

**GOLD LOAN: A STUDY ON CONSUMER PERCEPTION WITH  
REFERENCE TO THANE REGION**

**--- AartiVarma.V**

**Abstract**

India is one of the largest market of gold, accounting for approximately 10% of the total world gold stock as of 2010 rural India accounts for 65% of this gold stock, despite of rise in price since 2002-2012 the demand for gold has remained stable in India. Gold has been a value commodity particularly in India. Possession gold has been a symbol of prosperityIt is considered auspicious and has been in use in the form of jewellery, gold bar, Bullions and coins. It is considered as safest form of investment. Gold has always been a highly coveted product that provides the hedge against inflation. Gold loan is the last resort for the borrower to obtain easy fund. With the entry of NBFC's gold loans has become popular among the consumer .The present paper attempts to study the Indian gold loan market and perception of the consumer towards the gold.

## **INTRODUCTION:**

Indian banking has taken a great leap forward where it is already waiting for the third phase of reform to come closer to international standard in Indian banking NBFCs have gained a lion share in global market. 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.

## **CREDIT**

Credit is one of the very important input of economic development .the timely availability of credit at an affordable cost has a big role to play in contributing to the well being of the society .proper access to finance is a key requisite to improve economic growth ,thus gold loan companies are the best source of obtaining timely credit.

## **GOLD AS A STRATEGIC ASSET**

Gold, the precious metal is acquired throughout the world for its beauty, liquidity, investment qualities and industrial properties. Some analyst likes to think of gold as “currency without a country”. It is internationally recognized asset that is not dependent upon any government promise to pay. People are diverting their part of portfolio in gold avenues from the entire gamut of investments, ranging from stocks, bonds, real estate etc.

## **WHAT MAKES GOLD SPECIAL?**

- Timeless and very timely investment
- Gold an effective diversifier
- Gold is the ideal gift
- Gold is highly liquid
- Symbol of security
- Sign of prosperity
- Hedge against inflation and rupee devaluation

### **GOLD LOAN COMPANIES**

As the name suggest this 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 consumers

Uniqueness of gold loan

- It doesn't demand any salary certificate
- Unemployed and nonworking can go for gold loan
- Low rate of interest 12% to 16% as compared to personal loan 15% to 26%.
- 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

### **THANE REGION**

Thane region is one of the growing well-connected suburbs. The city of thane is an important township it is fast emerging city in Mumbai and forms a part of Mumbai metropolitan region .the economic activities have largely contributed to the growth of thane region. it has well developed infrastructure therefore Suburban are increasingly becoming the centre of attraction for migrating people from metro cities and also from rural areas . The population is increasing along with the raising standard of living due to high quality of education and employment .there are large no of industries offices situated in thane region real estate is also booming in this region and so number of gold loan companies have emerged in this region providing with number of services with in the vicinity of Thane region

### **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

### **KEY DRIVERS FOR GOLD LOAN IN INDIA**

Multipurpose- loan can be used for any purpose

Secured- Loan is obtained against the pledge of gold

Rate of interest- depend upon the loan amount and tenure. Generally it varies from 12% to 18% in case of banks and for NBFC's could reach to 24%.

Speedy loan- Banks may take two days where as NBFC disburse loan at a faster pace (3 min to half an hour) and requires min documentation.

Easy payments options- One time lump sum / EMI option also available

### **OBJECTIVES OF THE STUDY**

The study is descriptive in nature and tries to analyze and study the Indian gold loan market. The study attempts to achieve the following objectives:

1. To study the consumer perception towards gold loans.
2. To explore the reasons for choosing gold loan instead of the conventional loans.
3. To study the lending practice of NBFC's (gold loan company).

### **LIMITATIONS**

All the beneficiaries of gold loan has not been interview by the researcher due to paucity of time. Only three leading market players are selected for the study. The study is confined to thane region

### **RESEARCH METHODOLOGY:**

For the present study gold loan companies operating are selected, some of the gold loan companies operating in thane region are as under

- Muthoot finance gold loan company

- Mannapuram finance gold loan company
- Magma gold loan

### **Sampling procedure**

A random sampling technique is used.

### **Unit of observation and sampling size**

The unit of observation is the 3 gold loan companies in Thane region, total size considered was 50 from each company( $50 \times 3 = 150$ )

### **Data collection**

- Primary data  
Pre coded questionnaire was designed in such a way to meet the requirement of the study personal interviews and personal discussion was also be adhered
- Secondary data  
RBI's bulletins , publication of Indian banks, association of gold loan ,Indian institute of bankers ,Indian banking association,NBFC's journal, various published and unpublished literature and websites.

### **DATA ANALYSIS**

A well-structured questionnaire was circulated among the respondent and the responses are:

#### **DEMOGRAPHIC FEATURES**

Age group	respondent	%
Below – 25	48	32%
25- 50	80	53%
50& above	22	15%

Gender	respondent	%
Male	97	65
female	53	36

Qualification	respondent	%
Up to HSC	27	18
UP to Graduates	46	31
Up to Post Graduates and others	29	19
illiterate	48	32

Marital Status	respondent	%
Married	118	79
Unmarried	32	21

Occupation:	respondent	%
Business man	20	13
Govt employees	33	13
Agriculture	40	22
Professional	37	25

Monthly Income	respondent	%
Below 20000	73	49
20000- 50000	47	31
50000-& above	30	20

Purpose of Loan	respondent	%
Agriculture	36	24
Persona	28	19
Business	32	21
Medical	14	9
Education	18	12
Other	22	15

Mode of repayment	respondent	%
Lump Sum	40	27
Easy Instalments	65	43
Cash Payment	45	30

Satisfied by transparency in operation	respondent	%
Satisfied	111	74
Not Satisfied	39	26

From the above demographic context it is highlighted that:-

The basic purpose of taking loan is business & agriculture, from the selected sample the 65% of the consumer have taken gold loan opt for easy instalment. The mode of repayment is convenient as per the choice of consumer where as 43% of consumer go for easy instalments. In respect rate of interest the company charges high rate of interest as compared to bank the interest rate varies from 12% to 24%. The processing time taken for distributable of loan is 15 to 30min depending on the amount & nature of loan.

### **OBSERVATIONS**

During the study it was observed that borrowers have sum grievance & complaint against NBFC's. The main point emerged out during the interaction is given below

- Higher the loan amount higher rate of interest is charged, even a single day delay in paying interest or principal, the borrower is pushed the higher slab of interest rate
- Penalty clause is not explained at the timed of availing the loan.
- Documentation procedure is in adequate only photo proof, name & address of borrower is considered
- The documentary evidence available to the borrower is like a small ticket against the total ornament pledged which is insufficient. It do not contain any details regarding the total market value of gold'
- Procedure relating to auction of jewel is not transparent.
- Consumers are unaware about the fair practice code being followed.

- In the branches, the employees are generally ignorant of the computation of total interest amount due, rate of interest etc., and just rely on computer records. Employees are unable to clarify any doubts to the customers. For everything, the only answer provided to the customer is that, whatever the computer shows that is final. When asked for the details, the only answer that the customer is informed is that everything is centralised and all computation is done at their Head Office. The branch manger's duty is only to inform the customer what is due and collect the same

### **SUGGESTIONS AND CONCLUSION**

- Need to thoroughly review the practices followed by NBFCs
- Ensure transparent communication of loan terms and condition.
- Enticing advertisements by gold loan NBFCs should be avoided.
- Customer complaints and grievances redressal system must be effective.
- Auction procedure must be made transparent.
- Monitoring the implementation of the Fair Practices Code.
- Standard documentation procedure

### **References:**

1. C.R. Kothari, 1997, "Research Methodology, methods & techniques", VishwaPrakashan
2. Davar S.R "Law and practice of banking and its problems", Progressive corporation Pvt. Ltd.
3. Desai vasant, "Indian banking: nature and problems", Himalaya publishing house, Bombay 1991.
4. Sharma. B.P, "The role of commercial bank in developed economy", S. Chand &Co.Ltd, NewDelhi 074
5. Srivastav B.K, "Banking: theory &practice", Himalaya publishing house, Bombay 1986.
6. Prasanta Paul (Dr.) "Financial Performance Evaluation- A comparative Study of some selected NBFCs "Indian Journal of Finance, Vol. 5 No.5 May 2011 p.13-22,42.



**Bio:**

Ms.AartiVarma, is currently working as an assistant professor in A. E. Kalsekar Degree College, Mumbra, Maharashtra, India. The author can be reached at [sejalshok@yahoo.com](mailto:sejalshok@yahoo.com)