



A COMPARATIVE STUDY ON GOLD LOAN IN PUBLIC AND PRIVATE BANKS IN CHENNAI CITY

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Abstract

Gold has traditionally been seen as a valuable commodity, particularly in India, where it is regarded as auspicious, and has been used in the form of jewellery, coins, and other valuables for ages. Borrowing against gold is one of the popular instruments based on physical pledge of gold and it has been working well with Indian rural household's mind-set. The market is very well established in the Southern states of India, which accounts for the highest accumulated gold stock. The main aim of the study is to examine the purposes for availing gold loans by the customers of public sector banks and private sector banks, and analyse the satisfaction level of customers towards gold loans offered by public sector banks and private sector banks in Chennai City. Primary data are collected through questionnaire from the respondents' who have received gold loan from public sector banks and private sector banks. The sample has been stratified as 75 from public sector bank customers and 75 from private sector bank customers in Chennai City. Statistical tools such as simple percentage method, T- Test and Likert Scaling method were used for analysing the collected data. It is found that most of the respondents are getting gold loan from public sector banks in below 5 years and most of the respondents are getting gold loan from private sector banks in 6 to 10 years of experience. There is a significant difference in the purposes and satisfaction on gold loan among customers of public sector banks and private sector banks in Chennai City.

Keywords: Gold Loan, Purposes and Customer Satisfaction.

I. Introduction

Pawn brokers have existed in plenty throughout pre-independence India, forcing state governments to enact money-lending legislation. Due to the pledging of gold jewellery and other gold assets by the poor and middle class to tide over unanticipated circumstances, gold lending companies have seen a surge in the Indian market over the years. India is believed to have huge gold reserves, estimated to be around 11% of global gold reserves. Gold's value has climbed at a compounded annual growth rate (CAGR) of 13% in India during the last ten years, outperforming the country's real gross domestic product (GDP), inflation, and population growth by 6%, 8%, and 12%, respectively. India has one of the world's highest savings rates (34% of GDP in FY10), with one-third of it invested in gold. Gold prices in India increased by 180 percent between FY06 and FY11, outperforming virtually all other asset classes in the recent decade. It is estimated that 10% of the country's gold reserves are pledged as loan security. In India, the gold loan market is divided into two categories: organised sector and unorganised sector. Formal institutions such as banks and NBFCs make up the organised sector, while informal institutions such as private money lenders and pawnbrokers make up the unorganised sector. The market share of the unorganised and organised sectors, on the other hand, is severely unbalanced, with about 75% in the unorganised market and 25% in the organised market. The organised gold loan business in India is expected to be about Rs.400-450 billion, with a CAGR of around 40%.



ii. Review of Literature

Anurag Mehta and Minali Tandon (2019) in their study entitled, "Approved percentage and gold loan: An analytical study", there are numerous financial aspects that influence the gold loan offered by various private banks. Among these are the interest rate, penalty, loan term, and loan limit. This study looked at whether the authorised proportion of gold loans is noteworthy, as well as what bankers and clients think about it. The survey was carried out in ten locations across Rajasthan, with the opinions of 150 bank personnel and 500 gold loan consumers being gathered for the analytical research. Magheswari, M. and Velanganni Joseph, A. (2019) in their study entitled, "An Empirical Study on Borrower's Perception towards Jewel Loan in Paramakudi (With Reference to Banks)", showed that India is one of the world's largest gold markets, According to the World Gold Council, India accounts for 10 per cent of world's total gold stock, of which rural India accounts for 65 per cent of the entire gold stock, irrespective the rise in price during 2002-2012 the demand for gold has remained consistent or has increased in India. By supporting the efforts of banks and other financial institutions, gold loan companies have emerged as a significant contributor to India's economic growth. Gold lending organisations can be found all throughout the country, and their management varies in terms of professionalism. With this in mind, the researcher has opted to investigate the borrowers' perceptions of diamond loans in Paramakudi banks.

Ramanjeet Kaur and Sunita Sukhija (2018) in their study entitled, "A Comparative Study on the Performance of Selected Public Sector and Private Sector Banks in India". The major goal of this research is to compare the financial performance of a number of Indian public and private banks. Those banks are known as public banks because the government owns a large amount of the stock. They are held by private lenders and are known as private banks. The top thirty banks in India based on market capitalization were analysed in this study. They were then divided into two groups: public sector banks and private sector banks. The study's data was secondary in nature. Capital Adequacy Ratio, Return on Assets, Return on Net Worth, Cash deposit ratio, Interest income, and total fund ratio, Advance to loan fund ratio, and Credit deposit ratio were used to compare the financial performance of public and private banks. The financial performance of selected public and private sector banks in India was compared using an independent T-test and the mean. The Organized Gold Loan business has developed considerably over time, owing to shifting consumer perceptions of gold loans and increased loan requirements, according to Dnyanesh, N (2017). Consumer perceptions of gold loans have shifted dramatically. The author has explored how customers' perceptions are changing and how their loan needs are increasing. He has called attention to the growing need for increased loan amounts. In their study "A Study on Awareness and Satisfaction Level of Gold Loan Credit Facility by Non-Banking Financial Companies at Coimbatore City," Shankarii and Muthukumar (2016) found that gold loans are currently available in India from co-operative banks, public sector banks, private sector banks, and other private lenders. The non-banking financial institutions and companies that are registered with the RBI process the loan in less than a couple of hours. The study is based on borrowers' awareness and satisfaction with the gold loan facility, as well as the many elements that borrowers evaluate when taking out a gold loan and the various reasons for taking out a gold loan. This conclusion has a lot of implications for policymakers attempting to reduce gold usage. The Reserve Bank of India must limit and supervise gold loans, and the rural banks must be overseen by the committee. On the one hand, India is pushing toward investment, while on the other, it is focusing on the asset's creditability. When deciding whether or not to buy a product, a price insensitive buyer is unaffected by its price. This situation of consumer behaviour is a little unusual.



iii. Statement of Problem

Gold loans are available from both public and private sector banks at varied interest rates. Both public and private sector banks provide very competitive gold lending programmes. People generally prefer public sector banks for gold loans because they believe they are more secure and have cheaper interest rates. On the other hand, private sector banks are springing up all across the country, and the younger population's preferences are shifting as a result of the services and facilities they provide. And, most importantly, before applying for a loan, the consumer should be aware of all terms associated with gold loans. Gold prices, on the other hand, have risen dramatically in the last decade or so. Gold loans have grown in popularity as gold prices have risen, and they have now become a significant investment sector. As a result, the topic has been selected for analysing the purpose and satisfaction of gold loan in public and private sector banks in Chennai city.

iv. Objectives of the Study

- To analyse the purposes for availing gold loans by the customers of public sector banks and private sector banks in Chennai City.
- To examine the satisfaction level of customers towards gold loans offered by public sector banks and private sector banks in Chennai City.

v. Hypotheses

- There is no significant difference in purposes for availing gold loans among customers of public sector banks and private sector banks in Chennai City.
- There is no significant difference in satisfaction on gold loan among customers of public sector banks and private sector banks in Chennai City.

VI. Research Methodology

The study is based on both primary data in particular and secondary data in general. Primary data are collected through questionnaire from the respondents' who have received gold loan from public sector banks and private sector banks. The sample has been stratified as 75 from public sector bank customers and 75 from private sector bank customers in Chennai City. Statistical tools such as simple percentage method, T- Test and Likert Scaling method were used for analysing the collected data.

VII. Analysis and Interpretation

Demographical Profile of the Respondents

Customers of different Age Groups, Gender, Educational Qualification, Monthly Income, Area of Residence and Year of Getting Gold Loan are shown in table-1

Table-1 Demographical profile of the respondents

S.No	Variables	Parameters	Public Sector Banks	Private Sector Banks
			Frequency & Percentage	Frequency & Percentage
		21-30 years	6 (8.0)	7 (9.3)
		31-40	13(17.3)	27 (36)



1.	Age	41-50	26 (34.7)	11 (14.7)
		51-60	18 (24)	16 (21.3)
		Above 60	12 (16)	14 (18.7)
		Total	75 (100)	75 (100)
2.	Gender	Male	41 (54.7)	32 (42.7)
		Female	34 (45.3)	43 (57.3)
		Total	75 (100)	75 (100)
3.	Educational qualification	Illiterate	3 (4.0)	4 (5.3)
		Primary level	9 (12.0)	8 (10.7)
		High school	18 (24.0)	18 (24.0)
		Under Graduate	33 (44.0)	36 (48.0)
		Post graduate	12 (16.0)	9 (12.0)
		Total	75 (100)	75 (100)
4.	Monthly Income	Up to 25000	32 (42.7)	27 (36.0)
		25000-50000	21 (28.0)	34 (45.3)
		50000-75000	11 (14.7)	8 (10.7)
		75000-100000	7 (9.3)	4 (5.3)
		Above 100000	4 (5.3)	2 (2.7)
		Total	75 (100)	75 (100)
5.	Area of Residence	Rural	46 (61.3)	33 (44.0)
		Urban	29 (38.7)	42 (56.0)
		Total	75 (100)	75 (100)
6.	Years of getting gold loan	0 - 5	31 (41.3)	16 (21.3)
		6 - 10	23 (30.7)	29 (38.7)
		11 - 15	7 (9.3)	17 (22.7)
		Above 15	14 (18.7)	13 (17.3)
		Total	75 (100)	75 (100)

Sources: Primary Data

Purposes For Availing Gold Loans Among Customers of Public Sector Banks and Private Sector Banks

An attempt has been made to find out the significant difference in purposes for availing gold loans among customers of public sector banks and private sector banks; ‘T’ test is used with the null hypothesis of, “**There is no significant difference in purposes for availing gold loans among customers of public sector banks and private sector banks in Chennai City**”. The result of “T” test is presented in Table 2.



Table-2 Purposes for availing gold loans

Purposes	Public Sector Banks	Private Sector Banks	T- Statistics
Meeting medical expense	3.91	4.19	2.375*
Educational needs	3.84	3.67	1.724
Purchase of vehicle for personal use	3.81	4.13	2.274*
Investment in business or profession	3.703	3.97	2.235*
Repayment of other debts	3.69	3.82	2.778*
Purchase of household assets	4.22	3.79	3.015*
Multiple purposes	3.65	3.94	2.530*

Sources: Computed from Primary Data: *Significant @5% level

From the above table 2, it is understood that to Purchase of household assets and Meeting medical expense are the important purposes for availing gold loans among the customers of public sector banks as their mean scores are 4.22 and 3.91 respectively. Table further shows that Meeting medical expense and Purchase of vehicle for personal use are the important purposes for availing gold loans among the customers of private sector banks as their mean scores are 4.19 and 4.13 respectively. Regarding the purposes for availing gold loans among customers of public sector banks and private sector banks, meeting medical expense, Purchase of vehicle for personal use, investment in business or profession, repayment of other debts, Purchase of household assets and multiple purposes are statistically significant at 5 per cent level.

Satisfaction On Gold Loan Among Customers Of Public Sector Banks And Private Sector Banks

An attempt has been made to find out the significant difference in satisfaction on gold loans among customers of public sector banks and private sector banks; ‘T’ test is used with the null hypothesis of, “There is no significant difference in satisfaction on gold loan among customers of public sector banks and private sector banks in Chennai City”. The result of “T” test is presented in Table 3.

Table 3 Satisfaction on Gold Loan

Factors	Public Sector Banks	Private Sector Banks	T- Statistics
Speed of transactions at banker for gold loan	3.9614	3.7478	2.123*
Availability/display of information at branches for gold loan	3.8193	3.745	1.138
Overall gold loan services	3.6667	4.1435	3.023*
Interest charged for loan	3.7228	4.1516	2.830*
Time taken for loan disbursement	4.1362	3.7509	2.819*
Loan formalities	4.1638	3.6947	2.991*
Features of service	4.1474	3.8899	2.387*
Purity checking	3.5142	3.679	1.023

Sources: Computed from Primary Data: *Significant @5% level



From the above table 3, it is understood that Loan formalities and Features of service are the important satisfaction on gold loan among the customers of public sector banks as their mean scores are 4.1638 and 4.1474 respectively. Table 3 further highlights that Interest charged for loan and overall gold loan services are the important satisfaction on gold loan among the customers of private sector banks as their means cores are 4.1516 and 4.1435 respectively. Regarding the satisfaction on gold loan among customers of public sector banks and private sector banks, speed of transactions at banker for gold loan, overall gold loan services, Interest charged for loan, time taken for loan disbursement and Loan formalities features of service are statistically significant at 5 per cent level.

VIII. Findings of The Study

- It is found that most of the respondents who are in the age group between 41-50 years have availed gold loan in public sector banks and most of the respondents who are in the age group between 31-40 years have availed gold loan in private sector banks.
- Maximum 54.7 per cent of the respondents in public sector banks are male and 57.3 per cent of the respondents in private sector banks are female have availed gold loan.
- Maximum 44.0 per cent of the respondents in public sector banks are undergraduate and 48.0 per cent of the respondents in private sector banks are undergraduate have availed gold loan.
- Maximum 42.7 per cent of the respondents in public sector banks are earning up to Rs. 25000 as monthly income and 45.3 per cent of the respondents in private sector banks are earning up to Rs. 25000 as monthly income.
- Maximum 61.3 per cent of the respondents in public sector banks are from rural area and 56.0 per cent of the respondents in private sector banks are from urban area have availed gold loan
- It is found that most of the respondents are getting gold loan from public sector banks in below 5 years and most of the respondents are getting gold loan from private sector banks in 6 to 10 years of experience.
- To Purchase of household assets and Meeting medical expense are the important purposes for availing gold loans among the customers of public sector banks. Meeting medical expense and Purchase of vehicle for personal use are the important purposes for availing gold loans among the customers of private sector banks.
- There is a significant difference in the purposes for availing gold loans among customers of public sector banks and private sector banks in Chennai City.
- Loan formalities and Features of service are the important satisfaction on gold loan among the customers of public sector banks. The study highlights that Interest charged for loan and overall gold loan services are the important satisfaction on gold loan among the customers of private sector banks.
- There is a significant difference in the satisfaction on gold loan among customers of public sector banks and private sector banks in Chennai City.

IX. Suggestions

- Both public and private sector banks should hold awareness campaigns. They should also raise knowledge in rural areas regarding gold loans, procedures, and interest rates. Because people still go to money lenders in rural areas to get their financial needs met by pledging their gold.
- Public and private sector banks must collaborate to encourage government and private sector personnel to take out gold loans. Because of the low trend, gold loans are a need-based commodity, and government and private sector personnel have other options for meeting their needs.



- Banks must take steps to convert those respondents who are aware of gold loans but have not yet taken one. As a result, both public and private sector banks must seek to pique the attention of this segment of the population.

X. Conclusion

Under the loan category, the gold loan is the best financial inclusion. Customers are happy with the borrowing process and interest rate, which benefits both the lender and the borrower because the lender has an enough highly liquid asset to pledge and the borrower can simply obtain a loan with minimal paperwork and repay it. The changing trend in the loan market, which has aided in meeting the individual's financial needs by gold, is a win-win situation in which the customer receives a convenient loan and lenders receive expected business (banks). The study depicted the problems of preference, which would aid the potential customer in making an informed decision before seeking any type of financial assistance.

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