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Analysis of housing finance interest rates, schemes and customer services of SBI and HDFC

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Abstract

This study analyses and compares housing finance offered by State Bank of India and HDFC with specific reference to interest rates, loan schemes and customer services over the period 2014-15 to 2023-24. The objectives are to examine the trend and level of home loan interest rates, to study major and multiple housing loan schemes and to assess the quality and range of customer service mechanisms of both institutions, including digital and grievance redressal channels. Using secondary data compiled from published reports of SBI and HDFC and product information available up to May 2025, the study evaluates average interest rates, scheme-wise features (loan-to-value, tenure, processing fees, eligibility) and service delivery parameters.

Keywords: Housing finance, home loan interest rates, loan schemes, customer service, loan-to-value ratio, digital banking

Introduction

Housing financing involves various entities, including banks, Non-banking Financial Companies (NBFCs), Housing Finance Companies (HFCs), Cooperatives or Government Sponsored Agencies. These institutions offer housing loans and related services tailored to the needs of different segments of the population. The housing finance has witnessed phenomenal growth during the last ten years. The higher economic growth, mushrooming middle class, increasing purchasing power, changing demographics and increasing number of nuclear families, scaling down of real estate prices and a softer interest rate regime enabled the housing finance sector to grow at a phenomenal rate. In the recent years, a significant development in credit markets all over the world has been the rapid growth of credit availed for housing by individual households. While household housing credit market has already developed in the developed countries, it is only recently that the household housing credit market has started developing in India.

Review of Literature

The existing studies shows that India's housing finance has shifted from a fragmented, multi-agency system to a more competitive market where public banks like SBI and private institutions like HDFC both play central roles. Early work by Sharma, Struyk, Burra and Smets emphasised consolidation, the role of the National Housing Bank and the difficulty of reaching low-income and urban poor segments through formal and private channels. Later authors such as Mehar, Fulbag Singh and Reema Sharma and Duggal examined bank's roles, returns, regional growth and competition, highlighting the rapid expansion of housing finance and the dominance of players like HDFC and LICHL. The various comparative customer focused studies consistently find that private banks/HFCs such as HDFC tend to score better on process speed, staff behaviour and some service aspects, while SBI and other public banks retain advantages in lower interest rates, perceived safety, branch reach and trust. Further the recent research studies focused that the private institutions generally outperform in profitability and operational efficiency, whereas public banks remain crucial for broad access and priority-segment lending together underscoring the need for focused, comparative analysis of emerging trends in housing finance between SBI and HDFC.

Research Gap

The present study compares SBI and HDFC mainly on published interest rates, schemes and formal customer service features, creating several research gaps. It does not use primary data or any theoretical model to examine how these factors actually influence borrower choice, satisfaction, affordability or default behaviour and therefore cannot explain causal relationships. The coverage is limited to two institutions and excludes NBFCs and other housing finance companies, so the results are not fully generalizable to the wider market. In addition, the reliance on secondary bank disclosures, without advanced quantitative analysis or service-quality metrics, leaves unaddressed questions about effective rates paid, operational practices and the real impact of digital and specialized products across different borrower segments.

Significance of the Study

This study is significant because it systematically compares interest rates, product structures and customer service mechanisms of SBI and HDFC, the two dominant players in India's housing finance market, over a full decade. By consolidating scattered information on multiple schemes, eligibility norms, processing fees and service channels, it provides borrowers, policymakers and practitioners with a clear benchmark to understand how public and private banks price and deliver home loans. The analysis also highlights how regulatory changes, economic cycles and targeted schemes have shaped access to housing credit, thereby offering a useful evidence base for improving product design, competition and financial inclusion in the housing sector.

Objectives of the Study

The objectives of the study are categorised as follows:

1. To know the average home loan interest rates.
2. To study the major housing loan schemes offered.
3. To examine the multiple housing loan schemes offered.
4. To analyse the home loan customer services offered.

Source of Data

The data for this study are secondary in nature, drawn from multiple authentic institutional sources to ensure reliability and comparability. Specifically, the figures on interest rates, loan schemes, eligibility norms and customer service features have been compiled from various internal and published reports of SBI and HDFC, their audited annual reports and detailed product and service information available on the official websites of both institutions for a period of 2014-15 to 2023-24.

Interest Rates

Home loan interest rates are a critical factor influencing the affordability and attractiveness of housing finance in India. Over the past decade, leading lenders such as SBI and HDFC have adjusted their rates in response to economic conditions, policy changes and market competition. The Home Loan interest rates are varying from time to time based on the quarterly review of RBI and change of repo and reverse repo rates. Accordingly, the banks are adjusting their interest rates.

The Table-1 provides a year wise comparison of SBI and HDFC home loan interest rates from the period 2014-15 to 2023-2024.

Table 1: Average Home Loan Interest Rates of SBI and HDFC

Year	Average Home Loan Interest Rate (%)	
	SBI	HDFC
2014-2015	10.28	10.50
2015-2016	9.98	10.20
2016-2017	9.63	9.85
2017-2018	9.45	9.65
2018-2019	9.25	9.45
2019-2020	9.05	9.25
2020-2021	8.85	9.05
2021-2022	8.95	9.15
2022-2023	9.15	9.35
2023-2024	9.65	10.55
Average	9.42	9.70

Source: Compiled from various Reports of SBI and HDFC.

Note: The interest rate is calculated as an average of lowest interest rate and highest interest rate.

The data from Table-1 shows that home loan interest rates have remained highly competitive between public sector and private sector banks over the past decade. SBI's home loan rate declined from a high of 10.28% in 2014-15 to a low of 8.85% in 2020-21, with an average of 9.42%, while HDFC's rates, though slightly higher, averaged around 9.70%, staying near 10% for most years. Both banks experienced a steady downward trend from 2014-15 to 2023-24, driven by falling repo rates, increased competition and government measures to stimulate the housing sector. The gap between SBI and HDFC has progressively narrowed, reflecting a mature and competitive lending market. Major economic events, such as demonetization in 2016 and the COVID-19 pandemic in 2020-21, led to notable rate cuts aimed at encouraging borrowing and supporting recovery. Despite temporary stabilization and minor upticks during 2021-23 due to inflation and policy adjustments, the overall decline in interest rates has made home loans more affordable, fueling greater homeownership and growth in India's real estate sector.

Home Loan Schemes

The Indian home loan market is highly competitive, with leading players like SBI and HDFC offering a wide array of housing finance products tailored to diverse customer needs. As of May 2025, both banks provide not only standard home loans but also a variety of specialized schemes designed for government employees, defence personnel, rural borrowers and those seeking affordable housing under government initiatives. The following are the major home loan schemes offered by the SBI and HDFC.

Major Home Loan Schemes offered by SBI

The following are some of the major/popular home loan schemes offered by the SBI to meet diverse borrower needs. The SBI Regular Home Loan Scheme is designed for individuals purchasing or constructing a house, offering up to 90% of the property's value at competitive interest rates between 8.25% and 9.20% per annum, linked to the EBLR or MCLR (with the EBLR at 8.90% as of May 2025). It provides flexible repayment tenures up to 30 years, minimal processing fees (₹2,000-₹10,000 plus GST), and no prepayment or foreclosure charges, ensuring affordability and convenience. The SBI MaxGain (OD) Scheme operates as an overdraft-linked home loan, allowing borrowers to deposit surplus funds into the loan account to reduce the interest burden while maintaining liquidity, as these funds

remain withdrawable. This makes it ideal for borrowers seeking to minimize interest costs without compromising cash flow. Additionally, the SBI Top-Up Loan Scheme offers existing home loan customers the option to borrow additional amounts over their existing loans for personal or home-related needs. These top-up loans come with competitive interest rates, generally lower than personal

loans, providing a cost-effective and convenient way to access extra funds without undergoing a fresh loan process. The following Table-2 provides a comprehensive comparison of the major and niche home loans offered by SBI and HDFC along with highlighting their interest rates, eligibility, tenure, loan-to-value ratios and unique features.

Table 2: Major Housing Loan Schemes Offered by SBI and HDFC

Scheme / Feature	SBI Regular Home Loan	SBI Maxgain (OD)	SBI Top-up Loan	HDFC Regular Home Loan	HDFC Top-up Loan	HDFC Rural Housing Loan
Interest Rate (p.a.)	8.00% - 8.95%	8.25% - 9.15%	8.30% - 10.80%	8.50% onwards	8.80% onwards	9.20% - 10.75%
Loan Amount	Up to 90% of Property value	Up to 90% of Property value	Based on Eligibility	Up to 90% of Property Cost	Based on Eligibility	Based on Eligibility
Tenure of Loan	Up to 30 years	Up to 30 years	Up to 30 years	Up to 30 years	Up to 30 years	Up to 30 years
Processing Fee	0.35% (Min ₹2,000, Max ₹10,000)	0.35%	0.35%	0.50% or ₹3,300 (Salaried/Self-employed)	0.50% or ₹3,300	0.50% or ₹3,300
Special Features	Floating/ Fixed Options, Women Concession (0.05%)	Overdraft facility	Additional funds for existing Borrowers	Fixed/ Floating Rate Options	Additional funds for existing Borrowers	For Rural/ Agricultural Borrowers
Eligibility criterion	Indian residents, 18-70 years	Indian Residents	Existing Home Loan Customers	Salaried/Self-Employed, 21-65 years	Existing Home Loan Customers	Rural/ Agricultural Borrowers

Source: Compiled from various Reports of SBI and HDFC.

Note

1. Interest rates and features are subject to change as per bank policy and applicant profile.
2. Additional schemes such as SBI Flexipay, Privilege, Shaurya and HDFC Reach Home Loan are also available for specific segments.
3. Processing fees and eligibility criteria may vary for self-employed non-professionals.

The information of the above table reveals the following observations:

The Scheme wise Interest Rates

1. SBI Home Loan offers the lowest starting interest rate at 8.00 per cent per annum, with a maximum of 8.95 per cent. Whereas, HDFC's standard home loan starts slightly higher at 8.50 per cent onwards.
2. SBI Maxgain (OD), an overdraft-linked product, has a rate band of 8.25 per cent to 9.15 per cent, which reflecting that additional flexibility offered.
3. Top-up Loans are more expensive for both banks, with SBI's ranging from 8.30 per cent to 10.80 per cent and HDFC's starting at 8.80 per cent onwards.
4. HDFC Rural Housing Loan carries the highest rates, from 9.20 per cent to 10.75 per cent, which is typical for specialized rural lending.

Scheme-wise Loan Amount and Tenure

1. Both SBI and HDFC allows borrowing up to 90 per cent of the property value/cost for standard home loans, subject to eligibility and regulatory norms of the concerned banks.
2. Top-up and rural housing loans are sanctioned based on eligibility, which often considers repayment history and income level of the borrower.
3. All schemes offer a maximum tenure of up to 30 years, providing long-term repayment flexibility.

Scheme-wise Processing Fees

1. SBI charges a processing fee of 0.35 per cent (with a minimum of ₹2,000 and a maximum of ₹10,000) across its products.
2. HDFC has a slightly higher fee at 0.50 per cent or ₹3,300 whichever is higher for salaried/self-employed applicants, which applies to all its home loan products, including top-up and rural loans.

Scheme-wise Special Features

1. SBI Home Loan offers both floating and fixed interest rate options and a 0.05 per cent concession for women borrowers.
2. SBI Maxgain (OD) stands out with its overdraft facility, allowing borrowers to deposit surplus funds and reduce interest liability.
3. Top-up Loans from both banks provide additional funding for existing home loan customers.
4. HDFC Home Loan offers both fixed and floating rate options, catering to different risk appetites.
5. HDFC Rural Housing Loan is tailored for rural/agricultural borrowers, addressing the unique needs of this segment borrowers.

Eligibility Criterion

1. SBI focuses on Indian residents aged 18 to 70 years for standard and Maxgain loans and restricts top-up loans to existing home loan customers.
2. HDFC requires borrowers to be salaried or self-employed and aged 21 to 65 years for standard loans, with top-up and rural loans based on existing relationships or rural/agricultural status of borrowers.

Home Loan Customer Services

Customer service is a cornerstone of the home loan experience, directly affecting borrower satisfaction, trust and long-term relationships with financial institutions. As the Indian housing finance market grows increasingly competitive, leading lenders like SBI and HDFC have

invested significantly in multi-channel customer support for their home loan customers. The Table-4 provides information related to various customer service channels

and features offered by SBI and HDFC as of May 2025, covering communication modes, grievance redressal, and service accessibility.

Table 3: Home Loan Customer Services offered by SBI and HDFC

Service Type	SBI	HDFC
Toll-Free Number	1800 11 2018	1800 210 0018
Alternate Contact Number	080-26599990 (Call charges may apply)	1860 267 6161 / 1800 1600 / 1800 2600
Email Support	customercare.homeloans@sbi.co.in	loansupport@hdfcbank.com
Online Support	[SBI Home Loan Contact Us page] ¹ for complaint registration, branch locator and sales team locator	[HDFC Home Loan Contact Us page] ³ , online query/complaint form, “Ask EVA” virtual assistant
SMS Support	SMS “UNHAPPY” to 8008202020 for grievance escalation	Not specified for home loans
Branch Support	Visit nearest SBI branch or processing centre	Visit nearest HDFC branch; branch locator available online
Grievance Redressal	Escalate via online form, SMS, or by writing to Principal Nodal Officer	Escalate via Grievance Redressal Officer (1800 266 4060), Nodal Officer, or Principal Nodal Officer
Services Provided	Loan eligibility, application status, interest rate, documentation, repayment/prepayment, complaint resolution	EMI payment, due date, outstanding balance, interest rate, payment method change, contact update, complaint, etc.
Operating Hours	24x7 for toll-free number	8:00 am to 8:00 pm (some numbers), 24x7 for toll-free number

The Table-3 highlights the several important aspects of home loan customer services for both SBI and HDFC:

- Multi-Channel Support:** Both banks offer a range of contact options, including toll-free numbers, alternate phone lines and dedicated email support. This ensures that customers can reach out through their preferred mode, enhancing accessibility.
- Online and Digital Services:** SBI and HDFC both provide robust online support, including complaint registration, branch locators and in HDFC’s case, a virtual assistant (“Ask EVA”). This digital presence is crucial for tech-savvy customers and for those seeking quick resolutions without visiting branches.
- SMS and Escalation Mechanisms:** SBI offers SMS-based grievance escalation (“UNHAPPY” to 8008202020), which is a quick and user-friendly way for customers to seek redressal. HDFC, while not specifying SMS support for home loans, provides a detailed escalation matrix through dedicated officers and nodal contacts.
- Branch and In-Person Support:** Both banks maintain extensive branch networks, allowing customers to visit in person for complex queries, documentation or personalized assistance.
- Grievance Redressal:** Both institutions have structured grievance redressal systems, including escalation to nodal officers and online forms, ensuring that unresolved issues can be systematically addressed.
- Service Scope:** SBI’s services include eligibility checks, application status, interest rate queries and repayment/prepayment support. HDFC’s offerings are broader, covering EMI payments, due dates, balance inquiries, payment method changes and contact updates, reflecting a customer-centric approach.
- Operating Hours:** SBI’s toll-free number operates 24x7, providing round-the-clock support. HDFC also offers 24x7 support on its toll-free line, with other numbers available during extended business hours.

Both SBI and HDFC have developed comprehensive customer service ecosystems for home loan borrowers, blending traditional and digital channels. SBI stands out for its SMS escalation and 24x7 phone support, while HDFC

offers enhanced digital tools and a broader range of self-service options. These robust support systems are essential for ensuring customer satisfaction, quick resolution of queries and building trust in the home loan journey.

Conclusion

After observing the interest rates, various schemes of home loans and customer services, it can be concluded that the data highlights a decade-long trend of declining and competitive home loan interest rates from both SBI and HDFC, which has improved accessibility to homeownership in India. As of May 2025, SBI and HDFC remain leading players in the market, offering a broad spectrum of home loan products and specialized schemes for various customer segments, including government employees, defence personnel, rural borrowers and those eligible for government housing initiatives. SBI is generally preferred for its slightly lower interest rates and lower processing fees, while HDFC stands out for faster loan processing and a superior digital experience. Both the banks provide flexible loan tenures, high loan-to-value ratios and participate in government subsidy schemes like PMAY, ensuring that borrowers have multiple options tailored to their needs. The competitive environment between these institutions continues to benefit consumers, making housing finance more accessible and borrower-friendly.

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