

A Socio Economic Study of Gold Loan Borrowers, towards Monetization of Gold Stashed Away by Household in Reference to Kanpur City

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Abstract:

Indians have been in love for gold from ancient time as is also evident from a study conducted by World Gold Council, Indian households have a record Gold hoard of 24000 tonnes worth around \$ 800 bn, and a large proportion of this gold is blocked with Indian household, remaining idle and not contributing to Indian economy. Loan on Gold is not something new to Indian economy, the old unorganized lenders are very much in their place and providing loan on gold, majorly to the poor section of the society to fulfil their needs. Apart from unorganized lenders, no. of banks and NBFC's has started giving loans to the consumer in recent times. This Study is an attempt to understand Gold loan Market in Kanpur and to figure out any relation between demographic profile of the consumers and their preference for gold monetization, on the basis of Primary and Secondary data.

Key Words: Gold Loan, Correlation, unorganized sector,

Scope of the Study:

The underlying study is helpful to understand the Demographic profile of gold loan Borrowers and Prospects in Kanpur city, Purpose for which loan is availed, and measures to be taken to improve demand for gold loan.

Research Methodology:

Objectives of the Study:

1. To Analyze Demographic Profile of Gold Loan Borrowers in Kanpur City.
2. To analyze the Awareness and No. of Borrowers in both Genders.

Research Design: This Study is Descriptive in nature, as it describes the Gold Loan Market in Kanpur City, through Primary and Secondary data. It tries to describe any association between Gender of respondents and their Reasons for availing gold loan, using Descriptive Statistics like Frequency distribution, Percentages,

Area of the Study: Kanpur City

Sampling Technique: Basic idea behind data collection is directed by the objectives no. 2 of the Study (Gender and Awareness), hence sampling technique used in this Study is Quota Sampling.

Data Source: The Study uses both Primary and Secondary data. The Survey Questionnaire for the primary survey was designed to capture data on the Demographic profile of the respondent; Reasons for availing or not availing gold loan and to look into the future Prospects of Gold Loan in Kanpur City. Secondary data is collected from various sites.

Statistical Tools Applied: Frequency distribution, Column chart, Likert scaling

Introduction:

Gold Monetization means bringing the gold held idle at Indian household in form of jewellery in the economy and recycling it to reduce country’s dependence on gold import to satisfy internal demand , which will ultimately result into lower CAD , boost to economy by generating employment .

In absence of organized gold loan lenders, Number of peoples in smaller cities are forced to take loan from unorganized gold loan intermediary in emergent situations, who charges very high cost. As per industry players and reports 75% of the gold loan market is made up of unorganized lenders. But there is a change developing in this sector with no. of Private sector Banks, organized NBFC’s like Muthoot , Mannapuram started offering loan against the gold stashed away at home or lockers, bringing more transparency into the system. Most of these organized players accept only gold jewellery as collateral, only few gives loan against Gold Coin, Gold ETF.

There are some features which makes gold loan Attractive over other types of loan like lower interest rate, least documentation, security of the jewellery, no. of redemption options Etc. The interest rates range between 9 to 17 % , along with some processing fees.

Comparative Chart of Rates for gold loan by some gold loan companies (June, 2018)

Gold Loan Provider	Interest Rate	Processing fee
HDFC Gold Loan	9.6% onwards	Nil to 0.5% of loan sanctioned
Muthoot Gold Loan	12% onwards	0.25% to 1% of loan sanctioned

Manappuram Gold Loan	14% onwards	Varies on a case by case basis
ICICI Bank Gold Loan	10.5% to 16.5%	1% of loan amount
SBI Gold Loan	11.05% p.a.	0.5% of loan amount with a Min. Rs. 250
Axis Bank Gold Loan	14.50% to 17%	1% of loan amount

Source : <https://www.paisabazaar.com/gold-loan/interest-rates/> (retrieved on 7th June 2018)

There are many taboo associated with taking loans against gold, because of emotional value attached to it. Some of these taboos are like, Ancestral gold is held to be passed on to future generation, and it is considered misfortune to pledge the yellow metal and many other.

But apart from taboos in the society , if looked at economically , one should take loan against gold if the cost of taking loan is less than the expected appreciation in value , but the time period should be decided judiciously so as the loan can be repaid on time, without incurring extra cost.

Literature Review:

As per the Study Conducted by (**V P Nandkumar**), It was learnt by Indian companies that lending against gold jewellery is comparatively less risky than other commodities, because of emotional connect with it and default rate would be less even if gold prices fall. When gold prices fall in April 2013 by 15%, even than there was no chaos in the industry and gold lenders were not in losses. This episode posed a question, “is India’s attitude to gold is changing.”

A Study Conduct by FICCI “Why India Needs a Gold Policy” In 2014, FICCI has come up with their findings, on the report “why India needs a gold policy”, so as to effectively monetise India’s gold. This report was based on survey conducted in 33 cities on 5000 respondents. As a finding of this Study Liquidating gold jewellery, was the second choice after Bank deposit, to raise funds in emergent situations. Many of them quoted Ancestral jewellery to be old fashioned and not wearable, which suggest the attachments to such jewellery is not as sticky or comprehensive as understood. Gold loan Companies run a no. of advertisement targeting gold loan consumers to overcome the inhibitions and embrace gold loan, but this could have been achieved only at the unwanted cost of weakening emotional connect.

(**V. Padmaja & Dr. K. Prince Paul Anton**) in their Study says that , the level of perception (positive / negative) on the gold loan offered by scheduled commercial banks is not influenced by customers experience with jewel loan borrowing , further customers purpose for availing gold loan differ according to gender of the borrowers. Another analysis resulted from their study is that private agencies / NBFC's provides higher value for the gold and are easily available but they do charge higher Rates.

(**Arti Verma.V**) in her study, A consumer perception on gold loan with reference to Thane region could observe some grievance and complaints against NBFC's like not explaining Penalty clause while availing gold loan, documentary evidence available to the borrower should be much more comprehensive, A single day delay in paying interest on principal, borrower is pushed to higher rate of interest, Auctioning procedure should be much more transparent.

As per the (**Report of the Working group by RBI**), to study the issues related to Gold Imports and Gold Loans by NBFCs , demand for gold loan is influenced by many factors like Size of Stock of Gold Jewellery with borrower , cropping season , festivals , medical purpose, alternative source of buying , interest rate charged and many other reasons. While banks would give 75% of the gold value as loan, NBFCs could give up to 60% of the value. Hence loan to Value ratio is a factor that can affect the demand for gold loan.

Analysis and Interpretation

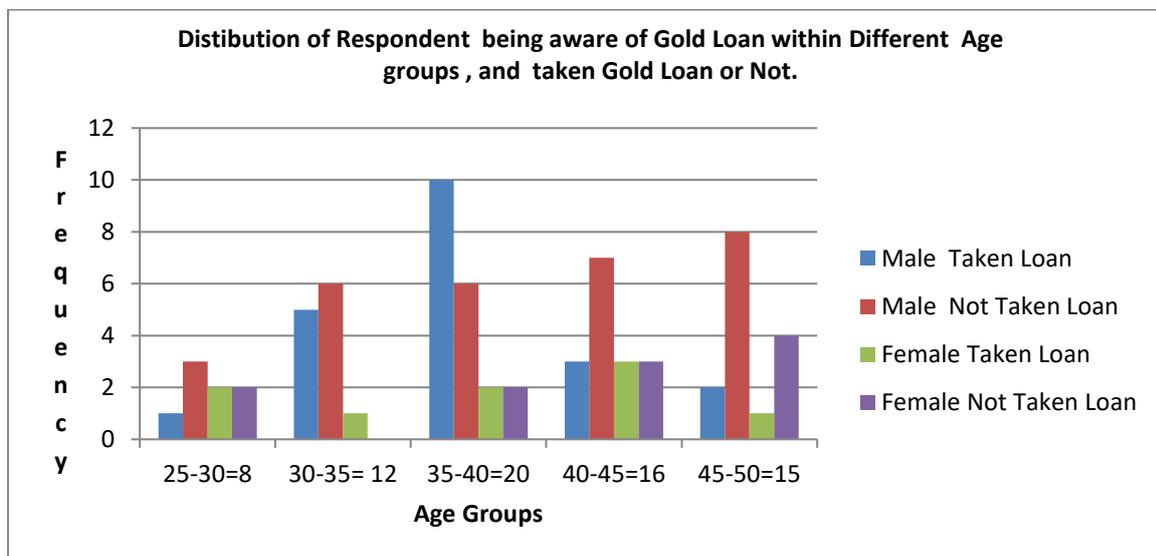
Table of Demographic Data:

As the sampling technique used is Quota sampling, hence a sample of 100 respondents was selected; out of which 71 respondents were Male, 29 respondents were Female. To Analyze Demographic profile, data was collected on variables Age Group, Income, Occupation. Different Age Groups included are (25-30 years, 30-35 years , 35-40 years, 40-45 years, 45-50 years) , Different Income Groups (upto 2 lacs , 2-4 lacs, 4-6 lacs, 6-8 lacs , above 8 lacs per annum) and three Occupation (Business Class , Private and Government).

Demographic Profile of Respondents

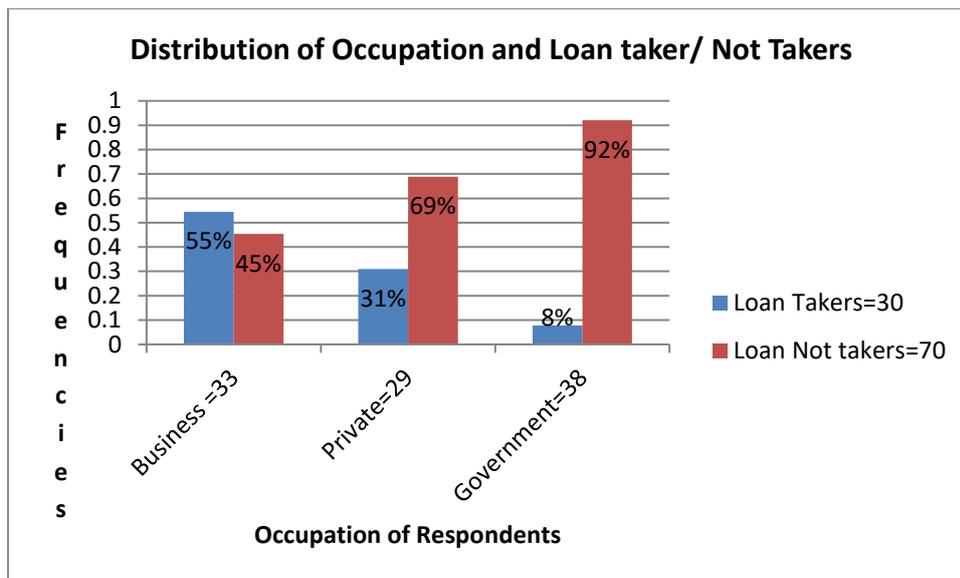
Demographic Variable	Class within Variable	No. Of Respondents		Percentage
		Availed loan	Not Availed	
Gender	Male	21	50	71
	Female	9	20	29
Age	25-30 years	3	14	17
	30-35 years	6	14	20
	35-40 years	12	14	26
	40-45 years	6	14	20
	45-50 years	3	14	17
Income	upto 2 lacs	6	23	29
	2-4 lacs	9	19	28
	4-6 lacs	9	19	28
	6-8 lacs	3	7	10
	above 8 lacs	3	2	5
Category Of Employment	Government	3	15	18
	Private	9	20	29
	Business	18	35	53

Table1.1: Percentage of Borrowers among different Age Groups aware about Loan



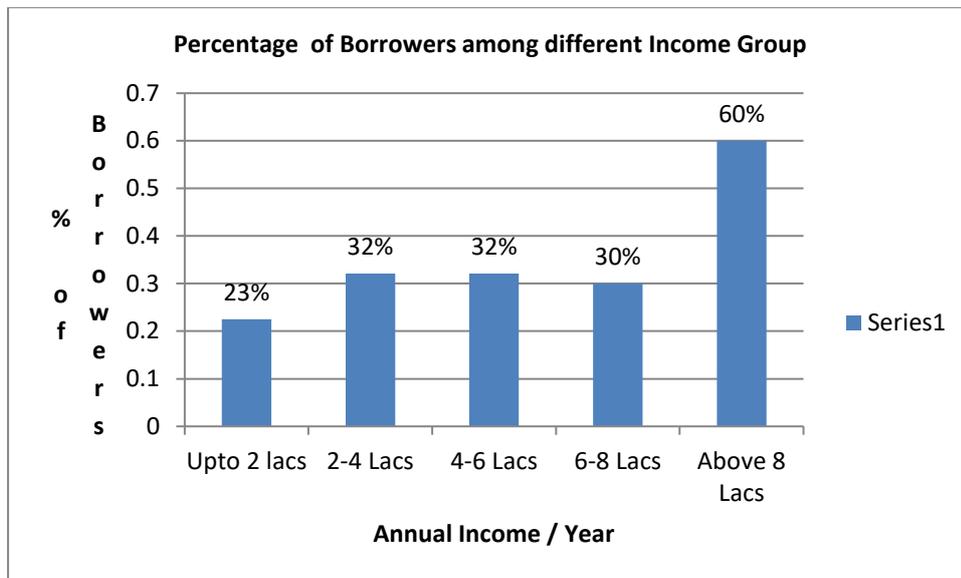
This table tells us within different Age Brackets, out of total respondent who are aware about gold loan, how many of them have taken / not taken Gold loan in both the genders. In Age Group 35-40, a total of 20 respondents (16 male, 4 female) were aware about gold loan. Out of 16 male respondents aware about loan, 12 have taken loan and 4 have not taken loan. Similarly in this Age Group out of 4 female respondents aware about loan, 2 have taken loan and 2 have not taken loan.

Table 1.2: Distribution of Respondent’s Occupation over Gold Loan Borrowers



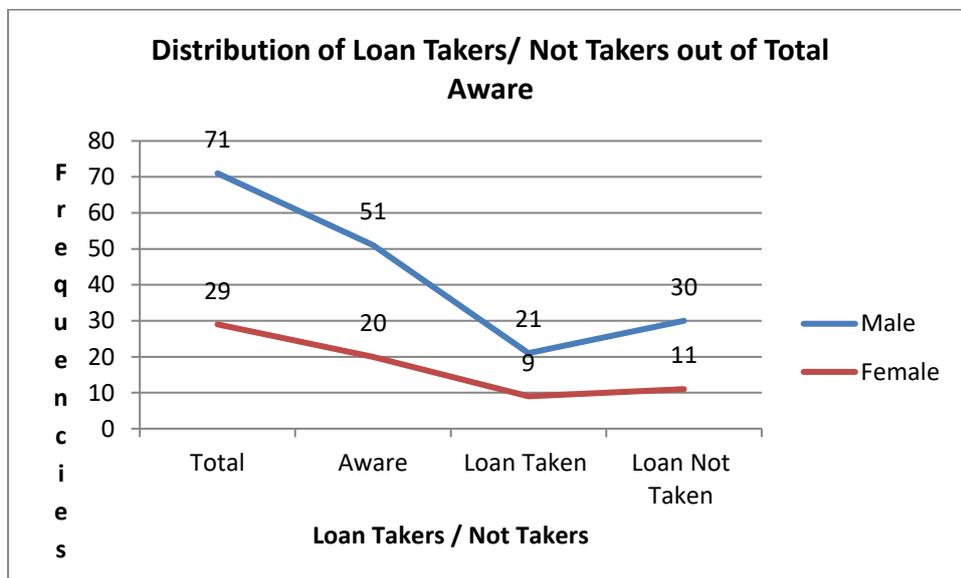
Out of 100 Respondents selected, 33 were doing business, 29 were private employees and 38 were government employees, Out of 33 Business man 55% availed loan, whereas 45% have not. In category of private workers Gold loan borrowers were 31% and 69% not availed loan whereas in Government employee segment merely 8% have taken loan, whereas 92 % refrained from taking loan.

Table1.3: Percentage of Borrowers among different Income Group



This table provides insight about percentage of borrowers among different Income Groups. For most of the income groups, percentage of borrowers is around 30%, while it is 23% for lowest income group (upto 2 lacs) , and highest 60% in income group (above 8 lacs).

Table 2: Distribution between Respondent’s Awareness and Gold Loan Borrowing



Basic idea behind this distribution is to find that , out of the respondents who are Aware about Gold Loan how many of them have taken Loan or not in both the genders. Out of total 71 male respondent, 51(72%) were aware about gold loan and out of this 51 respondents 21 (41%) have taken loan and 30 (59%) have not availed loan.

In case of Females, out of total 29 female respondents, 20 (69%) were aware about gold loan and out of this 20, 9 (45%) have taken loan and 11 (55%) have not availed loan.

Findings:

- 1.1 A total of 21 Males and 9 females have taken gold loan across all the age groups, while maximum no. of Males Borrowers falls in the age group 35-40, and maximum females borrowers falls in the Age group 40-45. Within Age group 30-35 no female has taken loan, while only 1 male has taken loan in 25-30 age groups.
- 1.2 Gold Loan penetration is still very low in Government and Private sector of employment, and it is mostly preferred by Business person.
- 1.3 Most of the gold loan borrowers fall in the middle income group, which is around 30%. And as per the discussion with a gold loan company manager, this loan is taken to offset the difference between Market value and circle rate in case of a property purchase, or mostly to expand business.
2. Awareness about Gold loan in Male and Female is good (about 72%) but the percentage of borrowers is low in both the categories (About 41%).

Conclusions:

- 1.1 Companies should work and design Schemes to attract, individuals falling in higher age brackets, through making product better suited to their needs.
- 1.2 Companies have to work towards attracting Government and private sector employees to avail gold loan. As this low trend, indicates that Gold loan is a need based product and Government and private sector employees have other options to satisfy their Needs.
- 1.3 More Schemes are required targeted at middle income group to increase the No. of Customers.
2. Companies are required to take measure to convert those respondents, who are aware about gold loan but have not taken gold loan. So the Companies have to work towards creating interest among such category of respondents.

Limitations

1. Because of Financial and Time Constraints, Sample size is 100 and Sampling Technique used is Quota sampling, which at times might not provide correct result and some biasness might get skewed.
2. Only Earning individuals are included in the Study.

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