

A Study on Financial Institutions of HDFC Private Sector

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Abstract – HDFC is one of the biggest private sector banks with a special credibility among other commercial banks. HDFC has set a precedent by delivering competitive value to consumers, business clients & investors. It provides a broad variety of goods, facilities and logistics capacities under the umbrella name. It also has thus made a remarkable part to the general development of the economy. The financial sector consists of financial companies, stock markets, financial products (claims, cash, securities) and financial services. It is typically known as a two-pronged market and an unorganized sector. The structured financial structure comprises the banking system, the cooperative & growth banking system, the public & private banking structures.

Key Words – Banking, Financial System, HDFC, Private Sector

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INTRODUCTION

Banking is a financial organization that provides banking & other financial facilities to its clients. A bank is usually regarded as an institution providing essential financial services, including accepting deposits and granting loans. There are also non-financial entities that provide some financial services without dealing with the structured clarity of a bank. Banks are part of the demand for financial services. Banking facilities are also considered as a bank-operated network providing cash management services to customers, tracking transactions on their accounts and saving throughout the day. The banking sector in India would not only be protected from challenges, but must be prepared to face up to the existing technical hurdles and any other external and internal factors. India's banking industry has seen several outstanding credit achievements during the last three decades. The banks are main participants in the financial sector of India. The banking offers its clients with a variety of facilities and benefits. Both banks protect resources and reserves and provide savings, protection and payment services, including check cards, money orders & cash checks. Investment and insurance policies are also offered to banks. As a number of partnership and integration frameworks have developed within the financial industries, some of the traditional divisions within banks, insurance companies & brokerage firms have decreased. Despite these changes, banks appear to maintain & perform their key role — recognizing deposits and collecting funds from such deposits.

NEED OF THE BANKS

Before the formation of banks, financial activities were carried out by money lenders & individuals. At the time, the degree of curiosity was quite high. Again, there was no protection of collective savings & no uniformity of loans. The organized banking system, which was exclusively operated by the government, was developed to address these problems. The managed banking sector operates via the finance mechanism to provide loans, collect deposits and provide additional services to its customers. The Bank's following duties highlight the need and importance of the framework:

- Provides security to the savings of consumers.
- Management of the flow of capital and credit
- Promote consumer trust in the workings of the financial sector and raise savings rapidly and effectively.
- To prevent the consolidation of financial resources in the possession of a few persons and organizations.
- Setting fair terms and requirements (i.e. interest cost, loan length, etc.) for all forms of customers;

ORGANIZATION OF THE FINANCIAL SYSTEM IN INDIA

Indian financial system is generally classified into 2 broad groups:

1. Organized sector and
2. Unorganized sector.

"The finance system is often categorized into consumers of financial services & suppliers. Financial companies offer their services to consumers, corporations and governments. They are users of financial services. The distinctions between these industries are not quite obvious. In the case of financial service suppliers, while financial structures vary from country to nation, there are citizens.

- i) Central bank
- ii) Banks
- iii) Financial institutions
- iv) Money & capital markets
- v) Informal financial enterprises.

1. Organized Indian Financial System

The integrated financial structure consists of an extensive network of banks, other financial & investment entities and a number of financial instruments that operate together in newly established capital & money markets. Short-term funds are primarily generated by a commercial & cooperative banking system. Nine-tenth of those banking industry is operated by twenty-eight leading public sector banks. Economic banks, there is a network of national, district & block level cooperative banks & land development banks. With approximately two-thirds of the overall reserves throughout the financial sector, banks play an significant part. Lately, Indian banks have also diversified into fields such as industrial banking, mutual funds, lending and factoring. The following sub-systems are part of the structured financial system:

1. Banking system
2. Cooperative system
3. Development Banking system
 - i. Public sector
 - ii. Private sector
4. Money markets and

5. Financial companies/institutions

Over the years, the organisation of financial institutions in India has grown and been widely focused. The framework has been established in three areas-state, cooperative and private. Rural & urban regions are well represented both by the mutual sector & by business entities of national rank

2. Unorganised Financial System

In the other side, the unorganised financial structure consists of comparatively less-controlled money lenders, native merchants, pawn dealers, owners, merchants, etc.

BANKING STRUCTURE IN INDIA

The Indian banking sector consists of 'non-scheduled banks' and 'scheduled banks.' Non-scheduled banks refer to those not specified in the second schedule of the Banking Supervision Act of 1965 or therefore do not comply with the criteria laid down in that scheme. Scheduled banks are made up of "scheduled commercial banks" and scheduled cooperative banks. The former are further categorized into four categories: (1) public sector banks ; (2) private sector banks (which are further classified as 'Established Private Sector Banks' & 'New Private Sector Banks' which arose after 1991); (3) foreign banks in India; &(4) regional rural banks (which operate in India)

SBI banks are made up of SBI & five independent capitalized banking branches. The SBI is India's largest commercial bank in terms of income, resources, loans, branches and employees and has 13 offices, each of which is managed by a board of directors under the direction of a central board of directors. It was first founded in 1806 when the Bank of Calcutta (later known as the Bank of Bengal) was created and eventually amalgamated as the Imperial Bank of India after a merger with the Bank of Madras & Bank of Bombay. The Colonial BOI was nationalized in 1955 and renamed SBI. In 1993, the National Bank of Punjab formed another nationalized company, New Organization of India, which led to a reduction in the total number of nationalized banks from 20 to 19. Regional rural banks account for just 4 % of the total reserves of scheduled commercial banks. After the end of March 2001, the number of scheduled banks is as follows: 19 nationalised banks, 8 SBI banks, 23 old private-sector banks, 8 new private-sector banks, 42 multinational banks, 196 regional rural banks and 67 cooperative banks. But the number of commercial banks scheduled for 31 October 2012 in India is as follows: 26 public sector banks, 20 private sector banks.



Figure 1.1 Banking Structure in India

Indian Scheduled Commercial Banks

The commercial banking sector in India comprised of scheduled commercial banks & non-scheduled banks.

Scheduled Banks: Scheduled banks in India are the banks mentioned in the second schedule of the RBI Act 1934. In effect, RBI only includes those banks in this structure which comply with the specifications set out in empty paragraph 42(6a) of the Act.

Regional Rural Bank: On 2 October 1975, the GOI founded Regional Rural Banks (RRBs)[10]. The banks lend loans to the poorest parts of rural areas, in particular to small and medium-sized farmers, factory employees and businessmen.

Unscheduled Banks: 'Unscheduled Bank in India' is a banking company as stated in paragraph (c) of subsection 5 of the Banking Regulation Act, 1949 (10 of 1949) & not a scheduled branch.

PERFORMANCE OF HDFC-NATIONAL LEVEL

HDFC is India's premier housing finance company. The Corporation's main business is to provide loan for the purchase or construction of residential houses. The business also has offices in Dubai, London & Singapore and support associates in the Middle East area offering housing loans and land advice services to non-resident Indians (NRIs) and Indian Citizens of Origin (PIOs). HDFC's product selection covers loans for the acquisition and development of residential homes, land acquisitions, home renovation loans, home expansion loans, specialist non-residential premises loans & property loans, while its adjustable lending solutions include the Step up Repayment Program (SURF) and the Adjustable Loan Installment Method (FLIP). On October 17, 1977, HDFC was founded as a public limited company by Mr. Hasmukhbhai Parekh. HDFC has been sponsored by the Indian Industrial Credit and Investment Company. The company received the certificate of start of operation on 3 December. HDFC offers funding for housing in India. The company issues long-term housing loans primarily to low-and middle-income persons and corporate

entities. It also offered a substantial amount of building funding to housing developers.

HDFC launched its first retail deposit program in 1981. They also formed a wholly-owned company, HDFC developers throughout the year, & HDFC has arranged loans under the USAID Housing Guarantee Scheme. In the same year, the organisation introduced another initiative called the Non-Resident Certificate Deposit System. The organisation introduced the Line Of Credit Scheme (LOC) for employee-owned housing in 1982.

In 1985, the company introduced a home investment plan based on the 'Bausparkassen' program, West Germany and the 'Step-up Repayment Method.' During the year of May, the organisation unveiled a home saving strategy. Under this facility, a person can borrow at 8.5 per cent per year for their housing needs , providing that certain savings conditions have been met beforehand.

In 1986, the company released the series IV and V of bonds for Rs . 10 crores and Rs . 5 crores, respectively. At the same year, the company began providing a new programme named the Advanced Processing Facility (APF) in which land developers who pursue a residential project would fund individuals who acquire housing units in their project.

By 1988, Gujarat Rural Housing Finance Corporation Ltd (GRUH Finance), HDFC Ltd (now SBI Home Finance), IL & FS & CRISIL were funded by leading Indian financial institutions and commercial banks.

In 1989, the firm launched two new items, including a home renovation loan and a home extension loan. Throughout the year, Germany's Krditanstalt Fur Wiederaufbau authorized a credit line of DM 25 billion to finance the HDFC loan for a low-cost housing project targeting economically vulnerable households.

In 1993, the firm introduced an innovative easy way savings investment scheme, a groundbreaking platform that presents flexible solutions for household stability as well as a savings profile. The company has completed an MOU with the U.S. throughout the year. General Electric Company shall promote a new cooperative venture to help customer finance. HDFC and the general electrical corporation also have 15 cores of equity.

In 1995, the business established a relationship with NatWest Markets (UK) and created the HDFC Bank. Throughout the year, the organisation has undertaken to develop its first overseas branch office in Dubai. The firm was one of ILFSL 's supporters, along with the Central Bank of India and the Indian Trust Company.

In 1996, the organisation introduced a scalable consumer housing loan. HDFC has founded India's first global automotive finance company, Maruthi, with the goal of financing Maruthi cars exclusively in India. This is a joint venture between HDFC and Maruthi Udyog and the GE riches of India.

In 1999, the organisation invested in a new housing finance company in Sri Lanka. They introduced the website of the company www.hdfcindia.com (now hdfc.com). In addition, they launched a flexible home loan rate & became the first mortgage finance organisation to do so.

In 2000, the company invested in a modern norm life HDFC office in Mumbai. They released their first equal property and published their mortar-backed securities. The company formed a joint venture with Mahindra & Mahindra Group and supported propertymartindia.com, a website for the provision of a variety of real estate services.

In 2003, HDFC signed a skilled service deal with Egyptian American Bank to provide technological assistance to set up Egypt's first private-sector mortgage finance company, the Egyptian Housing Finance Corporation. In 2005, the organisation entered into an implementation agreement with NHB and the Asian Development Bank to provide technical assistance for a study on the creation of an agency / secondary mortgage body to facilitate security for residential mortgage backed coverage along the same lines as Fannie Mae in the USA.

In 2006, the corporation authorized eight low-income housing and micro-enterprise financing schemes by financial intermediation between non-governmental organisations and micro-finance institutions. We divested their shareholding in HDFC-SL in lieu of Basic Life Insurance UK for 5.66 crores.

In 2007-08, the Company approved 16 new schemes under the KFW Entschicklungs Bank Line for Low Income Housing and Microfinance through financial intermediation between non-governmental organisations across India. Two new advertising campaigns have been launched, including 'Asset Plus' and 'Empowerment.' 'Asset Plus' has been explicitly implemented to boost visibility about home equity loans.

In April 2010, the company provided a special home loan package at a fixed rate of 8.25 per cent per year until 31 March 2011, 9 per cent for the term from 4 April 2011 to 31 March 2012 and the applicable variable rate for the remaining time. It's a flexible, dual-rate product. We have now re-launched product loans against assets to benefit customers.

In 2011, HDFC Real Estate Destination (HDFC RED) unveiled an online real estate platform with the key purpose of providing a popular location for prospective home buyers to search and a short list of

ideal properties to meet their needs. In 2012, the group formed a new wholly-owned subsidiary named HDFC Private Education and Development Services Ltd.

LITERATURE REVIEW

ODUNLAMI, et. al., 2014 This research was undertaken to investigate the efficacy of the promotional combination in the selling of such pharmaceutical goods in Kenya. The analysis described the different tools embraced by pharmaceutical manufacturers in Kenya. The degree of influence of this method on revenue has been analysed for 42 local companies in Kenya. It has been noticed that the integrated structure of the integration of promotional methods has just been developed and that the sales promotion method is successful. As such, it is a critical aspect of the acceptance of the marketing campaign. The research also considered that the preparation of the movement of operations engaged in the promotion would culminate in the strategic decision-making phase. The results recommended that people, networks and stakeholders ought to recognise and provide full knowledge on the resources involved to maximise benefit. This can be regarded to be valuable knowledge for the growth of the sector.

KAMBA, 2010 The report centred on the efficacy and policy of the insurance sector in India. The study gave insight into the diverse partnerships in ads as a method for recognizing and observing how insurance firms became thinking with the same issue. The calculation and impact of such an advertising is essential for the development of the company, for the recall of the company and, ultimately, for the decision on the option to be made with regard to the insurance policy. He listed numerous media in television, radio, internet, website, news, pamphlets and other promotional resources for increasing visibility, informing and reminding of the benefits of the life insurance policy. He also clarified the IRDA guidelines, and it was observed that some ads that transmitted the insurance message as a critical financial tool were strongly desired. The reply liked the commercial, which had an emotional appeal.

Estevez, et al., 2014 The purchasing choice involved in taking a life insurance policy relies on a number of variables that affect, evaluate and assess products and benefits in the life insurance scenario. The researcher addressed the different sources that affect the conduct of decision-making. It is a product of knowledge, demand and intensification of repurchase. The outcome of the analysis was that the purchasing decision was largely based on the demographic profile, the desire for the commodity, the alternative available for repurchase and the broad variety of impact

factors that play a role in repurchase strength. The study concludes that the consumer collects knowledge from a number of outlets, including friends and family, insurance provider websites, insurance brokers, media, TV, radio, ads and other written content. Awareness and protection details still have a critical function to play. (Jotti, 2012)

SAHAR GHARIBI, et al., 2012 The key purpose of this paper is to explain the effects and efficacy of ads using a method named AIDA. He tried this model on a private life insurance firm in Tehran. The assessment of the efficacy of the promotional strategy is critical in order to help assess the promotional expenditure, to provide guidance on the success of the different promotional alternatives and to ensure that the contact goal has been accomplished. The efficacy of the different contact and interpersonal communication variables, such as letter, media, influence on buying decision-making, can be assessed by pre-and post-testing, as well as numerous quantitative, empirical and survey related communication strategies. Any of the evaluation methods include awareness, memory, and effect on awareness, decision-making. Behavioral measurement is appropriate for evaluating brand advertising techniques, targeted marketing and personal revenue.

CONCLUSION

Over the years, HDFC has been interested as the World Class Bank of India offering a complete financial solution under one roof. It has played a crucial role in economic growth by offering funding for homes, credit scores, investment capital and numerous forms of financial products & services to different sectors of the economy. HDFC is one of the biggest private sector banks with a special credibility among other financial institutions. HDFC has set a precedent by delivering competitive value to consumers, business clients and investors. It has thus made a remarkable contribution to the overall development of the economy. HDFC Bank is India's biggest private sector bank and asset lender. It has a large network of subsidiaries that offer a broad variety of financial facilities and are primarily involved in business banking, investment banking, equity and also insurance. HDFC enhances its processes by delivering quality items, improved infrastructure, service standards, risk control, audit & enforcement.

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