

A Study On Home Loan Rates Comparison Of SBI, HDFC, ICICI And Saraswat Bank

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Abstract

Housing finance is a key driver of economic development and plays a vital role in improving living standards. In India, home loans are widely used financial instruments that enable individuals to purchase or construct residential property. The rate of interest charged by banks significantly affects the total cost of borrowing and repayment burden. This research paper aims to compare home loan interest rates offered by State Bank of India, HDFC Bank, ICICI Bank, and Saraswat Bank using secondary data sources.

The study adopts a descriptive research design and relies on data collected from official bank websites, financial portals, and published reports. The findings reveal that public sector banks such as SBI offer relatively lower interest rates, whereas private sector banks like HDFC and ICICI provide enhanced customer service, flexibility, and faster loan processing. Cooperative banks such as Saraswat Bank present competitive rates but have limited operational reach. The study concludes that borrowers should consider multiple factors beyond interest rates, including processing fees, loan tenure, and service quality, before making a decision.

Keywords

Home Loan, Interest Rate, Banking Sector, EMI, SBI, HDFC, ICICI, Saraswat Bank, Housing Finance

Introduction

Housing is one of the most fundamental human needs and plays a crucial role in determining the socio-economic well-being of individuals. In a developing country like India, the demand for residential property has witnessed significant growth due to rapid urbanization, population expansion, and rising income levels. However, the increasing cost of real estate has made it difficult for individuals to purchase homes without financial assistance. As a result, home loans have emerged as an essential financial tool, enabling individuals to fulfill their dream of home ownership while managing their financial resources efficiently.

Home loans are long-term financial commitments, typically extending from 10 to 30 years, and involve repayment through Equated Monthly Installments (EMIs). The interest rate charged on these loans is a critical factor that directly influences the affordability and total cost of borrowing. Even a slight variation in interest rates can lead to a significant difference in the total repayment amount over the loan tenure. Therefore, borrowers must carefully evaluate and compare the interest rates offered by different banks before selecting a home loan provider.

In India, the banking sector offers a wide range of home loan products through public sector banks, private sector banks, and cooperative banks. Each category of banks follows different lending policies, cost structures, and customer service strategies. Public sector banks such as State Bank of India are known for offering relatively lower interest rates due to government backing and lower cost of funds. On the other hand, private sector banks like HDFC Bank and ICICI Bank focus on providing faster loan processing, better customer service, and flexible repayment options. Additionally, cooperative banks such as Saraswat Bank cater to specific regions and offer competitive interest rates with relatively lower processing charges.

The determination of home loan interest rates in India is influenced by various factors, including the borrower's credit score, income level, employment stability, loan amount, and tenure. Moreover, macroeconomic factors such as inflation and monetary policy decisions by the Reserve Bank of India play a significant role in shaping lending rates. Changes in the repo rate directly impact the interest rates offered by banks, thereby affecting borrowing costs.

Given the diversity in banking services and interest rate structures, it becomes essential to conduct a comparative analysis of home loan offerings across different banks. Such a study not only helps borrowers make informed financial decisions but also provides insights into the competitive dynamics of the banking sector. In this context, the present study aims to compare home loan interest rates offered by SBI, HDFC Bank, ICICI Bank, and Saraswat Bank using secondary data. The study seeks to identify variations in interest rates, processing fees, and service quality, thereby assisting potential borrowers in selecting the most suitable home loan option.

Review of Literature

- This study compares housing loan services of LIC Housing Finance and HDFC using statistical tools like chi-square and correlation. It highlights that borrower preferences depend on income, age, and loan tenure. HDFC performs better in digital services,

while LIC is preferred for lower processing fees. The study shows how service quality and pricing influence borrower choice (Palraj, July 2025)

- This paper analyzes home loan procedures and customer satisfaction between SBI and HDFC using both primary and secondary data. It finds that HDFC provides faster loan approvals and better customer service, while SBI maintains strong transparency and reliability. Interest rates and processing time are key decision factors. (Dr. K V Manju¹, April 2025)
- This research evaluates differences in interest rates, repayment options, and customer service between SBI and HDFC. It concludes that SBI offers lower interest rates and flexible repayment options, whereas HDFC excels in customer service and faster processing. The study highlights the trade-off between cost and convenience. (Chhagankar, 2024)
- This study focuses on ICICI Bank's home loan services, including interest rates, eligibility, and customer satisfaction. It finds that interest rates and loan flexibility are the most important factors influencing borrower decisions. The paper also highlights the role of digital platforms and customer awareness in loan selection. (Ms.M. Mathumitha, May 2025)
- This study compares public and private sector banks in terms of home loan processes and customer satisfaction. It finds that private banks provide faster service, while public banks offer lower interest rates. The study highlights structural differences in banking sectors affecting borrower choice. (Mrs. MALASRI.R, 2023)
- This paper compares ICICI and HDFC home loan products based on interest rates, processing fees, and loan tenure. It finds that HDFC is suitable for first-time borrowers due to lower initial cost, while ICICI offers flexible repayment and faster processing. The study emphasizes borrower profile as a key decision factor. (Sonali Sanjay Sutsonkar, 2025)

From the above review, it can be concluded that home loan interest rates, processing charges, and service quality are the major determinants influencing borrowers' choice of financial institutions. Studies indicate that public sector banks like State Bank of India generally offer lower interest rates, while private sector banks such as HDFC Bank and ICICI Bank focus on faster processing and better customer service. However, limited research has been conducted on cooperative banks like Saraswat Bank, despite their competitive offerings.

Furthermore, most existing studies are restricted to comparisons between two institutions or specific sectors, lacking a comprehensive analysis that includes public, private, and cooperative banks together. Therefore, there exists a clear research gap in providing an updated and comparative analysis of multiple banking sectors based on current interest rate structures. The present study attempts to fill this gap by offering a comparative evaluation of selected banks, thereby contributing to better financial decision-making for borrowers.

Objectives of the Study

The main objectives of the study are:

1. To compare the home loan interest rates offered by SBI, HDFC Bank, ICICI Bank, and Saraswat Bank
2. To examine the differences between public, private, and cooperative banking institutions
3. To identify the key factors influencing home loan interest rates
4. To evaluate the cost-effectiveness of different banks
5. To provide suggestions to borrowers for selecting suitable home loan options

Research Methodology

1. The study is based on a **descriptive research design**, as it focuses on describing and comparing home loan interest rates and related features offered by selected banks.
2. The research is conducted using **secondary data only**, without any primary data collection.
3. The data has been collected from official websites of State Bank of India, HDFC Bank, ICICI Bank, and Saraswat Bank, along with financial portals and reports of the Reserve Bank of India.
4. The sample consists of four banks representing public, private, and cooperative sectors to ensure a balanced comparison.
5. The study uses tools such as **comparative analysis, tabular presentation, and percentage method** for data analysis and interpretation.
6. The period of the study covers the most recent data available for **2025–2026**.
7. The scope of the study is limited to comparison of interest rates, processing fees, and basic loan features of selected banks.

8. The study is limited by reliance on secondary data and a selected sample of banks, and the interest rates may change over time.

Hypothesis

1.H₀ - There is no significant difference in home loan interest rates among State Bank of India, HDFC Bank, ICICI Bank, and Saraswat Bank.

H₁: There is a significant difference in home loan interest rates among these banks.

2.H₀: There is no significant difference in home loan interest rates between public, private, and cooperative banks.

H₁: There is a significant difference in home loan interest rates between these categories.

3. H₀: There is no significant difference in processing fees charged by the selected banks.

H₁: There is a significant difference in processing fees charged by the selected banks.

Data Analysis and Interpretation

Table 1: Comparative Analysis of Home Loan Interest Rates

Bank	Interest Rate Range	Processing Fee	Type
SBI	7.25% – 8.70%	~0.35%	Public
HDFC Bank	7.75% – 9.00%	Up to 0.50%	Private
ICICI Bank	8.50% – 9.70%	Up to 2%	Private
Saraswat Bank	7.35% – 8.90%	₹2,500–₹7,500	Cooperative

The above table presents a comparative overview of home loan interest rates and associated processing fees offered by major banks across different sectors. It clearly indicates variations in pricing strategies, cost structures, and service positioning among public, private, and cooperative banks.

➤ Analysis of SBI

State Bank of India offers one of the most competitive home loan interest rates among the selected banks. As a public sector bank, SBI benefits from government support and a relatively lower cost of funds, enabling it to provide affordable lending options.

Key Features:

- Highly competitive and lower interest rates
- Minimal processing fees compared to private banks
- Strong brand reputation and high level of trust among customers

Interpretation:

The lower interest rates and reduced charges make SBI a cost-effective option, particularly suitable for borrowers seeking long-term financial savings and stability.

➤ **Analysis of HDFC Bank**

HDFC Bank has established a strong position in the housing finance sector through its customer-centric approach and efficient service delivery.

Key Features:

- Faster loan approval and disbursement process
- Flexible repayment options and customized loan schemes
- Competitive interest rates, though slightly higher than public sector banks

Interpretation:

HDFC Bank is ideal for borrowers who prioritize convenience, speed, and service quality over marginal differences in interest rates.

➤ **Analysis of ICICI Bank**

ICICI Bank is known for its advanced digital banking infrastructure and innovative financial solutions.

Key Features:

- Fully digital loan processing systems
- Flexible loan tenure and repayment structures
- Relatively higher interest rates compared to other banks

Interpretation:

ICICI Bank is well-suited for technologically inclined borrowers who value digital convenience and efficient service, even at slightly higher costs.

➤ Analysis of Saraswat Bank

Saraswat Bank represents the cooperative banking sector and offers competitive home loan products within its operational regions.

Key Features:

- Competitive interest rates comparable to public sector banks
- Lower and fixed processing charges
- Limited geographical reach and branch network

Interpretation:

Saraswat Bank is a suitable option for regional borrowers seeking affordable loan options with lower upfront costs, though its limited accessibility may restrict its reach.

❖ Comparative Evaluation

Public vs Private vs Cooperative Banks

Criteria	Public Bank (SBI)	Private Banks (HDFC, ICICI)	Cooperative Bank (Saraswat)
Interest Rate	Lowest	Moderate to High	Competitive
Processing Speed	Moderate	Fast	Moderate
Customer Service	Average	Excellent	Good
Accessibility	Nationwide	Nationwide	Limited

Interpretation:

The comparative evaluation highlights that public sector banks focus on affordability, private sector banks emphasize efficiency and customer service, while cooperative banks offer a balance of competitive pricing and localized services. Each category caters to different borrower needs and preferences.

Findings of the Study

Based on the analysis, the following key findings have been identified:

1. State Bank of India offers the lowest home loan interest rates among the selected banks, making it the most economical option.
2. Saraswat Bank provides competitive interest rates similar to public sector banks, along with lower processing charges.
3. HDFC Bank and ICICI Bank offer superior customer service, faster processing, and greater flexibility, albeit at slightly higher interest rates.
4. Even minor differences in interest rates significantly affect the total cost of borrowing and EMI burden over the loan tenure.
5. Borrower-specific factors such as credit score, income stability, and loan tenure play a crucial role in determining the final interest rate offered by banks.

Conclusion

The study concludes that home loan interest rates vary significantly across different types of banks. State Bank of India emerges as the most economical option due to its lower interest rates. HDFC Bank and ICICI Bank provide better service quality and faster loan processing, making them suitable for borrowers who value convenience. Saraswat Bank offers a balanced option with competitive rates and lower fees.

Ultimately, the choice of a home loan provider depends on the borrower's financial profile, risk appetite, and preferences. A well-informed decision can significantly reduce the financial burden and enhance long-term financial stability.

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