

## **A Comparative study of Personal loan Product of SBI and HDFC Bank**

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### **Abstract**

The study focuses on personal loans because they are in high demand and boom in the market today. It is an unsecured loan, also called a "signature loan," because it is based on the creditworthiness of the individual, with no need for any collateral security. The study basically highlights the comparison of public (SBI) and private (HDFC) sector banks on the personal loan product. The goal is to learn about people's first choices for personal loans and to determine who among them offers the best services. By using both the secondary and primary data and collecting the questionnaire responses of each bank borrowers. I concluded that people have blind trust, and his first choice is SBI, but its loan eligibility criteria do not allow every person to take a loan from them, and they charge a low interest rate. in contrast to HDFC, which offers quick loans at a high interest rate.

Keywords: - Personal loan, SBI, HDFC,

### **Introduction**

A personal loan is an unsecured loan offered for the immediate financial assistance and requirements of an individual for a short period of time. It is granted based on the loan applicant's creditworthiness. This loan is offered by both SBI and HDFC Bank according to its eligibility criteria and norms. Individuals with an immediate need for a short-term personal loan are in high demand today. The primary goal of this research is to compare choices made by the public and private sectors. Due to their unsecured nature and lack of collateral security requirements, personal loans are particularly enticing to loan applicants. SBI is the largest public sector bank, holding a three-fourths market share, and people have complete faith in them. In contrast, HDFC Bank is a well-known private sector bank, well-known for its facilities and services. The

India personal loan market is being driven by the widening gap between income and spending as well as rising aspirations, particularly among young people. Also, digitization has reduced expenses, which is anticipated to benefit the sector in the upcoming years.

### **State Bank of India personal loan product**

The Xpress personal loan and the Pension personal loan are the two types of personal loans offered by SBI, each with its own set of eligibility criteria and norms. Both are specifically designed for the central and state governments, whose employees have maintained their salaries and pensions with SBI. Express personal loans are primarily available to those between the ages of 21 and 60 who work for the central or state governments and have a salary account with SBI. Where, in the case of pension personal loans, those who are above 60 to 76 years old, who retired from central and state government jobs, maintain pension accounts with SBI. SBI offered it low interest and easy disbursement process and low processing charges.

### **HDFC Personal loan Product**

HDFC offers a personal loan product with 24-hour immediate financial help. It is available to all individuals between the ages of 21 and 58 who work in any sector, private or public. It may also provide personal loans to professionals like chartered accountants, doctors, etc. They are not required to have an account with them. HDFC Bank claims to provide loan applicants with quick and efficient service.

### **Objective of the study**

The study's objective is to assess and evaluate a person's loan in light of its current boom and demands. The study intends to analyze and compare HDFC Bank and SBI personal loans, as well as to assess borrower satisfaction. To know the public's first preference in cases of financial assistance and whom they first trusted. The study also thoroughly examines both banks' personal loan programmes and identifies factors that influence the decision of which bank to use first to obtain a loan.

## Hypothesis

### First hypothesis

$H_0$  - HDFC have fast personal loan procedure in comparison to SBI.

$H_1$  - SBI have a fast personal loan procedure in comparison to HDFC Bank.

### Second hypothesis

$H_0$  - SBI borrower are more satisfied to its banks in comparison to HDFC Bank

$H_1$  - HDFC Bank borrower are more satisfied to its banks in comparison to SBI.

### Comparison table of personal loan product

Bank	Interest rate p.a (as on 31.3.2023)	Processing fees	Maximum loan	Minimum repayment period	Prepayment charges
HDFC Bank	18%	2.5% of the loan amount	25 lakhs	Upto 5 years	4% of the principal outstanding
SBI Bank	10.4%	1% of the loan amount	20 lakhs	Upto 5 year	3% of the Principal outstanding.

## Research Methodology

The process of conducting research is well thought out and methodical. Data must be systematically collected and analyzed in this process. Both secondary and primary data are used for the data collection because both are important from an overall point of view. One explains the concept of a personal loan and aids in the analysis of the bank's perspective, whereas the other clarifies the actual position and the prospective borrower's perspective. The primary data is gathered for an overall assessment and analysis from the borrower's perspective. The Purposive sampling method is used to collect the sample, which consists of 200 borrowers: 100 for SBI and 100 for HDFC Bank. All of these capturing keen observations and clear results for the study's conclusion. The sample is always small and should have the same characteristics as the entire population.

## Analysis and Interpretation

This part focuses on the analysis and interpretation of the important data that was acquired using the research tool. The analysis was done in accordance with the aims of the study and made use of the appropriate approaches. Also shed some light on the obscured information included in the research and revealed by its depth. The paired comparison chi-square test is used to test the hypothesis since it is the most appropriate under the circumstances.

### While testing first hypothesis

Indicators	Values
Determined value	6.4
Degree of freedom	8
1 % level of significance	13.36
5 % level of significance	15.507
Null Hypothesis $H_0$ is accepted & Proved	
HDFC have fast personal loan procedure in comparison to SBI. ( <b>Proved</b> )	

While testing the first hypothesis, it is discovered that HDFC Bank borrowers are pleased with the loan process and believe that HDFC Bank provides faster personal loans than SBI. All this was proved through the questionnaire responses collected from the borrowers. The HDFC claimed to have the best and fastest facility for personal allotment, which proved to be true.

### While testing Second hypothesis

Indicators	Values
Determined value	3.6
Degree of freedom	4
1 % level of significance	7.779
5 % level of significance	9.488
Null Hypothesis $H_0$ is accepted & Proved	
SBI borrower are more satisfied to its banks in comparison to HDFC Bank ( <b>Proved</b> )	

The second hypothesis was tested and proven once again through questionnaire responses. Using the chi-square test, it is determined that SBI borrowers have higher overall satisfaction than HDFC Bank personal

loan borrowers. This occurs because, in comparison to the HDFC, SBI charges lower interest rates and incurs fewer processing costs.

### Conclusion

Personal loans have been identified by banks as a market that is expanding. It has excellent potential, a low default rate, and a sizable profit margin. The banks might increase their earnings by focusing on this market. I concluded that both banks' personal loans performed well, but while comparing them, some facts became clear. Even with the large number of privatizations in every sector, people still place their trust in the public sector bank, and SBI is the first choice of the borrowers. People have blind trust in SBI. HDFC Bank provides fast procedures and quick disbursement of loans, but at a high interest rate and processing charge. As it might affect a borrower's or applicant's choice, the interest rate is a crucial factor and variable in the research. SBI often receives more public support because of its low interest rate, but HDFC Bank's high interest rate is the sole factor that disappoints its borrower. The SBI criteria and terms and conditions deter borrowers since the bank only approves personal loans to account holders who are employees of the Central and state governments. SBI takes a substantial amount of time to approve and disburse loans, which might have a negative effect and lead the borrower to search for another option.

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