

A COMPARATIVE STUDY ON GOLD LOAN OFFERED BY PUBLIC SECTOR BANKS AND NON-BANKING FINANCING COMPANIES IN ERNAKULAM DISTRICT

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ABSTRACT

Gold Loan Market in India is well organized gold loan market has grown tremendously over a period of time, thanks to the changing consumer perception about gold loan, and rising loan requirements. A new trend of gold financing for purchasing has also been observed in the industry. The main objective of the study is that to study the demographic and socio-economic status of the gold loan borrowers in Public Sector bank and NBFC's in Ernakulam district of Kerala. The study also measures the level of satisfaction towards jewel loans offered by Banks and NBFC's in India. For this a sample of 120 Public Sector Banks and 80 NBFC's users was collected from the respondents and Likert's Scaling, Weighted Average, Garrett's Ranking Method and Simple Percentage Analysis applied for analysis

Keywords: Gold loan, Public Sector Banks

INTRODUCTION

The Indian Banking system plays an important role in the economy. It performs various functions for the benefits of the people. The two major functions of the banking institution are accepting deposits and lending loans. The Indian Banking financial system has been classified into Banking institution and Non-Banking Financing Companies. They provide various types of credit to the general public. The most preferred loan by the general public is gold loan as the time taken to disburse the gold loan is less, and the procedural steps to acquire gold loan is also simple.

OBJECTIVES OF THE STUDY

1. To analyse the preference of the borrowers towards Public sector Banks and NBFCs in availing the Gold Loan.
2. To analyse the problems faced by the borrowers while availing gold loan from Public sector Banks and NBFCs.
3. To measure the level of satisfaction of the borrowers in availing gold loan provided by Public sector Bank and NBFCs.

SCOPE OF THE STUDY

The present study mainly focused only on gold loan offered by Public sector Banks and Non-Banking Financing Companies. The study is limited to Ernakulam district of Kerala only. Even though the study has been confined with all public sector banks and NBFCs, the sample of respondents availed gold loan only from three PSBs namely State Bank of India, Canara Bank and Bank of Baroda and three Non-Banking Financing Companies namely Muthoot Finance Limited, Manappuram Gold loan and IIFL Gold loan.

RESEARCH METHODOLOGY

Sources of Data Collection

The data required for the study were collected from both primary and secondary sources. Primary data were collected through a structured questionnaire, and secondary data were collected from journals, magazines, newspaper, etc.

Sample Size

Simple random sampling method was adopted to select the samples. The number of samples used for this study was 200 respondents. Out of 200 respondents, 120 had taken gold loan from Public sector Banks, and 80 respondents had taken loan from NBFCs.

Tools Used for Analysis

The tools used for analysis were Simple Percentage Analysis, Garrett's Ranking method and Weighted Average Ranking Method.

Period of Study

The period taken for the completion of the study were from 1-July- 2020 to 31- August- 2020.

ANALYSIS AND INTERPRETATION**Socio-economic Profile of the Respondents**

Socio-economic profile of the respondents includes the age of the respondents, gender, educational qualification, profession, and their monthly income. The following table shows the demographic profile of the respondents of both Public sector Banks and Non-Banking Financing Companies.

Gender

The following table shows the gender wise distribution of respondents.

Table 1**Gender**

Gender	Public Sector Bank		Non-Banking Financing Companies		Total	
	No. of Respondents	Percent	No. of Respondents	Percent	No. of Respondents	Per cost
Male	80	66.67	65	81.25	145	72.50
Female	40	33.33	15	18.75	55	27.50
Total	120	100	80	100	200	100

Source: Primary Data

It is clear from the table that out of 120 public sector bank users 80 (66.67%) are male and 40 (33.33%) users are female. Thus, majority of the public sector bank users are male. Among the 80 NBFC users 65 (81.25%) users are male and 15 (18.75%) users are female. Thus, majority of the NBFC users are male. Among the total 200 users 145 (72.50%) users are male and 55 (27.50%) users are female. Thus, majority of the users are male.

Age

The following table shows the age wise distribution of respondents.

Table 2**Age**

Age (in years)	Public Sector Bank		Non-Banking Financing Companies		Total	
	No. of Respondents	Percent	No. of Respondents	Percent	No. of Respondents	Per cost
Less than 20	4	3.33	2	2.50	6	3.00
21 – 40	51	42.50	35	43.75	86	43.00
41 – 60	36	30.00	30	37.50	66	33.00
61 and above	29	24.17	13	16.25	42	21.00
Total	120	100	80	100	200	100

Source: Primary Data

It is clear from the table, among the Public Sector Bank users 4(3.33%) users age is less than 20, 51(42.50%) users age ranges between 21-40,36(30.00%) users age ranges between 41-60and the remaining 29(24.17%) users age is more than 61 and above. Thus, most of the Public Sector Bank user's age ranges between 21 – 40 years. The table also shows, among the NBFC users 2(2.50%) users age is less than 20,35(43.75%) users age ranges between 21-40,30(37.50%) users age ranges between 41-60 and the remaining 13(16.25%) users age is more than 61 and above. Thus, most of the NBFC users' age ranges between 21 – 40 years. Among the total 200 users, 6 (3.00%) users age ranges less than 20, 86 (43.00%) users age ranges between 21-40, 66 (33.33%) users age ranges between 41-60 and the remaining 42(21.00%) users age ranges more than 61 and above. Thus, most of the users' age ranges between 21 – 40 years.

Occupation

The following table shows the occupation of respondents.

Table 3**Occupation**

Occupation	Public Sector Bank		Non-Banking Financing Companies		Total	
	No. of Respondents	Percent	No. of Respondents	Percent	No. of Respondents	Percent
Government Employee	6	5.00	23	28.75	29	14.50

Private Employee	59	29.50	32	40.00	91	45.50
Businessmen	28	23.33	13	16.25	41	20.50
Farmer	8	6.67	2	2.50	10	5.00
Others	19	15.83	10	12.50	29	14.50
Total	120	100	80	100	200	100

Source: Primary Data

It is clear from the table 3, among the Public Sector Bank users 6 (5.00%) users have Government job, 59(29.50%) users have private job, 28 (23.33%) users are businessmen, 8(6.67) are farmers and the remaining 19(15.83%) users have other jobs. Thus, most of the Public Sector Bank users are Private employees. Regarding NBFC users, 23(28.75%) respondents have Government job, 32(40.00%) respondents have private job, 13(16.25%) respondents have own business 2(2.50%) respondents are farmers and the remaining 10(12.50%) respondents have other jobs. Thus, most of the NBFC users are private employees. Among the total 200 users, 29(14.50) users have Government job, 91 (45.50) users have private job, 41 (20.50) users have own business, 10 (5.00%) users are farmers and the remaining 29 (14.50%) users have others jobs. Thus, most of the users are private employees.

Monthly Income

The following table depicts monthly income of respondents.

Table 4
Monthly Income

Monthly Income	Public Sector Bank		Non-Banking Financing Companies		Total	
	No. of Respondents	Per cent	No. of Respondents	Per cent	No. of Respondents	Per cent
Below 5000	10	8.33	2	2.50	12	6.00
5001 – 10000	55	45.83	25	31.50	80	40.00
10001 – 15000	22	18.33	28	35.00	50	25.00
15001 – 20000	23	19.16	10	12.50	33	16.50
Above Rs. 20000	10	8.33	15	18.75	25	12.50
Total	120	100	80	100	200	100

Source: Primary Data

It is clear from table 4 that, among the Public Sector Bank users 10(8.33%) users have monthly income less than Rs.5000, 55(45.83%) users' income ranges between Rs.5001-10000, 22(18.33%) users have income ranges between 10001-15000, 23(19.16%) users have income between Rs. 15001-20000 and the remaining 10(8.33%) users have income more than Rs.20000 per month. Thus, most of the Public Sector Bank user's income ranges between Rs.5001-10000.

Among the NBFC users 2(2.50%) have monthly income less than Rs.5000, 25(31.50%) users' income ranges between Rs. 5001-10000, 28(35.00%) users have income ranges between Rs.10001-15000, 10(12.50%) users have income between Rs.15001-20000 and the remaining 15(18.75%) respondents have income more than Rs.20000 per month. Thus, most of the NBFC user's income ranges between Rs.10001-15000.

Among the total users 12(6.00%) users have monthly income less than Rs.5000, 80(40.00%) users' income ranges between Rs. 5001-10000, 50(25.00%) users have income ranges between Rs.10001-15000, 33(16.50%) users have income between Rs.15001-20000 and the remaining 25(12.50%) respondents have income more than Rs.20000 per month. Thus, most of the user's income ranges between Rs. 5001 – 10,000.

Awareness about norms for Availing Gold Loan

The overall awareness about gold loan features was found based on Likert scaling. Each factor was given weights, and the rank was given based on the mean score. The following table shows the mean score found using Likert scaling technique.

Table 5
Awareness Level about Gold Loan

Gold Loan Features	Public Sector Bank		NBFCs	
	Rank	Mean Score	Rank	Mean Score
Gold Loan Amount	5	3.25	3	3.68
Gold Loan Margin	6	2.80	6	2.52
Rate of Interest	2	4.36	4	3.12
Processing Fees	4	3.65	2	3.86

Document Required	1	4.92	5	2.88
Time is taken to disburse gold loan	3	3.80	1	4.25

Source: Primary Data

Above table showed that the majority were aware of the documents required for taking gold loan and rate of interest in Public sector Banks and time is taken to disburse the gold loan in NBFCs, and they were aware least about gold loan margin in Public sector Banks and NBFC.

Influencing factors to Obtain Bank Loan

From the following factors, Garrett ranking approach is applied to find out which factor has been influencing the borrowers the most to avail gold loan from Public sector Banks and Non-Banking Financing Companies in Ernakulam district of Kerala.

Table 6
Garrett Ranking for the Influencing Factors

Factors	Public Sector Bank		NBFCs	
	Average	Rank	Average	Rank
Highly Secured	75.86	1	45.18	6
Advertisements	45.84	6	69.17	2
Mode of Repayment is Convenient	58.32	3	56.32	4
Low Rate of Interest is Charged	64.42	4	52.38	5
Simple Procedure	62.34	2	71.93	1
Adequate Amount is Provided	45.31	5	64.15	3

Source: Primary Data

Above table inferred that highly secured and simple procedure to obtain bank loan was the most influencing factor to prefer Public sector Banks and the advertisement was the least influencing factor in Public sector Banks and simple procedure, advertisement and adequate amount provided was the most influencing factor and security was the least influencing factor to prefer NBFCs.

Level of Satisfaction

Following table shows the level of satisfaction among users in Public Sector Bank and NBFC's.

Table 7
Weighted Average Ranking for the level of satisfaction

Factors	Public Sector Bank		NBFCs	
	Average	Rank	Average	Rank
Time taken for processing loan	50.52	4	76.24	1
Suitability of loan to financial needs	39.31	6	72.62	2
Loan Repayment Procedures	58.36	3	66.12	4
Interest charges	68.32	2	58.64	5
Procedures and formalities	48.31	5	68.62	3
Safety of the assets	72.83	1	47.22	6

Source: Primary Data

The above table showed that safety of assets, interest charges & low repayment procedure are the most satisfying factors in Public Sector Banks whereas time taken for processing loan, suitability of loan to financial needs procedures and formalities are the most satisfying factors in NBFC's.

FINDINGS

1. Majority of the users are male.
2. Most of the users' age ranges between 21 – 40 years.
3. Most of the users are private employees.
4. Most of the user's income ranges between Rs. 5001 – 10,000.
5. Majority were aware of the documents required for taking gold loan and rate of interest in Public sector Banks and time is taken to disburse the gold loan in NBFCs, and they were aware least about gold loan margin in Public sector Banks and NBFC.
6. Highly secured and simple procedure to obtain bank loan was the most influencing factor to prefer Public sector Banks and the advertisement was the least influencing factor in Public sector Banks and simple procedure, advertisement and adequate amount provided was the most influencing factor and security was the least influencing factor to prefer NBFCs.
7. Safety of assets, interest charges & low repayment procedure are the most satisfying factors in Public Sector Banks whereas time taken for processing loan, suitability of loan to financial needs procedures and formalities are the most satisfying factors in NBFC's.

SUGGESTIONS

1. The Public sector Banks should provide an adequate amount of gold loan, similar to Nonbanking Financing Companies. Therefore the preference of borrowers towards Public sector Banks increases in availing a gold loan
2. The Public sector Bank should try to disburse the gold loan within a short time period. Even though the gold loan amount provided is less, the borrowers still prefer to avail gold loan from Public sector Banks because of the security provided for the gold jewels pledged. Therefore Non-Banking Financing Companies should also ensure safety for the gold jewels guaranteed by installing a safety system.
3. The quality of services provided by Nonbanking Financing Companies is too good towards borrowers while lending the gold loan. Similarly, the Public sector Banks should improve the quality of services while giving gold loan to the borrowers.

CONCLUSION

Thus, it can be concluded that gold loan has become one of India's fastest growing businesses. It was obvious that the majority of people prefer Public sector Banks when compared to NBFCs irrespective of the attracting features followed by NBFCs. This is because Public sector Banks ensures security for the gold ornaments pledged, and the rate of interest charged is also less. But the preference towards NBFCs in availing gold loan also is increasing now a day as they provide an adequate amount for the gold jewels pledged and the time taken to disburse the gold loan is even less. The quality of services provided by Nonbanking Financing Companies is too good towards borrowers while lending the gold loan. Similarly, the Public sector Banks should improve the quality of services while giving gold loan to the borrowers.

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