



# A COMPARATIVE STUDY ON GOLD LOAN OFFERED BY PRIVATE SECTOR BANKS, PUBLIC SECTOR BANKS AND NON – BANKING FINANCIAL COMPANIES

<sup>1</sup>Dr.RENGARAJAN V, <sup>2</sup>Ms.VARSHINI M

<sup>1</sup>Senior Assistant professor, <sup>2</sup>MBA

<sup>1</sup>School of Management,

<sup>1</sup>SASTRA Deemed University, Thanjavur, India

**Abstract:** Gold loans have gained significant popularity as a form of secured lending, providing individuals with quick access to funds against their gold assets. This paper presents a comparative analysis of gold loan products offered by private sector banks, public sector banks, and non-banking financial companies (NBFCs). The study examines various parameters such as interest rates, loan-to-value ratios, loan processing times, documentation requirements, customer service quality, and repayment options across these three categories of financial institutions. By synthesizing both quantitative data and qualitative insights, this research aims to provide a comprehensive understanding of the strengths and weaknesses of gold loan offerings from different types of lenders. The findings of this study can serve as a valuable resource for borrowers seeking gold loans and also assist financial institutions in refining their product offerings and service delivery.

**Index Terms** - Gold loan, private sector banks, public sector banks, non-banking financial companies, interest rates, loan processing, documentation requirements, customer satisfaction, repayment options.

## I. INTRODUCTION

Gold loans have become increasingly popular as a means of accessing quick funds by leveraging gold assets as collateral. With the rising demand for credit and the prevalence of gold ownership in many households, financial institutions, including private sector banks, public sector banks, and non-banking financial companies (NBFCs), have been actively offering gold loan products. These loans provide borrowers with the flexibility of obtaining funds without the stringent credit checks associated with traditional loans, making them an attractive option for individuals in need of immediate liquidity. Many people tend to buy gold jewelry such as for family weddings, engagements, birthdays and financial gains. Investors prefer to invest on gold relative to other metals, family and friends influence the decision of investors, while the majority of respondents are people and based on the market price, investors are prepared to invest on gold and willing to invest on gold for the purposes of marriage. The gold loan offerings provided by public sector banks and non-financial companies represent a symbiotic relationship between traditional stability and specialized services. This financial instrument not only unlocks the inherent value of gold but also empowers individuals and businesses to realize their financial aspirations.

## 2. Objectives of the study

To understand the Demographic profile of the respondents

- To identify the factors influencing the borrowers to avail gold loan from private sector banks, public sector Banks and NBFCs.
- To analyze the problems faced by the borrowers while availing gold loan from private sector banks, public sector Banks and NBFCs
- To evaluate the loan processing procedure by private sector banks, public sector banks and NBFCs for gold loans
- To measure and compare the quality of customer service provided by private sector banks, public sector banks and NBFCs to gold loan borrowers
- To assess the level of customer satisfaction with gold loan services offered by private sector banks, public sector banks and NBFCs.

## 3. Scope of the Study

The study focused only on gold loan offered by private sector banks, public sector Banks and Non-Banking Financing Companies. The study is limited to Trichy City only. The researcher believe that current study will be useful to bankers in understanding jewel loan borrowers' perception and satisfaction towards their service feature, which in turn they can make use for enhancing their loan customers' satisfaction quality.

## 4. LITERATURE REVIEW:

The research on gold loan has been proved by various researchers and academicians. The related articles are as follows:

**D.V. Padmaja and Dr. K. Prince Paul Antony (2017)** 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.

**Misha Sharma (2013)** India is one of the biggest markets for gold and gold loan. According to World Gold Council, India accounts for 10% of total world gold stock and is world's largest gold consumer<sup>1</sup>. Indian investment in gold is motivated by social, cultural and economic reasons. For Indians, gold is not just a commodity, but an auspicious metal that they buy for various purposes on different occasions.

**Apurva Shrivastava and R.N. Singh (2021)** Gold loan is currently an emerging trend which is seen in the cities as it is available at much cheaper rate of interest and with simplicity of getting it than the other financing options. So, this research work is focusing on the determinant factors of the gold loan market in Indore city. It draws attention to the important factors of gold loan, which includes the brand name, customer service, financial factors, etc.

**Kajal Chaudhary (2017)** Gold is known as a one of the oldest and precious metal in the world's fastest growing economy and it is concerned with the wealth and symbol of status. Gold is a part of India's culture and tradition which is emotionally attached with the Indians. Gold is known as a one of the oldest and precious metal in the world's fastest growing economy and it is concerned with the wealth and symbol of status.

**K. V. Pradeep (2022)** Gold price movements in India in the periods of pre-and-post globalized regimes. This is because of a change in the controlled regime in the pre-liberalized to a meticulous dilution in the post-

liberalized. The period witnessed an upward trend in price dynamics with only occasional dampening in the price cycles.

**P. Vinutha Malarvizhi (2019)** This study is focused on the preference of the borrowers in availing the gold loan, the awareness level of borrowers about lending norms, factors influencing borrowers to avail the gold loan, problems faced by the borrowers while availing gold loan and satisfaction level of borrowers towards public sector Banks and Non-Banking Financing Companies in availing gold loan.

**V. P Nandakumar (2015)** In India, it is estimated that most of the gold is held by people in rural areas where, often, it is the only asset people have in their possession though in limited quantities. A rural Indian knows that if his crop fails or his family is sick, he can raise cash at short notice from the goldsmith or pawnbrokers and moneylenders.

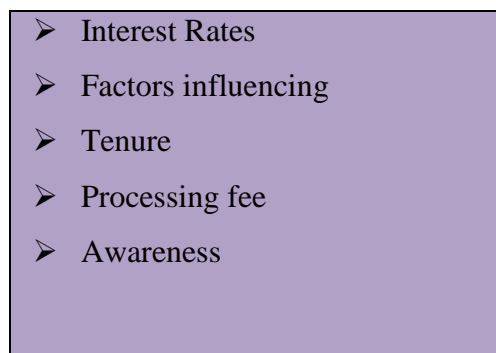
**Ms. Nidhi R. Jaiswal (2022)** Gold loan (also called loan against gold) is a secured loan taken by the borrower from a lender by pledging their gold articles (within a range of 18-24 carats) as collateral. The loan amount provided is a certain percentage of the gold, typically up to 80%, based on the current market value and quality of gold.

**Mahima Gupta (2019)** 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.

**Dnyanesh, N (2012)** 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. The growing demand of rising loan requirement.

## RESEARCH FRAMEWORK

### Independent variables



### Dependent Variable



## 5. METHODOLOGY

In this research, the primary data are collected through structured questionnaires. The study used a purposive sampling method. The population of the study is from a selected area of Trichy district, Tamil Nadu. By considering time as a main constraint only 330 responses as gold loan borrowers are considered for the study. The questionnaire consists of three sections, the first section is demographic factors, the second section is general questions for the purpose of gold loan, and the third section with various questions for each selected variable.

## 6. DATA ANALYSIS AND FINDINGS

### 6.1 Percentage Analysis

The demographic details are analyzed by percentage a

**Table 6.1 Results of Percentage analysis**

Table 6.1			
Characteristics	Values	Frequency	Percentage (%)
Age	20-30	38	24.8
	31-40	34	22.7
	41-50	30	20.3
	Above 50	48	32.1
Gender	Male	73	48.8
	Female	77	51.2
Occupation	Student	30	19.7
	Government	37	25.2
	Private	53	35.5
	Business	30	19.7
Location	Urban	92	61.5
	Semi – Urban	30	20.6
	Rural	28	19.9
Annual Income (Rs.)	2,00,000	34	22.8
	4,00,000 - 6,00,000	75	49.7
	6,00,000 - 8,00,000	16	12.2
	Above 8,00,000	25	17.3

Source: Primary data processed by SPSS 20

From Table 6.1 out of 150 respondents, most of the respondents are between the ages 20-30 with a frequency of 38, (24.8%). the male respondents, 48.8% with the frequency of 73 respondents. It was also found that 35.5% with a frequency of 53 respondents are employed. Almost 50% of respondents with 75 frequency lies between the income level of 4,00,000 - 6,00,000 and 61.5% of respondents with 92 frequencies are from Urban.

### 6.2 Chi-Square

**Table 6.2. Chi – Square Analysis for Demographic Factors and Customer Satisfaction**

Factor	Chi square	Sig	Result
Age	78.598	0.000	Rejected
Gender	11.029	0.000	Rejected
Occupation	67.883	0.000	Rejected
Annual Income	92.185	0.000	Rejected
Location	59.270	0.000	Rejected

**Interpretation:** Table 6.2. indicate significant associations between all factors (age, gender, occupation, annual income, location) with the variable under study. Therefore, the null hypothesis is rejected ( $p < 0.05$ ) suggesting they have an effect on the outcome.

### 6.3 Correlation Analysis:

#### 6.3 Correlation Analysis between Interest Rate and customer Satisfaction

		Interest Rate	Customer Satisfaction
Interest Rate maximum Loan value	Pearson Correlation	1	.257**
	Sig. (2-tailed)		.000
	Sum of Squares and Cross-products	357.724	44.648
	Covariance	1.087	.136
	N	330	330
Customer _Satisfaction	Pearson Correlation	.257**	1
	Sig. (2-tailed)	.000	
	Sum of Squares and Cross-products	44.648	84.053
	Covariance	.136	.255
	N	330	330

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data processed by SPSS 20

**Interpretation:** The correlation analysis between interest rates and maximum loan value offered for gold loans yields a moderate positive correlation of 0.257, highly significant at  $p < 0.001$ . This suggests that as interest rates increase, the maximum loan value tends to increase as well. With a sample size of 150, this relationship is robust. Consequently, the hypothesis suggesting a positive association between interest rates and maximum loan value is supported by the data, indicating that interest rates play a crucial role in determining the maximum loan amount offered for gold loans, influencing customer satisfaction

#### 6.3.1 Correlation Analysis between Awareness of gold loan and customer satisfaction

		Awareness of Gold loan	Customer satisfaction
Awareness of Gold	Pearson Correlation	1	.076
	Sig. (2-tailed)		.167
Customer Satisfaction	Pearson Correlation	.076	1
	Sig. (2-tailed)	.167	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data processed by SPSS 20

**Interpretation:** The correlation analysis between awareness of gold loans and customer satisfaction reveals a slight positive correlation of 0.076, which is not statistically significant ( $p = 0.167$ ). With a sample size of 150, this suggests that there is no significant relationship between awareness of gold loans and customer satisfaction within the dataset.

## 6.4 Regression Analysis

R	R Square
.812 <sup>a</sup>	.642

a. Predictors: (Constant), Problems faced while availing gold loan, Gold Loan Tenure, Awareness of Gold, Interest Rate, Processing Fee, Factors Influencing Gold loan

b. Dependent Variable: Customer Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.130	.264		8.071	.000
Interest Rate	.218	.264	.352	6.231	.000
Processing Fee	-.127	.050	-.148	-2.543	.011
Gold Loan Tenure	-.052	.048	-.061	-1.079	.281
Factors Influencing Gold loan	.253	.085	.233	2.979	.003
Awareness of Gold	.017	.046	.024	.375	.708
Problems faced while availing gold loan	-.184	.061	-.198	-3.033	.003

**Dependent Variable: Customer satisfaction**

**Source: Primary data. Processed by: SPSS 20**

**Interpretation:** The regression analysis reveals several significant factors influencing gold loan outcomes. Firstly, a one-unit increase in Interest Rate is associated with a 0.218 increase in the dependent variable, with a high level of significance ( $p < 0.001$ ), indicating its strong impact. Secondly, Processing Fee demonstrates a negative relationship (-0.127), implying that higher fees are associated with lower outcomes, significant at  $p = 0.011$ . Problems faced during the loan process significantly reduce outcomes ( $p = 0.003$ ). However, factors like Gold Loan Tenure and Awareness of Gold do not show significant impacts. These findings underscore the importance of managing interest rates and addressing issues in the loan process to optimize gold loan outcomes.

## DISCUSSION

This research on the comparative study of gold loans offered by private sector banks, public sector banks, and non-banking financial companies (NBFCs) reveals key insights. Private sector banks exhibit higher interest rates but offer greater flexibility and faster processing. Public sector banks offer lower interest rates but often have stringent eligibility criteria and longer processing times. NBFCs, though featuring higher interest rates compared to banks, provide more accessible loans with simpler eligibility requirements and quicker disbursements. The discussion emphasizes the diverse strategies employed by each sector to cater to distinct customer needs.

## Conclusion

The gold loan has become one of India's fastest growing businesses. The study highlights the unique advantages and disadvantages of gold loans offered by private sector banks, public sector banks, and non-banking financial companies (NBFCs). Private sector banks prioritize flexibility and faster processing, albeit with higher interest rates. Public sector banks offer lower interest rates but often have stricter eligibility criteria and longer processing times. NBFCs provide accessible loans with simpler eligibility requirements and quicker disbursements, though with comparatively higher interest rates. 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. Therefore, the borrowers meet out their expenses at the time of emergency. Ultimately, borrowers should consider their individual preferences and requirements when choosing a gold loan provider, weighing factors such as interest rates, eligibility criteria, and processing times to make an informed decision.

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