Customer Satisfaction in Home Loan Services: A Comparative Analysis of HDFC Bank and SBI

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Abstract- *Retail banking in India operates in a crowded and competitive market. Making significant gains in performance, especially in revenue generation and cost control, has driven the rapid growth of the Indian retail banking sector. The sector focuses more on tracking and predicting the main factors affecting revenue, costs, and productivity to allow for quick corrective actions. With the rise of Internet banking, services have become clearer. Customers can access information and compare options from different banks easily. The main goal of this research is to compare borrower satisfaction among selected banks. The results show that HDFC Bank is viewed as having better staff behavior than SBI. Additionally, the overall services of HDFC Bank are seen as superior to those of SBI.*

I. INTRODUCTION

Retail banking involves providing banking services to individual customers and joint account holders. This is different from wholesale banking, which serves businesses and institutional clients. While retail banking is not a new idea, it has recently become very important as an appealing market segment with strong growth and profit potential. In the last few years, banks have focused more on retail banking to meet immediate operational and financial challenges. The main goal of retail banking is to serve individual customers.

Worldwide, retail lending stands out as one of the most significant innovations in the commercial banking sector. Retail loans include consumer credit for specific purposes as well as credit for general use. The rapid growth of retail credit in both rich and poor countries is due to banks moving away from traditional banking methods towards more varied lending portfolios. Emerging economies have seen growth in retail lending fueled by advancements in technology, changes in the economy after financial market reforms, and various demand- and supply-side factors at the local level. Technological advancements in financial products have improved banks' balance sheets and income sources. Additionally, technology has lowered the cost of external financing for borrowers and allowed banks to take advantage of new products and reduced transaction costs related to data collection, processing, and use. As a result, banks have improved their abilities in risk management and product pricing.

Despite its rapid growth, retail lending has certain limitations. A significant increase in retail loans can lead to higher household debt. This may affect the long-term sustainability of private consumption and savings. Fast growth in retail credit may also limit the funds banks have available for investment, which can impact overall economic growth. Additionally, several studies show that retail lending can create risks for banks, especially regarding asset quality.

Housing is one of life's three basic needs, along with food and clothing. While the needs for food and clothing have been partially met, the demand for housing remains largely unmet. This is primarily due to limited financial resources, a lack of financial institutions, and increasing costs of construction materials, labor, and land. In developing countries, housing finance is seen as a social benefit because it connects various sectors of the economy. In India, the housing finance sector has grown significantly in recent years, aided by supportive policies and regulatory incentives. The Reserve Bank of India has promoted the housing sector by setting minimum

lending targets linked to new deposits and by lowering capital requirements for housing loans.

The days when getting a home loan was hard and took a long time are gone. Now, securing a home loan is much easier thanks to lower interest rates, tax benefits, and strong competition among Housing Finance Companies (HFCs). The market is crowded with HFCs trying to win over customers with various appealing offers. However, many customers do not fully understand the basics of home loans and often struggle to find the best option. To support the housing sector, we need better regulation and broader access to housing credit. A reliable and efficient housing finance system is essential. HFCs should be seen as a key part of the financial system and treated fairly. In India, housing finance has become a significant area for corporate businesses. Alongside private companies, semi-government bodies and nationalized banks are also active in this space. These institutions offer various plans suited to different customer needs and competitive interest rates, providing attractive financing options for homebuyers.

India also needs to boost awareness of housing-linked savings schemes. Additionally, an effective legal framework is necessary to support foreclosure processes, mortgage debt securitization, secondary mortgage markets, variable-rate mortgages, and new housing credit schemes. It is vital for India to focus on the housing sector, as it can bring substantial economic benefits like increased jobs, steady growth, and less pressure on the Balance of Payments.

II. LITERATURE REVIEW

Customer satisfaction has become a key factor for success in the banking sector, especially in retail financial services like home loans. As competition between public and private banks in India grows, it's crucial to understand what influences customer satisfaction. This review brings together the current research on customer satisfaction in banking, the dimensions of service quality, and studies comparing public and private banks, focusing specifically on home loan services.

Customer satisfaction is often viewed as how a consumer rates a product or service based on whether it meets their expectations (Oliver, 1980). In banking, satisfaction is shaped by both tangible and intangible factors, such as service quality, pricing, employee behaviour, and trust. Parasuraman, Zeithaml, and Berry (1988) introduced the SERVQUAL model, which outlines five important aspects of service quality: reliability, responsiveness, assurance, empathy, and tangibles. These dimensions greatly affect customer satisfaction in service industries. Researchers have widely used their model in banking to assess how people perceive service quality. Anderson and Fornell (1994) pointed out that greater customer satisfaction results in higher customer loyalty, positive word-of-mouth, and long-term profits. This is especially crucial for long-term financial products like home loans.

Several studies have shown a strong link between service quality and customer satisfaction in banking. Gounaris (2005) found that responsiveness and empathy are key in shaping customer views in financial services. Similarly, Kheng, Mahamad, and Ramayah (2010) concluded that reliability and assurance greatly affect customer trust and satisfaction in banking services.

When it comes to loan services, service quality becomes even more important due to the complexity of documentation, financial risk, and long-term commitments involved. Customers want clear communication, quick processing, and professional help throughout the loan process. The liberalization of the Indian banking sector has increased competition between public and private banks. Kumar and Sharma (2011) noted that customers now expect transparency, fast loan processing, and tech-driven services. Rao and Sengupta (2013) found that private banks often do better than public banks in terms of service efficiency and responsiveness. However, public banks still have more trust and credibility. Technological improvements, digital banking platforms, and automated loan-processing systems have greatly boosted the customer experience in private banks. Public sector banks maintain strong brand trust and have many branches, but they often receive criticism for their bureaucratic processes and delays. Comparative studies have shown clear differences in service delivery between public and private banks. Singh and Pandey (2014) found that private sector

banks had higher customer satisfaction because of better service quality and the use of technology. Swamy and Kamath (2016) pointed out that public sector banks are seen as more secure and reliable, but they fall behind in responsiveness and customer-focused practices.

Sharma and Mittal (2017) found that loan processing time and transparency have a significant impact on customer satisfaction in housing finance institutions. Chakraborty and Roy (2018) highlighted the need for good relationship management and regular communication to improve long-term customer satisfaction in home loan services.

III. RESEARCH METHODOLOGY

The current study relies on both primary and secondary data. We collected primary data using a structured questionnaire given to the respondents. The survey took place in the Cuddalore district. We selected a sample of 120 borrowers from different areas. This sample included varying age groups, employment statuses, income levels, and educational backgrounds. The respondents were split into two groups based on the type of bank that provided their loans.

For analysis, we used percentage and correlation methods to examine and interpret the data we collected. We selected two financial institutions for the study: one nationalized bank, State Bank of India (SBI), and one private sector bank, Housing Development Finance Corporation (HDFC).

IV. DATA ANALYSIS AND RESULTS

Table I shows that more than one-fourth of respondents (26.7%) think employees at HDFC Bank behave excellently. In comparison, only 10 percent rated the behavior of employees at the State Bank of India (SBI) as excellent. However, 33.3 percent of SBI employees received a rating of very good behaviour, while only 17.5 percent of HDFC Bank employees received the same rating. Overall, people see HDFC Bank as having more employees who behave excellently, while SBI employees are more often considered to have very good behaviour.

Table – I Behaviour of Staff

Sr. No.	Behaviour	Particulars	HDFC	SBI	Total
1	Excellent	Count	32	12	44
		% of Total	26.70%	10.00%	36.70%
2	Very Good	Count	21	40	61
		% of Total	17.50%	33.30%	50.80%
3	Good	Count	5	5	10
		% of Total	4.20%	4.20%	8.30%
4	Average	Count	2	3	5
		% of Total	1.70%	2.50%	4.20%
	Total	Count	60	60	120
		% of Total	50.00%	50.00%	100.00%

Source: Primary Survey Data

It is clear from Table II that 25 percent of the total respondents, which is half of the HDFC Bank borrowers, were fully satisfied with the bank's services. In contrast, only 14.2 percent of SBI borrowers reported satisfaction with those services. The table also shows that 6 respondents (5 percent) from SBI were dissatisfied, while 1 respondent (0.8 percent) was completely dissatisfied with SBI's services. These findings suggest that customers view HDFC Bank's services as better than SBI's.

Table – II
Satisfied with Services of Banks

Sr. No.	Variables	Particulars	HDFC	SBI	Total
1	Fully Satisfied	Count	30	17	47
		% of Total	25.00%	14.20%	39.20%
2	Satisfied	Count	30	36	66

			25.00%	30.00%	55.00%
		% of Total			
3	Dissatisfied	Count	–	6	6
		% of Total	–	5.00%	5.00%
4	Totally Dissatisfied	Count	–	1	1
		% of Total	–	0.80%	0.80%
	Total	Count	60	60	120
		% of Total	50.00%	50.00%	100.00%

Source: Primary Survey Data

As shown in Table III, there is a low level of negative correlation between true commitment and competitive rates. Similarly, a low negative correlation is found between better repayment terms and easy accessibility. Overall, these relationships indicate only weak inverse connections among the variables. Specifically, there is a very low negative correlation between true commitment and competitive rates (r = -0.172). Additionally, a low negative correlation exists between true commitment and better repayment (r = -0.433).

Table – III Reasons for Satisfaction

Reasons	True Commitment	Competitive Rates	Better Repayment	Easy Accessibility
True Commitment	1	-0.172*	-0.433**	-0.250**
Competitive Rates	-0.172*	1	-0.154	-0.558**
Better Repayment	-0.433**	-0.154	1	-0.371**
Easy Accessibility	-0.250**	-0.558**	-0.371**	1

 * Correlation is significant at the 0.05 level (1-tailed).

** Correlation is significant at the 0.01 level (1-tailed)

A low degree of negative correlation exists between competitive rates and easy accessibility (r = –0.558). A similar low negative correlation is observed between better repayment and easy accessibility (r = –0.371). There is also a very low negative correlation between true commitment and easy accessibility (r = –0.250).

A positive correlation is found between hidden charges and false commitment (r = 0.113). This indicates that these variables tend to move in the same direction, though the relationship is weak. In contrast, a negative correlation exists between hidden charges and non-competitive services (r = –0.225).

Moreover, a strong negative correlation is observed between inadequate tax benefits and non-competitive services (r = –0.564). A higher degree of negative correlation also exists between inadequate tax benefits and false commitment (r = –0.559). Additionally, a negative correlation is found between non-competitive services and inadequate tax benefits (r = –0.459).

Table – IV Reasons for Dissatisfaction

Reasons	Hidden Charges	False Commitment	Not Competitive at Services	Inadequate Tax Benefits
Hidden Charges	1	0.113	-0.225	-0.643
False Commitment	0.113	1	0.331	-0.559
Not Competitive at Services	-0.225	0.331	1	-0.564
Inadequate Tax Benefits	-0.643	-0.559	-0.564	1

CONCLUSION

HDFC Bank is perceived to have more excellent staff members in terms of behaviour compared to the staff of SBI. Additionally, the services provided by HDFC Bank are considered superior to those offered by SBI.

The primary factors contributing to customer satisfaction are competitive interest rates and true commitment. On the other hand, the main reason for customer dissatisfaction is hidden charges.

SUGGESTIONS

The home loan market in India has grown significantly in recent years. The fast expansion and expectation of continued demand have attracted many players to the industry. This has led to strong competition, which benefits borrowers. Housing finance companies have offered various innovative products to meet the different needs of customers. One popular scheme is the step-up loan, where EMIs increase gradually as the borrower's income rises. This scheme has become very popular among young professionals starting their careers. Managing a large and varied retail credit portfolio requires skilled staff. Competent and experienced workers are essential to handle the complexities and challenges of retail lending. Therefore, it is recommended that the State Bank of India hire highly skilled staff to improve service quality and increase overall customer satisfaction.

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