



## **A STUDY ON CONSUMER ATTITUDE AND PERCEPTION TOWARDS GOLD LOAN OFFERED BY SCHEDULED COMMERCIAL BANKS WITH REFERENCE TO COIMBATORE**

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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 the study region and to measure the loan borrowers level of satisfaction towards jewel loans offered by Scheduled Commercial Banks in India. For this a sample of 150 was collected from the respondents and Likert's Scaling, Weighted Average, Chi-Square test, ANOVA Test, Multiple Regression, and Rotated Factor Analysis. The conclusion is that the schedule commercial banks are also suggested to provide a check list method about documents required for processing the jewel loan to their clients /customers in order to identify financial strength and ability to repay the loan.

**Key Words:** Gold Loan, Commercial Banks & Financing

### **Introduction:**

The rising demand for gold loans is partly driven by the convenience factor. The companies processing time is five minutes. The loan is sanctioned and disbursed once staff check the weight and assess the value of the gold after gauging purity. At the time of taking a loan, customers need to submit identity proof, which is mandatory under the know-your-customer rules. There is no other formality to be met. The ease of transaction partly off sets the interest that gold lenders charge, which is higher than that levied by commercial banks. State Bank of India, the nation's largest lender, charges 13.5 per cent per annum on gold loans. At Manappuram and Muthoot, depending upon the loan to value of the gold, the rates vary between 12 per cent and 24 per cent. Local money lenders charge 36 per cent on average for gold loans.

### **Statement of the Problem:**

Gold loans have become a basis for creation of new financial products such as loans for purchase of gold wherein gold is purchased on the date of loan and held as a pledge until the equated monthly installments are paid. The present paper tries to gain an understanding about the Indian gold loan market and also tries to know the attitude of the customers towards the gold loans. The paper utilizes both primary and secondary sources for collecting the data. To know the attitude of the customers, information has been collected from 80 respondents. India is one of the biggest markets for gold and gold loan. Indian households typically have an emotional attachment and sense of personal belonging to the gold they own, which is usually in the form of jewellery, coins or bars.

According to the World Gold Council, India accounts for 10 percent of world's total gold stock, of which rural India accounts for 65 per cent of the total gold stock. Gold jewellery provides immense consumer satisfaction and also serves as an appreciating asset—a rare, socially valuable combination. There has been a high demand for gold in India, irrespective of prices. During 2001-12, the annual demand of gold remained relatively stable at around 700 to 900 tonnes despite constant rise in prices during the last ten years. Though gold is a highly liquid asset, it was not until recently that consumers leveraged it effectively to meet their liquidity needs. With gold prices zooming, borrowers have discovered that they can raise more money with the same collateral. Lenders provide loans by securing gold assets as collateral. Compared with the rest of the world, in India the gold loan market is a big business<sup>2</sup>. Based on the elaborate conceptual discussion this study aims to analyse the Consumer attitude and perception towards gold loan offered by scheduled commercial banks in India, the study is focused on Coimbatore city.

### **Scope of the Study:**

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' service quality.

### **Objectives of the Study:**

The following objectives are framed for the effective conduct of this study.

- ✓ To study the demographic and socio-economic status of the gold loan borrowers in the study region.

- ✓ To analyse the banking habits of the sample populations.
- ✓ To critical analyse the gold loan borrowing among the sample population.
- ✓ To evaluate the jewel loan borrowers level of perception the positive benefits of gold jewellery loans offered by commercial banks.
- ✓ To measures the loan borrowers level of satisfaction towards jewel loans offered by Scheduled Commercial Banks in India.

**Research Methodology:**

**Area of the Study:**

Coimbatore

**Sampling Technique:**

The study adopted multi-stage sampling technique.

**Data Source:**

The study has equal contribution of both primary and secondary data. A well-structured questionnaire was used for data collection from the respondents. The secondary data were collected from journals, magazines and web-sites that offered information of gold loan market in India and demand for gold loan in India.

**Statistical Tools Applied:** The following tools have been applied in the study: Frequency distribution, Likert's Scaling, Weighted Average, Chi-Square test, ANOVA Test, Multiple Regression, and Rotated Factor Analysis.

**Analysis and Interpretation:**

		No. of Respondents	Percentage
<b>Gender</b>	Male	96	64.00
	Female	54	36.00
	<b>Total</b>	<b>150</b>	<b>100</b>
<b>Age</b>	Below 30 years	102	68.00
	31-50 years	30	20.00
	Above 50 years	18	12.00
	<b>Total</b>	<b>150</b>	<b>100</b>
<b>Education</b>	School Level	27	18.00
	UG	48	32.00
	PG	39	26.00
	Diploma	33	22.00
	Others	3	2.00
	<b>Total</b>	<b>150</b>	<b>100</b>
<b>Occupation</b>	Government	12	8.00
	Private	78	52.00
	Business	36	24.00
	Servant Maid	6	4.00
	Daily Worker	12	8.00
	Housewife	3	2.00
	Others	3	2.00
	<b>Total</b>	<b>150</b>	<b>100</b>

The above table indicates that out of 150 respondents' surveyed, majority i.e., 64 per cent of the bank customers' were male. On the contrary, the remaining 36 per cent of the respondents' were female. The data presented in the above table infers that, 60 per cent of the bank customers' are aged between below 30 years. Followed by, 20 per cent of the sample subjects' are aged between 31-50 years and 12 per cent of the respondents' fall under the age group of above 50 years. 32 per cent of the bank customers' in Coimbatore are under graduates. Batch of 26 per cent of the respondents' have completed Post graduates and 22 per cent of respondents' have completed courses like Diploma Course. Whereas the rests of 18 per cent of respondents' have completed School level and 2 per cent of the other courses etc. 52 per cent of bank customers' were employed in private sector organisations. Followed by 24 per cent of respondents' were found to be self-employed entrepreneurs and 16 per cent of the sample subjects were distributed among: daily workers (8 per cent) and Government employees (8 per cent). Rests of the four per cent of the sample respondents were housewife (2per cent) and others like professionals (2 per cent).

**Anova - Customer's Opinion On Purpose for Availing Gold Loan and their Gender:**

Variables	Source	Sum of Square	DF	Mean Square	F	Sig
Meeting Medical Expenses	Between Groups	4.420	1	4.420	41.565	<b>.000</b>
	Within Groups	15.740	148	.106		
	Total	20.160	149	-		
Consumption	Between Groups	.634	1	.634	9.013	<b>.003</b>

smoothing	Within Groups	10.406	148	.070		
	Total	11.040	149	-		
Purchase of Household assets	Between Groups	3.375	1	3.375	17.760	<b>.000</b>
	Within Groups	28.125	148	.190		
	Total	31.500	149	-		
Education needs	Between Groups	.015	1	.015	.100	.752
	Within Groups	22.125	148	.149		
	Total	22.140	149	-		
To repay previous Debts	Between Groups	.634	1	.634	9.013	<b>.003</b>
	Within Groups	10.406	148	.070		
	Total	11.040	149	-		
Others	Between Groups	.082	1	.082	1.103	.295
	Within Groups	10.958	148	.074		
	Total	11.040	149	-		

Level of Significance: 5 percent

From the above table it has been inferred that there exists variations in the sample mean values and the probability value of ANOVA at 5 per cent level establishes good relationship between the variables tested. Therefore, the hypothesis framed stands accepted and it is concluded that customer's opinion on purpose for availing gold loan differ according to the gender of the borrowers.

**Mean Rank - Customers' Level of Perception on Merits and Demerits of Agencies/NFB Jewel Loans:**

Variables	Very True	True	Moderately True	False	Very False	Sum	Mean	Rank
<b>Merits</b>								
Easy money availability	21 (14.00)	12 (8.00)	3 (2.00)	0 (0.00)	3 (2.00)	165	4.23	1
Simple procedures	18 (12.00)	9 (6.00)	12 (8.00)	0 (0.00)	0 (0.00)	162	4.15	3
Higher value for money	15 (10.00)	18 (12.00)	6 (4.00)	0 (0.00)	0 (0.00)	165	4.23	1
Less Time Consumptions	12 (8.00)	15 (10.00)	12 (8.00)	0 (0.00)	0 (0.00)	156	4.00	4
No need for collateral security	9 (6.00)	18 (12.00)	9 (6.00)	0 (0.00)	3 (2.00)	147	3.77	5
<b>Demerits</b>								
Less time for repayment of loan	15 (10.00)	21 (14.00)	0 (2.00)	0 (0.00)	0 (0.00)	159	4.08	3
No guarantee of safety of security	12 (8.00)	12 (8.00)	12 (8.00)	0 (0.00)	3 (2.00)	147	3.77	5
High interest rates	21 (14.00)	6 (4.00)	12 (8.00)	0 (0.00)	0 (0.00)	165	4.23	1
Fear on ethical practices (Poor Communication after loan offered, illegal documentation etc.)	9 (6.00)	15 (10.00)	15 (10.00)	0 (0.00)	0 (0.00)	150	3.85	4
Highly Risky	15 (10.00)	18 (12.00)	3 (2.00)	3 (2.00)	0 (0.00)	162	4.15	2

Source: Primary Data

**Merits:**

From the above data analysis it has been inferred that, majority of the respondents' have said that the private agencies/NFBs provide higher value for the gold and are readily available, it is ranked in first position with the mean score of 4.23.

**Demerits:**

The above table indicates the customers' opinion on demerits of availing loan in private agencies/NFBs. Out of 354 customers' surveyed, most of the sample subjects' have said that private agencies/NFBs offer loans on high interest rates and it is the major advantage to them, it is ranked in first position with the mean score of 4.23. Similarly, the respondents' have said that there are some drawbacks like high risks, less time duration, poor communication after loan offered, illegal documentation and insecurity in borrowing loans from private agencies/NFBs.

**Multiple Regression Model Summary - Customers' Experience With Jewel Loan Borrowing and their Level of Perception on the Gold Loan Offered by Scheduled Commercial Bank:**

R	R <sup>2</sup>	Adjusted R <sup>2</sup>	SE	F Value	Sig
.456	.208	.118	.41594	2.307	.009

Level of Significance: 5 per cent

$$Y = 2.552 - 0.002X_1 - 0.081X_2 + 0.079X_3 - 0.065X_4 + 0.087X_5 + 0.036X_6 - 0.062X_7 - 0.178X_8 - 0.157X_9 - 0.153X_{10} - 0.030X_{11} - 0.003X_{12} - 0.121X_{13}$$

It has been revealed from the above econometric analysis that F ratio (2.307) is statistically significant at 5 per cent level. This indicates the entire regression is significant, it establishes 45.60 per cent relationship between the variables tested. From the above table it seen that the coefficient of correlation (R) value .456 which describe good relationship between variables and the coefficient of determinant (R<sup>2</sup>) .118 value describe that the customers' experience with jewel loan borrowing significantly influences their level of perception (positive/negative) on the gold loan offered by scheduled commercial banks for variation in each of those eight independent variables. Therefore, the hypothesis framed stands rejected and it has been concluded that the customers' experience with jewel loan borrowing does not influence their level of perception (positive/negative) on the gold loan offered by scheduled commercial bank. The following table shows the value of constant and coefficient value of each attributes for customer's level of satisfaction towards jewel loan .

Predicated Value of

- Customers level of satisfaction towards jewel loan = 2.552 (Constant)
- ±.178 (Easy Loan Repayment Procedures)
- ±.153 (Varying interest rates from one bank to other)
- ±.121 (Issues in getting Collateral security)

**Rotation Factor Analysis:**

**KMO and Bartlett's Test - Customers' Level of Perception (Positive/Negative) On the Gold Loan Offered By Scheduled Commercial Bank:**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.698
Bartlett's Test of Sphericity Approx. Chi-Square	1128.956
DF	78
Sig	.000

Level of Significance: 5 percent

Five factors extracted together account for 81.302 percent of the total variance (information contained in the original 13 variables). This is pretty good, because we are able to economize on the number of variables (from 13 researcher have reduced them to five underlying factors), while the data lost only about 18.698 percent of the information content (81.302 per cent is retained by the five factors extracted out of the 27 original variables). Since the idea of factor analysis is to identify the factors that meaningfully summarize the sets of closely related variables, the rotation phase of the factor analysis attempts to transfer initial matrix into one that is easier to interpret. Equamax rotation method is used to extract meaningful factors.

**Result of Chi Square - Customers' Level of Satisfaction Towards Jewel Loans Borrowed From Various Banks:**

Variables	Chi-Square Value	DF	Table Value	Remark
Time taken for processing of loan	16.699	12	21.026	Accepted
Procedures loan amount	24.941	12	21.026	Rejected
Depreciation of underlying asset	17.399	12	21.026	Accepted
Suitability of loan to financial needs	32.834	12	21.026	Rejected
Quick disbursement of money	11.763	12	21.026	Accepted
Low Interest Charges	40.131	16	26.296	Rejected
Safety of the Assets	6.967	12	21.026	Accepted
Loan Repayment Procedures	4.047	8	15.507	Accepted

Level of Significance: 5 percent

From the above table it has been inferred that the calculated chi-square values are less than the table values 21.026 and 15.507 at 5 per cent level of significance. Therefore, the hypothesis framed stands accepted and it is concluded that customers' level of satisfaction towards jewel loans differs from one bank to other.

**Findings of the Study:**

The empirical results of the study depict that majority i.e., 64 per cent of the sample subjects were male. It has been found that 60 per cent of the sample customers were aged between below 30 years.

**Banking Habits:**

- ✓ It has been observed that 42 per cent of respondents' owned account in nationalized bank.
- ✓ It has been found that 54 per cent of the customers' are operating their account in particular bank for a time period 1 year or less than that.

**Loan Borrowing Practices:**

- ✓ It has been observed that, 22 per cent of customers' have sourced information about gold loan from their friends and relatives.
- ✓ It has been observed that, 30 per cent of respondents' had availed gold/jewellery loans for procuring household assets i.e., for enhancement of their standard of living.

**Level of Satisfaction:**

From the elaborate data discussion it has been observed that majority i.e., 85.20 per cent (mean score 4.26) of the bank customers' exhibit high degree of satisfaction towards loan repayment procedures of scheduled commercial banks.

**Results of Hypothesis Testing:**

From the empirical results of ANOVA test it has been found that customer's opinion on purpose for availing gold loan differ according to demographic and socio- economic status of the borrowers. The results of ANOVA test reveal that customers' level of awareness towards gold jewellery loans offered by commercial banks differs from one person to other based on their demographic and socio-economic status.

**Suggestions:**

The schedule commercial banks must simplify their procedures of gold loan lending for attracting more customers i.e., borrowers. Most of the sample population claim that the schedule commercial banks access only 60 value of their gold for lending, based on this findings it is suggested to the banks to increase or keep their gold assessment rate flexible to changing market conditions (like increase or decrease in the gold prices), so that the borrowers can be benefited to the maximum.

**Conclusion:**

The conclusion is that the schedule commercial banks are also suggested to provide a check list method about documents required for processing the jewel loan to their clients /customers in order to identify financial strength and ability to repay the loan.

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