

## A STUDY ON CONSUMER ATTITUDE AND PERCEPTION TOWARDS GOLD LOAN WITH REFERENCE TO BEAWAR CITY

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Dr. Mahima Gupta\*

### ABSTRACT

*This research paper is an empirical presentation of a study on consumer attitude and perception towards gold loan with reference to Beawar city. At present in India, Gold loans can be availed from co-operative banks, public sector banks, private sector banks and other private lenders. Some banks, however, offer it only in certain regions, while private lenders process the loan in less than a couple of hours, some co-operative and public sector banks may issue the loan within a day. Some companies fall under the category of Non-Banking Financial Company (NBFCs) of the RBI guidelines. The present paper identifies the various factors which are considered by borrowers while availing the gold loan. The study also identifies the various demographic factors like gender, age, income level, and educational background of the borrowers which have an impact in opting financial institutions and NBFC's for availing gold loan. The gold loans have appeared as mostly use as quick & short-term capital. Gold loans were preferred more than traditional personal loans due to less procedures, fast disbursement and easy EMI (Equated Monthly Installment). The study shows that the respondents preferred gold loans from the banks, NBFCs and most of the respondents use the fund for their consumption smoothing. Finally this paper warns that a person should go for the gold loans only if he is confident enough to repay his money otherwise it is not your cup of tea.*

**KEYWORDS:** *Consumer Attitude, Consumer Perception, NBFC's, Public Sector Bank.*

### Introduction

In India maximum population rely on agriculture and the crop production is done either once or twice and this is the earning for whole year so they secure excess money by investing them in gold and silver. While private lenders process the loan in less than a couple of hours, some cooperative and public sector banks may take up to a day to issue the loan. The ease of transaction partly off sets the interest that gold lenders charge, which is higher than that levied by commercial banks. State Bank of India, the nation's largest lender, charges 13.5% per annum on gold loans. At Manappuram and Muthoot, depending upon the loan to value of the gold, the rates vary between 12 per cent and 24 per cent. Local money lenders charge 36 per cent on average for gold loans. The scenario changed with the entrance of organized sector players such as banks and Non-Banking Finance Companies (NBFCs).

Gold loans have become a basis for creation of new financial products such as loans for purchase of gold wherein gold is purchased on the date of loan and held as a pledge until the equated monthly installments are paid. The present paper tries to gain an understanding about the Indian gold loan market and also tries to know the attitude of the customers towards the gold loans. The paper utilizes both primary and secondary sources for collecting the data. To know the attitude of the customers, information has been collected from 80 respondents. India is the biggest markets for gold and gold loan. Indian households have an emotional attachment and use the gold they own, which is usually in the form of jewelry or bars.

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\* Assistant Professor, Department of ABST, S. D. Government College, Beawar, Rajasthan, India.

According to the World Gold Council, India accounts for 10 percent of world's total gold stock, of which rural India accounts for 65 per cent of the total gold stock. Gold jewelry provides immense consumer satisfaction and also serves as an appreciating asset—a rare, socially valuable combination. There has been a high demand for gold in India, irrespective of prices. During 2001-18, the annual demand for gold remained relatively stable at around 700 to 900 tones despite constant rise in prices during the last ten years. Though gold is a highly liquid asset, it was not until recently that consumers leveraged it effectively to meet their liquidity needs. Compared with the rest of the world, in India the gold loan market is a big business. Based on the elaborate conceptual discussion this study aims to analyze the Consumer attitude and perception towards gold loan offered by scheduled commercial banks in India, the study is focused on one of the city in Rajasthan i.e. Beawar.

Gold loan is a simple modification of the age-old practice by money lenders and has been institutionalized by the banks now. In this loan, one has to deposit the household gold in the form of jewelry with the bank or financing agency and get a loan up to 60 per cent of the gold deposited. The gold loan companies have emerged as substantial contributors to the Indian economic growth by supplementing the efforts of banks and other financial institution. Gold loan companies are widely dispersed across the country and their management exhibits varied degree of professionalism.

### **Gold Loan Companies**

The gold companies give loan against gold. Many nationalized banks private banks and other financial companies offer this loan at attractive rate. Loan against gold is the best option as gold ornament and jewellery earn no income when they are left idle at home or in lockers. The gold loan company in India stands out as an example of the strides made by country in its march towards economic self reliance. The gold loan companies are spreading to and fro throughout the country as it provides timely credit to the consumer's uniqueness of gold loan.

- It doesn't demand any salary certificate
- Unemployed and nonworking can go for gold loan
- Low rate of interest 14% onwards.
- In rural area agricultural loan against gold is available at nominal rate of interest of 7% to 8%.
- It is simple and convenient because here we pledge gold and get up to 80% of market value of gold as loan. It takes very few minutes for processing gold loan. For immediate help some charges are associated:
  - Processing fees
  - Valuation charges
  - Late payment penalty
  - Prepayment penalty

### **Player In Gold Loan Market**

The major players in organized gold loan market in India are Commercial Co-operative banks and NBFC's. In addition there is large unorganized gold loan market. There is no official estimate in the size of the market which is marked by the pressure of pawnbroker, money lender and landlords operating at local level.

The demand for financial assistance can arise for anyone; simply the reasons might differ from person to person. The process of borrowing and lending is intricate; the individual who is borrowing wants the money without any hassle, and the individual or institution lending it wants guarantees the about repayment. Here borrowing directly relates to the Loans taken. *The term Loan is defined a debt evidenced by a note which specifies, among other things, the principal amount, interest rate and date of repayment* 1. There are various types of Loans available in the market. But at the time of financial need a person looks for immediate and hassle-free liquidity or monetary assistance from near and dear ones or for any financial Loan lenders in the market for borrowing. For those borrowers, the immediate Loan form can be a Personal Loan or a Gold Loan. Traditionally, both the Loans were available and dominated by unorganized Loan Lenders. A Personal Loan is given by Pawn broker and moneylender and Gold Loan from jewelers as well as pawn brokers. Since 1991, owing to the entry of various Banks and Non-Banking, Financial Companies (NBFCs) in the Personal Loan segment has changed the Personal Loan provision scenario. The professional employed person prefers to take a Personal Loan from Public or Private Banks and avoid borrowings from the local Pawn broker. Today the borrowers are influenced by buying decision for Personal Loan as well as

Gold Loan. The decision-making is determined by profiles depends upon buyers- characteristics which include social, culture, lifestyle, roles and status. It also depends upon the personal factors like Income, Age, Education Loan Borrowers, as lenders have started offering a comprehensive range of Personal Loans. At the same time, post 2008, Gold Loans has emerged as organized financial solutions that can be adapted to suit the changing needs and circumstances. In this context the researcher had made an attempt to do comparative study of Consumer Behavior toward Personal Loan and Gold Loan whether by Organized or Unorganized Loan Lenders.

### Review of Literature

- Have given the overview of growing gold demands They highlighted various aspects of Gold Loan from traditional pawn broker to shifting of Gold Loan to NBFC They also explained the emerging importance of the Gold Loan to the borrowers as well as lender due to its movement from traditional lenders to organized lenders They also explain the important factors like the rise in borrowing costs due to removal of agricultural sector status on Loans NBFCs are growing through Gold Loan compare to organize banks. It has become the effective means of meeting the demand for Micro-finance in India. (shrein & churiwal, 2012)
- Has discussed that the organized Gold Loan market has grown tremendously over a period of time, owing to the changing consumer Perception about Gold Loan and rising Loan requirements. The Perception of consumers towards Gold Loan has changed drastically. The author has discussed the Changing consumer Perception and rising Loan requirement of consumers. He has pointed out the growing demand of rising Loan requirement. (Dnyanesh Nair, 2012)
- Has been stated that the Banks and NBFCs have started attracting the borrowers by providing Loans against the pledge of gold jewelry. The jewelry is weighed and its purity is certified by organized Financial Institution gold smith. The value of gold is decided as per the extant market price. The interest rate will be same as applied to Personal Loan, but some institutions are giving attractive interest rate on gold pledged. The provision of the gold Control Act is also taken into consideration. The borrowers are required to repay the Loan in monthly installments. The book's covered appropriate and complete information on Gold Loan and Personal Loan. (Indian Institute of Banking and Finance, 2010)
- He stated that the Organized Gold Loan segment is potentially a vehicle for social transformation. Gold Loan must be made a part of this process. In rural areas, lack of access to bank, poor invest in gold. The distress faced by Indian's Farmers needs to move on multiple fronts in extending timely credit to the rural masses. The author has presented and analysed the distress and lack of access to banks in rural areas. (Nandakumar, 2010)
- He explained that how the Reserve Bank of India (RBI) has raised the Loan-to-value (LTV) ratio of the Non-Banking, Finance Companies lending money against gold to 75 per cent from 60 per cent earlier, so as to facilitate the monetization of idle gold, according to a notification by RBI. The norms are expected to bolster the Loan books growth of the Gold Loan companies. The central banks said this is in view of the moderation in the growth of Gold Loan portfolios of NBFCs in the recent past. RBI had brought the permissible LTV ratio to 60 per cent in March 2012 though it had hinted that it may relax this rule. The author has dealt with the important aspect of Gold Loan, i.e. LTV ration for the NBFCs and its importance in monetization. (Verma, 2012)
- KUB Rao Committee report on gold-Working group-p45, suggested that the three-pronged strategy demand reduction, supply management and monetization of gold stocks --to deal with the rising gold's importance. The Committee suggested that introduction of gold-linked financial instruments, gold, bonds and tax incentives on instruments that can impound idle gold .Creation of an alternative asset class that may provide returns compared to return on investment in physical gold with similar flexibility is important it said. Gold import is the second major contributor to the CAD after oil. Gold import in April-December stood at USD 38 billion. In 2011-12 fiscal it was USD 56 billion. The CAD, which is the difference between the inflow and outflow of foreign exchange, widened to a record high of 54 per cent of GDP in the July-September Quarter, Large gold imports, if unchecked, can potentially threaten the external stability and, therefore, there is an unambiguous need to moderate them, RBI report said. (Release of Reserver bank of India's (RBI))

- The chairman of India's largest gold company Muthoot Finance, gave his view on the change in regulation and said, This move by the apex regulatory body will help the cause of financial inclusion and is an acknowledgment of the growing significance of gold financing NBFCs in fuelling micro-economies in the country. This will help the un-banked rural and semi-urban customers get more value against their assets and prevent them from going back the unorganized sector. His statement emphasis on the shifting of consumer from unorganized to Organized Gold Loan. He also pointed out the growing importance of gold financing. (George, 2012)

**Research Methodology**

- **Research Objectives**

This study is descriptive in nature and aims to deepen the understanding of the Indian gold loan market. The study also tries to know the difference between the conventional personal loans and gold loans. Through this study, an attempt is made to know the various purposes for which clients acquire gold loans. Thus, this study is going through with the following objectives:

- To gather knowledge about the Indian gold loan market.
- To find out consumer attitude towards choosing gold loans.
- To know the purposes for availing gold loans by the respondents.

- **Sampling Design**

A Sample design is a definite plan for obtaining a sample from a given population. The present study refers the sample size limited to 50 due to the cost and the time limitation. The area of the study is Beawar city and the methods of data collection are primary as well as secondary method.

- **Limitations of the Study**

- The study does not cover the entire population of people availing Gold Loan in Beawar city, due to limitation of time & resources.
- The results need to be generalized with caution & may not be valid for the entire population.
- The data collected were totally depending on the respondents' view, which could be bias in nature.
- Respondent are not interested in filling the questionnaire.

**Analysis**

**Demographic Profile**

- In this proportion of 45-55 is the highest age of respondents that is 58%. And less than 29 age respondents are 14%. 30-44 age respondents are 14%. Over 55 age respondent are also 14%.
- The gender of the respondents is 28 females that is 56% and 22 Respondents are male that is 44%.
- The marital status of the respondents is 48 respondents are married that is 96% and 2 respondents are unmarried that is 4%.
- The occupations of the respondents 25 of the respondents are government employees that are 50%. 9 of the respondents are private employees that are 18%. 9 of the respondents are farmer / household that is 18%. 6 respondents are self employed that is 12% and 1 is professional that is 2%.
- The education qualification of the respondents is 20 respondents are graduate that is 41%. 11 respondents are secondary that is 23%. 10 respondents are senior secondary that is 20% and 8 respondents are post graduate that is 16%.

**Interpretation through Tabular Representation**

**Q1. Have you ever used any one of the below given source of Finance?**

**Tabular Representation**

Personal Loan	Loan Against Property	Loan Against Security	Loan Against Insurance Policy	Loan Against Fixed Deposit	Gold loan	Others
21	1	0	1	0	10	0

**Data Interpretation**

It is observed that among the total respondent's majority of the respondents that 21 which 47% has been taken as a loan for personal reason. 13 respondents have taken loan against property that 29% and 10 respondents have taken gold loan that is 22% and 1 respondent have taken loan against insurance policy that is 2%. This will help the lender to analyze the basic requirement of the respondents as well as additional requirements for the loan taken in the region.

**Q2. Are you aware about gold loan?****Tabular Representation**

Yes	No
50	0

**Data Interpretation**

As per the study it is observed that 50 respondents that is 100% of the respondents aware about the gold loan in the Beawar city. This shows that according to the study most of the resident in Beawar city aware about the gold loan.

**Q3. How did you get the information about gold loan ?****Tabular Representation**

Advertisements	Friends and Colleagues	Internet	Family and Relatives	others
31	20	10	11	0

**Data Interpretation**

It is observed that 31 respondents are get information about the gold loan through advertisement that is 43%. 20 of the respondents are get information about the gold loan through friends and colleagues that is 28%. 11 respondents get information through family and friends that is 15% while 10 respondents get information through internet that is 14%.

**Q4. Have you taken any gold loan recently from any Institution?****Tabular Representation**

Yes	No
16	34

**Data Interpretation**

As per the study 34 respondents has not taken gold loan recently that is 68% of respondents are not taking gold loan recently in this region. 16 respondents have taken gold loan recently in Beawar city that is 32%.

**Q5. Do you want to take gold loan in future?****Tabular Representation**

Yes	No
25	25

**Data Interpretation**

As per the study 25 respondents wants to take gold loan in future that is 50% who will be interested to take gold loan in future also. 25 respondents don't wants to take gold loan in future that is 50% in this region according to the study.

**Q6. If yes, from which institution?****Tabular Representation**

Muthoot fincorp	IIFL gold loan	Banking sector	Others
14	2	10	0

**Data Interpretation**

According to the study 25 respondents that is 50% who has taken gold loan in which 14 respondents has taken gold loan from Muthoot fincorp that is 54%. 10 respondents have taken gold loan form banking sectors that is 38%. 2 respondents have taken gold loan form IIFL gold loan that is 8%.

**Q7. What is the purpose of gold loan?**

**Tabular Representation**

Agriculture	Business	Medical	Education	Others
2	7	3	8	2

**Data Interpretation**

As per the study 8 respondents has taken gold loan for the purpose of education that is 36%. 7 respondents have taken the gold loan for the purpose of business that is 32%. 3 respondents have taken gold loan for the purpose of medical that is 14%. 2 respondents has taken gold loan for the purpose of agriculture that is 9% and in other 1 respondent has taken gold loan for the purpose of daughter's marriage and the other 1 has taken gold loan for the purpose of house construction.

**Q8. Have you faced any problem while taking gold loan?**

**Tabular Representation**

Yes	No
5	12

**Data Interpretation**

As per the study 12 respondents have not faced any problem while taking gold loan that is 71% and 5 respondents have faced problem while taking gold loan that is 29% in the pali city.

**Q9. If yes, Please mention the problem while taking gold loan?**

**Tabular Representation**

Delay in Sanctioning of Loan	Delay in Disbursement of loan	Insufficient Loan	High Rate of Interest	Others
1	0	1	3	0

**Data Interpretation**

As per the study 3 respondents has faced the problem of high rate of interest that is 60%. 1 respondent face the problem of delay in sanctioning of loan that is 20%.1 respondents has faced the problem of insufficient loan that is 20%.

**Q10. If you have availed gold loan, what is your repayment mode?**

**Tabular Representation**

Lump Sum	Easy Installment	Cash Payment
2	4	11

**Data Interpretation**

As per the study 11 respondent's repayment mode is cash payment that is 65%. The mode of repayment of gold loan 4 respondent's is Easy installments that are 23% and the 2 respondent's repayment mode is lump sum that is 12%.

**Q11. Are you satisfied by transparency in operations maintained by institution?**

**Tabular Representation**

Satisfied	Not satisfied
13	4

**Data Interpretation**

As per the study 13 respondents are satisfied with the transparency in operations of institution that is 76%. 4 respondents are not satisfied with the transparency in the operations of institution that is 24%.

**Conclusion**

For borrowers, gold loans have emerged as one of the best means of raising quick, short-term capital. Gold loans were preferred over conventional personal loans due to less procedures, fast disbursement and easy installments. The study shows that the respondents preferred gold loans from the banks, and most of the respondents use the fund for their consumption smoothing. To the end it's a friendly warning to all, please go for the gold loans only if you are confident enough to repay in future, otherwise it is not your cup of tea.

This study identifies that Muthoot Finance Ltd. has a very strong position in the gold loan market when compared with other loan providers in the same segment. The study also identifies the various demographic factors like gender, age, income level, educational background of the borrowers which have an impact in opting Muthoot Finance for availing gold loan.

### **Suggestions and Recommendations**

For borrowers, gold loans have emerged as one of the best means of raising quick, short-term capital. Gold loans have preferred over conventional personal loans due to less procedures, fast disbursement and easy installments. The study shows that the respondents preferred gold loans from the banks, and most of the respondents use the fund for their consumption smoothing. According to the study so many people of the Beawar city can not avail gold loan so target those people to expand their business.

### **Scope for Further Research**

- The analysis was not done on a big population. The scope of it can be that an individual can research on a big population and find the analysis out of it.
- The study was confined in the limitation of Beawar city. It can be done in the overall geographical area.

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