



## A Study On Awareness and Satisfaction Level of Gold Loan Credit Facility by Non Banking Financial Companies At Coimbatore City

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**ABSTRACT**

At present in India Gold loans can be availed from co-operative banks, public sector banks, private sector banks and other private lenders. The private lenders process the loan in less than a couple of hours, The Non banking Financial institutions and companies which is registered under RBI. The study is based on the awareness and satisfaction level of gold loan facility, the various factors which are considered by borrowers while availing the gold loan and the various reasons for opting gold loan. The study also identifies the various demographic factors like gender, age, income level, educational background of the borrowers which have an impact in opting for availing gold loan.

**KEYWORDS**

**Introduction**

The respondents were consumers from various selected gold jewellery outlets in and also the level of awareness and the general attitude of consumers towards gold as an investment. Gold is rare among metals. But it can be seen everywhere, from jewellery to technology. Unlike any other metals sometimes gold, the shiny precious yellow metal creates some emotional attachments among people. Gold also plays a huge position in the economy of a country. Private Investments and more recently Central Bank Net Purchases, account for an additional 39 per cent demand. Hundreds of gold mines operate across the world ranging in scale from minor to enormous. Currently, the global gold mine production is relatively stable. Over the last five years the supply from gold mine production has averaged to 2,690 tons per year. The year 2012, has witnessed huge hue and cry over the gold price and purchases by the public. The sale of coins by Banks has also been seen as against the national interest. Studies show that global gold demand is mainly for making jewellery, as an investment or for technology. Among them, 'Gold in the form of jewellery' has the highest demand; approximately 50 per cent. Private Investments and more recently Central Bank Net Purchases, account for an additional 39 per cent demand. Applications in technology and other types of fabrication such as use of gold in electronics, medicines, dentistry, etc. constitute the remaining 11 per cent.

**Loans against Gold**

The most prominent mode that monetizes gold is the gold jewellery loan segment. As Indians own huge quantities of gold jewellery, the loan against gold makes good business sense. The gold loan segment unlocks the hidden economic value of the existing stock of physical gold, which is otherwise lying idle. It is a very useful concept of converting the physical savings into money. In India, a large number of banks and NBFCs are extending loans against the used gold jewelry and ornaments at a specific loan to value ratio. There are several reasons for this sharp upward trend in gold loans in recent years. It is convenient tool for raising loans. Moreover, flexibility of loan options, liberal Loan to Value Ratio, easy to conform documentation led to expansion of gold loans and geographical expansion of gold loan companies also facilitated the loan delivery. The size of gold loans showed an upward trend due price increase of the gold and limited availability of retail and personal loans from banks.

**Review of Literature**

**Richard Heaney, Nicholas Wai & Julie K.** suggests hedging can reduce the cost of debt but it has little impact if management is not committed to adopting the promised hedging policy. The implicit hedge in gold loans commits management to hedging and so greater leverage is expected for producers adopting gold loans. Results from the analysis are consistent with this hypothesis. This paper tests the hypothesis that gold producers exhibit greater leverage where gold loans are used. As the choice of gold producers and the study period essentially avoids debt tax shield effects, the paper focuses on information asymmetry and agency costs explanations for leverage. **Harini Subramani** in his article "Gold loan: A more precious debt option" highlights that, If you have gold jewellery to offer as collateral for personal loan, procedural hassles are minimal and banks don't check your credit score. The amount of documentation and the excessive verifications before your personal loan gets processed can be a nightmare. Here is where your jewels can lend a hand, specifically gold. **Harsh Roongta, CEO, Apnapaisa.com.** With the current interest rate fluctuations, opting for a gold loan as against a personal loan is more lucrative. Not only are your overall costs reduced, this will save a lot of your time. "One of the major advantages is that the loan is processed almost immediately, within hours, even minutes at some banks, with minimal documentation," The Credit Information Bureau (India) Ltd scores which reflect an individual's credit history are beginning to play an important role in acquiring personal loans. However, a gold loan requires no such score. While the requisite documents for a jewel loan differ across lenders, most normally require no more than a proof of income or address.

**Statement of the Problem**

The problem faced by the people is the booming price for even high a normal living of mankind the necessities also increased by the demand of gold also increases. The investment done in gold is act as future liquidity purposes also. There are various reasons for the increase of gold loan viz. Increase of NBFC's in India, Agricultural laborers and farmers have been increasingly availing gold loans for their seasonal credit requirements. The increase in policy rate hikes, the gloom in the micro-finance sector, constricted availability of retail personal loans from banks also could have contributed to the rapid increase in the demand for gold loans in recent years. The rapid rise of volume in transactions has also witnessed rise in customer complaints. The phenomenal growth of gold loan

business coincided with large imports of gold, large scale financing of NBFCs by banks make apprehension that overall systemic stability is threatened. So that is the problem or the reason for the study.

**Objectives of the Study**

1. To know about the Demographic factors of the respondents.
2. To Understand the Loan Borrowing practices at NBFC's.

**Research Methodology**

**Tools of Data Collection:** The study was carried out in Coimbatore City the data required for the study has been collected by developing and administrating a structured questionnaire & same has been analyzed by using SPSS, whereas Chi-square test has been used specifically.

**Sample Frame:** Sample frame for this study are the customers of Non-Banking Financial companies who avail gold loan for the period. The Sampling elements were the individual respondents. The respondents were asked to mark their responses on various factors like purpose of loan, reasons for availing gold loan, etc.,

**Sample Size and Sampling Technique:** The study covers 200 customers by using convenient sampling technique has been used to collect the data. The data so collected from primary source are analyzed by using Statistical Package for Social Science [SPSS].

**Area and Period of the Study:** The study is carried out to find out the reasons, experiences and the level of customer's awareness and satisfaction level and the study covers a period from January 2016 to April 2016.

**Limitations of the Study:** The study does not cover the entire population of People availing Gold Loan, due to limitation of time & resources. The results of the analysis are based on the data about the sample population of the customer's availing Gold Loan in that particular period. The results need to be generalized with caution & may not be valid for the entire population.

**Analysis and Interpretations**

**Table: 1 Demographic Factor of the Respondents**

Gender	Frequency	Percent
Male	130	65
Female	70	35
<b>Age</b>		
Less than 30years	60	30
31yrs-40years	50	25
41yrs-50years	50	25
above 50 years	40	20
<b>Education</b>		
SSLC	40	20
Higher Secondary	40	20
Under Graduate	40	20
Post Graduate	30	15
Diploma	40	20
Others	10	5
<b>Occupation</b>		
Agriculture	20	10
Industrialist	40	20
Government	20	10

Business	30	15
Servant maid	40	20
Daily worker	10	5
Others	40	20
<b>Monthly Income</b>		
Below 10000	30	15
20001-30000	50	25
30001-40000	30	15
40001-50000	30	15
50001-60000	40	20
60001-70000	10	5
Above 70000	10	5
<b>Family Status</b>		
Nuclear	80	40
Joint Family	120	60
<b>Number of Dependents</b>		
2	40	20
3	50	25
4	30	15
5	40	20
More than 5	40	20
<b>Associated with NBFC</b>		
Less than one Year	30	15
2-3years	50	25
3-4 years	30	15
4-5 years	40	20
More than 5 years	50	25

**Source: Primary Data**

**CHI-SQUARE ANALYSIS**

**Table: 2 Age and Purpose of Borrowing Gold Loan**

Age	Purpose of Borrowing Gold Loan						P-Value
	Meeting Medical Expenses	Consumption Smoothing	Purchase of Household Assets	Educational Needs	To Repay Previous Assets	Others	
Less than 30years	0	0	0	10	20	30	0.00
31yrs-40years	30	0	10	0	0	10	
41yrs-50years	0	10	0	30	10	0	
above 50 years	20	10	10	0	0	0	
Total	50	20	20	40	30	40	

**Source: Primary Data**

Ho- there is no relationship between Age and Purpose of Borrowing Gold Loan.

The Pearson Chi-Square value is 320.6111, with DF -24, P-value <0.000.

Hence it is clear that it is statistically significant level is 5%.hence there is relationship between Age and the purpose

of borrowing gold loan.

**Table: 2 Respondent Occupation and Purpose of borrowing Gold Loan**

Occupation	Purpose of Borrowing Gold Loan						P-Value
	Meeting Medical Expenses	Consumption Smoothing	Purchase of Household Assets	Educational Needs	To Repay Previous Assets	Others	
Agriculture	10	0	0	10	0	0	
Industrialist	10	0	0	10	10	10	

Government	0	0	0	10	0	10	
Business	0	0	10	0	10	10	
Servant Maid	20	10	0	10	0	0	0.000
Daily Worker	0	0	10	0	0	0	
Others	10	10	0	0	10	10	
Total	50	20	20	40	30	40	

Source: Primary Data

Ho- there is no relationship between Occupation and Purpose of Borrowing Gold Loan.

The Pearson Chi-Square value is 260.5556, with DF -30, P-value <0.000.Hence it is clear that it is statistically significant level

is 5%.hence there is relationship between Occupation and the purpose of borrowing gold loan.

**Table:3 Relationship between Age and Duration of loan**

Duration of Loan							P-Value
Age	Less than 3 months	3-6 months	6-9 months	9-12 months	Within 2 years		
Less than 30years	10	20	10	10	10	0.000	
31yrs-40years	0	10	0	30	10		
41yrs-50years	10	10	0	10	20		
above 50 years	10	0	10	0	20		
Total	30	40	20	50	60		

Source: Primary Data

Ho- there is no relationship between Age and Duration of Loan the Pearson Chi-Square value is 95, with DF -12

P-value <0.000.Hence it is clear that it is statistically significant level is 5%.hence there is relationship between Age and Duration of Loan.

**Suggestions**

The loan amount can be limited and regulated by RBI. The indigenous bankers, pawn brokers can be brought into regulations. The gold loans institutions may obtain a copy of PAN Card in all the loan proposals exceeding rupees two lakhs to strengthen mechanism of KYC. The documentation has to be standardized with all required details and legal requirements.

**Conclusion**

From the study it can be concluded that the demand for gold as an investment is gaining momentum among consumers, the investment pattern shows that in the last three months gold was a major investment haven for consumers ,portrays the non-risk taking behavior of consumers. 'Price' is the most important factor among consumers when deciding to buy gold. It is interesting to note that gold is purchased in more quantity when price is slashed down. This makes it clear that gold is price sensitive at low prices but it is insensitive to price increase, As the investment pattern is increased it is treated as liquidity for any emergency purpose of all levels of income of people. This finding has a lot of implications when authorities formulate policies to curb consumption of gold. The gold loan has to be limited and regulated by the Reserve bank of India and the rural banks have to be monitored by the committee. As one side the India is moving towards the investment and other moving towards the creditability of that asset. A price insensitive customer is not influenced by the price of a product when deciding whether or not to purchase it. This study is a slightly different case of consumer behavior. People tend to buy gold regardless of its price because it is an essential commodity; a costly essential commodity as opposed to the Indian Finance Minister's take on gold that it is a costly non-essential

commodity.

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