

Perception of gold loan-borrowers in Gadag, Karnataka

Dr. Mallikarjun Naik

Assistant Professor in Commerce, Karnatak University Post Graduate Centre, Gadag, Karnataka, India

Abstract

The gold loan companies are enjoying with the growth of the industry through increasing awareness of the Gold loan-product as one of the financial inclusion among the people in India about borrowing the loan against the security of the gold. This initiative from NBFCs made people to meet their financial requirement through easy and hassle free borrowing and even banks also offering gold loan. Gold loan became a suitable loan product for people in India to meet their emergency financial requirement. The paper focuses on the opinion of the Gold Loan-borrowers' perception in Gadag, Karnataka.

Keywords: growth, focuses, NBFCs, awareness, industry

Introduction

Now days gold is not only utilised as an ornament for women and also became Investment Avenue. People usually like to invest in gold bars and biscuit and hold it in order to get higher returns in future when its rates have risen. Keeping in mind volatility in its rates many financial institutions have started valuing gold as an investment tool on which even mortgage can be applied for. Loans which are granted on gold are often known as 'gold loans'. These tend to be cheaper than the loans granted otherwise. The obvious reason for this is that the ever spurring high rates of gold. According to World Gold Council, India accounts for 10% of total world gold stock, of which rural India accounts for 65% of the total gold stock. For Indians, gold is not just a commodity, but an auspicious metal that they buy for various purposes on different occasions. There has always been a high demand for gold in India, irrespective of prices. Gold loans have in the recent past become quite popular and many leading financial institutions are offering low rates on gold loans.

In India, many private banks, nationalized banks and finance companies are offering these loans at a very attractive interest rate. The loan amount which is sanctioned often varies from one financial institute to another; however, the range is from Rs 1500-2100 per gm of gold. It is a type of short-term loan offered by financial companies to the borrowers who need to finance expenses such as marriage of a daughter, education of their children and various other small financial needs of the family. In the earlier days also people were taking loan from money lenders in exchange of gold jewellery. They had to pay regular monthly interest to such money lenders. The money-lenders were charging very high amount of interest on principle amount and during that time borrowers paid interest more than the value of the principle amount of loan. Hence the concept of gold loan is the oldest in the history of the Indian financial structure.

- Advantages of a Gold Loan
- The applicant of gold loan need not to disclose his income.
- Gold loan required least documents and process.
- Interest charge by the gold loan offerers is much more lower than the money lenders and other loans.
- The borrower gets a flexible repayment structure with a

gold loan. They do not have to make monthly payments. The loaned amount can be repay along the interest charge at one go.

- The loan is good option for borrowers when they need urgent.
- It is a boon for the rural people and mostly farmers who are eligible to get agricultural loan in exchange of gold.

Statement of the Problem

A gold loan is a one of the financial inclusion emerged recent years and is taken against gold as a security. In India, gold loan has become popular these days. Many private banks, nationalized banks and finance companies are offering these loans at a very attractive interest rate. This is one of short-term loan offered by financial companies to the borrowers who need funds to meet expenses of marriage of a daughter, education of their children and various other small financial needs of the family. Many of the people they do not know about the gold loan it is very easy to avail when people are in need of money. Hence I have taken the study on the topic entitled Perception of Gold Loan- Borrowers in Gadag, Karnataka.

Objectives of the study

The study has the following objectives

1. To know the awareness of the people about the gold loan in gadag city.
2. To know borrowers opinion regarding the gold loan Gadag City.
3. To offer the suggestions based on the findings.

Methodology

The present study is primarily based on the primary data. In this study secondary data also used:

Primary data: The required primary data was collected from the 50 respondents at different places in Gadag through questionnaire.

Secondary data: secondary data was also used in the study. It is collected from the books and internet sources.

Tools of analysis: the collected from the questionnaire has been analysed by using percentage.

Scope of the Study

The present study is confined to the Perception of Gold Loan-Borrowers in the Gadag. It covered people perception about the interest charged, repayment of loan, satisfaction with the services of institutions and opinion about the behaviour etc.

Findings and suggestions

Inferences of the analysis and interpretation as follows:

1. 84% of the male respondents and the number of female respondents towards gold loan in Gadag city is only 16%. Majority of the respondents are male in the study.
2. 20 to 25 age is around 20% and the respondents of age 25-35 is 12% similarly the respondents of age 35-45 is 36%, the respondents of age 45-55 is 28% at last the above 55 age respondents is 4% are aware of gold loan institutions in Gadag city.
3. 20% of the respondents are under graduate, post graduate respondents are 40%, the doctorate holders are 0%, the other qualified people like P.U.C, S.S.L.C and many others is 40% in Gadag city.
4. 24% of the respondents borrow the gold loan for the purchase of properties, 20% of the respondents borrow the gold loan to invest the funds into the other business, 28% of the respondents borrow gold loans for the educational purposes, 16% of the respondents borrow the gold loan for the repayment of their personal debts, and 12% of the respondents of the Gadag city borrow loans for the multi-purpose
5. 40% among the respondents borrowed the gold loan from the Mannapuram gold loan ltd. 36% of the respondents borrow the loans from the Muthoot finance, 16% of the respondents borrowed the gold loans from Shriram gold loan institution, 6% borrow the gold loans from other institutions in the Gadag city
6. 18% of the respondents are attracted for the lower interest rate, and 32% of the respondents are attracted for the easy loan processing of the institution/bank, 28% of the respondents are attracted for the convenience of that particular institution at last 24% of the respondents if the Gadag city are attracted on all the above reasons like lower interest rate, easy processing, convenience in Gadag city
7. 36% respondents came to know about the gold loan institutions by friends and the relatives, 20% of the respondents came to know by the hoardings & banners, 40% of the respondents came to know by the television advertisements very few percentage i.e 4% of the people of the Gadag knows institutions by the newspaper.
8. 16% of the respondents are attracted for the reminders of the interest due payments dates, 28% of the respondents are interested in the renewals of the gold loans, 24% of the respondents are attracted for the lower interest rates, 12% are attracted for the instalment repayment of the debts, 20% of the respondents are attracted for all the services of the gold loan institutions/banks in Gadag city
9. 60% of the respondents said that the gold which is pledged in the gold loan institution are highly secured, whereas the other 40% of the Gadag city respondents said that its secured, no respondents said that the gold which has been pledged into the institutions is unsecured
10. 36% of the respondents said that they study the present market value of the gold while they go to pledge the gold in the gold loan institutions' whereas the remaining 64% of the respondents is not concerned about the present

- market value of the gold while they go to pledge the gold in the institutions/banks
11. 56% of the respondents who borrowed the gold loan are paying the interest on the principal amount monthly, 16% of the respondents pay the interest quarterly, 8% of the respondents pay interest half yearly, the remaining 16% of the respondents pay the interest annually basis in Gadag city
 12. 8% of the respondents of the Gadag city will renew the gold loan monthly where as 20% of the respondents in Gadag city will renew their respective gold loans quarterly, the 32% of the respondents will renew their gold loan half yearly, the remaining 40% of the respondents will renew their loans annually
 13. 36% of them pay the lump sum amount at once and releases their gold, whereas the remaining 64% of the respondents will pay the gold loan debt by instalment payments.
 14. 12% of the respondents borrow the loan upto 20000 and the 48% of the respondents will withdraw the loan to 20000 to 60000 rupees, 48% of the respondents in the city will borrow 60000 to 100000 amount the remaining 16% respondents will borrow more than 100000 amount from the gold loan institutions in gadag city by pledging the worthy gold to the institutions
 15. 40% of the respondents of the Gadag city prefers the Mannapuram gold loan institutions, the other 40% of the respondents pledge and borrow the loan from Muthoot finance, 16% of the respondents of the gadag city borrow the loan from the shriram gold loan finance the remaining 4% of the respondents of the gadag city will borrow the loan from the private institutions
 16. 20% of the respondents prefer the that particular institution to borrow the gold loan is for the reminders of the interest due dates 28% of the respondents for the renewal of the gold loan the other 28% of the respondents for the lower interest rates and 16% of the respondents prefer for the installment repayment of the loan, the other 8% for various other reasons in the gadag city
 17. 16% of the respondents who borrow the loan from the gold loan institutions are highly satisfied with behavior of the staff and the 80% of the respondents are satisfied with the staff behavior and the 4% of the respondents of the gadag city are not satisfied with the behavior of the staff of the particular gold loan institutions.
 18. 20% of the respondents claim that the institutions charges high interest rates to the customers and the 68% of the respondents states that the interest charged by the institutions is medium and the remaining 12% respondents of the gadag city says that the interest rate charged by the gold loan institutions charges the low interest rates to the customers
 19. 16% of the respondents said that it is difficult to borrow the loan from the institutions and 80% of the institutions said that it is easy to borrow loan from the concerned institution/bank, the other 4% of the respondents said that it very easy to borrow loan from the institution/banks in Gadag city.
 20. 4% of the respondents said that they are highly satisfied with the gold loan institutions the remaining 96% of the students felt that they are satisfied with service render by the gold loan institutions of the Gadag city.
 21. 32% of the respondent pledged Gold one time, 28% of

the respondents pledged gold two times, 12% of the respondents pledged three times, 8% of them for four times, 20% of them pledged more than 4 times in the gold loan institutions

22. 20% of the respondents are highly satisfied with the security of the gold in the institution 80% of the respondents said that they are satisfied with the security of the gold, no respondent from the Gadag city felt that the gold loan institutions are unsecured.
23. 60% of the customers agree to pledge gold and borrow the loan in the future, the rest of the 40% said 'no' of borrowing.
24. Respondents didn't face any problems from the institutions while pledging and borrowing from the institutions.

Suggestions

1. Gold loan companies have to inform the borrowers about the payment of loan borrowed can pay through instalments. Because majority of the gold loan borrowers they don't know about the instalments.
2. The companies should conduct awareness programmes at various parts of the city in Gadag.
3. Also they should bring awareness about the gold loan, procedure and interest rates in rural area. Because still in rural area they go for financial requirement for the money lenders by pledging their gold.
4. Most of the respondents said that the interest is cheaper when compare to other. Hence, gold companies should be charge same amount of interest in future to retain and attract the customers.

Conclusion

The gold loan is of the best financial inclusion under the loan category. Customers are happy with the procedure of borrow and interest charge etc. it is benefited for the both lender and borrower, here lender is having adequate highly liquidate asset as pledge and borrower easy avail loan with minimum procedural and repay.

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