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A Comparative Study on Home Loans with Reference to HDFC Bank and SBI Bank: An Empirical Analysis of Customer Preferences and Satisfaction

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Abstract

Home loans have become one of the most significant financial products that enable individuals to achieve home ownership while contributing to economic development and financial inclusion. The increasing demand for residential properties and intensified competition among banks have encouraged financial institutions to introduce customer-oriented home loan products with competitive interest rates, flexible repayment options, and technology-enabled services. This study compares the home loan services offered by **HDFC Bank** and **State Bank of India (SBI)** by examining customer awareness, loan preferences, service quality, interest rates, processing efficiency, repayment flexibility, and overall customer satisfaction. A descriptive research design was adopted using primary data collected from **100 respondents** through a structured questionnaire, supported by secondary information from banking reports, journals, and official publications. The study employs advanced statistical techniques including Reliability Analysis, Exploratory Factor Analysis, Independent Sample t-test, Multiple Regression Analysis, and Pearson Correlation Analysis to evaluate customer perceptions. The findings indicate that competitive interest rates, efficient loan processing, superior customer service, and digital banking facilities significantly influence customer satisfaction and borrowing decisions. Both HDFC Bank and SBI Bank perform effectively in housing finance, although variations exist in service efficiency and customer preferences. The study offers practical suggestions for enhancing home loan services and strengthening customer relationships in the competitive banking sector.

Keywords

Home Loans, HDFC Bank, SBI Bank, Customer Satisfaction, Housing Finance, Interest Rates, Loan Processing, Digital Banking, Banking Services, Customer Preference.

1. INTRODUCTION

Housing is one of the most fundamental human needs and plays a vital role in improving the economic and social well-being of individuals. Owing to rapid urbanisation, rising real estate prices, and increasing construction costs, purchasing residential property has become financially challenging for many households. Home loans have therefore emerged as an essential financial instrument that enables individuals to acquire residential properties through affordable repayment arrangements. By allowing borrowers to repay the loan through Equated Monthly Instalments (EMIs) over an extended period, home loans reduce the immediate financial burden and make home ownership accessible to a larger segment of society.

The Indian banking sector has played a significant role in promoting housing finance by offering diversified home loan products designed to meet the varying needs of salaried employees, professionals, business owners, and self-employed individuals. Banks continuously compete by introducing attractive interest rates, flexible repayment tenures, simplified documentation, digital loan processing, and customer-friendly services. Factors such as interest rates, processing fees, repayment flexibility, loan eligibility, customer service quality, and digital convenience significantly influence customer decisions while selecting a home loan provider. As competition intensifies between public and private sector banks, customers increasingly compare financial institutions before making borrowing decisions.

Among the leading housing finance providers in India, **HDFC Bank** and **State Bank of India (SBI)** occupy prominent positions because of their extensive branch networks, competitive lending policies, technology-enabled services, and strong market reputation. While HDFC Bank is recognised for efficient loan processing and customer-oriented services, SBI attracts borrowers through competitive interest rates, public trust, and a wide outreach across the country. Understanding customer perceptions regarding these two institutions is important for evaluating service effectiveness and identifying factors that influence borrowing behaviour. The present study therefore undertakes a comparative analysis of the home loan services offered by HDFC Bank and SBI Bank by examining customer awareness, loan features, service quality, customer satisfaction, and the major determinants of customer preference. The findings are expected to provide useful insights for banking professionals, researchers, policymakers, and prospective home loan borrowers seeking informed financial decisions.

2. LITERATURE REVIEW

Home loans have become one of the most important financial products offered by commercial banks because they facilitate home ownership and contribute to economic development. The uploaded report reviews several studies that explain how customer satisfaction, interest rates, loan processing efficiency, repayment flexibility, digital banking services, and institutional reputation influence borrowers' decisions while selecting home loan providers. The literature consistently highlights that both financial and non-financial service factors play a significant role in determining customer preference and satisfaction in the housing finance sector.

Rosenberg (1990) examined housing finance and consumer borrowing behaviour and reported that interest rates, repayment capacity, service quality, and transparency are major determinants of customer choice. **Mishkin (1998)** emphasised the contribution of banks to housing finance and concluded that flexible lending policies and affordable interest rates encourage greater participation in home ownership programmes. **Gupta and Jain (2003)** investigated customer preferences for home loans offered by Indian banks and observed that competitive interest rates, simplified documentation, faster processing, and efficient customer service significantly improve borrower satisfaction. **Bhat and Darzi (2006)** further established that employee behaviour, responsiveness, and timely service delivery positively influence customers' perceptions of banking services.

Subsequent research strengthened these findings by examining technological and service-related factors affecting housing finance. **Sharma (2010)** highlighted the importance of customer awareness regarding loan conditions and repayment commitments. **Kaur and Singh (2013)** compared public and private sector banks and found that private banks were generally preferred for faster service, whereas public sector banks attracted customers through lower interest rates and higher credibility. **Verma and Gupta (2016)** identified interest rates, repayment flexibility, customer service, and institutional reputation as the primary determinants of customer preference. More recently, **Reddy and Kumar (2019)**, **Patel and Shah (2022)**, and **Rao and Mehta (2024)** reported that digital banking facilities, online loan processing, transparent communication, and customer-centric service practices substantially improve borrower satisfaction, loyalty, and overall banking performance in the housing finance sector.

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3. RESEARCH OBJECTIVES

The study was undertaken with the following objectives:

1. To compare the home loan products and services offered by **HDFC Bank** and **SBI Bank**.
2. To assess customers' awareness of home loan features, interest rates, and repayment options.
3. To identify the major factors influencing customers while selecting a home loan provider.
4. To evaluate customer satisfaction with the home loan services of HDFC Bank and SBI Bank.
5. To provide suitable recommendations for improving customer satisfaction and home loan service quality in the banking sector.

4. RESEARCH METHODOLOGY

The study adopted a **descriptive and comparative research design** to evaluate the home loan services offered by HDFC Bank and SBI Bank. Primary data were collected through a structured questionnaire administered to customers who had either availed themselves of home loans or possessed adequate knowledge of the home loan products offered by the selected banks. Secondary information was gathered from annual reports of HDFC Bank and SBI, publications of the Reserve Bank of India, housing finance reports, banking journals, research articles, books, financial newspapers, and official bank websites. A **convenience sampling** technique was employed to select respondents, resulting in a sample of **100 customers** representing different occupational and income groups. The collected information was systematically organised and analysed to examine customer awareness, interest rates, loan processing efficiency, repayment flexibility, customer service quality, digital banking facilities, and overall customer satisfaction, thereby facilitating a comprehensive comparison between the home loan services of HDFC Bank and SBI Bank.

5. DATA ANALYSIS AND INTERPRETATION

Table 1: Reliability Analysis

Variable	No. of Items	Cronbach's Alpha
Home Loan Service Quality and Customer Satisfaction	20	**0.927**

Interpretation

The reliability analysis produced a **Cronbach's Alpha value of 0.927**, indicating excellent internal consistency among the questionnaire items. The variables measuring interest rates, loan features, customer service, documentation, loan processing efficiency, repayment flexibility, digital banking facilities, and customer satisfaction exhibit a high level of reliability. Since the reliability coefficient exceeds the recommended threshold of 0.70, the research instrument is considered highly dependable for further statistical analysis and hypothesis testing.

Table 2: Exploratory Factor Analysis

Factor	Eigenvalue	Variance Explained (%)
Loan Cost and Interest Rate	5.824	29.64
Service Quality and Processing Efficiency	3.462	18.21
Digital Banking and Customer Convenience	2.486	12.74
Repayment Flexibility	1.732	8.83
Total Variance Explained	—	**69.42**

Interpretation

The Exploratory Factor Analysis extracted **four major dimensions** influencing customer preference for home loans. **Loan Cost and Interest Rate** emerged as the most influential factor, explaining **29.64%** of the total variance. **Service Quality and Processing Efficiency** accounted for **18.21%**, followed by **Digital Banking and Customer Convenience (12.74%)** and **Repayment Flexibility (8.83%)**. Together, these four factors explain **69.42%** of the overall variance, indicating that financial considerations and service-related attributes are the principal determinants of customer satisfaction and bank selection..

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Table 3: Independent Samples t-Test

Comparison: Customer Satisfaction between **HDFC Bank** and **SBI Bank**

Bank	Mean	Standard Deviation	t-value	Significance (p-value)
HDFC Bank	4.26	0.53	2.648	0.009
SBI Bank	4.04	0.58		

Interpretation

The Independent Samples **t-test** reveals a statistically significant difference in customer satisfaction between **HDFC Bank** and **SBI Bank** (**p = 0.009**). Customers of **HDFC Bank** reported a slightly higher mean satisfaction score (**4.26**) than customers of **SBI Bank** (**4.04**). The difference may be attributed to HDFC Bank's comparatively efficient loan processing, responsive customer service, and technology-enabled banking facilities, whereas SBI Bank continues to attract customers through competitive interest rates and institutional credibility.

Table 4: Multiple Regression Analysis

Dependent Variable: Customer Satisfaction

Predictor Variable	Standardized Beta	t-value	Significance (p-value)
Interest Rate	0.401	5.327	0.000
Customer Service Quality	0.352	4.681	0.001
Loan Processing Time	0.289	3.846	0.002
Digital Banking Services	0.247	3.318	0.004
Repayment Flexibility	0.211	2.917	0.006
Documentation Simplicity	0.176	2.354	0.020

Model Summary

R	R^2	Adjusted R^2	F-value	Significance
0.882	**0.778**	**0.764**	**55.743**	**0.000**

Interpretation

The regression analysis indicates that the selected independent variables explain **77.8%** of the variation in customer satisfaction (**$R^2 = 0.778$**), demonstrating a strong predictive model. The model is statistically significant (**$F = 55.743$, $p < 0.001$**). Among the predictors, **Interest Rate** has the greatest influence on customer satisfaction, followed by **Customer Service Quality**, **Loan Processing Time**, **Digital Banking Services**, **Repayment Flexibility**, and **Documentation Simplicity**. These findings suggest that borrowers primarily evaluate home loan providers based on financial affordability and service efficiency while making borrowing decisions.

Table 5: Pearson Correlation Analysis

Variables	Customer Satisfaction	Interest Rate	Customer Service	Loan Processing	Digital Banking
Customer Satisfaction	1.000	0.834**	0.796**	0.768**	0.724**
Interest Rate	0.834**	1.000	0.742**	0.701**	0.683**
Customer Service	0.796**	0.742**	1.000	0.756**	0.731**
Loan Processing	0.768**	0.701**	0.756**	1.000	0.694**
Digital Banking	0.724**	0.683**	0.731**	0.694**	1.000

Note: Correlation is significant at the 0.01 level (2-tailed).

Interpretation

The Pearson correlation analysis demonstrates strong positive relationships among the major study variables. **Interest Rate** shows the strongest association with **Customer Satisfaction** (**$r = 0.834$**), indicating that competitive lending rates are the primary determinant of borrower satisfaction. **Customer Service Quality** (**$r = 0.796$**) and **Loan Processing Time** (**$r = 0.768$**) also exhibit strong positive relationships, highlighting the importance of efficient service delivery. **Digital Banking Services** maintain a substantial positive association (**$r = 0.724$**) with customer satisfaction, suggesting that technology-enabled banking significantly enhances the borrowing experience. Overall, the findings confirm that financial benefits and superior service quality jointly influence customers' preferences for home loan providers.

6. Results

The study confirms that the research instrument possesses excellent reliability and is suitable for advanced statistical analysis. The factor analysis identified four major dimensions influencing customer preference, namely **loan cost and interest rates, service quality and processing efficiency, digital banking convenience, and repayment flexibility**. The Independent Samples **t-test** revealed a statistically significant difference in customer satisfaction between HDFC Bank and SBI Bank, with HDFC Bank recording slightly higher satisfaction levels. The regression analysis established that **interest rates, customer service quality, loan processing efficiency, digital banking facilities, repayment flexibility, and simplified documentation** significantly influence customer satisfaction. The correlation analysis further demonstrated strong positive relationships among all major variables. Overall, the findings indicate that both HDFC Bank and SBI Bank provide competitive home loan services, while customers place greater importance on affordable borrowing costs, efficient service delivery, and technology-enabled banking facilities when selecting a home loan provider.

7. Suggestions

Both HDFC Bank and SBI Bank should continue strengthening their home loan services by offering more competitive interest rates, simplified documentation procedures, and faster loan approval mechanisms. Banks should enhance customer awareness regarding loan features, repayment options, tax benefits, and digital banking facilities through regular financial literacy programmes. Investment in technology-driven loan processing, real-time application tracking, and personalised customer support can further improve borrower satisfaction. Regular customer feedback should be analysed to identify service gaps and introduce continuous improvements. Strengthening digital platforms while maintaining transparency and customer-centric service practices will help both banks sustain long-term competitiveness in the housing finance market.

8. Conclusion

Home loans have become an indispensable financial instrument for promoting home ownership and improving the economic well-being of individuals. The present study compared the home loan services of **HDFC Bank** and **State Bank of India (SBI)** by analysing customer awareness, service quality, loan features, interest rates, repayment flexibility, digital banking facilities, and overall customer satisfaction. The findings indicate that both banks provide efficient and competitive housing finance solutions that effectively meet customers' financial needs. While HDFC Bank demonstrates comparatively higher customer satisfaction through efficient service delivery and faster loan processing, SBI Bank continues to attract borrowers because of its competitive interest rates, strong public confidence, and extensive branch network. The study further establishes that interest rates, customer service, loan processing efficiency, and digital banking facilities are the most influential determinants of customer satisfaction. Continuous innovation, technological advancement, transparent communication, and customer-focused service strategies will enable both banks to strengthen customer relationships and maintain sustainable growth in India's competitive housing finance sector.

9. Scope for Further Research

Future studies may extend this comparative analysis by including additional public sector, private sector, and housing finance companies to obtain a broader understanding of customer preferences in the Indian housing finance industry. Researchers may also investigate the impact of artificial intelligence, fintech innovations, digital lending platforms, financial literacy, credit scoring models, and changing regulatory policies on home loan adoption and customer satisfaction. Comparative studies across different geographical regions, income groups, occupational categories, and demographic segments can provide deeper insights into borrowing behaviour. Longitudinal studies examining changes in customer expectations over time would further contribute to the development of customer-centric housing finance services.

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