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Consumer prefers gold loans from organized loan lender

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Abstract

The immediate loan form is a Gold Loan. Traditionally, the loans were available, but this process was dominated by unorganized loan lenders. The gold loan was given by moneylender, jewelers as well as pawn brokers. Since 1991, owing to the entry of various Banks and Non-Banking, Financial Companies (NBFCs) in the Gold Loan segment, the Gold loan provision scenario has changed. The professional employed person prefers to take a Gold loan from Public or Private Banks and avoid borrowings from the local Pawn brokers. Today the borrowers are influenced by buying decision for Gold Loan from organized loan lender.

Keywords: Gold loan, organized loan lender, preference, age, income, education, NBFC, public bank

1. Introduction

A gold loan is a secured loan taken by depositing gold as collateral. So far, the gold loan market was dominated by non-banking finance companies, but gradually organised banks have also started entering the business thereby giving a clear indication of its viability as an effective loan product. A Borrower is a person who takes a loan from the loan lender. The gold loan market in India is broadly classified into two categories, namely Organised Sector and Unorganized sector. Organized sector primarily constitutes formal institutions like banks and NBFCs; unorganised sector includes informal institutions like private money lender and pawn broker. However, the market shares between the unorganised and the organised sector is extremely skewed

2. Objective of the research study

1. To study the consumer preference of gold loan or Personal loan or others
2. To understand consumer preference whether organised or unorganised loan lenders.
3. To analysis correlation of age, occupation, education with the preference.
4. To study the process of gold loan provision by NBFC and Pawnbroker.
5. To observe the need of consumer and preference.
6. To analyses the point at which consumers makes decision regarding gold loan from organised or unorganised.

3. Research methodology: Sample frame

Table 1: Sample Size of Research Study

Sr. No.	Type of Banks	No. of Respondents	Personal Loan %	Gold Loan %
1	Public Sector Loan Lenders	30	20	10
2	Private Sector Loan Lenders	20	15	5
3	NBFC	20	5	15
4	Chit funds	10	10	-
5	Others	10	-	-
6	None	10	-	-
	Total	100		

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The Research was mainly conducted to identify the relation of Age, Education, and Occupation.

- **Dependent Variable for the Study**
 - Gold loan
- **Independent Variables for the Study**
 - Age
 - Income
 - Education
 - Preference

The researcher has considered Age, Income, Educations as parameter for assessing the of Preference towards gold loan or personal loan from organised or unorganised loan lenders. Interaction between Demographic Profile of Consumer (Age, Income, Education) and their Preference towards gold or personal loan. The demographic profile of consumers like age, income education is analysed independently with respect to their preference towards gold loan and personal loan.

Interpretation of Research study data

The sample size for the pre-testing was 100 and consisted of 30% from public sector (Out of this 20% Personal Loan 10% Gold Loan) , 20% private sector bank(out of these 15% Personal Loan and 5 % Gold Loan), 20% NBFC (15 % Gold Loan and 5 % Personal Loan) 10 % chit fund (only Personal Loan) 10% in other loan 10 % non. The respondents pointed out constructive suggestions. Their suggestions were considered and modifications were affected accordingly in the questionnaires.

4. A factors influencing preference is consumer’s age, income, education, occupation.

AGE: The researcher had identified that the age is important factor in selecting the loan and the loan lenders. The statistical data interpreted that the age above 45 prefers gold loan and age below 45 prefers other loan.

Table 2: Age and Types of Loan

Age	Total respondents	Gold loan	Personal loan	None / other loan
20-25	20	-	1	19
25-35	15	2	9	4
35-45	40	20	10	10
45-Above	25	20	5	-

(Compiled from primary data)

- **Income:** Income is important factor that influences preference of gold loan or Personal loan either from organised or unorganised.

Table 7: Preference Score: Multiple Comparisons among Age, income and education Groups of consumers

Sr. No.	Age Groups	Education	Income	Mean Difference	Std. Error	P – Value
1	Up to 30 yrs. & 31 – 40 years	HSC-	25000-35000	5.396 (*)	1.991	.024 (significant)
2	Up to 30 yrs. & above 40 yrs.	GRADUATES-	25000-40000	2.915	2.016	.454(not significant)
3	31 – 40 yrs. & above 40 yrs.	PG	25000-60000	-2.481	2.266	.828 (not significant)

* The mean difference is significant at the .05 level.

Table 3: Income total respondents and gold loan

3	Income	Total Respondents	Gold Loan	Others	None
20-25	25000-35000	20	-	1	19
25-35	25000-40000	15	2	9	4
35-45	25000-60000	40	20	10	10
45-ABOVE	25000-80000	25	20	5	-

- **Education:** Education was also one of the factors that influence preferences.

Table 4: Education and Types of Loan

Education	Total respondents	Gold loan	Personal loan	None
HSC	20	-	18	12
Graduates	20	12	5	3
PG	30	20	10	
Others	30	10	10	10

Table 5: Education Frequency and Cumulative Percent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Graduate	13	16.3	27.7
	2 PG/Professional	34	42.5	72.3
	Total	47	58.8	100.0
Missing	System	33	41.3	
Total		80	100.0	

The researcher has shown an interaction between age of respondents and their preferences the following table:

Table 6: Age of consumers and their preference towards gold loan or personal loan

Sr. No.	Age	No. of Responses	Mean	Std. Deviation
1	Up to 30 years	26	33.91	7.375
2	31-40	27	28.52	8.768
3	Above 40	47	31.00	9.156
	Total	100	31.70	8.476

The above table shows that the preference of the consumers towards Personal loan or gold loan is the best with age up to 40-45 pages of years and poorest among age group 25 – 30 years.

Using Analysis of Variance (ANOVA) technique, the researcher found out the following values:

$F = 3.798, df = 2$ and $P = 0.026$ (significant)

Since, the P value is significant, we can conclude that there is significant difference in the preference between the three age groups. Multiple comparisons among age groups of consumer with respect to their preference towards the gold loan or personal loan are shown in the table below:

The above table shows that there is a significant difference only between age up to 30 years and between

31 – 40 years among the preference since the P – value is 0.024.

Table 8: From the Research Study Questionnaire Sources of Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Public Bank	19	23.8	48.7	48.7
	2 NBFC	7	8.8	17.9	66.7
	3 Private Bank	11	13.8	28.2	94.9
	4 Consumer Coop Society	1	1.3	2.6	97.4
	5 Chit Fund	1	1.3	2.6	100.0
	Total	39	48.8	100.0	
Missing	System	41	51.2		
	Total	80	100.0		

Table 9: Financial Institution Preferred for Gold Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Public Bank	15	18.8	60.0	60.0
	2 Private Bank	5	6.3	20.0	80.0
	3 NBFC	4	5.0	16.0	96.0
	5 Consumer Coop Society	1	1.3	4.0	100.0
		Total	25	31.3	100.0
Missing	System	55	68.8		
	Total	80	100.0		

5 Inferences drawn

- There is difference in Interest rate from organised to unorganised loan lenders.
- There is formal procedures (some legal formalities) are involved with Agreement papers and valuation of gold or jeweller details.
- The Unorganised loan lenders, there is no written agreement or formalities involved. It is totally informal. The terms and conditions are as per Pawn Agent.
- The consumer finds difficulties at the time of foreclosing the loan with Pawn Brokers.

Conclusion

Thus, the study will help the loan lenders, especially in the organised loan sector to take steps towards customer service models as well as identify the consumer preference on the basis various depending factors studied by the researcher in this research.

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