insights into its structural and gender inequalities and its productivity in society. After discussing what a 'home' is and what 'housing' let is us now discuss 'housing' in a historical perspective.

Every citizen of the country dreams of having his own house. Home is a basic need of a human being; it is an important fact of economic development. The dream home is not very far away with home loan, which will fulfill the dream into reality. The demand for home loans has increased manifold in the last decade. There are number of housing finance companies and banks offering cheap home loans at a low interest rate. The home loan schemes offered by both public and private sector banks are very competitive. Our study aimed at comparative analysis of home loans schemes offered by a public sector and a private sector bank in Tamil Nadu. The paper also examined the satisfaction level and problems faced by customers while availing home loan. Finally, the whole research was carried out in a systematic way to reach at exact result. The whole research and findings were based on the objectives.

A home loan is a long-term commitment which is critical. The demand for home loans has increased manifold in the last decade. The reason for this growth is not hard to see, changing mind set with globalization and integration with the developed economies, where mortgages rule the roost, income tax sops in the Union Budgets and substantial rise in the income-generating capacity of Indian youth. So, the present scenario of home loans shows good amount of growth and is heading for a bright future. There are number of banks and housing finance companies offering cheap home loans at a low interest rate.

The home loan schemes offered by both public and private sector banks are very competitive. Mostly people prefer public sector banks for home loans, especially because they believe that it is more secure bank and interest rate is lower. On the other hand, the private sector banks are coming daily in our country and the preference of younger population is changing because of services & facilities provided by them. And the most important thing is that the customer should know about each and every term related with Home Loans before applying for a Loan. There are different types of home loans tailored to meet customer needs like Home Purchase Loans, Home Improvement Loans, Home Construction Loans, Home Extension Loans, Home Conversion Loans, Land Purchase Loans; Bridge Loans &Mortgage Loans offered by public and private sector banks.

1.1.1 HISTORY OF BANKS

In India, the banking system is as old as early Vedic period. The book of Manu contains reference regarding deposits advances [P; L/Pledge policy of loan, and rate of interest. From the beginning of 20th century banking has been so developed that in fact, has come to be called “LIFE BLOOD” of trade. In India, banking has developed from the primitive stage to the modern system of banking in a fashion that has no parallel in the world history. With the dawn of independence, changes of vast magnitude have taken place in India. After independence India launched a process of planned economic activity in order to overcome the multitude of problems it faced as an underdeveloped nation. The increasing tempo of economic activity to tremendous increase in the volume and complexity of banking activity. Therefore, the role of banks has had to expand at a fast pace. As engines of development and vehicle of silent Socio-economic revolution in the country, Indian banks have assumed new responsibilities in the fields of geographical expansion, functional diversification and personal portfolio. Indian banking transformed itself from 'Class banking to Mass banking' The banking system, the most dominant segment of financial sector, accounts for over 80% of the funds flowing through the financial sector. A banking sector performs three Primary functions in an economy: The operation of the payment system, the mobilization of savings and the allocation of savings to investment projects. By allocating capital to the highest value use while limiting the risk and cost involved, the banking sector can exert a positive influence on the overall economy, and thus of broad macroeconomic. The origin of the Indian banking industry may be traced to the establishment of bank of Bengal in Calcutta (now Kolkata) in 1786. The growth of banking industry in India may be studied in terms of two broad phases. Pre-independence (1786-1947) and post-independence (1947 till date). The Post-independence phase may be further divided into three sub phases such as pre-nationalization period (1947-1969) Post nationalization period (1969 to 1991) and post-liberalization period (1991 till date).

1.1.2 PRE-INDEPENDENCE ERA

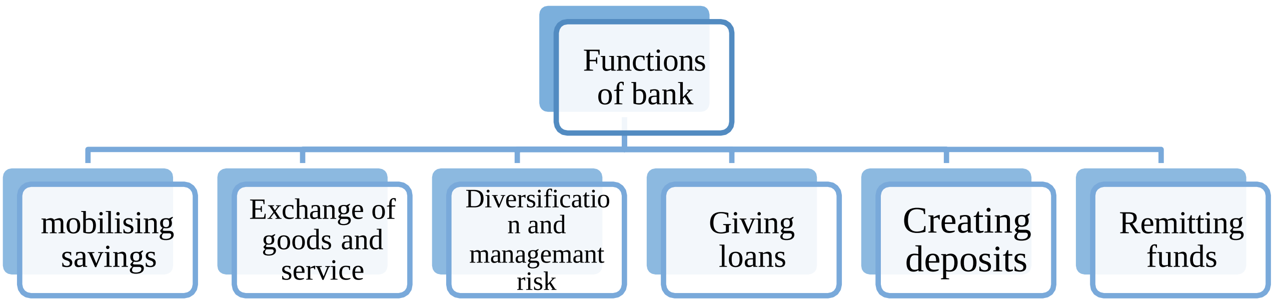
At the end of late 18th Century, there were hardly any bank in India in the modern sense of the term 'banks'. Some banks were opened at that time which functions as entities to finance industry, including speculative trade. With the large exposure to speculative ventures, most of the banks opened in India during that period could not survive and failed. The depositors lost money and lost interest in keeping deposits with the bank. Subsequently, banking in India remain the exclusive domain of Europeans for the next several decades until the beginning of 20th Century. At the beginning of 20th Century, the Indian Economy was passing through a relative period of stability. Around five decades have elapsed since the India's first war of Indian independence and the social, industrial and other infrastructure have developed. At thattime there were very small banks operated by Indians and most of them were owned and operated by particular community. The banking in India was controlled and dominated by the presidency banks, namely, the bank of Bombay, the bank of Bengal and the bank of Madras which later on merged to form the Imperial Bank of India. The objectives of banks in the colonial era were mainly helping the colonial rulers in raising the resources for their empire building activities and facilitating training activities of the numerically small mercantile. India has a long history of both public and private banking. Modern banking in India began in the 18th century, with the founding of the English Agency House in Calcutta and Bombay. In the first half of the 19th Century three presidency banks were founded. After the 1860 introduction of limited liability, private banks began to appear and foreign banks entered into the markets. The beginning of the 20th Century saw the introduction of Joint stock banks. In 1935, the presidency banks were merged together to form the Imperial Bank of India, which was subsequently renamed the State Bank of India. Also that year, India's Central Bank, The Reserve Bank of India began operation. When India emerged as an independent nation, it inherited a war-torn economy be devilled by shortage of food grains, unemployment and the pangs of partition. The banking system, with shareholder orientation, was not well organized. The banks till then were discharging the functions of a traditional financial intermediary. To reorient them as instruments of economic change was indeed a stupendous task considering thenarrow objective adopted by the banks at the time of Indian independence.

1.1.3 POST-INDEPENDENCE ERA

With the dawn of Independence changes of vast magnitude have taken place in India. At the time of Independence in 1947, the banking system in India was fairly well developed with over 600 commercial banks operating in the country. However soon after independence, the view that the banks from the colonial heritage were based in favour of working capital loans for trade and large firms and against extending credit to small scale enterprises, agriculture and commoners, gained prominence. To ensure better coverage of banking needs of larger parts of economy and the rura constituencies, the Government of India nationalized the Imperial bank which was established in 1921 and transformed it into the State Bank of India with effect from 1955. Despite the progress in 1950s and 1960s, it was felt that the creation of SBI was not far reaching enough since the banking needs of small-scale industries and the agricultural structure was still not covered sufficiently. This was partially due to the existing close ties commercial and industry houses maintained with the established commercial banks, which give them an advantage in obtaining credit. Additionally, there was a perception that banks should play a more prominent rule in India's development strategy by mobilizing resources for sectors that were seen as crucial for economic expansion. As a result, the policy of social control over banks was announced. Its aim was to cause changes in the management and distribution of credit by commercial banks.

1.1.4 FUNCTIONS OF BANK

Banks act as intermediaries between those who have surplus money and those who need it. To receive deposits and to advance loans are thus the two main functions of all commercial banks. In short, they borrow to lend. They borrow in the form of deposits and lend in various forms of advances. Besides, there are other incidental functions which have developed according to the needs of society. Some of the most essential functions of commercial banks are as follows:



1. Mobilising savings

Financial system mobilizes saving from many diverse individuals and invest inproject which enables economic growth.

2. Facilitating the exchange of goods and service

A financial system facilitates transaction in the economy, by providing themechanism to make and receive payment.

3. Facilitating trading diversification and management of risks

Financial system helps to manage risk with individual firm by investing in adiversified portfolio of innovative projects.

4. Giving Loans

But receiving of deposits is not the whole story about a bank's functions. If that were so, how could a bank pay interest? Hence, after collecting money by way of deposits, bank invests it or lends it out. Money is lent to businessmen and traders usually for short periods only. This is so because the bank must keep itself ready to meet the demands of the depositors,who have deposited money for short periods.

5. By Creating a Deposit

Cash credit is another way of lending by the banks. When a person wants a loan from a bank, he has to satisfy the. manager about his bility to repay, the soundness of the venture and his honesty of purpose. In addition, the bank may require a tangible security, or it may be satisfied with the borrower's personal security. Usually such security is accepted as can be easily disposed of in the market, e.g., government securities or shares of approved concerns. Then details about time and rate of interest are settled and the loan is advanced. A borrower rarely wants to draw the whole amount of his loan in cash. Usually he opens a current account with that amount the bank, if he already has not got an account with this bank. Now it is exactly as if that sum had been deposited by him. This is how a deposit is 'created' by a bank. That is why it is said "every loan creates a deposit." A cheque book is given to the borrower with the right to draw cheques up to the full amount of the loan, but interest is charged on the whole sum even though only a part is withdrawn. After the period, for which the money has been borrowed, is over, the borrower returns the amount with interest to the bank. Banks make mostof their profits thus by giving loans.

6. Remitting Funds

Banks remit funds-for their customers through bank draft to any place where they have branches or agencies. This is the cheapest way of sending money. It is also quite safe. Funds can also be remitted to foreign countries.

7. Providing Locker Facilities

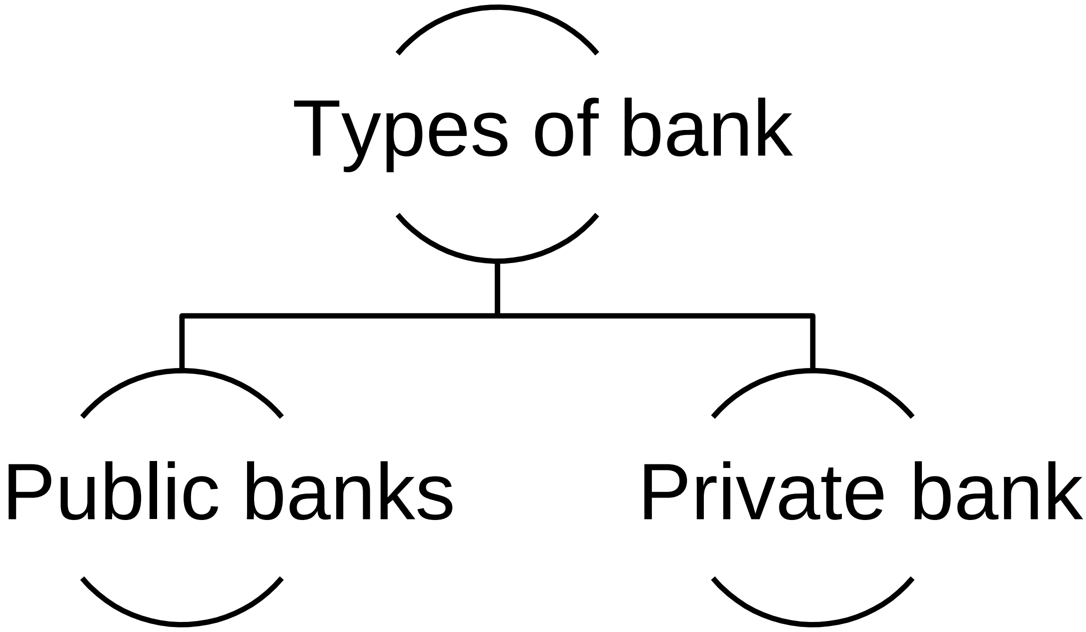
Implies that commercial banks provide locker facilities to its customers for safe keeping of jewellery, shares, debentures, and other valuable items. This minimizes the risk of loss due to theft at homes.

8. Discounting of Bill

Discounting of bill is a process of settling the bill of exchange by the bank at a value less than the face value before maturity date. According to Sec.126 of Negotiable Instruments, “a bill of exchange is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at fixed or determinable future time a sum certain in money to order or to bearer”. The facility of discounting of bill is used by the organizations to meet their immediate need of cashfor settling down current liabilities.

1.1.5 TYPES OF BANKS

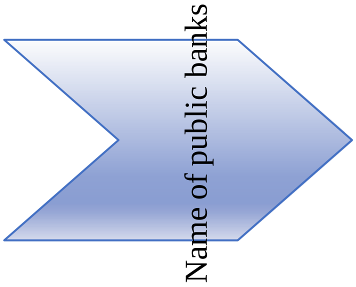
There are two types of banks 1. Private sector banks .2. Public sector banks



Nationalized banks are also known as Public-sector banks. A nationalized bank is formed by taking a bank and its assets into the public ownership. The national government of the country holds the ownership of nationalized banks. In nationalized banks the government controls the bank. This could refer to taking control of the public shares, change in management and new corporate strategy. Government carries out nationalization in order to meet certain goals like:

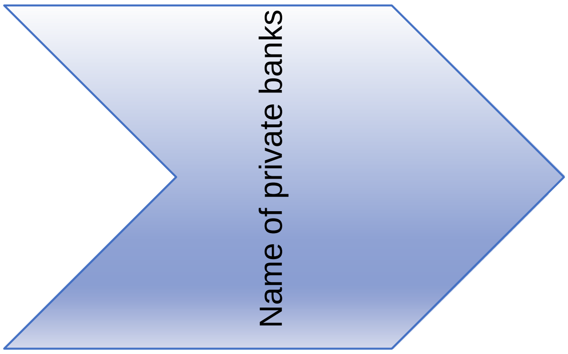
1. To bring the regional equality.
2. To expand the spectrum of banking facilities in a uniform manner.
3. To provide banking facility in less developed regions.
4. Nationalization sought to find the monopoly control of big industrialists on the system.
5. It aimed at giving more credit to sectors that required to be prioritized.
6. To raise the confidence of public in banking system.
7. It aims at generating enough funds that can be utilized in various development schemes for the country.

Types of nationalised banks are as follows: -



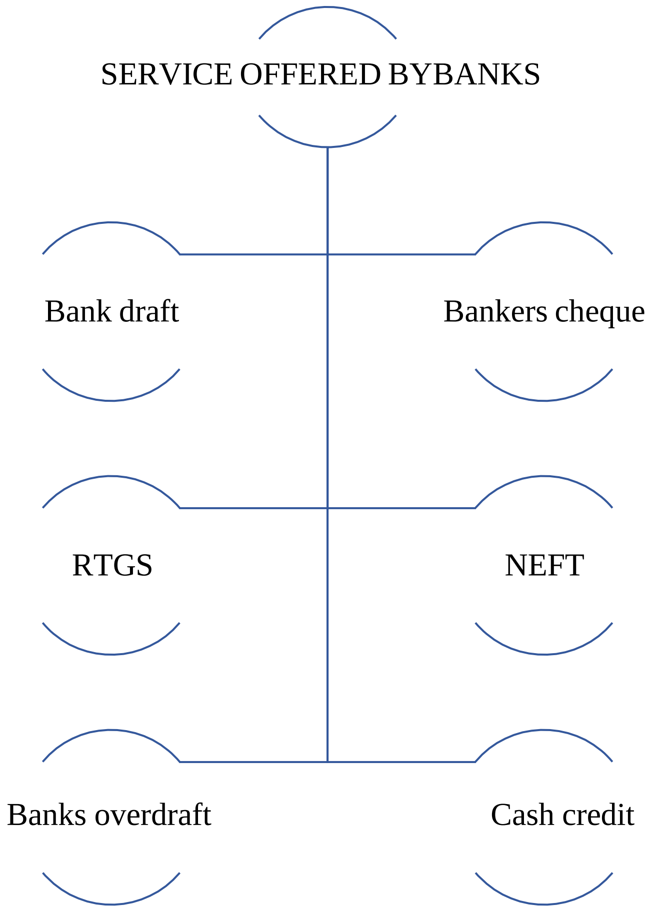
Private sector banks are owned by the private lenders. The private banks are also managed and controlled by private promoters and these promoters are free to operate according to the market forces. The interest rates of private banks are costly as compared to public sector banks. Banking has been originated in the form of private banking an individual or in partnership. The second type includes incorporated banks that are specialized in wealth management especially for high net-worth individuals and are supposed to be the first banks that were formed to manage the finances of the wealthy families.

Generally, the private banks are looked as a large organization with global operations. These banks are not incorporated. In U.K. and Switzerland, these banks have been existing since a long time. A private bank can also refer to a private sector bank or a bank that is not owned bythe government



1.1.6 SERVICES OFFERED BY BANKS

Both the Private and Public banks offers different types of services to the customersthey are as follows.



1. Bank Draft

Bank draft is a facility allowed to customers for sending money to other places. Generally, banks allow this facility to the account holders only. When a customer wants to send money to other places then he will have to fill a specific proforma for this purpose. The name of the person/party to whom the amount is to be sent, the amount for which the draft is required, the place for which the draft is required, bank charges are mentioned in the proforma. The bank will issue a draft to the customer after debiting his account with the said amount. the customer will send the draft to the person/party to whom the money is to be paid. The recipient of the draft will deposit the draft with his bank and the bank will credit the amount to his account. The bank also sends an intimation to the branch where the draft is payable. It is time-consuming process of transferring money and bank charges are also high on the drafts.

2. Banker's Cheque

It is a system to transfer funds from one bank to another bank on a 'real time' and 'gross basis'. The settlement in 'real time' means payment transaction is not subjected to any waiting period. The transaction is settled as soon as processed. 'Gross settlement' means the transaction is settled on one-to-one basis, without bunching or netting with any other transaction. Once processed, the payment is final and irrevocable. This system of electronic transfer takes place with the help of Central Bank of the country. The electronic payment system is maintained or controlled by the Central Bank of the Country. In India, Reserve Bank of India (RBI, Central Bank of the Country) maintains this payment network. RTGS is the fastest possible money transfer system. Core Banking enabled banks and branches are assigned an Indian Financial System Code (IFSC) for RTGS and NEFT purposes. This is an eleven-digit alphanumeric code and unique to each branch of bank. The first four alphabets indicate the identity of the bank and remaining seven numerals indicate a single branch. This code is provided on the cheque books which are required for transaction along-with recipient's account number. Customers can access RTGS facility between 9 a.m. to 4.30 p.m. on week days and 9.30 a.m. to 1.30 p.m. on Saturday. This timing may also vary from bank to bank, depending upon the timings of the branches.

4. NEFT (National Electronic Funds Transfer)

NEFT refers to an online system for transferring funds from one financial institution to another within India. The system was launched in November 2005 and was to inherit every bank that was assigned to the SEFT clearing system. There is no minimum or maximum limit for fund transfer in NEFT system. The persons or parties which have bank accounts, generally use this facility. This facility is open even to those, who do not have bank account. The persons without bank accounts can deposit cash at the NEFT-enabled branch with instructions to transfer funds using NEFT. A separate Transaction Code (No. 50) has been allotted in the

NEFT system to facilitate walk-in-customers to deposit cash and transfer funds to thebeneficiary.

Comparison between RTGS and NEFT

(i) The main difference between the two is that RTGS is on gross settlement basis, NEFT is on net settlement basis.

(ii) RTGS completes transactions in real-time while NEFT completes transactions in cycles.

(iii) The transfer in RTGS is completed on a one-to-one basis, while NEFT is on a deferred net basis, where transfers are bundled and deferred for a specific time.

(iv) RTGS is a high value transfer system, handling funds worth Rs, 1, 00,000 and above, while NEFT transfers smaller amounts below Rs. 10,000.

5. Bank Overdraft

An overdraft is an advance given by the bank allowing a customer to overdraw his current account up to an agreed amount. An overdraft account is operated in the same way as a current account. In overdraft the interest is charged on the credit actually utilised, i. e. to the extent amount is overdrawn. Overdraft facility is widely used by the businessmen. They can use more money than the credit amount in their account, and secondly, interest is paid only on the amount actually withdrawn from the bank and not to the overdraft limit allowed by the bank.

6. Cash-credit

Under cash-credit a bank advances loans to the customer on the basis of his current assets, receivables or fixed assets by hypothecating them in favour of the banker.

Basically, cash-credit differs from overdraft in two respects (1) security (2) duration

Generally, cash-credit is advanced against current assets and receivables, while overdraft is allowed against negotiable security. Further, overdraft is, usually, a temporary facility, while cash credit is relatively a long-term facility. The rate of interest charged on overdraft may be lower because of lesser risk and service cost.

Individual Banking — Banks typically offer a variety of services to assist individuals in managing their finances, including:

- Checking accounts, Savings accounts, Debit & credit cards, Insurance, Wealth management.

Business Banking — Most banks offer financial services for business owners who need to differentiate professional and personal finances. Different types of business banking services include:

- Business loans, Checking accounts, Savings accounts, Debit and credit cards

Merchant services (credit card processing, reconciliation and reporting, check collection), Cash management (payroll services, deposit services, etc.)

Digital Banking — The ability to manage your finances online from your computer, tablet, or smartphone is becoming more and more important to consumers. Banks will typically offer digital banking services that include:

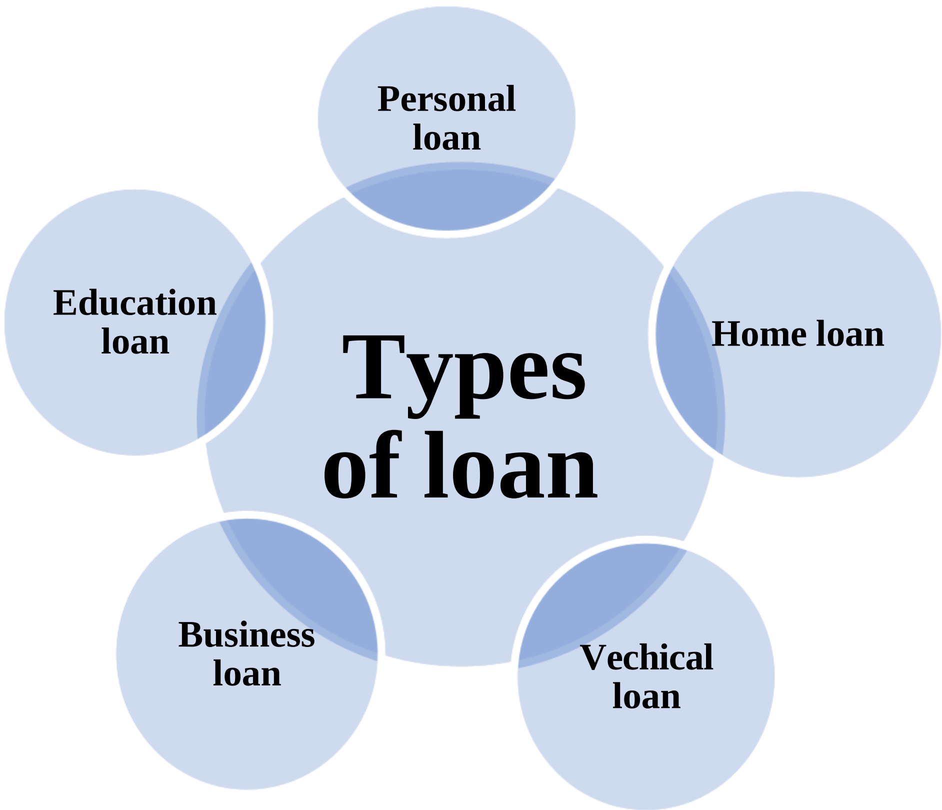
- Online, mobile, and tablet banking, Mobile check deposit, Text alerts, E Statements, Online bill pay.

1.2 HISTORY OF LOAN

The term loan is a type of debt. Like all debt instruments, a loan entails the redistribution of financial assets over time, between the lender and the borrower. In a loan the borrower initially receives an amount of money called the principal amount. The amount of money is paid back in regular instalments or partial repayment on an annual basis each instalment being of the same amount. There is no certainty about how the loans started, but one can easily assume that ever since the concept of ownership came into existence people have been practicing lending and borrowing. Various forms of lending are found to be existing in ancient Greek and Roman times and even the bible mentioned monetary loan. However the modern history of loan started much later. In the history of loans the “Indentured loan” was one of the earliest forms of lending which was practiced in the middle ages till the 19th century by the land owners and rich people who allowed poor people in need of money to borrow in exchange of indentured servitude. The borrower had to work for several years to clear their debt. They had no rights and were considered by many rich people as “Slave labour”. However money lenders played an important part in the history of loans and both the English word “Bank and “Bankrupt” have origin in the Italian money lenders

1.1 TYPES OF LOAN

Both the private and public sector banks offer different types of loan some ofthem are as follow:



1. **Personal loan:-** This loan can be availed to meet the expenses related to marriages, travel, honeymoon, holiday, and medical expenditure or for any other personal use .It is also available

to pensioners, defense pensioners. As the name suggests, loans received as personal could beutilized by the recipient for any requirement. For example – marriage, home improvement, travel or any miscellaneous expenses. The interest rate is highest for this category of loan.

2. **Home loan: -** IT is usually taken for a very long duration. It is a life time dream of every individual to have his/her own house. It is a primary human need next in importance only to food and clothing however, is a major expenditure and cannot be funded out of a family's normal monthly income or saving. A home loan is based on mortgage and is like any other loanwhich is offered to a borrower against a security. In case of home loan security is the home loan is offered to a borrower to purchase or to build a new house on the basis of his/her eligibility and the bank's lending rules. Normally, 80% of property value is granted as the loanamount. In exceptional cases, it can reach to 85-90% also. According to National Association of Home Builders, the housing industry as a whole contributes about 17% to 18% of the nation's GDP. Home loan is the funds buyers have to borrow usually from a bank or other financial institution to purchase property. Generally secured by a registered mortgage to the bank over the property being purchased.

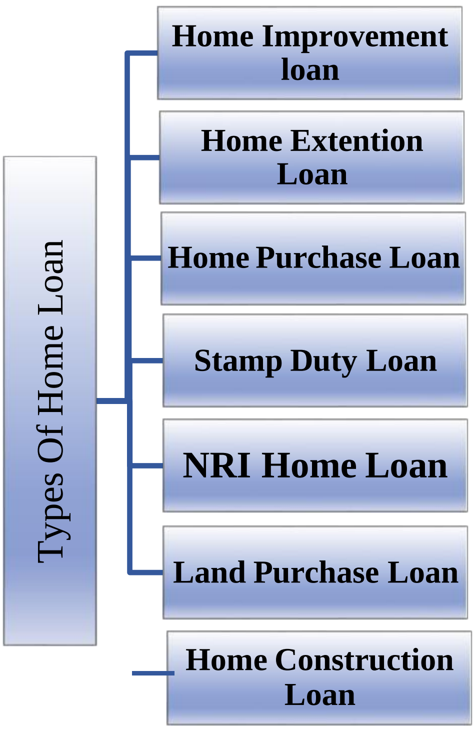
3. **Vehicle loan: -** For those individuals who prefer to travel more conservatively or to get to their destination faster, a two-wheeler is as much faster. With newer models coming out each year the options available to the customers are both attractive as well as convenient. All resident Indians, salaried people, professionals, and self- employed businessmen and framers can apply for this loan. These days' automobile companies have ventured into finance by setting up separate subsidiary companies solely for this purpose. They are able to offer the best interest rates often with zero interest rate schemes. They usually undercut any bank's finance terms since they are able to eat into their profit margin on the underlying vehicle.

4. **Education loan: -** Education is the most important investment one can make in life. Higher studies and specialization in certain fields call for additional financial support from time to time. Just like personal loans, the rate of interest is really high for this category. How-ever

the big advantage here is that most banks will give you a grace period before your EMI's or repayment terms start. The grace period takes into account the duration for which your education lasts i.e. repayment starts once you complete your education and get into job market.

5. **Business loan: -** Again, the interest rate is really high for this category mostly because of the risk involved. Business loan facility enables individuals, proprietorships such as partnership firms and co-operative societies to avail of working capital or undertake development of shops or by way of loan / overdraft. The loan is provided against the security of tangible collateral securities in the form of mortgage land and building.

1.3.1 TYPES OF HOME LOAN



1. **Home loan for improvement: -** These loans are given for implementing repair work and renovation in a home that has already been purchased by the customer. It may be requested

for external works like structural repairs, waterproofing or internal works like tiling and flooring, plumbing, electrical work and painting etc.,

2. **Home extension loan: -** Home extension loans are given for expanding or extending an existing home. For example: addition of an extra room. For this kind of loan, customer needs to have requisite approvals from the relevant municipal corporations.

3. **Home purchase loan: -** These are the basic home loans for the purchase of a new house. These loans are given for purchase of a new or already built flat / bungalow / row-house.

4. **Stamp duty: -** These loans are sanctioned to pay the stamp duty amount that needs to be paid on the purchase of property.

5. **NRI home loan: -** This is a special home scheme for the non-resident Indians (NRI) who wishes to build or buys a home or land property in India. They are offered attractive housing finance plans with suitable reimbursement option by many banks in the country.

6. **Land purchase loan: -** Land purchase loans are available for purchase of land for both home construction or investment purposes. Therefore, customers can grant this loan even if customer is not planning to construct any building on it in the near future. However, customer has to complete construction within tenure of three years on the same land.

7. **Home Construction Loan: -** These loans are available for the construction of a new home. These documents required by the banks or banks granting customer a home construction loan is slightly different from the home purchase loans.

1.4 FINANCIAL ANALYSIS

1.4.1 FINANCIAL STATEMENT

Financial Statement refer to such statement which contains financial information about an enterprise. They report profitability and the financial position of the business at the end of accounting period. The term financial statement includes at least two statements which the accountant prepares at the end of an accounting period. The two statements are:

- Profit and Loss Account
- The Balance Sheet

They provide some extremely useful information to the extent that balance sheet mirrors the financial position on a particular date in terms of the structure of assets, liabilities and owner equity, and so on and the Profit and Loss account shows the results of operations during a certain period of time in terms of the revenues obtained and the cost incurred during the year. Thus the financial statement provides a summarized view of financial positions and operationsof a firm.

MEANING OF FINANCIAL ANALYSIS

The term Financial analysis is also known as 'Analysis and Interpretation of financial statements' refers to the process of determining financial strength and weakness of the firm by establishing strategic relationship between the items of the Balance Sheet, Profit and Loss account and other operative data

The first task of financial analysis is to select the information the relevant to the decision under consideration to the total information contained in the financial statement. The second step is to arrange the information in a way to highlight significant relationship. The final step is interpretation and drawing of inference and conclusions. Financial statement is theprocess of selection, relation and evaluation.

1.4.2 FEATURES OF FINANCIAL ANALYSIS

- To present a complex data contained in the financial statement in simple and understandable form.
- To classify the items contained in the financial statement in convenient and rational groups.
- To make comparison between various groups to draw various conclusions.

1.4.3 PURPOSE OF ANALYSIS OF FINANCIAL STATEMENTS

- To know the earning capacity or profitability.
- To know the solvency.
- To indicating the trend of achievement.
- To assessing the growth potential of the business.
- To know the financial strengths.

1.4.4 PROCEDURE OF FINANCIAL STATEMENT ANALYSIS

The following procedure is adopted for the analysis and interpretation of financial statements: -

❖ The analyst should acquaint himself with principles and postulated of accounting. He should know the plans and policies of the management so that he may be able to find out whether these plans are properly executed or not.

❖ The extent of analysis should be determined so that the sphere of work may be decided. If the aim is find-out. Earning capacity of the enterprise then analysis of income statement will be undertaken. On the other hand, if financial position is to be studied then balance sheet analysis will be necessary.

❖ The financial data be given in statement should be recognized and rearranged. It will involve the grouping similar data under same heads. Breaking down of individual components of statement according to nature. The data is reduced to a standard form.

❖ A relationship is established among financial statements with the help of tools & techniques of analysis such as ratios, trends, common size, fund flow etc.

❖ The information is interpreted in a simple and understandable way. The significance and utility of financial data is explained for help in decision making.

❖ The conclusions drawn from interpretation are presented to the management in the form of reports.

1.5 OBJECTIVES

The following objectives represent the whole of our research work.

❖ To study the interest rate in home loan of a public and private sector bank.

❖ To analyze the home loan schemes of private sector and Public- sector banks.

❖ To study the problems faced by the consumers in obtaining home loan.

❖ To study the service provided during the procedure of obtaining home loan by private sector and Public-sector banks.

1.5 SCOPE OF THE STUDY

Scope of the study is limited to Private sector banks and Public-sector banks. While the foreign bank is excluded from the study as the policies and regulations of foreign banks are different from the other Indian banks. It is used to get first- hand knowledge about the home loans facilities of Private and Public banks in India. The scope of the present study is to known about the procedures of home loan, the problems faced by the customers while taking loans from either public or private banks, to known about the awareness of the home loan facility in Indian. The study of this kind will help which kind of bank offers minimum interest rate to customer for granting Home Loan.

1.7 RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problems. It is necessary to know not only the research methods/techniques but also the methodology. Research methodology is a scientific study of various steps that are adopted in research problem.

1.7.1 RESEARCH

Research can be defined as the search for knowledge, or as any systematic investigation, with an open mind, to establish novel facts, usually

using a scientific method. The primary purpose for applied research is discovering of humanknowledge on a wide variety of scientific matters of our world and the universe.

1.7.2 RESEARCH OBJECTIVES

i. To compare and evaluate the financial performance of public and private HFCs duringa period of ten years from 2008-09 to 2017-18.

ii. To compare and evaluate the operational performance of public and private HFCs during a period of ten years from 2008-09 to 2017-18.

1.7.3 RESEARCH DESIGN

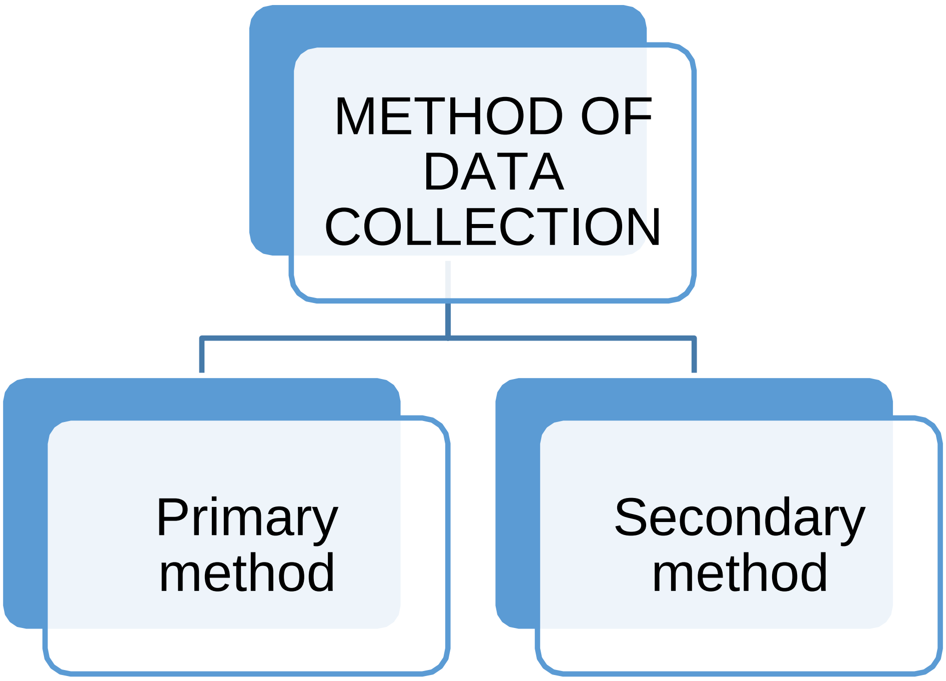
A Design is used to structure the research, to show how all the of the major parts of the research project. Research design can be thought of as the structure of research – it is the "glue" that holds all of the elements in a research project together. We often describe a design using a concise notation that enables us to summarize a complex design structure efficiently.

1.7.4 RESEARCH TYPE

Descriptive Research

Descriptive research is used to obtain information comcerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation. Descriptive research, also known as statistical research, describes data and characteristics about the population or phenomena being studied. Descriptive research answers the questions who, what, where, when, and how. In short descriptive research deals with everything that can be counted and studied. The methodology involved in this design is mostly qualitative in nature producing descriptive data.

1.7.5 METHOD OF DATA COLLECTION



1.7.6 RESEARCH INSTRUMENT:

In this study, the researcher has used secondary data i.e, Annual Report of both Indianbank and HDFC bank

1.7.7 RESEARCH PRESENTATION

After analysis of data, using various statistical techniques the findings and suggestions are presented in the form of a report. To assist the understandings on findings and suggestions of the study, various others details ranging from objective, need and research methodology to the detailed presentation analysis is included in the report.

1.8 LIMITATIONS OF HOME LOAN

- Even though a large number of commercial banks and the new generation banks are operating in the state, only one bank each from the two sides was selected for the study.
- Difficult in data collection.
- Limited knowledge about the bank in the initial stage.

1.9 GOVERNMENT SCHEME FOR HOUSING

Within the capacity as a facilitator for the housing development, the central government has developed various housing schemes in order to wipe out the housing shortage in the country. The table shows the various housing programmes launched by the government of India since independence. From the above table, it is clear that there is a gradual decrease in the number of schemes introduced by the Central Government year after year. The important housing schemes launched by the Central government, which were proved to resolve the issueof housing shortage in the country, are briefly discussed below.

1.9.1 TABLE OF GOVERNMENT SCHEMES

IMPORTANT HOUSING PROGRAMMERS OF THE GOVERNMENT OF INDIASINCE INDEPENDENCE

SL.NO	NAME OF THE PROGRMME	Year
1	Integrated Subsidized Housing Scheme For Industrial workers and economically weaker sections	1952
2	Low Income Group Housing Scheme	1954
3	Subsidized Housing Scheme for Plantation Workers	1956
4	Middle Income Group Housing Scheme	1959
5	Rental Housing Scheme for State GovernmentEmployees	1959
6	Slum Clearance and Improvement Scheme	1956
7	Village Housing Projects Scheme	1959
8	Land Acquisition and Development Scheme	1959
9	Provision of House Sites of Houseless Workers in Rural Areas	1971
10	Environmental Improvement of Urban Slums	1972
11	Sites and Services Schemes	1980
12	Indira Alwas Yojana	1985
13	Night Shelter Scheme for Pavement Dwellers	1990
14	National Slum Development Programme	1996
15	2Million Housing Programme	1998

16	Valmiki Ambedkar Malin Basti Awas Yojana	2000
17	Pradan Mantra Gramodaya Yojana	2001
18	Jawaharlal Nehru National Urban Renewal Mission	2005
19	Pradhan Mantri Adarsh Gram Yojana (2009-10)	2009
20	Rajiv Alwas Yojana	2011

1.10 PRADHAN MANTRI AAWAS YOJANA (PMAY) - CREDIT LINKED SUBSIDY SCHEME (CLSS)

Started in 1985 as part of the Rural Landless Employment Guarantee Programme (RLEGP), Indira Awaas Yojana (IAY) was subsumed in Jawahar Rozgar Yojana (JRY) in 1989 and has been operating as an independent scheme since 1996. From 1995–96 the scheme has been further extended to widows or next-of-kin of defence personnel killed in action, ex-servicemen and retired members of the paramilitary forces who wish to live in rural areas as long as they meet basic eligibility criteria. Given that India has been historically a populous and poor country, the need of proper housing for the refugees and villagers has been a focus of Government's welfare schemes since the time of India's independence. As a result, various welfare schemes like House Sites chumming Construction Assistance Scheme have been ongoing since the 1950s. However, it was only in the 1983 that a focussed fund for creation of housing for scheduled castes (SCs), scheduled tribes (STs) and freed bonded labour was set up under Rural Landless Employment Guarantee Programme (RLEGP). This gave birth to IAY in the fiscal year 1985–86.

"Indira Awaas Yojana" (IAY) was launched by Rajiv Gandhi, the then Prime Minister of India in 1985 and was restructured as "Pradhan Mantri Gramin Awaas Yojana" (PMGAY) in 2015.Ministry of Housing and Urban Poverty Alleviation has introduced in June 2015, an interest subsidy scheme called Credit Linked Subsidy Scheme (CLSS) under Pradhan Mantri Aawas Yojana (URBAN)-Housing for All, for purchase/construction/extension/improvement of house to cater Economical Weaker Section (EWS)/Lower Income Group (LIG)/Middle Income Group (MIG), given the projected growth of urbanization & the consequent housing demands in India. Pradhan Mantri Awas Yojana – The interest subsidy scheme CLSS (Credit Linked Subsidy Scheme) introduced by MHUPA (Ministry of Housing & Urban Poverty Alleviation) was announced by our honourable Prime Minister Sh. Narendra Modi with a vision of housing for all in 2022. Under PMAY scheme, Customer (i.e. the beneficiary) is eligible to avail interest subsidy on the purchase/construction/enhancement of a house. PNB Housing Finance offers "Credit Linked Subsidy scheme (CLSS)" for EWS (Economical Weaker Section), LIG (Lower Income Group), MIG (Middle Income Group) categories under Pradhan Mantri Awas Yojana. Enjoy interest subsidy of 6.50% p.a. for loan amount up to 12 lakhs. Save up to INR 2.67* lakhs with an effective rate as low as 2.63*% p.a. Now, it will be known as 'Pradhan Mantri Gramin Awaas Yojana', according to a report in Amar Ujala. Also, the Modi government has increased the amount sanctioned for this housing scheme.

Now, people entitled to the benefits of the housing scheme will get Rs 1.20 lakh. Earlier, the sanctioned amount was Rs 70,000. Moreover, under the redesigned scheme - Pradhan Mantri Awaas Yojana - beneficiaries will be able to take a loan of Rs 70,000. In addition to above benefits, Rs 12,000 will be given to construct toilet. It is a social welfare flagship programme by government of India to provide housing for the rural poor. The scheme was launched by Rajiv Gandhi in 1985 as Indira Awaas Yojana.

1.10.1 SALIENT FEATURES OF SCHEME

- Interest subsidy benefit is calculated for 20 years
- Benefits available for the first property purchase
- Applicants should be of immediate family including self, spouse and unmarried children only
- Women Ownership is mandatory under EWS & LIG category for purchase of a new house

ELIGIBILITY

- The beneficiary family should not own a pucca house in his/her or in the name of any member of his/her family in any part of India.

- In case of married couple, either of the spouse or both together in joint ownership will be eligible for a single subsidy
- The beneficiary family should not have availed of central assistance under any housing scheme from Government of India or any benefit under any scheme in PMAY.

BENEFICIARY

The beneficiary family will comprise husband, wife and unmarried children. (An adult earning member irrespective of marital status can be treated as a separate household in MIG category)

COVERAGE

All statutory towns as per Census 2011 and town' notified subsequently, including planning area as notified with respect to statutory town.

PURPOSE

The broad purpose of the scheme is to provide financial assistance to some of the weakest sections of society for them to upgrade or construct a house of respectable quality for their personal living.[5] The vision of the government is to replace all temporary (kutchcha) housesfrom Indian viallages by 2017.

REVIEW OF LITERATURE

Lots of research has already been done across the world to analyze the financial performance of banking sector but there are very few studies which really explore the factor affecting to financial performance of banks. Brief review of related literature on the present study is given in this chapter.

2.1 REVIEW OF OTHER RESEARCHER: -

1. **Thakur G. (2014)** this study concluded that people prefer H.D.F.C. bank more than Indian bank for home loan. As private banks are coming daily in our country still, mostly people prefer government banks for loan especially older persons are more dependent on government banks. It is true that younger population preference is changing and they prefer more private banks because of services and facilities provided by private banks. The interest rate is lower in public (Indian Bank) bank in comparison with private (H.D.F.C.) bank but services are not up to the mark.

2. **Sharma and Garg (2014)** this study concluded that the public sector banks are very popular among the customer these days because the interest rate is lower in Indian Bank as compare to H.D.F.C. bank and the trust level that customer have with these banks is very high in comparison to H.D.F.C. bank. The public sector bank also provide better facilities and services to the customer and give all the information to the customer time to time through Short Message Service(SMS) and internet banking. The information provided by the private banks is sometimes fake and they tried to cheat customer for their own benefits

3. **Gupta and Sinha (2015)** this examining on the respondent regarding the purchase of home loan and low rate of interest, easy accessibility, status/ reputation of the institution and scheme offered by the company are the major factor for selection of the housing finance institution comparative study on Factor Affecting consumer's Buying Behavior towards Home Loan" and found that fixed rate of interest is most preferred option by the customers.

4. **Joshi (2015),** has examined the various reasons for declining trends in profitability. His study is based on published data. He has suggested profits planning both at micro and macro levels for the banking industry to overcome the declining trends in profitability.

5. **Govindarajalu (2016)** in his article "by banks and policy makers for the development of banking sector. Satisfaction and dissatisfaction with bank services" views that the Indian banks have lost the quality of customer service. The dissatisfaction of customers with bank services is an important issue to be considered.

6. **D Mishra (2017)** makes a study on the performance of commercial banks in India choosing relevant parameters like quality of service, risk management, profitability etc. His conclusion is that the banks should try to increase quality, balance risk management, and optimise profitability in order to survive and succeed. He identifies four challenges for the bank namely competition, credit, customer and control.

7. **R Jayakumar (2018)** in his study of "Performance of private sector banks in Kerala" makes a comparative examination of performance of public sector banks and private sector banks in Kerala. He finds that in Kerala private sector banks perform better than their public sector counterparts.

8. **Sharma.A.K(2018)** highlights the fact that the challenges of homelessness and urban slums are largely the spill over problems of inadequate rural habitat. He stated that the housing is closely connected with growth of population, modernization, poverty, development and information and the poor people of India, lack all basic facilities as they are incapable of meeting the rising cost of building materials. He also 14 opined that Indians cannot solve the housing problem without a strong political will and properly designed strategies.

9. **Sarkar and Das (2019)** make a comparison of the performance of the three bank sectors - public, private and foreign - for the year 1995-1996. These banks are compared in terms of profitability, productivity and financial management. They find that the public sector banks are very poor in performance on the basis of these variables than the other two sectors.

10. **Nirmaljeet Virk & Prabhjot Kaur Mahal (2020)** in their article "A Comparative Analysis of Public and Private Sector Banks in India" studied the expectations and level of satisfaction of customers towards the services rendered by public and private sector banks. Under public sector banks SBI, Punjab National Bank and Oriental Bank of Commerce were

selected and ICICI, HDFC and AXIS banks were selected among private sector banks. The study revealed that customers' demand for housing finance institutions differs based on demand for top quality services and products served with minimum want of time. Private bank managers are ahead of public sector banks in making the relationship with their customers and winning their acceptance. Today larger client base in India is banking with private sector banks than the public sector. Public sector banks are lagging behind in the use of modern technologyand techno-savvy staff.

OVERVIEW OF THE STUDY

3.1 AREA OF THE STUDY

3.1.1 INTRODUCTION OF HOME LOAN

Simply put, a home loan is an amount of money borrowed from a financial lender for purchasing a house. However, the preview of home loans extends beyond purchasing a housing only. From buying land to renovating your own house – home loans can be taken for variety of purposes.

While taking about home loans, it is important to remember that financial institutions such as banks and non-banking financial institutions (NBFCs) do not finance 100% of the market value of the property. They finance a certain amount only, which depends on the type of loan.

For example, for home purchase loans (where the loan is provided to purchase a flat/house), the bank finances up to 90% of the loan amount. The proportion of finance solely depends on the discretion of the loan approving authority. Sometimes, they can decide to finance less than the maximum amount, if they evaluate a greater risk in the loan (such as lower credit rating ofthe borrower).

3.1.2 TYPES OF HOME LOANHOME PURCHASE LOAN

To buy a new house/flat:

- Long tenure – up to 30 years
- Low interest rate,
- 80 – 90% of the property value financed.

HOME CONSTRUCTION LOAN

To construct a new house:

- Long tenure – up to 30 years,
- Low interest rates,
- Low processing fee.

HOME IMPROVEMENT LOAN

To repair/refurnish/renovate an existing house:

- Long tenure up to – 30 years,
- Low interest rates,
- Up to 100% of repair value or 90% of the property value whichever is lower is financed.

LAND PURCHASE LOAN

To buy a plot of land:

- Long tenure,
- Lower interest rates,
- Up to 90% of the land value financed.

NRI LOAN

To help NRIs invest in Indian properties:

- Long tenure up to 30 years,
- Quick and transparent online processing,
- No prepayment charges.

HOME LOAN BALANCE TRANSFER

To transfer an existing home loan to a new lender:

- Opportunity to avail better interest rates,
- May reduce the EMI burden,
- Should be decided after considering several aspects

3.1.3 IMPORTANCE OF HOME LOAN

1) The need for home loans arises not because property prices are heading upwards all the time but because home loans make great sense from a long-term savings perspective. Not only are home loans a handy tool for the common man to own a roof over his head but they also help save money in the long run.

2) With skyrocketing real estate prices, people are increasingly opting for housing loans to acquire their dream home. Interest rates are coming down all the time and the banks and the housing finance companies are literally falling over each other to lure the prospective home- seekers.

3) Notwithstanding the tax breaks and generous lending rates, a lot of people still cannot arrange resources for the down-payment, which comes out to be at least 15 per cent of the property value. Taking cognizance of the situation, Banks are coming up with home loan products called ‘zero down payment loans’ wherein 100 percent funding is provided for select properties. These lucrative offers are other major reasons for why people are opting for loans.

4) Even if one can afford to buy a home with one's own money, home loans should be availed because they act as good savings instrument. According to industry estimates, the long term average return in investing in a home is about 20% p.a. while the average cost of borrowing funds in the market today is about 7% p.a. (considering all tax breaks)

5) For salaried employees, housing loans are the best way to avail of tax benefits. Many people simply go for the home loans in order to avail these benefits. Interest payments up to ` 1.5 lakh on housing loans are deductible from the taxable income and there is a further deduction of taxable income maximum up to ` 1 lakh against repayment of principal portion per annum. In case a person stays in a rented house, the cost of the loan will be nearly zero per cent since hewill be saving a decent amount on rent.

3.1.4 ADVANTAGES OF HOME LOAN

The various benefits of home loans arising to the customers are: -

(1) ATTRACTIVE INTEREST RATE

The various banks over attractive interest rates to boost and help their customers. Many banks provide loans on fixed or fluctuating rate to facilitate customers as per their needs.

(2) HELP IN OWING A HOME

The home availed by a person with the help of bank because, they provide technical and financial assistance to customer for owing their dream house.

(3) CAPITAL APPRECIATION

For each one of us who has seen property prices boom over the last five years, the prospect of mouth-watering capital appreciation is the biggest argument for buying a home. Construction costs alone, which account for more than 70 per cent of the flat's cost, have risen at 15 per cent annually in the past decade. Rents too seem to keep up with inflation; making a home one of the few investments can shield you from inflation for the long term.

(4) TAX BENEFIT ON HOME LOAN

Your home loan principal and interest repayment fetch you attractive tax breaks. And remember, renting actually is more expensive than just the rent you pay. Your cost is higher since you are not earning any interest on the deposit amount paid to the landlord (which is quite high in premium locations) throughout the lease term.

(5) LOAN PERIOD

There are many banks which provide maximum loan tenure of 15-20 years based on the loan amount and creditability of the customers. This relives the customers to repay loan amount till a long period.

(6) FOR ACCIDENTAL DEATH INSURANCE

Some banks provide free accidental death insurance with housing loan which is also beneficial to the customers. These benefits or advantages of home loan are responsible for making so popular among customers that a person who don't have home of their home wouldlike to buy and they do it with home loan.

3.1.5 DIS-ADVANTAGES OF HOME LOAN

(1) DELAY IN PROCESSING

Many times there are huge delay in processing of providing home loan because various formulations to be fulfilled in this processes. Due to these delay customers fell mentallyand financially weak.

(2) PROBLEM OF DISBURSEMENT

There are many problems in home loan disbursement amount. There are some delays in disbursement of loan amount to the customers due to legal formalities. This causes problems to the customers.

(3) HIGH COST

The public sector bank charges high processing fees for home loan sanctioning. They are force to pay serious charges at various stage to fulfil their requirements. Some customers are not able to pay such charges so such people cannot avail the benefits of home loan.

(4) FLUCTUATING INTEREST RATES

Some banks give home loan at floating rates which fluctuates at different interval due to some reasons. This changes may some time lead to increase in interest rate which will increase the cost of home loans to the customers.

3.1.6 SECURITY REQUIRED FOR HOME LOAN

1. A simple registered mortgage which is taken as a security against the loan.
2. In case of jointly owned properties it should be ensured that all the co-owners and co-applicant execute their documents.
3. In case of flat of a group housing society triparilite agreement shall be entered into.

3.1.7 CHARGES OF HOME LOAN

Obtaining a home loan involves different types of fees charged on it like processingfees, administration fees etc

1. **Processing fees: -** it is a fees payable at a time of submitting loan application to the bank which is normally non-refundable.

2. **Repayment penalties: -** when the borrower re-pays the loan before the loan tenure bank charges a penalty which is normally 1%.

3. **Delay payment charges: -** when there is delay in payment of the EMI bank charges takes payment fees to the borrower.

4. **Cheque bounce charges: -** when there is a lack of fund in your account than the bank charges about 250 to 500 rupees penalty.

3.1.8 EMI (EQUATED MONTHLY INSTALLMENTS)

When customer takes a loan, he has not only to pay back the amount of money he has borrowed, but also the cost of borrowing, which is the interest rate on the loan. The cost of the loan will vary depending upon the number of years. Customer's are borrowing for, usually, a longer-term loan which will be more expensive, than a shorter loan, because simply put, the lending institution has taken a risk, over a longer period of time. An EMI's amount is dependent on the principal amount borrowed and the interest that is levied. The number of EMIs on the other hand, will be dependent on the tenure of the loan. The longer the loan period, the more number of EMIs customer needs to pay. The EMI usually remains constant throughout the period of the loan. However, what of this is used to pay off interest and what part to pay off the principal varies. In the beginning of the loan repayment period, the interest component of an EMI is higher and the principal amount is lower. Later on, as the years go by, the principal amount becomes higher and the interest becomes lower.

CALCULATION OF EMI

An EMI can be calculated on a daily reducing, monthly reducing, quarterly reducing, and half yearly or yearly reducing basis. The EMI will be lowest, if it is calculated on a daily reducing basis.

DAILY REDUCING BASIS

Even better than a monthly reducing calculation is a daily reducing method, whichsome banks apply.

MONTHLY REDUCING BALANCE

Now, let us take a real-life example of an EMI calculated on a monthly basis Keeping the loan amount at ` 1 Lakh the period as 15 years and the rate of interest as 12%, the bank will change the principal outstanding every month. After the customers pay their EMI for the month, the new reduced amount will be calculated only for the next month. Similarly, in a quarterly, half yearly or annual reducing balance the interest is levied according to principal outstanding at the end of these periods. Progressively, the EMI works out to be more, with thehighest being in an annual reducing basis.

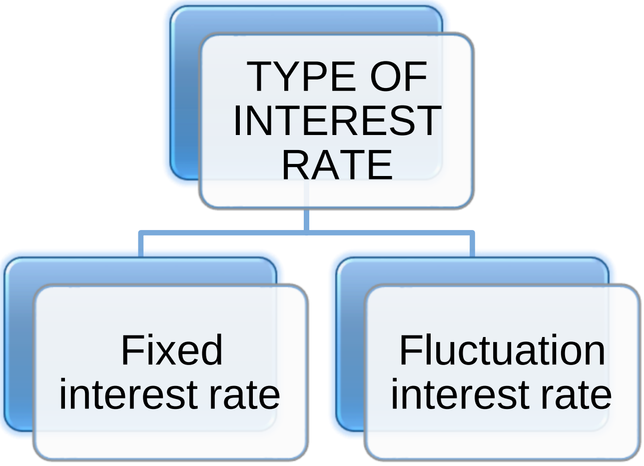
Computation of EMI is calculated with the help of the following formula:EMI = L× r× (1 + r) n / ((1 + r) n - 1)

Where, L - Loan Amount

r - Rate of Interest in Decimalsn - Period of loan (in years).

3.1.9 TYPES OF INTEREST RATES

There are two basic kinds of interest rates. Interest rate also called adjustable rateloan or floating rate.



Fixed Rate: - The rate of interest is fixed either for the entire tenure of the loan or for a certain part of the tenure of the loan. In case of a pure fixed rate loan, the EMI remains fixed for the entire duration irrespective of whether the bank increases or reduces its interest rates and irrespective of RBI mandated changes in interest rates. If interest rates move up over the years, a fixed rate EMI becomes very attractive as you pay far lower than the market rate. The interest rate cannot be changed during the loan tenure period. This is known as a fixed home loan rate. The interest rate remains constant during the whole loan repayment period. Fixed interest rates for mortgage are normally higher than a floating home loan rate and here the borrower should repay the loan amount in equal EMIs. The main advantage of having a fixed interest rate is in spite of any changes occurring or a sudden rise of interest rates for mortgage in the market, the borrower can pay the same EMIs until the loan is paid off. These types of interest rates benefit people who wish to repay the equal EMI payments and plan their financial future accordingly in order to achieve financial security. When planning your finances for your new home, don't forget house insurance. You can also take out refinancing loans with fixed rates. Besides the advantages there are also disadvantages of choosing a fixed interest rate. The borrower will generally have to pay 1.5% to 2% more interest than they would on a floating home loan. Due to the market fluctuations, if there are any decreases in the bank house loans interest rates then the borrowers who preferred fixed interest rates would not get any chance of decreasing their EMIs.

Fluctuating Rate: - As the name suggests, the floating rate of interest varies with market conditions. EMI of a floating rate loan changes with RBI mandated changes in interest rates (and with changes in bank's internal interest rate) from time to time. If market rates increase, your repayment increases. When rates fall, your dues also fall. This type of interest rate can change or fluctuate during the loan tenure period and it is known as a floating home loan rate. It is also known as an adjustable interest rate or variable interest rate. A floating home loan rate will depend on the market and economical conditions of the country. If there is a sudden change in the market and the interest rates increase, it affects the borrowers who chose to pay floating interest rates. The floating interest rates and the EMIs will be lowered in case there the interest rates in the market are decreased. This product offers a lower interest rate than fixed interest rate loans. You can also apply for a refinancing home loan with a floating rate plan.

When a borrower chooses to take floating home loan rates, they will see a sudden change in the market, i.e. if there is a hike in the interest rates, the borrower has two options:

- To increase the EMI payment and keep the tenure constant
- To increase the tenure period and keep the EMIs constant

For instance, if the borrower chooses the first option, then they should spend more on EMIs following the market conditions where the bank house loans tenure will be constant. If the borrower chooses the second option, then there will be no change in EMIs but the bank house loan tenure will increase and it will result in a longer loan repayment period. In both cases, the borrower will pay more from their pockets. We recommend that you use our loans calculator to calculate the monthly instalments. With adjustable rate mortgages, borrowers who might have planned to clear their loan amount could deal with difficulties due to the rise of interest rates for mortgage. Some banks also call these adjustable rate home loans. Here the interest rate is linked to a benchmark rate. Some banks use their prime lending rates as the benchmark rate while some banks have specific benchmark rates that they use for home loan purposes. Typically, the interest rate applicable to customer loan tends to be a certain percentage below this benchmark rate. (This is the current trend. Nothing stops the bank from having a low benchmark rate and quoting the applicable interest rate as a certain percentage above the benchmark rate. In fact this is the trend worldwide.) The benchmark rate of a bank called Retail Prime Lending Rate (RPLR) by the bank) or BPLR (Base Prime Lending Rate) is 10.25% per annum. The bank may currently quote the interest rate for a twenty-year home loan at 2% below its RPLR. Therefore, the rate applicable for customer loan currently becomes 8.25% per annum (which is 2% less than 10.25%). The applicable interest rate for customer loan will henceforth be governed by the movement in the RPLR. If RPLR goes up, the applicable interest rate on customer loan will go up and similarly, the applicable interest rate will go down if the RPLR goes down.

3.2 COMPARATIVE STUDY OF INTEREST RATE OF HOME LOAN

Interest rate (%p.a.)			
Name of lender	**Up to 30 Lakhs**	**Above 30 Lakh & up to 75 Lakh**	**Above 75 Lakh**
Indian Bank	6.90-7.95	6.90-7.95	6.90-7.95
HDFC Bank	7.00-8.45		7.00-8.70

Particulars	Indian Bank Home Loan	HDFC Bank Home Loan
Interest rate	6.90% - 7.95% p.a.	7.00%- 8.70% p.a.

Loan Tenure	Up to 30 years	up to 30 years
Loan amount	**Up to 90 % of the propertyvalue**	**Up to 90% of the property value**
Processing charges	**Up to 1.00% of the loan amount**	• **For Salaried/Self-employed Professionals: Up to 0.50% of loan amount or Rs 3,000,**

		whichever is higher • **For Self-employed NonProfessionals: Up to 1.50% of loan amount or Rs 4,500, whichever is higher**

3.3 STEPS INVOLVED IN TAKING HOME LOAN

1. APPLICATION FORM

Filling up the application form is the first step towards the home loan. The look of application form may differ from bank to bank, but nearly 80 per cent of the information they need is similar. Most of this pertains to customer's personal and professional information, details of customer financial assets and liabilities and the details of the property (if finalized) including the estimated cost and the means of financing the same. While submitting the application form, each bank would ask for documents to establish customer income. This will need to be backed up by proofs such as copies of last three years' income tax returns (along with copies of computation of income / annual accounts, if any), Form 16 / Form 16A, last three months' salary slips and copies of the last six months' statements of all customer active bank accounts in which customer salary / business income details are reflected. Along with the application form and the credit documents, banks will charge processing fee. This fee varies from bank to bank, but is usually around 1 to 2 per cent of the total loan amount. Most bank have flexible fee structures, and it is advisable that customer negotiate hard to find out the bank's minimum fees though it is unlikely that a bank will agree to provide a loan without any upfront fee at all. Some banks have zero upfront-fee loans but that advantage may be negated as their other charges such as 'legal charges' and stamp duty' are normally higher. The bank statements are scrutinized for:

- **Level of Activity**

In case of self-employed persons, this gives information about the extent of theirbusiness activities.

- **Average Bank Balance**

A customer relation is to be established with the bank after scrutinizing average bank balance maintained in a savings bank account speaks volumes about the spendingand saving habits of any individual.

- **Cheque Returns**

A small charge debited by customer bank in the statement indicates that a cheque issued by customer was returned by customer bank. Many such returns can have a negative impact on customer loan sanction.

- **Cheque Bounces**

Cheque deposited by customer are returned by the issuer's bank they will be visible in customer bank statement and banks have specific norms as to how many such returns are acceptable in a period of one year.

- **Regular Periodic Payments**

The existence of periodic payments to other finance companies/banks indicates an existing liability and customer will need to provide full details to the lender.

- **Customer Age**

Proof of customer age, such as, license / passport / ration card / PAN card Election Identity Card will need to be submitted.

- **Identification Proof**

Same as above but with customer photograph. Sometimes the same document, if it contains a photograph, the current residential address and the correct age can be the proof for all three things.

- **Customer Employment Details**

If Customer Company is not well known, then a short summary about the nature of the company, its business lines, its main customers, its competitors, number of offices, number of employees, its turnover and profits may be needed. Usually the company profile that is available on the standard website of the company is enough.

- **Customer Investments**

This helps the bank to estimate customer ability to pay for the down paymentas well as customer savings habit

1. PERSONAL DISCUSSION

Some banks insist on meeting customer after receiving the application form, and before the loan sanction, together more details about customer that may not be mentioned in the application form. If the bank calls customer for personal discussion (this is normally to reassure them of customer repayment capacity) make sure customer carry all the original documents pertaining to the information provided on the application form. Banks process loans only after they are convinced favorably about customer.

2. FIELD BANK'S INVESTIGATION

Every bank validates customer information, including customer existing residential address, customer's place of employment, CIBIL report, employer credentials (if customer's work for a small organization) and residence and office telephone numbers. This is normally done by sending representatives to customer workplace or residence. These representatives are usually employees of small firms to which the bank has outsourced this activity. The ability of these personnel is uneven and the interaction with them may not always be smooth. Banks also do a quick check on the references customers have provided in the application form.

4. CREDIT APPRAISAL AND LOAN SANCTION

The bank establishes customer repayment capacity based on customer's income, age, qualification, experience, employer and nature of business (if self-employed). Based on these parameters, customer maximum loan eligibility is worked out and the final loan amount communicated to customer, then issues a sanction letter. This letter may either an unconditional letter, or may have certain terms and conditions mentioned. Customer has to fulfill these conditions before the loan is disbursed.

5. OFFER LETTER

Once the loan is sanctioned, an offer letter is sent mentioning details like loan amount, rate of interest, whether fixed or variable rate of interest is linked to a reference rate, tenure of the loan, mode of repayment, if the loan is under some special scheme, the details would be mentioned, general terms and conditions of the loan and special conditions, if any.

- **Acceptance Copy of the Offer Letter**

If customer accepts the offer letter the bank will ask customer to sign a duplicate letter for the same bank's records.

6. SUBMISSION OF LEGAL DOCUMENTS

Once customer selects property, the bank requires customer to hand over the entire set of' original documents pertaining to customer property so that it can keep them as security for the loan amount given to customer. These documents would remain in the bank's custody untilthe loan is fully repaid

- **Legal Check**

Every bank conducts a legal check on customer documents (including draft sale documents that customer will be entering into with customer seller) to validate their authenticity. These documents normally include:

➢ The title documents of customer seller which prove the seller's title including the chain of title documents if he is not the first owner.

➢ NOCs from the legal owners such as Cooperative Housing Societies, statutory development authorities, or the leaser of the land in the case of leasehold land.

NOCs are not required where the property is situated on freehold land and the entire land is being transferred along with the structure. The banks send these documents to a lawyer on their panel (either In-house or outsourced) for a thorough scrutiny. Some banks will charge a special fee to cover these cost while some banks will ask customer to pay these directly to the concerned lawyer though for most banks the upfront fee covers these fees as well. The lawyer's report either gives a go-ahead if the documents are clear, or it may ask for a further set of documents. In the latter case, customer are expected to handover the additional documents to the bank for a clear title. Since property documentation in India is non-standard and non-transparent, it helps if customer buy property from a reputed builder since the builder would know the process inside out, and keep all the documents ready. In fact, the maximum customer service issue arises at this stage because of a lack of standardization. Also, as per the laws of several states, there are heavy transfer charges on sale of property and / or very heavy stamp duties. This has given rise to sale of property by showing lower consideration than agreed for, with the balance being paid either on an amenity's agreement or in cash. Moreover, the concept of sale by executing 'Irrevocable Power of Attorney' has gained ground especially in the National Capital Region. All this could restrict the choice of customer lenders and may therefore, increase the cost of the loan which customer might want to keep in mind while finalizing these kinds of properties.

7. VALUATION OF PROPERTY

Valuation has become a key parameter in determining the loan amount that can be sanctioned by the bank. The valuation process is quite subjective and dependent on the quality and ability of the person sent by the bank for valuation. In many cases, the valuer determines the value of the property at an amount that is lower than the documented cost of the property and this would result in the loan amount being decreased since the bank funds a certain percentage of the cost or valuation of the property whichever is lower. Now a day, valuation of property is determined according to "Jantri Value". Valuer could not exceed the value of property if valuer had proper evidence for higher value.

8. REGISTRATION OF PROPERTY DOCUMENTS

After the legal and technical / valuation check, the draft documents as cleared by the lawyer need to be finalized and signed and the stamping and registration of the documents need to be done. Also if any No Objection Certificates (NOCs) are pending these need be obtained in the format approved by the bank's lawyer.

9. DISBURSEMENT

The best part is when customer actually received the cheque. This happens once the bank has ensured that the property is legally and technically clear and after customer has handed over all the original documents pertaining to the transfer of ownership of property in customer favour, having executed the necessary loan agreements with the bank. But at this stage, customer should also provide documents to prove that customer have paid customer personal contribution towards the property, since banks normally fund only up to 85-90 percent of the total cost of the house. In case customer are expecting money from other sources to fund customer own contribution, customer need to provide sufficient evidence for the same.It is only after submitting this proof that the bank will release part disbursement of the loan. The cheque will be in the name of the reseller (for resale flats), builder, society or the development authority. It is only in exceptional circumstances, that is, if customer provides documents to support that customer have made an excess payment from customer own account that the cheque will be handed over to customer directly by the bank. Usually, loans are disbursed on the basis of the stage of construction of the property. This would mean that the disbursement could either be full and final (in the case of resale or ready possession properties) or part disbursement (in the case of under construction properties). Each option would have different disbursement processes. Customer should keep photocopies of all documents / agreements / letters submitted to the bank to avoid any misunderstandings later. Apart from home loan process, the following flow charts shows home acquisition process and booking process whichare important for a home loan buyer.

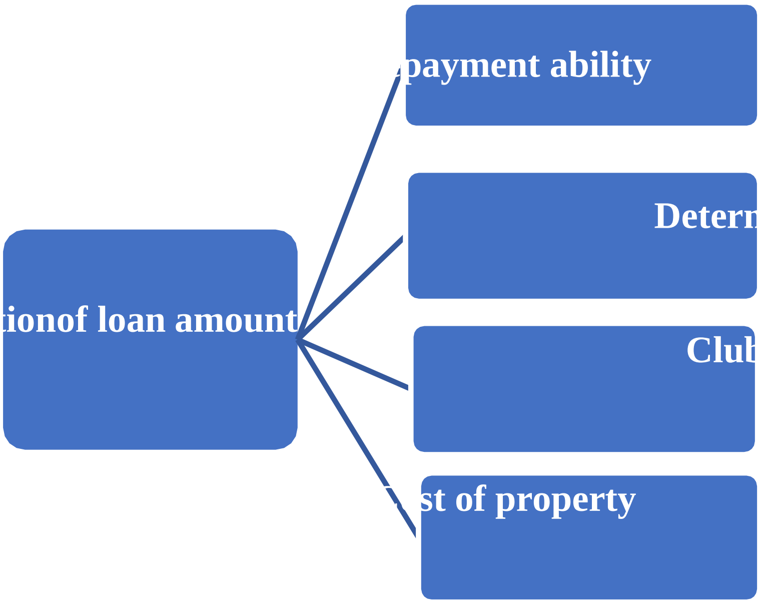
3.4 DETERMINATION OF LOAN AMOUNTS

Loan eligibility is based on two separate calculations:

1. The amount of Loan repayment that a customer can afford to make every month.
2. A specified percentage of the cost of the property.

The amount of the loan sanctioned will be the lower of the two figures arrived at after making these two calculations.

It is possible that while the customer’s income (and hence, customer’s ability to repay) could make customer eligible for a higher loan, the bank will almost always cap the sanctioned loan amount at 80 to 90 per cent of the property cost.



[i] **Repayment Ability -** The Most Important Determination Customer's ability to repay is based on income and expenditure pattern. For instants, if a customer's monthly income is ` 10,000 and his monthly expenses is ` 8,000the customer can certainly pay ` 2,000 towards any potential home loan he can take. This amount can now be used as the instalment amount and the customer's eligibility can be reverse – calculated. The larger customer's repayment capability, the higher will be customer's loan eligibility.

[ii] **Determination of Income**

Banks need to be sure about income stability of customer. Which is why, they may not consider the following categories of income while calculating loan eligibility: Performance bonus, medical reimbursements or leave travel allowance, as these are not certain, any case annual perks are not available every month to help in monthly repayments. Some banks, however, are willing to consider these amounts either partially or fully as 'income'. Overtime may be of temporary nature. Again, if the overtime is shown as being received consistently for a long period of time, some banks may consider at least a part of this as 'income'. Interest income since the underlying investments on which these incomes are earned may be liquidated to pay for customer contribution required towards the cost of the house. But if a customer can convince some bank that the interest income will remain even after customer have bought the house, the bank may be persuaded to include the interest income while calculating loan eligibility. Conveyance or entertainment / other allowances paid in cash through vouchers, unless customer regularly deposits the cash reimbursement in his/her salary account. Banks will hesitate to consider it for a loan since they have no document to verify whether such an allowance is indeed paid. Earnings from non-verifiable sources such as tuition / tailoring are not considered as 'income' by the banks unless business of this kind is carried on in a verifiable manner. Agricultural income, since this is non-taxable and non-stable as well, most banks do not give this any weight age or give significantly lower weight age. Rental income is being consistently received and shown in the income tax (IT) returns and copies of the rental agreements are available, banks may consider part or whole of this as 'income'. If a customer is a salaried employee, some banks apply the normative percentage on the gross salary, while some apply it on customer's net salary. Having said that, most banks go by gross salary as the net salary varies from month to month (deduction of festival advances, medical reimbursements given, or grant of leave travel allowance that month). These banks allow a smaller percentage of customer income as available for payment of loan installment; while those applying it on net salary allow a higher percentage of the salary. In case of customer is self-employed, the difference in eligibility norms can be glaring. Some banks strictly consider only returned income, that too an average of last two or three years of income, to smoothen out any sharp increases in reported incomes. Some banks will add full/half of the depreciation to calculate the base income.Recognizing this, quite a few banks have evolved eligibility norms that work around these issues. Let us call these banks 'self-employed-friendly banks'. Some of the things they might have for calculating eligibility norms that are self-employed friendly are:

- Considering customer's 'actual income' as multiple of customer's 'disclosed income'.
- Estimating customer's 'actual income as a percentage of 'gross receipts' and ignoring customer's 'disclosed income'.

- Clubbing the income of entities controlled by customer such as private limited companies or partnership firms in which customer have substantial stakes or are a partner by making such entities joint borrowers to the loan.

Some banks do not consider that part of income which forms customer's yearly investment which is allowed as deduction under section 80C. This amount is not considered as income. However some banks have considered this as income if investment is licenced by bank authority. Most foreign banks are 'self-employed friendly' on the above lines. Most banks do empower local level officials with discretionary powers to enhance loan eligibilities based on their subjective assessment of customer's true income.

[iii] Clubbing of Incomes of Relatives

Eligibility is also calculated by clubbing the customer's income with that of his relatives. All banks allow clubbing of the spouse's income to work out the loan eligibility. In such cases, they insist on making the spouse a joint borrower (or co borrower).The basic premise behind using pooled incomes for calculating eligibility is that both parties will actually combine their income and pay off all expenses (including the home loan instalment). However, banks are selective in extending this concept of pooling of incomes to other relations. Some banks allow parents, children and brothers to be joint borrowers.

[iv] Cost of the Property

The bank naturally wants customer to put in a contribution towards the cost of the house so that customer has a stake in its continued maintenance. This also ensures that if the value of the house goes down in future, the bank's outstanding loan amount is lower than the market value of the property. The amount the customer is expected to put in is called 'margin money' or 'down payment'. Generally bank gives loan amount of 85% to90% of the agreement value of the property. Even if a customer's income is enough to justify a higher loan, the bankwill give a maximum loan based on its margin requirements.

- **Age of the Building**

The down payment can also vary depending on the age of the property. If the property is older, the down payment requirement may be higher. Most banks have a cap on the maximum age of the building at the end of the loan tenure. This would normally be fifty years.

So if a customer is buying a property on resale and the current age of the building is thirty- eight years, the probability of getting a tenure higher than twelve years is very low despite the fact that the customer may otherwise be eligible for a twenty-year loan. This reduction of tenurewould reduce the loan eligibility.

- **Unaccounted Component**

In some real estate transactions a portion of the cost is not accounted for in any of the documents related to the purchase. Thankfully, this practice is on the decline especially where the property is bought from reputed builders. No bank takes this unaccounted amount in calculating the cost of the property while determining the loan amount eligibility.

- **Resale Value**

The resale value of a property is taken into consideration before the bank lends money to buy a property. It ensures that in the unlikely event of a default, should the bank need to dispose the property to recover its dues, the bank is well covered to the extent of the home loan provided. This is more of a problem in case of resale properties and lesser one in case of properties purchased from reputed builders.

- **Independent Valuation of the Property**

Every bank has practiced that bank will not give a loan (or give the loan at a higher rate) when the property is being bought from a relative. Also, the bank insists on and independent valuation of the property and the maximum loan amounts are based on this valuation rather than on the agreement value.

TAX BENEFITS

In the present study, I wanted to reveal that the Government of India has announcedfollowing tax benefit in direct tax and indirect tax.

INCOME TAX / DIRECT TAX

There are certain tax benefits for the resident Indians based on the principal and interest component of a loan under the Income Tax Act, 1961. It may help one get tax benefit up to 46,350 p.a. (approx). If interest repayment of 1,50,000 p.a. is paid. In addition to this, also is one eligible for getting tax benefits under section 80C on repayment of 1,00,000 p.a. that further reduces the tax liability by ` 30,900 p.a. These deductions are available to assesses, who have taken a loan to either buy or build a house, under Section 24(b). However, interest on borrowed capital is deductible up to 1,50,000 if the following conditions are fulfilled:

- Capital is borrowed for acquiring or constructing a property on or after April 1, 1999.
- The acquisition and construction should be completed within 3 years from the end of the financial year in which capital was borrowed.
- The person, extending the loan, certifies that such interest is payable in respect of the amount advanced for acquisition or construction of the house
- A loan for refinance of the principal amount outstanding under an earlier loan taken for such acquisition or construction. If the conditions stated above are not fulfilled, then the interest on borrowed capital is deductible up to ` 30,000 though the following conditions have to be satisfied:
- Capital is borrowed before April 1, 1999 for purchase, construction, reconstruction repairs or renewal of a house property.
- Capital should be borrowed on or after April 1, 1999 for reconstruction, repairs renewals of a house property.
- If the capital is borrowed on or after April 1, 1999, but construction is not completed within 3 years from the end of the year, in which capital is borrowed. In addition to the above, principal repayment of the loan / capital borrowed is eligible for a deduction of upto 1,00,000 under Section 80C from assessment year 2006-07.

TERMS AND CONDITIONS FOR AVAILING TAX BENEFITS ONHOME LOANS

1. Tax deductions can be claimed on housing loan interest payments, subject to an upper limit of 1,50,000 for a financial year.

2. An additional loan for extension / improvement to the same house and the individual's deductions on the existing loan are less than ` 1,50,000 he can claim further benefits from the additional loan taken, subject to the upper limit of `1,50,000 for a financial year.

3. Tax benefits under Section 24 and deduction under section 80C of the Income Tax Act can be claimed on accrual basis and payment basis respectively. If an individual fails to make EMI payments, he cannot claim tax benefits U/s 80C.

4. According to the Income Tax Act, tax rebates can only be claimed by the loan applicant.

5. The interest on home loans taken for repairs, renewals or reconstruction, also qualifies for the deduction of `1,50,000.

6. Both the spouses who are tax-payers with independent income sources, get tax deduction benefits, with respect to the same housing loan, to the extent of the amount of loan taken in their own respective name.

7. If an individual buys a house and sells it within the same year or after 3 years, and if any profit is made, then a capital gains tax liability arises on the same for which the individual is liable to pay short-term capital gains tax since the sale took place in the same year. But in case, if the sale had taken place after 3 years, then a long-term capital gains tax liability would havearisen.

8. On being proved that the home loan is simply an arrangement between the loan seeker and the builder or with a third party for the purpose of claiming tax benefits, then tax benefits will not be allowed and benefits, previously claimed, will be clubbed to the income and taxed accordingly.

9. Tax benefits on interest on housing loans are allowable only for the original loan and according to Section 24(1), tax benefits can also be availed for a second loan taken to repay the first loan but not for subsequent loans. This means that if you have already availed of one loan to refinance the original loan and now want to avail a third loan to refinance the second loan, tax rebate on interest payments will not be permissible.

DEDUCTION AVAILABLE TO PERSON ON TRANSFER OF HOUSE PROPERTY U/S 80 C

Any stamp duty, registration fees and other expenses for the purpose of transfer of such house property is allowable as deduction U/s 80C of one's income. To this extent one can claim benefit whether or not home loan principle portion is paid to bank or not.

SET OFF LOSS U/S 71B

Negative income in case of income from house property (which is always there for self- occupied property and possible in some cases of let out property) such as set off amount of loss under section 71B of the Income Tax Act, 1961 is allowed to be adjusted against positive income under other heads and contributes to savings in tax, at the applicable rate.

3.5 GOVERNMENT SCHEMES FOR HOUSING: - 2022

The Government of India and the State government provide housing schemes to Indian citizens so that they can buy their homes easily. Irrespective of the class or group they belong to, these housing schemes allow the middle and lower income group to buy their own houses in India, which they are unable to do so due to their financial status. A housing scheme helps you avoid costly property purchases and provides you a house at a lower price than the market price. You can apply for the housing scheme from the selected banks in India or Housing Finance Companies (HFCs). Check out some of the government housing schemes from whichyou can buy a property in India at less cost than the market price.

3.5.1 PRADHAN MANTRI AWAS YOJANA (PMAY)

The government of India has a theme 'Housing for All' by 2022. To achieve it, it has introduced the Pradhan Mantri Awaas Yojana (PMAY) scheme. PMAY is a Central government affordable housing scheme for Lower Income Groups (LIG) and Economically Weaker Sections (EWS) and Middle Income Group (MIG) consumers. Take a look at the PMAY scheme both urban and rural.

Who is Eligible to Avail Benefits of Pradhan Mantri Awas Yojana (Urban)?

- Economically Weaker Section (EWS) with an annual income up to INR 3 lakh
- Low Income Group (LIG) people whose annual household income is between INR 3 lakh to INR 6 lakh.
- As per Middle Income Group (MIG) 1, a person earning up to INR 12 lakh per year is entitled to avail a 4% subsidy on a loan of up to Rs 9 lakh. A maximum subsidy of INR 2.35 lakh is granted under a credit-linked subsidy scheme (CLSS)
- Middle Income Group (MIG) 2, a person earning up to INR 18 lakh can avail a 3% subsidy on a loan of up to INR 12 lakh. The maximum subsidy amounts to INR 2.30lakh under CLSS.

3.5.2 INTEREST SUBSIDY ON PMAY:

PMAY Scheme	Interest Subsidy
Economically weaker Section (EWS)	6.40%
Low Income Group (LIP)	6.40%
Middle Income Group 1 (MIG 1)	4.00%
Middle Income Group 2 (MIG 2)	3.00%

NOTE: You should not own a pucca house anywhere in India, to get the PMAY benefits.The family must comprise a husband, a wife, and unmarried children. If you meet these basic criteria, you can apply for the PMAY CLSS.

3.5.3 PRADHAN MANTRI AWAS YOJANA (RURAL)

- The beneficiaries are chosen by the Gram Sabha, according to the data collected on the national level Socio-Economic and Caste Census.
- The aim is to draft the list of socially and economically backward masses of the country to categorize the list of beneficiaries under the plan PMAY Rural scheme.
- If the applicant's name is listed in the released list of the Gram Sabha, he/she is eligible to apply for a home loan under PMAY rural scheme.

3.5.4 TAMIL NADU HOUSING BOARD SCHEME

The Tamil Nadu Housing Board (TNHB) provides affordable housing to all the Tamil Nadu residents. There are two categories in which the allotment is being made in the TNHB housing scheme – 'residential units' and 'commercial units'. Reservations are made for different categories as per the government order.

Category	Reservation
Scheduled Caste including the Adi Dravidas	18%
Scheduled Tribes (ST)	1%
State Government Officials	18%
Central Government Officials, Employees of Tamil Nadu Electricity Board and local bodies	8%
Defence service personnel including Ex-serviceman and widows of Defence personnel	7%

Dhobies & Barbers	4%
Working Journalists	3%
Language Crusaders and Participants in State Border Agitations	1%
Employees of Tamil Nadu Housing Board	2%
General Public	38%
Differently Abled Person	3%

The Pradhan Mantri Awas Yojana (PMAY) is an initiative of the Government of India which aims at providing affordable housing to the urban poor by the year 2022. The scheme was first launched on 1 June 2015. The interest rate for the PMAY scheme starts at 6.50% p.a. and can be availed for a tenure of up to 20 years. The last date for availing the PMAY CLSS scheme for the LIG and EWS categories has been extended to 31 March 2022

3.5.5 FEATURES AND BENEFITS OF PMAY SCHEME:

- Under PMAY Scheme, subsidy interest rate is provided at 6.50% p.a. on housing loan for the term of 20 years to all the beneficiaries.
- Differently abled and senior citizens will be given preference in allocation of ground floors.
- Sustainable and eco-friendly technologies would be used for construction.
- The scheme covers entire urban areas in the country which includes 4041 statutory towns with the first priority given to 500 Class I cities. This will be done in 3 phases.

- The credit linked subsidy aspect of the PM Awaas Yojana gets implemented in India in all statutory towns from the initial stages itself.

3.5.6 PRADHAN MANTRI AWAS YOJANA (PMAY) BENEFICIARIES:

The beneficiaries under the PMAY scheme can be listed as follows:

Beneficiary	Annual income
Middle Income Group I (MIG I)	Rs.6 lakh to Rs.12 lakh
Middle Income Group I (MIG II)	Rs.12 lakh to Rs.18 lakh
Lower Income Group (LIG)	Rs.3 lakh to Rs.6 lakh
Economically Weaker Section (EWS)	Up to Rs.3 lakh

In addition to these, people belonging to SC, ST, and OBC categories and womenbelonging to EWS and LIG income groups will also be eligible for the PMAY scheme.

IDENTIFICATION AND SELECTION OF BENEFICIARIES UNDERPMAY

- The Pradhan Mantri Awas Yojana (PMAY) - Urban scheme caters mainly to the housing requirements of the urban poor. The scheme also caters to the housing requirement of slum. dwellers residing in confined areas of slums with inadequateinfrastructure, poor sanitation and drinking facilities.

- Beneficiaries of PMAY-U mainly include Middle Income Groups (MIGs), Low-income Groups (LIGs) and Economically Weaker Section (EWS).
- While the beneficiaries from the EWS category is eligible for complete assistance under the scheme, beneficiaries from LIG and LIG categories are only eligible for the Credit Linked Subsidy Scheme (CLSS) under PMAY.
- In order to be recognised as a LIG or EWS beneficiary under the Scheme, the applicant is required to submit an affidavit as income proof to the authority

3.5.7 TYPE OF PMAY SCHEME:

There are two sub-sections of the PMAY scheme which are divided on the basis of the area on which they focus:

1. **Pradhan Mantri Awas Yojana Gramin -** The Pradhan Mantri Awas Yojana – Gramin (PMAY-G) was previously known as the Indira Awas Yojana and was christened as PMAYG in 2016. The scheme is aimed at the provision of affordable and accessible housing units to eligible beneficiaries in rural regions of India (excluding Chandigarh and Delhi). Under this scheme, the Government of India and the respective state governments share the cost of development of housing units in the ratio of 60:40 for plain regions and 90:10 for NorthEasternand hilly regions.

2. **Pradhan Mantri Awas Yojana Urban -** The Pradhan Mantri Awas Yojana – Urban (PMAYU), as the name suggests, is focussed towards the urban areas in India. At present, there 4,331 towns and cities which are enlisted under this scheme. The scheme is set to function under three different phases:

- Phase 1: Under Phase 1, the government targeted to cover 100 cities in different states and UTs across the country from April 2015 to March 2017.
- Phase 2: Under Phase 2, the government targeted to cover 200 more cities in different states and UTs across the country from April 2017 to March 2019.

- Phase 3: Under Phase 3, the government targeted to cover the cities which have been left out in Phase 1 and Phase 2 and attain the target by the end of March 2022.

3.5.8 PMAY INTEREST SUBSIDY

Particulars	Interest Subsidy	Maximum loan for subsidy
EWS	6.50% p.a.	Rs.6 lakh
LIG	6.50% p.a.	Rs.6 lakh
MIG -1	4.00% p.a.	Rs.9 lakh
MIG-2	3.00% p.a.	Rs.12 lakh

Pradhan Mantri Awas Yojana (PMAY) Subsidy Calculator:

Pradhan Mantri Awas Yojana (PMAY) scheme aims to simplify the process of purchasing a home for the urban poor and weaker sections of society through EMIs at reasonable rates of interest. The rate of interest is comparatively much lesser than commercial rates, thus offeringpeople subsidised loans.

To calculate the EMI log on to the Pradhan Mantri Awas Yojana website and fill in the following details: http://pmaymis.gov.in/EMI_Calculator.aspx

- The total loan amount in rupees
- The rate of interest
- The total loan period in months

Once the following details are submitted, click on the 'Calculate' option. This will giveyou the monthly installment or EMI payable in rupees.

3.6 HOUSING POLICIES IN INDIA:-

A cautious policy framework is needed for housing to ensure that it does not hamper the growth of the economy. The amount of investment in housing is very large. For a Particulars Interest Subsidy Maximum Loan for Subsidy EWS 6.50% p.a. Rs.6 lakh LIG 6.50% p.a. Rs.6 lakh MIG -1 4.00% p.a. Rs.9 lakh MIG-2 3.00% p.a. Rs.12 lakh 56 developing country like India, the finance should be used very cautiously, because it has to tackle many social problems. So the housing policy has to be drafted very cautiously. Even though, the private sector has to play a larger role, the government has to play its role of providing social housing for the poor. Until 1990s, the housing policy was largely driven by government budgets and regulations. In 1985, The National Commission on Urbanisation called for reorganizing government policies and programmes to meet the challenges of urbanisation in the coming decade. In 1988, the Union government came out with draft 'National Housing policy', modified in 1992, explaining the approach towards the sector and the policy objectives. This document was revised later in 1998, and brought forth as National Habitat and Human Settlements Policy 1998. Later on 2007 a new policy named National Housing and Habitat Policy 2007 was formulated. The two different policies are briefly discussed below.

3.7 NATIONAL HOUSING AND HABITAT POLICY 1998

By identifying the importance of housing, the central government has declared that "Housing for all" is the National agenda. They also decided to construct 2 million houses every year for the poor. It is on this background the new National Housing and Habitat Policy 1998,was formulated.

OBJECTIVES

a) Creation of surpluses in housing stock of the country.

b) Provision of quality and cost effective shelter for the poor.

c) Improving access to land, finance and technology by removing legal, financial and administrative barriers.

d) Encourage partnership between private, public and co-operative sectors.

e) Use of modern technology for the housing sector to improve quality, productivity etc.

It is estimated that an investment of Rs. 1,51,000 crores would be required to resolve the housing shortage in the country. But, this much amount is not available from the public sector. Not more than 25%, (i.e, 37,750 crores) would flow from banks, financial institutions, central and state governments. It is further estimated that Rs.2, 50,000 crores shall be required for urban infrastructure during the ninth plan. But not more than 10% would be available from Government sources. The drive behind the policy is in creating a strong Public Private Partnership (PPP), to resolve housing and habitat issues. Government has offered fiscal and 57 other concessions to motivate the private sector to take up the task of housing for poor. The policy also requires that research and development activities should propagate information about new technologies, which can be used in with housing sector.

3.8 NATIONAL HOUSING AND HABITAT POLICY 2007

It is estimated that India's urban population in 2001 was 286.1 million. Over the previous five decades, annual rates of growth of urban population ranged between 2.7 to 3.8%. 99% of the housing shortage of 24.7 million at the end of the 10th Plan relates to the Economically Weaker Sections (EWS) and Low Income Groups (LIG) sectors. Given the fact that 26.7% of the total poor in the country lives in urban areas the issue of affordability assumes critical significance. It is in this back ground the new policy was announced in 2007, with the aim of providing the 'Affordable Housing to all' giving special emphasis on the Economically

Weaker Sections and Low Income Group sectors. The core focus of this Policy is provision of "Affordable Housing For All" with special emphasis on vulnerable sections of society such as Scheduled Castes/Scheduled Tribes, Backward Classes, Minorities and the urban poor.

The Policy seeks to develop innovative financial instruments like development of Mortgage Backed Securitization Market (RMBS) and Secondary Mortgage Market (SMM). It also seeks to attract Foreign Direct Investment (FDI) in areas like integrated development of housing and new township development. The Government would act as a 'facilitator' and 'enabler' by developing suitable financial instruments for promotion of housing for the EWS and LIG groups. The promotion of well-designed Public-Private Partnerships for undertaking housing and infrastructure projects is also an aim of the policy. The ultimate goal of this Policy is to ensure sustainable development of all urban human settlements and there by ensure better quality of life for them. The policy also lays special emphasis on provision of social housing for the EWS or LIG categories so that they are fully integrated into the mainstream of ecologically well balanced urban development urban develop.

3.8.1 INDIRA AWAS YOJANA (IAY)

This scheme was started in the early 1980s and executed under the Ministry of Rural Development. Rural Housing Scheme started with Indira Awas Yojana (IAY) in January 1996.Its goal is the development of free houses to members of the Scheduled Castes (SC)/Scheduled Tribes (ST), Freed Bonded Labourers in rural areas and also to non-SC/ST rural poor living below the poverty line. The beneficiaries are selected from the Below Poverty Line (BPL) list approved by the Gram Sabha. In June 1985, the Union Finance Minister declared that a part of the funds of the Rural Landless Employment Guarantee Program (RLEGP) was kept to give shelter to the SC/ST and Bonded Labourers. District rural development agencies/Zilla Parishads will determine the panchayat-wise number of houses to be constructed under Indira Awas Yojana (IAY) during a particular financial year based on the allotments made and the targets set for the scheme.

3.8.2 PRADHAN MANTRI GRAM SADAK YOJANA (PMGSY)

Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched in 2000 to offer allweather road access to unconnected homes. PMGSY is a 100% centrally sponsored scheme.

The funding pattern has been updated to 60% central share and 40% state share from 2015-16 onwards. This program's goal is to give round-the-year connectivity by all-weather roads with necessary channels and cross drainage systems.

3.8.3 PRADHAN MANTRI AWAS YOJANA (GRAMIN)

The Pradhan Mantri Awas Yojana Gramin (PMAY-G) was earlier known as the Indira Awas Yojana. It was renamed in March 2016 with a motive to improve the convenience and affordability of housing for rural India. The world's largest housing scheme PMAY-G was launched by Prime Minister Narendra Modi on 20th November 2016 from Agra (UP). The new scheme replaced and restructured the Indira Awas Yojana (IAY), launched in 1985 by then PM Rajiv Gandhi. The main objective of the scheme is to develop 1-crore pucca houses in rural areas by 31st March 2019. The scheme would be applicable to all rural areas of India except Delhi and Chandigarh. The scheme is connected to MGNREGA by giving 90 days of labour to the beneficiary under MGNREGA. Under PMAY, the cost of the unit isto be shared between Central and State Governments in the 60:40 ratio in plain areas and 90:10 ratio for North Eastern and hilly states.

3.8.4 RAJIV AWAS YOJANA

Rajiv Awas Yojana was launched on the purpose of 'Slum Free India' where every citizen has access to basic social amenities, basic shelter, and civic infrastructure. The main objective of Rajiv Awas Yojana (RAY) is to encourage States/Union Territories to bring all existing slums under the legal system and allow them to avail of the basic amenities that are available for the rest of the people in the state or UT.

3.8.5 PRADHAN MANTRI AWAS YOJANA

Pradhan Mantri Awas Yojana (PMAY) is a government-initiated scheme in the country that intends to provide affordable housing for the weaker sections to ensure "Housing for All by 2022''. Started on 25th June 2015, PMAY intends to build 2 crore houses in a phased manner through the financial support of Rs 2 trillion from central government across the country for the urban poor by 31st March 2022. Depending on the areas that it provides, this Housing Scheme has two components – Urban (U) and Gramin (G). This scheme is converged with other schemes to make sure that every house has toilets, electricity connection under Saubhagya Yojana, LPG Gas connection under Ujjwala Yojana, drinking water, and Pradhan Mantri Jan Dhan Yojana banking facilities, etc.

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 FINANCIAL STATEMENTS:

Financial statements are summaries of the operating, financing, and investment activities of a business. Financial statements should provide information useful to both investors and creditors in making credit, investment, and other business decisions. And this usefulness means that investors and creditors can use these statements to predict, compare, and evaluate the amount, timing, and uncertainty of potential cash flows.

In other words, financial statements provide the information needed to assess a company's future earnings and therefore the cash flows expected to result from those earnings. The term financial statements includes at four basic statements, accompanied by a managementdiscussion and analysis:

The Income Statement:

An income statement is a summary of the revenues and expenses of a business over a period of time, usually one month, three months, or one year. This statement is also referred to as the profit and loss account statement. It shows the results of the firm's operating and financial decisions during that time.

The purpose of the income statement is to show managers and investors whether the company made or lost money during the period being reported. The important thing to remember about an income statement is that it represents a period of time. This contrasts with the balance sheet, which represents a single moment in time.

The Balance Sheet:

The balance sheet is a summary of the assets, liabilities, and equity of a business at a particular point in time – usually the end of the firm's fiscal year. The balance sheet is also known as the statement of financial condition or the statement of financial position.

4.1.1 TYPES OF FINANCIAL ANALYSIS:

There are different ways of analysis the financial statements:

1. ON THE BASIS OF PROCESS OF ANALYSIS: -

a) Horizontal Analysis: This is used when the financial statement of a number of years are to be analysed. Such analysis indicates the trends and the increase or decrease in various items not only in absolute figures but also in percentage form. This analysis indicates the strengths and weaknesses of the firm. This analysis is also called as dynamic analysis because it also shows the trend of the business.

b) Vertical Analysis: This is used when financial statements of a particular year or on a particular date are analyzed. For this type of analysis we generally use common size statements and the ratio analysis. It involves a study of quantitative relationship among various items of balance sheet and profit and loss account.

This type of analysis is static analysis because this is based on the financial results of one year. Vertical analysis is useful when we have to compare the performance of different departments of the same company.

Among these two types of analysis, horizontal analysis is more useful because it brings out more clearly the trends of working of a firm. This gives us more concrete bases for future planning.

2. ON THE BASIS OF INFORMATION AVAILABLE: -

a) Internal Analysis: This analysis is based on the information available to the business firm only Hence internal analysis is made by the management. Internal analysis is more reliable and helpful for financial decisions.

b) External Analysis: This analysis is made on the basis of published statements, reports and information. This analysis is made by external parties such as creditors, investors, banks, financial analysis etc. external analysis is less reliable in comparison to internal analysis because of limited and often incomplete information.

3. ON THE BASIS OF NUMBER OF FIRMS: -

a) Inter-Firm Analysis: When financial analysis of two or more companies or firms are analyzed and compared over a number of accounting period, it is called inter-firm analysis.

b) Intra -Firm Analysis: intra-firm analysis is concerned with the analysis of financial performance of different units or departments or segments of the same enterprise or company. Similarly when financial statements of two or more years of the same firm are analyzed and compared it is also called as intra-firm analysis.

1.3 ON THE BASIS OF OBJECTIVES: -

a) Accounting Analysis: Accounting analysis is analysis of past financial performance and involves examining how generally accepted accounting principles and conventions have been applied in arriving at the values of assets, liabilities, revenues and expenses.

b) Prospective Analysis: Prospective analysis involves developing forecasted financial statements keeping in view the changes that are likely to shape and affect the business given the assumptions about these changes and the limitation of the forecasting technique used. This is quite complicated analysis.

4.1.2 METHODS/TOOLS OF FINANCIAL ANALYSIS: -

A number of methods can be used for the purpose of analysis of financial statements. These are also termed as techniques or tools of financial analysis. Out of these, and enterprise can choose those techniques which are suitable to its requirements. The principal techniques offinancial analysis are: -

a) Comparative financial statements,

b) Common-size statements,

c) Trend analysis,

d) Ratio analysis,

e) Funds flow analysis

f) Cash flow analysis,

g) Breakeven point analysis.

- **COMPARATIVE FINANCIAL STATEMENTS: -**

When financial statements figures for two or more years are placed side-side to facilitate comparison, these are called 'Comparative Financial Statements'. Such statements not only show the absolute figures of various years but also provide for columns to indicate to increase or to decrease in these figures from one year to another. In addition, these statements may also show the change from one year to another on percentage form. Such cooperative statements are of great value in forming the opinion regarding the progress of the enterprise.

OBJECTIVES, PURPOSE OR SIGNIFICANCE OF COMPARATIVE FINANCIAL STATEMENTS: -

- To simplify data
- To make inter period/inter-firm comparison
- To indicate the trends
- To enable forecasting
- To indicate the strengths and weaknesses of the firm
- To compare the performance
- To analyse expenses
- To analyse profits

TOOLS FOR COMPARISON OF FINANCIAL STATEMENTS: -

Comparative financial statement is a tool of financial analysis that depicts change in each item of the financial statement in both absolute amount and percentage term, taking the item in preceeding accounting period as base. Comparison and analysis of financial statements may be carried out using the following tools: -

1. Comparative Balance Sheet: The comparative balance sheet shows increase and decrease in absolute terms as well as percentages, in various assets, liabilities and capital. A comparative analysis of balance sheets of two periods provides information regarding

progress of the business firm. The main purpose of comparative balance sheet is to measure the short- term and long-term solvency position of the business.

2. Comparative Income Statement: Comparative income statement is prepared by taking figures of two or more than two accounting periods, to enable the analyst to have definite knowledge about the progress of the business. Comparative income statements facilitate the horizontal analysis since each accounting variable is analysed horizontally.

- **COMMON SIZE STATEMENTS:**

Common size statements are such statements in which the items of financial statements are covered into percentage of common base. In common-size income statement, by assuming net sales as 100(i.e. %) and other individual items are converted as percentage of this. Similarly, in common –size balance sheet, total assets are assumedto be 100 (i.e. %) and individual assets are expressed as percentage.

OBJECTIVES OF COMMON SIZE STATEMENTS: -

1. Presenting the change in various items in relation to total assets or total liabilities or net sales.
2. Establishing a relationship.
3. Providing a common base for comparison.

TYPES OF COMMON SIZE STATEMENTS: -

1. Common-Size Balance Sheet: A common –size balance sheet is a statement in which total of assets or liabilities is assumed to be equal to 100 and all the figures are expressed as percentage of the total. That is why it is known as percentage balance sheet. Common-size balance sheet facilitate the vertical analysis since each item of theBalance Sheet is analyzed vertically.

2. Common-Size Income Statement: Common-size income statement is a statement in which the figures of net sales is assumed to be equal to 100 and all other figures of “profit and loss A/c” are expressed as percentage of net sales. This statement facilitate

the vertical analysis since each accounting variable is analysed vertically. One can draw conclusion, regarding the behaviour of expenses over period of time by examining these percentages.

- **TREND ANALYSIS: -**

Trend percentage are very useful is making comparative study of the financial statements for a number of years. These indicate the direction of movement over a long time and help an analyst of financial statements to form an opinion as to whether favorable or unfavourable tendencies have developed. This helps in future forecasts ofvarious items.

For calculating trend percentages any year may be taken as the 'base year'. Each item of base year is assumed to be equal to 100 and on that basis the percentage of itemof each year calculated.

- **RATIO ANALYSIS: -Meaning: -**

Absolute figures expressed in financial statements by themselves are meaningfulness. These figures often do not convey much meaning unless expressed in relation to other figures. Thus, it can be say that the relationship between two figures, expressed in arithmetical terms is called a ratio.

"According to R.N. Anthony.""A ratio is simply one number expressed in terms of another. It is found by dividing
one number into the other."

TYPES OF RATIOS:

1. Proportion or Pure Ratio or Simple ratio.
2. Rate or so many Times.
3. Percentage.
4. Fraction.

OBJECTS AND ADVANTAGES OR USES OF RATIO ANALYSIS: -

1. Helpful in analysis of financial statements.
2. Simplification of accounting data.
3. Helpful in comparative study.
4. Helpful in locating the weak spots of the business.
5. Helpful in forecasting.
6. Estimate about the trend of the business.
7. Fixation of ideal standards.
8. Effective control.
9. Study of financial soundness.

LIMITATION OF RATIO ANALYSIS: -

1. False accounting data gives false ratios.
2. Comparisons not possible of different firms adopt different accounting policies.
3. Ratio analysis becomes less effective due to price level change.
4. Ratios may be misleading in the absence of absolute data
5. Limited use of a single Ratio.
6. Window-Dressing.
7. Lack of proper standards.
8. Ratio alone are not adequate for proper conclusions.
9. Effect of personal ability and bias of the analyst.

CLASSIFICATION OF RATIOS

In view of the financial management or according to the tests satisfied, various ratios have been classified as below:

- Liquidity Ratios: These are the ratios which measure the short-term solvency or financial position of a firm. These ratios are calculated to comment upon the short-term paying capacity of a concern or the firm’s ability to meet its current obligations.
- Long –Term Solvency and Leverage Ratios: Long-term solvency ratios convey a firm’s ability to meet the interest cost and repayment schedules of its long-term obligation e.g. Debit Equity Ratio and Interest Coverage Ration. Leverage Ratios.
- Activity Ratios: Activity ratios are calculated to measure the efficiency with which the

resource of a firm have been employed. These ratios are also called turnover ratios because they indicate the speed with which assets are being turned over into sales e.g. debtors turnover ratio.

- Profitability Ratios: These ratios measure the results of business operations or overall performance and effective of the firm e.g. gross profit ratio, operating ratio or capital employed. Generally, two types of profitability ratios are calculated.

a) In relation to Sales, and

b) In relation in Investment.

4.2 FUNCTIONAL CLASSIFICATION IN VIEW OF FINANCIAL MANAGEMENT OR CLASSIFICATION ACCORDING TO TESTS:-

Liquidity Ratios	**Long-term Solvencyand Leverage Ratio**	**Activity Ratios**	**Profitability Ratios**
-Current Ratio –Liquid Ratio (Acid) Test or Quick Ratio. -Absolute liquid or Cash Ratio. -Debtors Turnover Ratio -Creditors Turnover Ratio -Inventory Turnover Ratio	Financial Operating Composite -Debt. Equity Ratio -Debt to Total Capital Ratio –Interest CoverageRatio -Capital Gearing Ratio	-Inventory Turnover Ratio. -Debtors TurnoverRatio -Fixed Assets Turnover Ratio -Total Asset Turnover Ratio -Working Capital Turnover Ratio. –Payables Turnover Ratio -Capital Employed Turnover Ratio	**In Relation to Sales.** -Gross Profit Ratio. -Operating Ratio. -Operating Profit Ratio. -Net Profit Ratio. -Expenses Ratio **In relation to investments** -Return on Investments. -Return on capital. -Return on Equity Capital. -Return on total Resources -Earning per share. -Price Earnings Ratio.

- **CASHFLOW STATEMENT: -**

A cash – flow statement is a statement showing inflows (receipts) and outflows (payments) of cash during a

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particular period. In other words, it is a summary of sources and applications of each during a particular span of time

OBJECTIVES OF CASH FLOW STATEMENT:

1. Useful for Short-Term Financial Planning.
2. Useful in Preparing the Cash Budget.
3. Comparison with the Cash Budget.
4. Study of the Trend of Cash Receipts and Payments.
5. It explains the Deviations of Cash from Earnings.
6. Helpful in Ascertaining Cash Flow from various separately.
7. Helpful in Making Dividend Decisions.

4.3 FINANCIAL ANALYSIS:

- **PROFIT AND LOSS A\C OF INDIAN BANK:**

PROFIT & LOSS ACCOUNT OF INDIAN BANK (in Rs. Cr.)	Mar-22	Mar-21	Mar-20	Mar- 19	Mar-18
	12 Months	12 Months	12 Months	12 Months	12 Months
INCOME					
Interest / Discount on Advance / Bills	26,927.56	27,454.63	15,933.04	13,983.87	11,857.14
Income fromInvestments	10,964.82	11,166.89	5,278.82	5,046.42	5,113.15
Interest on Balance with RBI and Other Inter-Bank funds	851.34	425.46	177.43	139.52	121.65
Others	112.50	58.80	15.68	17.99	21.71
TOTAL INTEREST EARNED	**38,856.22**	**39,105.79**	**21,404.97**	**19,184.81**	**17,113.65**
Other Income	6,915.46	6,079.25	3,312.46	1,882.89	2,405.84
TOTAL INCOME	**45,771.68**	**45,185.04**	**24,717.43**	**21,067.70**	**19,519.48**

EXPENDITURE					
Interest Expended	22,128.27	23,439.84	13,798.55	12,166.72	10,850.09
Payments to andProvisions for Employees	6,695.71	6,378.24	2,472.92	2,222.87	2,100.25
Depreciation	0.00	632.87	313.63	258.97	236.40
Operating Expenses (excludes Employee Cost & Depreciation)	4,230.80	3,338.44	1,634.25	1,538.53	1,331.75
TOTAL OPERATING EXPENSES	**10,926.51**	**10,349.55**	**4,420.84**	**4,020.37**	**3,668.40**
Provision TowardsIncome Tax	-740.59	-99.10	619.37	-37.74	-182.57
Provision Towards Deferred Tax	0.00	0.00	0.00	0.00	0.00
Other Provisions and Contingencies	9,512.67	8,490.07	5,125.31	4,596.40	3,924.57
TOTAL PROVISIONS AND CONTINGENCIES	**8,772.08**	**8,390.97**	**5,744.68**	**4,558.66**	**3,742.00**
TOTAL EXPENDITURE	**41,826.86**	**42,180.98**	**23,964.08**	**20,745.75**	**18,260.49**
NET PROFIT / LOSSFOR THE YEAR	**3,994.82**	**3,004.68**	**753.36**	**321.95**	**1,258.99**
NET PROFIT / LOSS AFTER EI & PRIOR YEAR ITEMS	**3,994.82**	**3,004.68**	**753.36**	**321.95**	**1,258.99**
Profit / Loss Brought Forward	0.00	99.16	99.15	98.15	97.11
TOTAL PROFIT / LOSS AVAILABLE FOR APPROPRIATIONS	**0.00**	**3,103.84**	**852.51**	**420.10**	**1,356.10**

APPROPRIATIONS					

Transfer To / From Statutory Reserve	0.00	751.17	188.34	80.50	314.75
Transfer To / From Capital Reserve	0.00	47.71	152.15	40.79	35.20
Transfer To / From Revenue And Other Reserves	0.00	1,154.01	15.00	10.66	870.00
Dividend and Dividend Tax for The Previous Year	0.00	0.00	0.00	0.00	0.00
Equity Share Dividend	0.00	225.87	0.00	0.00	0.00
Tax On Dividend	0.00	0.00	0.00	0.00	0.00
Balance Carried OverTo Balance Sheet	0.00	100.16	99.16	99.15	98.15
TOTAL APPROPRIATIONS	**0.00**	**3,103.84**	**852.15**	**420.10**	**1,356.10**
OTHER INFORMATION					
EARNINGS PER SHARE					
Basic EPS (Rs.)	32.38	26.61	14.33	6.70	26.21
Diluted EPS (Rs.)	32.38	26.61	14.33	6.70	26.21
Dividend Percentage					

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PROFIT AND LOSS A\C OF INDIAN BANK:

Parameters I. **INCOME**	**MARCH' 19 (₹ Cr.)**	**MARCH'18 (₹ Cr.)**	**MARCH'17 (₹ Cr.)**	**MARCH'16 (₹ Cr.)**	**MARCH'15 (₹ Cr.)**
Interest Earned	19,184.81	17,113.65	16,039.75	16,243.78	15,852.94
Other Income	1,882.89	2,405.84	2,211.37	1,781.42	1,363.36
Total Income	**21,067.70**	**19,519.48**	**18,251.12**	**18,025.20**	**17,216.30**
II. EXPENDITURE					
Interest expenditure	12,166.72	10,850.09	10,893.69	11,797.60	11,391.65
Operating expenditure	4,020.37	3,668.40	3,356.72	3,195.50	2,810.93
PBIDT	**4,880.62**	**5,000.99**	**4,000.71**	**3,032.09**	**3,013.72**
Provisions andContingencies	4,596.40	3,924.57	2,242.47	2,076.79	1,545.09
Profit Before Tax	284.21	1,076.42	1,758.24	955.30	1,468.62
Taxes	-37.74	-182.57	352.56	243.92	463.45

Total	20,745.75	18,260.49	16,845.44	17,313.82	16.211.12
III. Profit & Loss					
PTA	**321.95**	**1,258.99**	**1,405.68**	**711.38**	**1,005.17**
Extraordinary items	0.00	0.00	0.00	0.00	0.00
Profit brought forward	98.15	97.11	96.36	95.04	92.88
Adjusted Net Profit	0.00	0.00	0.00	0.00	0.00
Total Profit & Loss	321.95	1,258.99	1,405.68	711.38	1,005.17

Appropriations	420.10	1,356.10	1,502.04	806.42	1,098.05
Equity Dividend (%)	0.00	0.00	0.00	0.00	0.00
Earnings Per Share (in ₹)	0.00	0.00	0.00	0.00	0.00

- **COMPARATIVE INCOME STATEMENT OF INDIAN BANK: MAR: 2018-19_MAR: 2017-18**

Parameter	MAR'19 (₹ Cr.)	MAR'18 (₹ Cr.)	CHANGE %
I.INCOME			
Interest Earned	98,972.05	80,241.36	23.34%
Other Income	17,65.88	15,220.30	15.81%
Total Income	**1,16,597.94**	**95,461.66**	**22.14%**
II.EXPENDITURE			
Interest Expended	50,728.83	40,146.49	26.36%
Operating Expenses	26,119.37	22,690.38	15.11%
PBIDT	**39,749.74**	**32,624.78**	**21.84%**
Provisions and contingencies	7,550.08	5,927.49	27.37%
Profit Before Tax	32,199.66	26,697.29	20.16%
Taxes	11,121.49	9,210.57	20.75%
Total	95,519.77	77,974.93	22.50%
III.Profit & Loss			
PAT	**21,078.16**	**17,486.73**	**20.54%**
Extraordinary Items	0.00	0.00	0.00%

Profit brought forward Adjusted Net Profit	40,453.41 0.00	32,668.94 0.00	23.83% 0.00%
Total Profit % Loss Appropriations	21,078.16 61,531.58	17,486.73 50,155.67	20.54% 22.68%
Equity Dividend (%) Earnings Per Share (in ₹)	750.00 77.40	650.00 67.38	15.38% 14.86%
Book Value (in ₹)	547.89	409.60	33.76%

INTERPRETATION:

From the comparative income statement of HDFC bank for the year 2017 – 2018 ,2018 – 2019, interest earned has increased 23.34%, other income has increased 15.81%,total income has increased 22.14%, interest expended has increased 26.36%, operating expenses 26.36%,operating expenses has increased 15.11%, profit before indirect tax has increased 21.84%, provisions and contingencies has increased 27.37% , profit before tax has increased 20.61%, taxes has increased 20.75% ,total has increased 22.50% ,profits has increased 20.54%
, extraordinary profits and net profit has no changes, profit bought forward has increased 23.83% ,total profit and loss has increased 20.54%,appropriations has increased 22.68%,equity dividend has increased 15.38%,earnings per share has increased 14.86% and the book value has increased 33.76%.

- ## BALANCE SHEET OF INDIAN BANK:

BALANCE SHEET OF INDIAN BANK (in Rs. Cr.)	**MARCH22**	**MARCH21**	**MARCH20**	**MARCH19**	**MARCH18**
	12 Months	12 Months	12 Months	12 Months	12 Months
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	1,245.44	1,129.37	608.80	480.29	480.29

TOTAL SHARE CAPITAL	**1,245.44**	**1,129.37**	**608.80**	**480.29**	**480.29**
Revaluation Reserve	0.00	13,124.32	2,987.84	3,095.04	2,621.44
Reserves and Surplus	42,463.36	24,158.26	18,492.62	15,813.36	15,346.69
Total Reserves andSurplus	42,463.36	37,282.58	21,480.47	18,908.40	17,968.13
TOTAL SHAREHOLDERS FUNDS	**43,708.80**	**38,411.94**	**22,089.27**	**19,388.69**	**18,448.42**
Deposits	593,617.81	538,071.11	260,225.90	242,075.95	208,294.22
Borrowings	17,144.31	23,347.36	6,322.70	6,463.09	6,213.10
Other Liabilities and Provisions	17,197.13	23,347.36	6,322.70	6,463.09	6,213.01
TOTAL CAPITAL AND LIABILITIES	**671,668.05**	**626,005.02**	**309,468.17**	**280,065.27**	**252,715.82**
ASSETS					
Cash and Balances with Reserve Bank of India	24,054.41	27,525.05	5,736.12	11,701.86	10,501.60
Balances with Banks Money at Call and ShortNotice	55,861.64	26,514.80	8,188.56	8,318.52	2,426.19
Investments	174,558.59	176,536.97	81,241.69	64,992.17	71,397.77
Advances	389,186.06	360,010.24	197,887.01	181,261.91	156,568,93
Fixed Assets	7,683.71	7,376.31	3,895.74	3,961.40	3,418.35
Other Assets	20,323.64	24,021.62	12,519.05	9,829.41	8,402.99
TOTAL ASSETS	671,668.05	626,005.02	309,468.17	280,065.27	252,715.82
OTHER ADDITIONAL INFORATION					
Number of Branch	0.00	6,007.00	2,890.00	2,875.00	2,820.00
Number of Employee	0.00	41,629.00	18,758.00	19,604.00	20,065.00
Capital adequacy ratio(%)	16.53	15.71	14.12	13.00	13.00

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KEY PERFORMANCE INDICATORS					
Tier 1 (%)	0.00	11.93	12.08	11.00	11.00
Tier 2 (%)	0.00	3,78	2.04	2.00	1.00
ASSETS QUALITY					
Gross NPA	35,214.25	38,455.35	14,150.84	13,353.45	11,990.14
Gross NPA (%)	8.00	10.00	7.00	7.00	7.00
Net NPA	8,848.65	12,271.13	6,184.24	6,793.11	5,959.56
Net NPA (%)	2.27	3.37	3.13	4.00	4.00
Net NPA To Advance (%)	1.00	3.00	3.00	4.00	4.00
CONTINGENT LIABILITIES, COMMITMENTS					
Bills for collection	0.00	12,620.73	599.50	5,394.56	4,607.55
Contingent liabilities	0.00	293,533.46	42,576.86	36,194.11	33,703.86

INTERPRETATION:

Capital Adequacy Ratios (%) of Indian Bank: From the following Balance Sheet of ndian Bank for the consecutive years from 2018 to 2022, Capital Adequacy Ratio for the years 2018 and 2019 was 13.00, for the year 2020 was 14.12, for the year 2021was 15.71 and
for the year 2022 16.53.

BALANCE SHEET OF INDIAN BANK:

Parameters	**MARCH22 (₹ Cr.)**	**MARCH21 (₹ Cr.)**	**MARCH20 (₹ Cr.)**	**MARCH19 (₹ Cr.)**	**MARCH18 (₹ Cr.)**
SOURCES OF FUNDS					

Share warrants & Out standings	0.00	0.00	0.00	0.00	0.00
Share Capital	480.29	480.29	480.29	480.29	480.29
Total Reserve	18,908.40	17,968.13	16,681.72	15,799.49	14,615.18
Deposits	2,42,075.95	2,08,294.22	1,82,509.28	1,78,285.84	1,69,225.27
Borrowings	12,137.54	19,760.17	12,636.89	3,509.32	2,646.09
Shareholder'sFunds	19,388.69	18,448.42	17,162.01	16,259.78	15,095.47
Other Liabilities& Provisions	6,463.09	6,213.01	5,924.97	5,655.45	5,869.14
TOTAL LIABILITIES	2,80,065.27	2,52,715.82	2,18,233.15	2,03,710.38	1,92,835.97
APPLICATIONOF FUNDS:					
Cash and balance with Reserve Bank of India	11,701.86	10,501.60	5,588.70	9,174.45	8,301.07
Balances with banks and moneyat call and short notice	8,318.52	2,426.19	4,453.02	2,824.84	4,780.10
Investments	64,992.17	71,397.77	67,551.79	53,089.31	45,728.32
Advances	1,81,261.91	1,56,568.93	1,27,699.28	1,29,049.08	1,25,863.55
Gross Block	6,063.94	5,331.55	5,122.55	4,981.61	4,253.45

Less : Accumulated Depreciation	2,103.30	1,913.81	1,690.59	1,478.44	1,289.96
Less : Impairment ofAssets	0.00	0.00	0.00	0.00	0.00
Net Block	3,960.64	3,417.74	3,431.97	3,503.17	2,963.49
Lease Adjustment	0.00	0.00	0.00	0.00	0.00
Capital Work in Progress	0.76	0.6	10.64	7.90	5.24
Other Assets	9,829.40	8,402.99	9,497.75	6,061.63	5,194.20
TOTALASSETS	2,80,065.27	2,52,715.82	2,18,233.15	2,03,710.38	1,92,835.97
ContingentLiability	36,194.11	33,703.86	29,362.30	29,752.52	38,037.68
Bills for collection	5,394.56	4,607.55	3,230.56	3,150.61	2,990.96

- **BALANCE SHEET OF HDFC BANK:**

BALANCE SHEET OF HDFC BANK (in Rs. Cr.)	MARCH22	MARCH21	MARCH20	MARCH19	MARCH18
	12 Months	12 Months	12 Months	12 Months	12 Months
EQUITIES AND LIABILITIES					
SHAREHOLDER’S FUNDS					
Equity Share Capital	554.55	551.28	548.33	544.66	519.02
TOTAL SHARE CAPITAL	**554.55**	**551.28**	**548.33**	**544.66**	**519.02**
Revaluation Reserve	0.00	0.00	0.00	0.00	0.00
Reserves and Surplus	239,538.38	203,169.55	170,437.70	148,661.69	105,775,98
Total Reserves and Surplus	239,538.38	203,169,55	170,437.70	148,661.69	105,775.98

TOTAL SHAREHOLDERS FUNDS	**240,092.93**	**203,720.83**	**170,986.03**	**149,206.35**	**106,295.00**
Deposits	1,559,217.44	1,335,060.22	1,147,502.29	923,140.93	788,770.64
Borrowings	184,817.21	135,487.32	144,628.54	117,085.12	123,104.97
Other Liabilities and Provisions	84,407.49	72,602,15	67,394.40	55,108.29	45,763.72
TOTAL CAPITAL AND LIABILITIES	**2,068,535.07**	**1,746,870.52**	**1,530,511.26**	**1,244,540.69**	**1,063,934.32**
ASSETS					
Cash and Balances with Reserve Bankof India	129,995.64	97,340.74	72,205.11	46,763.62	104,670.47
Balances with Banks Money at Call andShort Notice	22,331,30	22,129,66	14,413.60	34,584.02	18,244.61
Investments	455,535.70	443,728,29	391,826,66	290,587.88	242,200.24
Advances	1,368,820.93	1,132.836.63	993,702.88	819,401.22	658,333,.09
Fixed Assets	6,083.68	4,909.32	4,431.29	4,030.00	3,607.20
Other Assets	85,767,82	45,925.89	45,931,09	49,173.95	36,878.70
TOTAL ASSETS	**2,068,535.07**	**1,746,870.52**	**1,530,511.26**	**1,244,540.69**	**1,063,934.32**
OTHER ADDITIONAL INFORMATION					
Number of Branches	0.00	5,608,00	5,416,00	5,103,00	4,787.00
Number ofEmployees	0.00	120,093,00	116,917.00	98,016.00	88,253.00
Capital Adequacy Ratios (%)	18.90	18.79	19.00	17.00	15.00
KEY PERFORMANCE INDICATORS					

Tier 1 (%)	0.00	17.56	17.00	16.00	13.00
Tier 2 (%)	0.00	1.23	1.00	1.00	2.00
ASSETS QUALITY					
Gross NPA	16,140.96	15,086.00	12,649.97	11,224.16	8,606.97
Gross NPA (%)	1.00	1.00	1.00	1.00	1.00
Net NPA	4,407.68	4,554,82	3,542.36	3,214.52	2,601.02
Net NPA (%)	0.32	0.40	0.36	0.00	0.00
Net NPA To Advances (%)	2.00	0.00	0.00	0.00	0.00
CONTINGENT LIABILITIES, COMMITMENTS					
Bills for Collection	0.00	44,748.14	51,584.90	49,952.80	42,753,83
ContingentLiabilities	0.00	971,097.60	1,128,953,40	1,024,715,.12	875,488.23

INTERPRETATION:

Capital Adequacy Ratios (%) of HDFC Bank: From the following Balance Sheet of HDFC Bank for the consecutive years from 2018 to 2022, Capital Adequacy Ratio for the year 2018 was 15.00, for the year 2019 was 17.00, for the year 2020 was 19.00, for the year 2021 was 18.79, and for the year 2022 was 18.90.

BALANCE SHEET OF HDFC BANK:

Parameters	MARCH'19 (₹ Cr.)	MARCH'18 (₹ Cr.)	MARCH'17 (₹ Cr.)	MARCH'16 (₹ Cr.)	MARCH'15 (₹ Cr.)
SOURCES OFFUNDS					
Share warrants & Out standings	0.00	0.00	0.00	0.00	0.00
Share Capital	544.66	519.02	512.51	505.64	501.30
Total Reserve	1,48,661.69	1,05,775.98	88,949.84	72,172.13	61,508.12
Deposits	9,23,140.93	7,88,770.64	6,43,639.66	5,46,424.19	4,50,795.64
Borrowings	1,17,085.12	1,23,104.97	74,028.87	84,968.98	45,213.56
Shareholder's Funds	1,49,206.35	1,06,295.00	89,462.35	72,677.76	62,009.42
Other Liabilities & Provisions	55,108.29	45,763.72	56,709.32	36,725.13	32,484.46
TOTAL LIABILITIES	12,44,540.69	10,63,934.32	8,63,840.19	7,40,796.07	5,90,503.07
APPLICATION OF FUNDS					
Cash and balance with Reserve Bank of India	46,763.62	1,04,670.47	37,896.88	30,058.31	27,510.45
Balances with banks and money at call andshort notice	34,584.02	18,244.61	11,055.22	8,860.53	8,821.00
Investments	2,90,587.88	2,42,200.24	2,14,463.34	1,95,836.28	1,51,641.75
Advances	8,19,401.22	6,58,333.09	5,54,568.20	4,64,593.96	3,65,495.03
Gross Block	12,345.97	10,932.58	10,157.66	9,252.62	8,463.30

Less : Accumulated Depreciation	8,271.72	7,281.13	6,486.68	5,865.22	5,297.32
Less : Impairment of Assets	0.00	0.00	0.00	0.00	0.00
Net Block	4,074.25	3,651.45	3,670.98	3,387.40	3,165.98
Lease Adjustment	-44.25	-44.25	-44.25	-44.25	-44.25
Capital Work inProgress	0.00	0.00	0.00	0.00	0.00
Other Assets	49,173.95	36,878.70	42,229.82	38,103.84	33,913.10
TOTAL ASSETS	12,44,540.69	10,63,934.32	8,63,840.19	7,40,796.07	5,90,503.07
Contingent Liability	10,24,715.12	8,75,488.23	8,17,869.59	8,53,318.11	9,75,233.95
Bills for collection	49,952.80	42,753.83	30,848.04	23,490.00	22,304.93

COMPARATIVE BALANCE SHEET:

- **INDIAN BANK**

Particulars	**2021**	**2022**	**Change in Absolute Value**	**Change in Percentage**
Equity and Liabilities: -				
Shareholder's fund:				
Share Capital	608.80	480.29	128.51	**26.76%**
Reserve & surplus	21,480.47	18,980.40	2572.07	**13.60%**
Non-CurrentLiabilities:				
Long termBorrowings	260,225.90	242,075.95	181,179.95	**7.51%**

Current liabilities:				
Trade Payables	6,322.70	6,463.09	-140.39	**2.17%**
Short termBorrowings	20,830.31	12,137.54	8692.77	**71.62%**
TOTAL:	**309,468.81**	**280,065.27**	**29,342.91**	**10.48%**
Assets				
Non-Current Assets:				
Fixed Assets	3895.74	3961.40	-65.66	**-1.66%**
Investments	81,241.69	64,992.17	16249.52	**25%**
Current Assets:				
Trade Receivables	197,887.01	181,261.91	16,625.1	**9.17%**
Inventory	12,519.05	9,829.41	2689.64	**27.36%**
Cash & Bank	13,924.68	20,020.38	-6095.7	**-30.45%**
TOTAL	**309,468.17**	**208,065.27**	**29,342.91**	**10.48%**

INTERPRETATION:

From the following comparative balance sheet of Indian bank, share capital has increased 26.76%, reserve and surplus has increased 13.60%, long term borrowing has decreased 7.51%, trade payables has increased 2.17%, short term borrowings has decreased 71.62%, fixed assets has decreased 1.66%, investments has increased 25%, trade receivables has increased 9.17%, inventories has increased 27.36% and cash and bank has decreased 30.45%.

COMPARATIVE BALANCE SHEET:

- **HDFC BANK-**

Particulars	2021	2022	Change in Absolute Value	Change in Percentage
Equity and Liabilities: -				
Shareholder'sfund:				
Share Capital	548.33	544.66	3.67	**0.667%**
Reserve &surplus	170,437.70	148,661.69	21,776,01	**14.65%**
Non-Current Liabilities:				
Long term Borrowings	1,147,502.29	923,140.93	24,361.36	**24.30%**
Current liabilities:				
Trade Payables	67,394.40	55,394.29	12,286.11	**22.29%**

INTERPRETATION:

From the comparative balance sheet of HDFC bank, share capital has increased 0.67%, reserve and surplus has increased 14.65%, long term borrowings has decreased 24.30%, trade payables has decreased 22.29%, short term borrowings has decreased 23.52%, fixed assets has increased 9.97%, investments has increased 34.84%, trade receivables has increased 21.27%, inventories has increased 9.64% and cash and bank has increased 6.48%.

4.3FINANCIAL RATIOS:

i. CURRENT RATIO

- INDIAN BANK:

Current Ratio Analysis	2021	2022
Current Assets	211,111.7	224,330.74
Current Liabilities	18,600.63	27,153.01
Current Ratio	11.35	8.26

INTERPRETATION:

From the following table of current ratio of the Indian bank for the year 2019 – 2020 both the current assets and current liabilities has increased. In the year 2019, the current ratio was 11.25% and in the year 2020 the current ratio was 8.26%.

- HDFC BANK:

Current Ratio Analysis	2021	2022
Current Assets	949,922.81	1,134,252.68
Current Liabilities	172,193.41	212,022.94
Current Ratio	5.52	5.35

INTERPRETATION:

From the following current ratio analysis of HDFC bank, both the current assets and liabilities has increased. In the year 2019 the current ratio was 5.52% and in the year 2020 thecurrent ratio was 5.35%.

ii. OERATING PROFIT RATIO:

Operating Profit Ratio Analysis	Indian Bank	HDFC Bank
2021	-8.13	3.48
2022	-11.95	2.60

INTERPRETATION:

From the following operating profit analysis of Indian bank and HDFC bank for the year2019 and 2020, HDFC bank has higher operating profit analysis than Indian bank.

iii. NET PROFIT RATIO:

Net Profit Ratio Analysis	Indian Bank	HDFC Bank
2021	1.67	21.29
2022	3.51	22.86

INTERPRETATION:

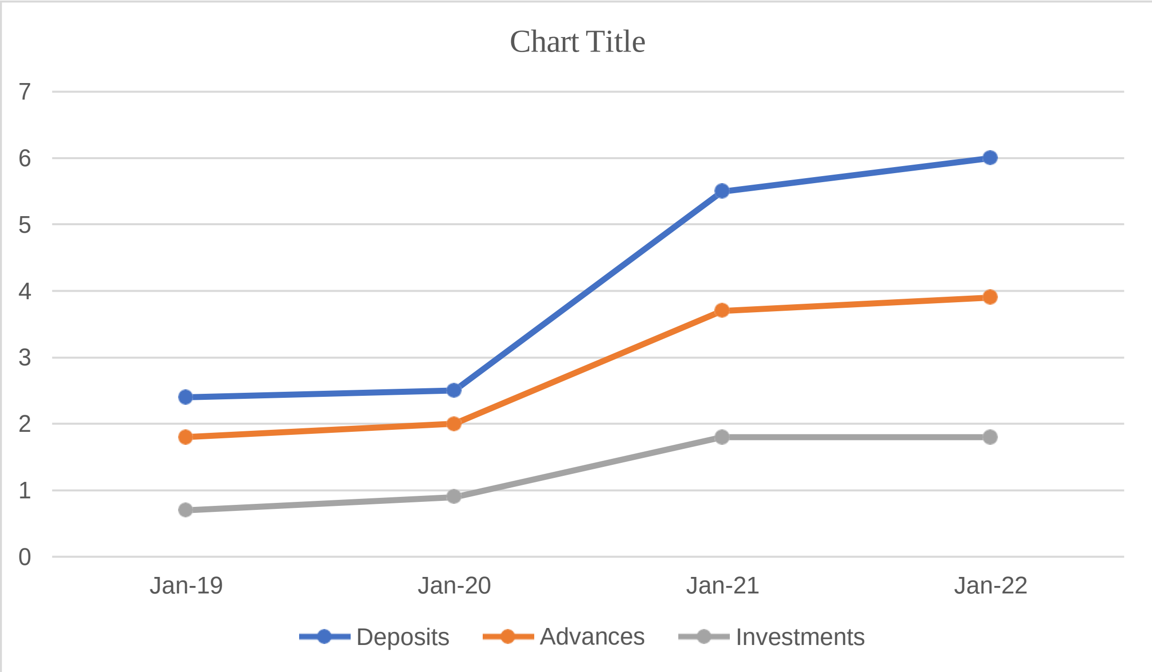
As per the net profit ratio analysis of Indian bank and HDFC bank for the year 2019and 2020, HDFC bank has secured a higher net profit ratio compared to Indian bank.

iv. RETURN ON ASSET:

Return on Assets Ratio Analysis	Indian Bank	HDFC Bank
2021	0.11	1.69
2022	0.24	1.71

4.1.4 TREND ANALYSIS: -

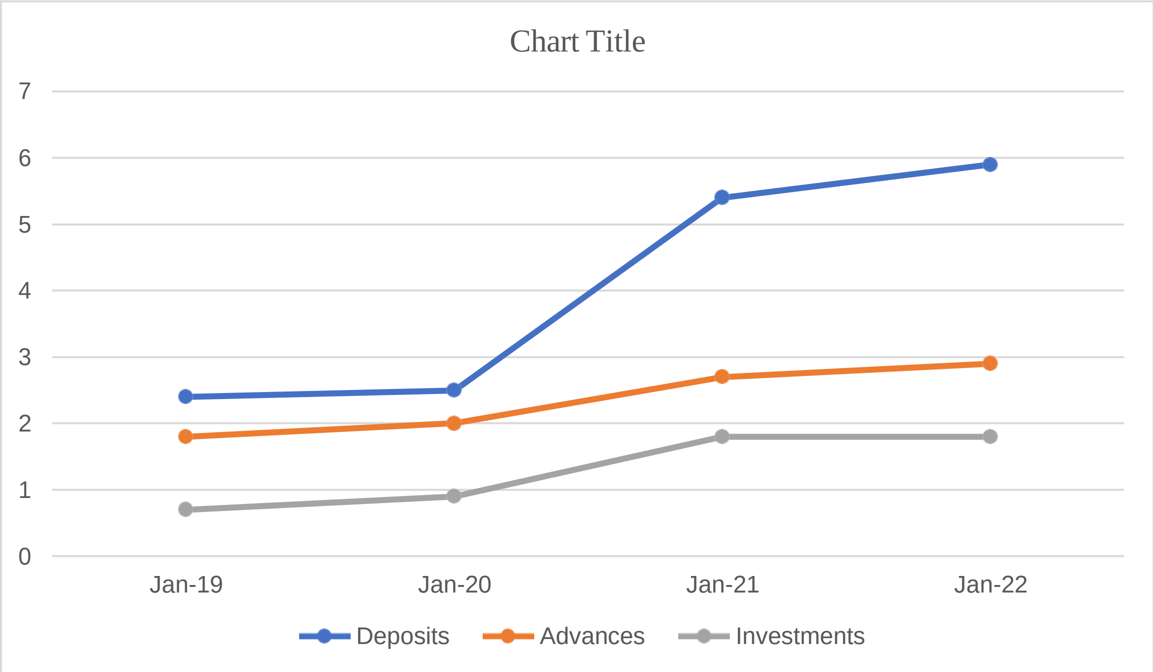
- **INDIAN BANK:**



INTERPRETATION:

From the following trend analysis of Indian bank for the four consecutive years 2019 – 2022, the deposits has increased very well, the advances has an average increase than deposits and investments has a gradual increase in the following years.

- **HDFC BANK:**



INTERPERTATION:

From the following trend analysis of HDFC bank for the following consecutive years, there is a high increase in deposits, a parallel increase in advances as of deposits and a very minimal increase in investments.

CONCLUSIONS AND SUGGESTIONS

5.3 CONCLUSION

In the conclusion we can say that both Public and Private sector banks truly deserve to be the leading banks in home loan in India. The services offered by them are very competitive. Mostly people prefer Private Banks for home loans, especially because they believe that they provide faster services and come up by new technology which makes the borrower work easier. On other hand, Public sector banks are very strict and stringent. The documents required for home loan are comparatively more in case of Public sector banks than the Private sector banks. It is found that Private sector banks are very popular among the customers these days. The satisfaction level that customers have with these banks is very high as compared to the Public sector banks. Customers are associated with banks for many services that they require on regular basis and people tend to prefer banks that provide better facilities and convenient banking. Different banks offer the same product but their way of service differs. The customer's choice the schemes which they fell are good and better for them and the capacity to repay it on a specified time period.

5.2 SUGGESTIONS

- Banks should use easy and simple procedures for sanctioning of home loans for the customers.
- The loan passing procedures should be quicker by the Public Banks like the Private Banks.
- Many attractive advertisements should be provided to the customers for awareness about different housing loans schemes of Public sector banks like the Private sector banks.
- The loan disbursement amount should be made promptly to the customers enabling them to buy or construct their home at the earliest, thereby satisfying the customers.

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