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## A STUDY ON PERSONAL LOANS WITH REFERENCE TO HDFC

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### ABSTRACT

In the era of growing importance of financial status, there is an increased importance for various financial institutions which provide such loans. The main objective of the study of the loans and advances is to understand the lending policies and the various schemes of financial assistance provided by the bank. The bank works comparatively different from other financial institutions and banks as it works according to the rules and regulations and the guidelines by the RBI. In the post reforms period, banks are facing tough competition due to interest rate regime. In today's buyers market, banks are facing cutthroat competition. Hence they are introducing new loan products to meet the requirements of the various segments of the society to know the importance of the retail lending in banks.

**Key words:** Housing loan, Personal Loan, NRI housing loan, Education loan, Two wheeler loan, Car loan, Mortgage loan, Fast credit loan, Loans against gold ornaments/ Agriculture Loan, Business Loan.

### Introduction:

One of the primary functions of the commercial bank is lending. Through lending commercial banks meet their objective of making profits. The deposits collected from the public cannot be kept idle. It has to be utilized in order to derive benefits out of it. The bank collects deposits with the objective of lending and makes profit out of the interest received and paid. Their main aim is to deal in money and provide for those who need it. The banker performs the job of lending within the framework of statutes governing the banking business, the government policy and guidelines issued by the authorities of the country (RBI in India). Its likely that people have been practicing lending and borrowing for as long as there has been a concept of ownership. The history of loans can be documented at least several thousand years back. Forms of lending were evident in ancient Greek and Roman times and monetary loans were even mentioned in religious books. The modern loans started much later than these ancient times. Therefore lending has its origin in much older times.

### OBJECTIVES OF THE STUDY

The study has been undertaken with the following objectives.

- To analyze banks loans and advances in detail.
- To know the terms and conditions laid down by the banks for sanction of loans.
- To study about the loan policy, credit evaluation and supervision of loans and advances at HDFC bank.
- To study in detail about the different types of personal loans offered by HDFC bank in the context of purpose, eligibility, interest, etc.
- To know the disbursement of personal loans for the last five financial years.

### SCOPE OF THE STUDY

The study is undertaken at HDFC bank. The scope is limited to the extent of details study of various lending schemes at HDFC bank. Disbursement analysis is done in case of important lending schemes for the past 5 years.

### NEED OF THE STUDY

The need of study is to analyze the views of the borrowers and to analyze the satisfaction level of customers. It helps to know in detail the Loans and Advances provided by the bank, right from its inception stage, growth and future prospects.

### RESEARCH METHODOLOGY

No primary data was collected while doing this study.

The study is based on secondary data

### SOURCES:

- The data was collected from personal observation of records.
- The pamphlets provided by the bank.
- The brochures and annual records provided by the bank.
- Various books relating to loans, advances and other related topics.
- Official website of the company
- Internet



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## LIMITATIONS OF THE STUDY

- The study was conducted with the available data and the analysis made on it.
- The study is limited to the personal loans schemes under HDFC bank.
- Due to the limited period of study it may not be detailed.
- Lack of expertise being a trainee in analyzing the data.
- Getting valid data was a problem due to the sensitivity of the data provided.
- Time was one of the constraints during the study. The period of study is of 5 yrs.
- Some of the data vital to the study could not be accessed due to the confidentiality policies of the bank.

## Step by step procedure of procuring personal loan:

Compared to other types of loans, personal loans requires to produce the least number of documents. The necessary documents required can be classified into three: documents supporting identity, residence and income.

### Identity Proof:

A copy of any of passport or driving license, voters ID, PAN card, credit card with photograph, or employee ID card with photograph. Any one of the above documents with photograph is proof that has the same person as profess to be.

### Proof of Residence:

A copy of passport, ration card, or voters ID if he reside at the same place as entered in the above-mentioned documents. If he is staying as a tenant on rent, in a place different from where he has been issued the ration card, passport, or voters ID, he can produce utility bills (electricity or telephone) of the place as proof of residence.

### Income proof:

The proof of income for salaried individuals differs from that of self-employed individuals. Salaried people need to submit their latest

salary slip, form 16 for the last financial year, and their bank statement for the last 6 months. Self-employed people need to provide their IT returns for the last 2 years, balance sheet, and profit & loss account as proof of income

## GENERAL PRINCIPLES OF SOUND LENDING:

### 1. SAFETY:

Safety first should be the guiding principle to be followed in granting loans and advances. Since banks deal with money of their customers. They have to ensure the safety of the funds lent. Safety means the borrower must be in a position to repay what is due to him.

The former depends upon his tangible assets and the success of his business if he is successful in his efforts. He earns profits and can repay the loan properly. Otherwise the loan is recovered out of the sales proceeds of the borrower. The bank takes care of the business of which the loan has to be given.

### 2. LIQUIDITY:

It is the ability of the banker to convert the loan into cash. Without much loss in its value. Money granted for long period are less liquid than for short period of time.

### 3. PROFITABILITY:

A banker cannot run the institution without profits. It is essential to meet the daily expenses of the bank to pay the interest on deposits. The rate of interest charged in the past where primarily depended on directives issued by the reserve bank. Now banks are free to determine their own rate of interest on advances above 2 lakhs.

### 4. SECURITY:

No banker sees the horoscope of the customer while giving him the loan or an advance. He calculates his lending risk and lends the loan.

### 5. PURPOSE OF THE LOAN:

Repayment of the loans is mainly done on the purpose for which it is needed. Loans are provided with the productive purposes which would enhance the earning capacity of the borrower. Loans are not given for speculative purposes.

**PRECAUTIONS TO BE TAKEN BY A BANKER:**

A banker must take the following precautions while granting loans and advances to the borrowers:

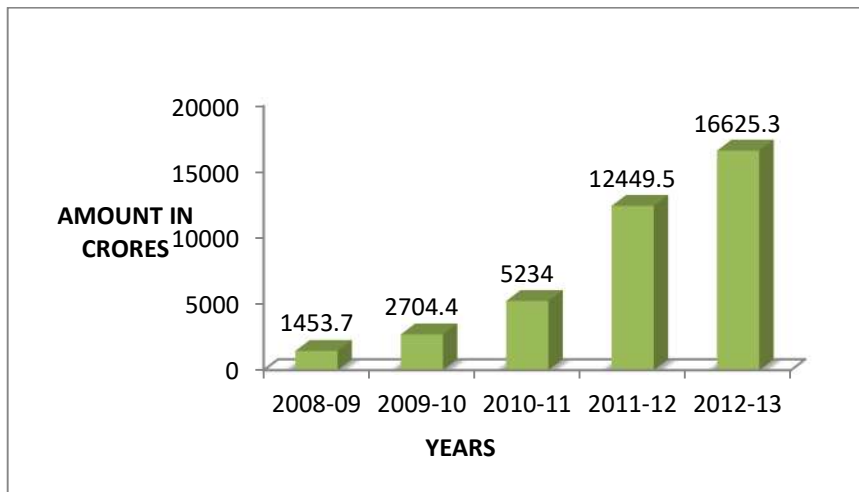
Precautions to be taken before sanctioning a Loan;

- The banker must try to know the background of the applicants, i.e., his experience, honesty, character, etc.
- The applicant for a loan must be properly introduced to the banker.

- The future profits should also be checked up by the banker to determine the borrower’s loan repaying capacity within a stipulated period.
- In case the banker is not satisfied they can ask the applicant to furnish a guarantee from a reliable party well-known to the bank.

Precautions to be taken after sanctioning a Loan:

- The banker must ensure that borrower pays the instalments regularly.
- The banker must obtain the documents like a demand promissory note, an agreement of hypothecation, a letter of guarantee and a



- letter of loan.
- The banker must ensure that the loan is properly utilized.

- Business Loan

The maximum amount was sanctioned in the year 2019-20 and the minimum amount was sanctioned in the year 2018-19. There is a gradual decrease in sanctioning from 2020-21 to 2022-23.

**THE LOANS ANALYSED ARE:**

- Housing loan (residents)
- Personal Loan
- NRI housing loan
- Education loan
- Two wheeler loan
- Car loan
- Mortgage loan
- Fast credit loan
- Loans against gold ornaments/ Agriculture Loan

**INTERPRETATION:**

The reason for decrease in NRI housing loan is that off recently the NRI’s are showing less interest in buying houses as their parents are residing here and they have existing property and most of the NRI’s would like to settle abroad.

**1. Table showing outstanding Educational Loan for the years 20018-2023.**

YEARS	AMOUNT
2018-19	170.2
2019-20	857
2020-21	2194.2
2021-22	1205
2022-23	525.4

**ANALYSIS:**

The maximum amount was sanctioned in 2022-23 and the minimum amount was sanctioned in 2018-19. There is a gradual increase in the loan:

2018-19    2019-20    2020-21    2021-22    2022-23

**INTERPRETATION:**

The reason for gradual increase in sanctions is that many of the students are opting for studying abroad, to acquire a better job and earnings, they would like to lead a better life.

**2. Table showing outstanding vehicle loans for the years 2018-23**

YEARS	AMOUNT
2018-19	543
2019-20	972.3
2020-21	1427
2021-22	2635.2
2022-23	3504.7

**ANALYSIS:**

The maximum amount was sanctioned in 2022-23 and the minimum amount was sanctioned in 2018-19. There is a gradual increase in the sanctioning of loans from 2018-19 to 2022-23.

**INTERPRETATION:**

The reason for gradual increase in sanctions is due to launching of different new models in the market, people are getting attracted to them, and the loans are easily available at affordable rates. Vehicles are becoming a necessity in today's life.

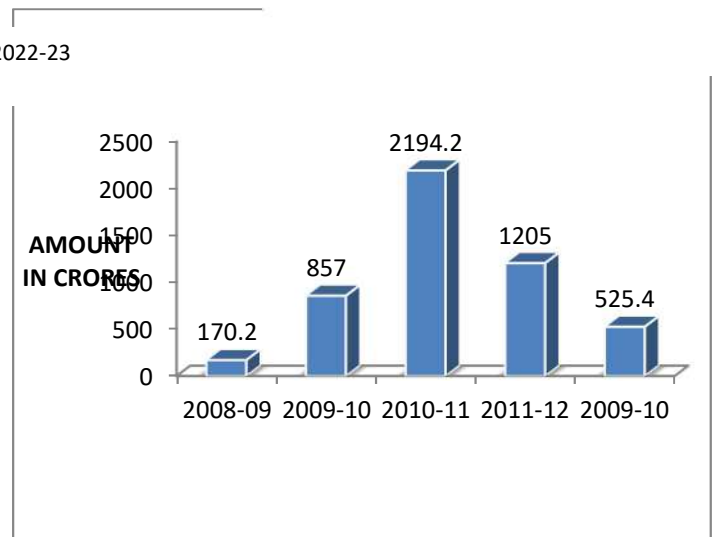
**3. Table showing outstanding Mortgage Loan for the years 2018-23**

**ANALYSIS:**

The amount was in 2020-21 and minimum was sanctioned in 2018-19. There is an increasing trend from 2019-20 to 2020-21 and from 2021-22 to 2022-23.

YEARS	AMOUNT
2018-19	1453.7
2019-20	2704.4
2020-21	5234
2021-22	12449.5
2022-23	16625.3

maximum amount sanctioned in 2018-19. There is an increasing trend from 2019-20 to 2020-21 and from 2021-22 to 2022-23.



loan sanctioned was decreasing gradually.

**INTERPRETATION:**

The reason for gradual increase in sanctions is due to need of finances for business purpose, for buying consumer durables, marriage and better livelihood.

**4. Table showing total advances from the year 2018-23**

Year	Amount( in Crores)
2018-19	1562
2019-20	2030
2013 -14	2215
2021-22	2786
2022-23	3539

**Graph representing Cash Credit Overdraft (C.C.OD) for the years 2018-2023**

Year	Amount( in Crores)
2018-19	365
2019-20	1130
2020-21	980
2021-22	1260
2022-23	1500

**ANALYSIS:**

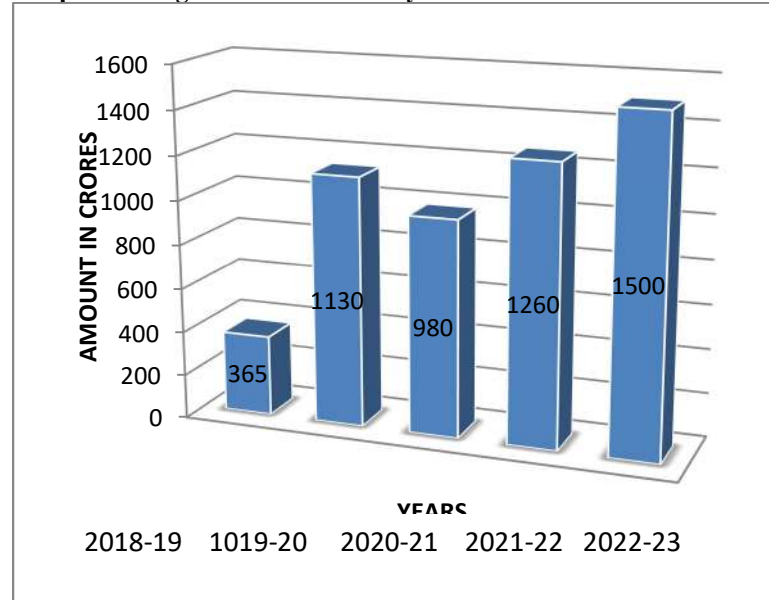
The maximum amount was sanctioned in 2022-23 and the minimum amount sanctioned was in 2018-19. There is a gradual increase every year from 2018-19 to 2022-23

**INTERPRETATION:**

The amount is increasing as there is a great demand for this category of loan as this is the loan amount on the fixed deposit and the repayment of the amount depends on the maturity period. The C.C.OD can be also renewed therefore this is an extra benefit to the customer as the customer can withdraw amount according to their requirements whenever they needs.

**5. Table showing term loans for the years 2018 - 2023**

**Graph showing term loans for the years 2018 – 2023**



**ANALYSIS:**

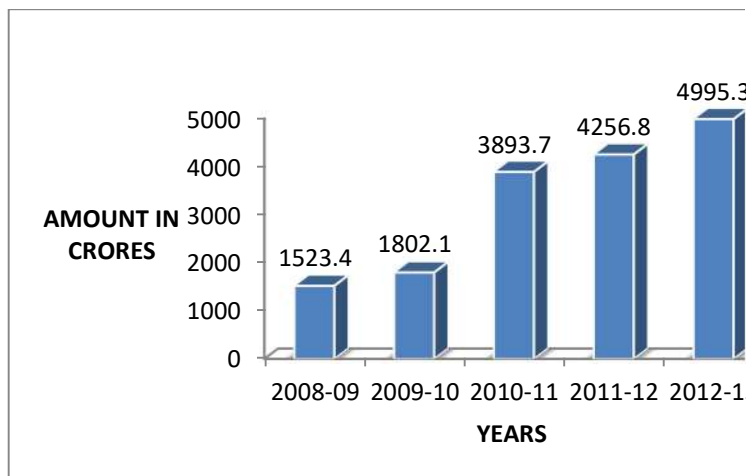
The maximum amount was sanctioned in 2022-23 and the minimum amount sanctioned was in 2018-19. There was gradual increase from 2021-22 to 2022-23.

**INTERPRETATION:**

There is a fluctuation in amount as the priority of the business changes according to the economy of the market. This term is usually for above 50 lakhs i.e., for the business concerns who are already existing in the market and are developed.

**6. AMOUNT SANCTIONED FOR FAST CREDIT LOANS**

YEARS	AMOUNT
2018-19	1523.4
2019-20	1802.1
2020-21	3893.7
2021-22	4256.8
2022-23	4995.3



**ANALYSIS:**

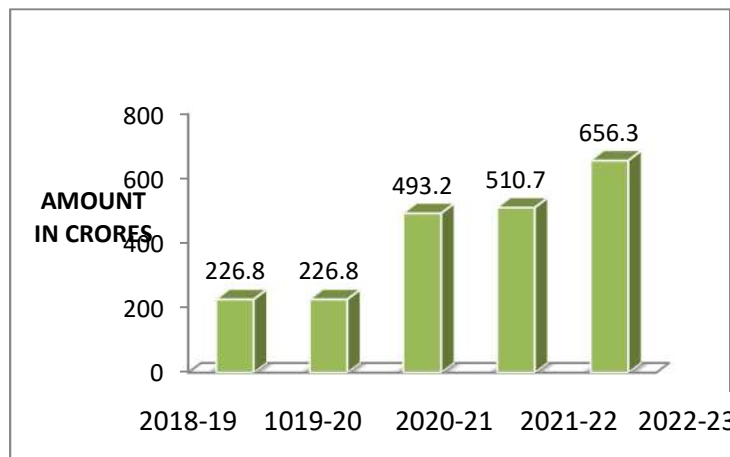
The maximum amount was sanctioned in 2012-13 and the minimum amount sanctioned was in 2008-09. There is a gradual increase in sanctions from 2008-09 to 2012-13.

**INTERPRETATION:**

The reason for gradual increase in sanctions is due to easy transactions, increase in business and the people can purchase their willing commodity easily through credit facilities given by the bank.

**7. Table showing outstanding amount sanctioned for loans against gold ornaments for the years 2018-2023**

YEARS	AMOUNT
2018-19	226.8
2019-20	200
2020-21	493.2
2021-22	510.7
2022-23	656.3



**ANALYSIS:**

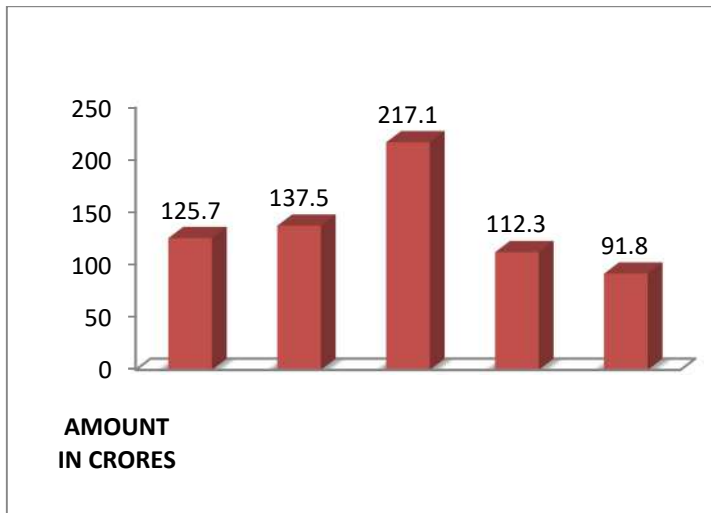
The maximum amount was sanctioned in 2022-23 and the minimum amount was sanctioned in 2019-20. There is a gradual increasing trend from 2020-21 to 2022-23.

**INTERPRETATION:**

The reason for gradual increase in sanctions is due to marriage purpose, increase of gold value for investments. Business, highly liquid asset and security and status purpose.

**8. Table showing outstanding amount sanctioned for loan to pensioners for the years 2018-23**

YEARS	AMOUNT
2018-19	125.7
2019-20	137.5
2020-21	217.1
2021-22	112.3
2022-23	91.8



#### ANALYSIS:

The maximum amount sanctioned was in the year 2020-21 and the minimum amount was in 2022-23. There is a gradual increase from 2018-19 to 2020-21. There is a decreasing trend from 2021-22 to 2022-23.

#### INTERPRETATION:

The reason for gradual increase in sanctions is due to livelihood, marriage and retired citizens depend only on their pension. The decrease in sanctions lately has been due to investment in other sources.

#### FINDINGS

From this study it is found that HDFC BANK Home Loans having the 1st place in the market and also working hard for improving their market share in home loan segment so they are the main threat or competitor.

It has been observed that first priority will give to the HDFC BANK for sanctioning their loan but bad response from HDFC BANK force them to switch to the other bank.

All of HDFC BANK customers are satisfied with the services provided by the bank.

Many of these customers are well aware of HDFC BANK and their home loan product and satisfied with the low interest rate and longer repayment period of the advance product.

Most of the customers at Luck now feels that HDFC BANK really trying hard for improving their services.

Approximately 43% of advance product users said that the service of HDFC BANK in advance product is excellent.

A response from customer care is so clear & good.

Many customers have no time to call customer care so that they are not able to know about the service & features of HDFC BANK advance product.

Customers are shifted from other bank's advance product to HDFC BANK because of hidden charges, high interest rate, less repayment period.

Government employees are more concern than private employees for advance product.

#### CONCLUSION:

Resident housing loans shows an increasing trend in terms of loan amount sanctioned from 2018-19 to 2022-23. The main reason for this trend is due to increasing public demand for these loans and also decrease in the land value. Over the past five financial years, there is an increasing trend in terms of educational loans sanctioned for further studies in India and abroad. This is due the fact that many of the Indian students are opting for higher studies in other foreign countries in order to get better jobs and hence a better life. In case of car loans, we observe that there is an increase in terms of sanctions. The mortgage loan is gradual increase due to need of finances for business and personal purposes, buying consumer durables, etc. The term loans are in decreasing trend because as this scheme is applicable only to the teachers, it is very restricted. The fast credit loans are in increasing trend due to the increasing business transactions, easy availability of fast credit loans to customers for quick and easy payment. loan against gold ornaments.

Is in increasing trend due to the increase in gold value at a rapid rate. loan to pensioners is in increasing trend in terms of sanctions over the past five years. But in the last two financial years these loans have decreased. This is because of the fact that other avenues for investment are more preferred by the pensioners



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- [WWW.ICICIBANK.COM](http://WWW.ICICIBANK.COM)
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