



Consumer Perception and Attitude towards Gold Loans: A Case Study on Impact of Gold Loans Offered by top 5 Private Sector Banks

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ABSTRACT

Gold is a precious asset but not a productive asset but it has a strong convention value. Convention reasons gold has been mentioned as a safe shelter, especially during periods of financial and economic crises. Stating that, a safe shelter can broadly be defined as an asset that protects investors' wealth against financial crises and holder can resell it without loss at any time. When one buys gold, it either is stored in home or bank lockers or gets converted into jeweler. In both the cases, money spent on purchasing gold gets blocked since gold is not a productive asset. This case study aims to analyse how this unproductive assets are converted into productive assets. What circumstances gold holder facing to convert their gold into currency. This is to assess the socio-economic background of the gold loan borrowers, the basic reasons for the borrowers to avail gold loan, the primary reasons that determine the consumer attitude and perception towards gold loan offered by private sector banks in India. Gold loan borrowers' perception, satisfaction and problems were clearly mentioned in this case study. Many number of private sector banks offering gold loan in India. But in this study only 5 top lenders are to be taken onto account. It is strongly believed by the researcher that the findings of the study will support the private sector Banks in understanding their customers psychology towards gold loan i.e., their attitude, gold borrowing practices, their perception and satisfaction towards services offered by the bank.

Key words: Gold Loan, Perception, Attitude, Borrower, Private Sector Banks, Issues, Satisfaction.

INTRODUCTION:

India is rich in culture and it is said to be incredible because many languages are spoken here and many people from different religions live together. It is a unique country which practices different cultures. [6] Indian culture is the heritage of social norms, ethical values, traditional customs and belief systems, political systems, and festivals, artifacts, old and advanced technologies that are associated with the unity in diversity. [2] India's religions, languages, traditions, beliefs, dance, music, architecture, food and customs differ from place to place within the country. Indian culture is a combination of several cultures.

Gold is considered as a status of symbol, sign of richness, prosperity and power. Especially in India gold represents wealth and prosperity. In Indian weddings the bride's gold and diamonds shows her family's status, reputation and wealth. [14] Gold forms a major part of marriage functions. The ornamental value of gold makes it much more precious. In India gold jewelry has long been used to celebrate marriage and presented as gifts during weddings, baby shower, cradle ceremony and religious festivals. Gold is considered as an investment and savings which may come to save during a huge financial crisis of the family. [11] Gold is a precious yellow metal with which mankind has had a long and very intimate relation. Gold is considered as a symbol of purity and good fortune.

The demand for gold is mainly arisen by two components, consumption demand and investment demand. The consumption demand is decided by the jewelry demand and the investment demand is decided by the financial crises. [2]

OBJECTIVES:

- To identify the gold loan borrowers level of awareness towards gold loan offered by Private sector Banks
- To understand the primary reasons stated by customers for availing gold loan
- To understand the borrowers level of perception and satisfaction towards gold loans offered by Private Sector banks based on past studies
- To study the factors influencing customers to prefer Private banks' gold loan scheme
- To identify the nature of problems faced by the borrowers of retail gold loan

IDENTIFIED SCOPE OF THE STUDY:

Humans have a great interest on gold, relating it with beauty, authority, culture and nobility. The demand for financial assistance can arise for anyone at anytime. We cannot predict the particular time or day. The Gold loan market in India is broadly classified into two categories, namely Organized Sector and Unorganized sector. Organized sector constitutes formal institutions like public banks private banks and NBFCs; unorganized sector includes informal institutions like private money lender, pawn broker and chit fund holders.[13] Again there are two types of loans namely secured loans and unsecured loans. Personal loans are called unsecured loans, secured loans-where customer provides some collateral as a safety against loans. There are also two behavioral reasons for why we should consider buying gold. One, for many years gold has been the traditional form of savings amongst Indian households. So, people need not be as fear about fluctuations in the gold prices when bond prices fluctuate. [16] Buying gold gives a feeling of comfort! And two, gold is a real asset. And real assets possess an important characteristic that is we can touch and feel them. The touch and-feel factor is one reason why many people prefer to buy physical gold than financial gold.

This study gives a concentration of various analysis, that primarily assess the socio-economic background of the gold borrowers, followed by the awareness and the primary reasons for availing gold loans are considered for this study.[2] Lying gold at home in a safety locker will not give any income but a loan against gold loan will help people in financially to fulfill their dreams and help them in going forward.[9] Gold loan borrowers' perception, satisfaction and issues were assessed to draw a clear picture of the nature of gold loan market prevailing in India. This study covers various factors influence customer's perfection and how to influence customer's perception for their bank. Study has covered top five private sector banks of India who providing gold loans. They are HDFC bank gold loan, ICICI bank gold loan, Axis bank gold loan, Kotak Mahindra bank gold loan and YES Bank gold loan. Nature of problems faced by the borrowers and the level of satisfaction towards loan offered by the private sector banks. What Steps to be taken by the bank to improve customer's perception.

METHODOLOGY OF THE STUDY:

In this study Secondary data is collected from books, journals, proceedings, magazines, newspapers, personal resources, libraries, websites and bank records and documents etc.

Relevant studies:

A review of past studies helps to understand the scope of the present study and provides the framework for analysis and interpretation. Such a study is useful to identify the existing research gaps. The present study makes an attempt at reviewing earlier studies to evaluate the retail lending and gold loan by private sector banks.

Ranganathan (2013)²³ explains that retail banking is an old concept, earlier banks focused more on lending loans to industrial borrowers rather than lending loan to retailer borrowers. But, today the scenario has changed where scheduled banks focus more on individual customers rather than corporate clients, especially after 1991. The study highlights retail-banking sector supported Indian Government in achieving financial assistance, converting bank into responsible lending agencies and it also support individuals in strengthening their long-term needs, support middle income families and also in prevention of financial crime like fraud or default in money repayment.

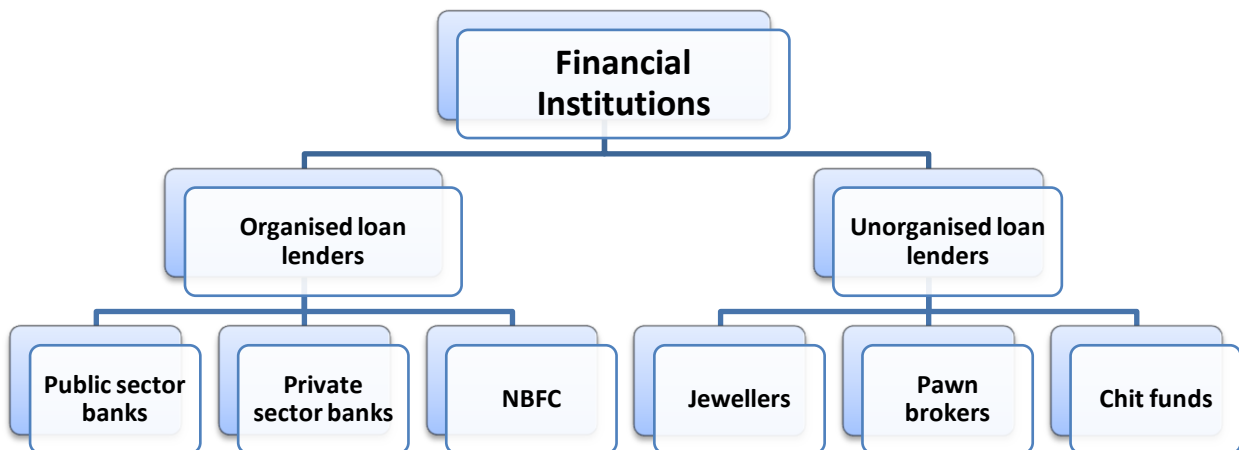
Selvi's (2014)²⁴ in his studies aimed to assess the trend in priority sector lending made by the commercial banks in India. This study supplied the information stated that nearly 47.51 per cent of retail loan lending by commercial banks are in the form of housing loans, 47.94 per cent are auto loans, 3.46 per cent are loan lending through credit cards and 1.10 per cent loan are for purchase of durable goods by households. The study further, observed that banks register as positive credit recovery in the case auto loan, home loan and credit card loan.

As per Varma and Singh's (2017)²⁶ report published in "The Indian Express" it has been understood that Indian households' total debt to GDP ratio was just 17 per cent. The financial experts have claimed that financial institution's credit lending to industries attract high risk of non-payment compared to retail loans offered to individuals in the form of personal, home loan, vehicle loan etc. in the financial year 2016-17, retail loan market had registered 5% growth.

Rajeev and Nagendran (2018)²⁹ article assessed retail loan lender to the farmers in Karnataka by the banks accepting gold as a mortgage medium. The study explains that banks operating in the State of Karnataka prefer lending loan to farmers against the RTC (Record of Rights, Tenancy and Corp Inspection). But, certain rich farmers prefer borrowing loans from banks against gold as a collateral security. The study observed in a shorter period of time that is in one year more than 4000 loans were sanctioned by banks to farmers against pledging gold jewelry, whereas banks sanctioned only 17 loans against RTCs.

Gold loan:

Gold loan is a secured loan taken by the borrower from any financial institution by depositing gold as collateral security. A Borrower is a person who takes a Loan from the Loan lender. Gold loan is a suitable option for people especially when they are having an asset of gold with them. Gold loans are considered to be the most traditional form of loans borrowed by the Indians since from the time immemorial. After, the introduction of policy regulation regime in India, offering of gold loan by the scheduled, non- scheduled, NBFCs and other financial institutions has been highly increased.[9] The Gold Loan market was dominated by non-banking finance companies, but slowly organised banks have also started entering the business thereby giving a clear indication of its viability as effective gold Loans.

Diagram

Source: Compiled by the researcher Padmaja, D. V., & Antony, D. K. P. P. (2014)

Awareness and Attitude towards Gold Loan

The borrowers believe that gold loan these days are easily available through formal sources of finance at less interest rate, Easy documentation, quick processing, and flexible repayment, Low EMI, more adequate money value, less rules and regulation, that too these loans can be repaid at any convenient time slab i.e., within one year. This clearly states the attitudes of the borrowers towards gold loan offered by private sector banks. Attitudes expressed by the borrowers motivate the researcher to explore their perception of towards gold loans offered by the major formal sources of lending. [18] The study focused on assessing the attitude and perception of individual gold loan borrowers. These two factors are considered as the perception and attitude of the borrowers which may vary from one geographical region to another region; similarly it may differ due to the demographic and socio-economic status, life-cycle of individual and nature of money need by the borrower in different situations.

The primary reasons stated by customers for availing gold loan

In recent years Indian gold loan market expanded considerably. The recent developments in the gold loan market have both positive and negative implications. Jewel loan borrowing at the time of emergency. People have different need to raise a loan going through financial crises:

- Need immediate funds to fulfill a medical emergency, for meeting sudden medical and hospital expenses for their family members
- To pay school or college fee of their children,
- Loan borrowed by small and medium entrepreneurs to meet short-term financial needs of their business, or to expand their business,
- To repay their old debts that still pending.
- To meet any other personal need.

In these cases gold loan is a suitable option for people especially when customer is having a power of gold with them. Gold loans provided by the Private sector banks are very simple and more suitable to the average and middle income families, and sometimes even upper middle classes people also avail gold loans to meet their financial crises. Upper middle class people go for gold loans to extend their business or shifting their business to the new locality. [21] Though the rate of interest varies between these banks and the procedure followed in loan approvals, amount of loan sanctioned, tenure and its disbursement of loan practices also varies between banks.

Gold loans have certainly been an empowering lending facility for people who have been looking to get funds in a quick and without any risk. To get this, individual just needs asset of gold with them, be in the form of jewelry or gold coins. By putting their gold as collateral security, they can get some sum of money from the banks and financial institutions, that too at an affordable rate of interest. [12] The convenient eligibility, loan criteria, and easy documentation are the few features that make this gold loan one of the most preferred products among customers. But when it comes to choosing the right lender for a gold loan, private sector banks are just too good compare to public sector banks and other financial institutions. In this case study top 5 private sector banks are selected for gold loans. The researcher has the strong impression that Age, Income, Education and Occupation play major role in determining customer's preference towards organized loan lenders to take a Gold Loan.

Socio economic status of borrower; Socio economic factors are borrowers occupational status, monthly income, marital status, nature of family, dual income status, gender, age, educational status etc. The study of this is to determine whether consumer preference gold loan from organized or unorganized sector. Most of the gold is used to make jewelry which is used as ornament for the daughter's weddings in the family. [9] It is very common for a family to acquire gold for a daughter at birth and till the time of her marriage at which time even more gold comes into picture, specifically, for the bride. The other major reason for acquiring physical gold includes donations to the temple of the family choice.

The top 5 Private Bank Gold Loan Providers are

1. HDFC Bank Gold Loan
2. ICICI Bank Gold Loan
3. Axis Bank Gold Loan
4. Kotak Mahindra Bank Gold Loan
5. YES Bank Gold Loan

HDFC Bank Gold Loan

HDFC offers a gold loan amount up to Rs 20 lakhs by submitting their gold or coins as collateral security. HDFC gold loan available at a attractive rate of interest range from 10% to 17.98% per annum, which is quite affordable

ICICI Bank Gold Loan

The second largest gold loan provider in private sector is the ICICI Bank. Available at an affordable rate of interest ranging from 10% to 19.76% per annum, people can get a minimum loan of Rs 10,000. Other than this, ICICI Bank also provides a flexible repayment option and providing services such as Online, Offline, and Missed Call Method.

Axis Bank Gold Loan

Axis bank is one of the largest private sector banks in India. Axis Bank Gold loan could be one of the best options for borrowers if they are looking to get funds for emergency purposes. With this loan facility, customers can get the loan amount on the same day in their bank account if the documentation and authentication process is satisfactory according to the banker. Customers can also get Axis reward points on opting for this loan and on every other transaction.

Kotak Mahindra Bank

Kotak Mahindra Bank has certainly been one of the finest private sector banks that provide an amazing gold loan facility to the customers. Existing customers of the Kotak Mahindra Bank, they can get up to INR 50 lakhs as the loan amount depending on their gold value. This amount is fixed at INR 20 lakhs for new customers. The loan to value ratio ranges from 65% to 75% in a Kotak Mahindra Gold Loan.

YES Bank Gold Loan

Yes Bank is also a top private sector bank gold loan lenders is the affordable interest rates. The interest rates range from 9.65% to 15.65% per annum which may vary according to customer's loan amount. Customers can get a loan amount as low as INR 25,000 with the flexible repayment tenure of 3 to 36 months.

So, these are the top private sector banks that provide gold loans to customers, customers have a chance to decide which to choose.

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Name of the Bank	Minimum Loan Amount	Maximum Loan Amount	Interest Rate	Tenure	Processing Fees	Repayment Methods
HDFC Bank	INR 25,000 INR 10,000 in the rural areas	Customized according to the gold value	9.50% - 17.55%	3 to 24 months	1.50% of the Total Loan Amount plus GST charges	EMI Bullet Repayment Overdraft (OD) Facility
ICICI Bank	INR 10,000	INR 15 lakhs	10.00% - 19.76%	3 to 12 months	1% of the Total Loan Amount plus GST charges	Bullet Repayment
Axis Bank	INR 20,000	INR 20 lakhs	13.00%	6 to 36 months	1% of the Total Loan Amount plus GST charges	EMI
Kotak Mahindra Bank	INR 20,000	INR 50 lakhs for Existing Customers INR 20 lakhs for New Customers	10.50% - 17.00%	12 to 48 months	Up to 2% of the Total Loan Amount plus GST charges	EMI
YES Bank	INR 25,000	INR 50 lakhs	9.00% - 15.00%	3 to 36 months	0.75% of the Total Loan Amount plus GST charges	EMI

Source: Compiled by the researcher DV, P.(2017)

ATTITUDE:

Customer attitudes are a combination of a person's feelings, understanding, beliefs, knowledge and behavioral intentions toward any business. It's an idea, thought, sense, feeling, observation, estimation, impression, and judgment. It's based on the past experience with that business and those of their competitors.[9]

Customers often want to do business with brands they know and they trust. Gaining this level of loyalty can provide a business with repeat customers and a strong reputation. How the public feels about your business can have a significant impact on customers' decisions to purchase your products or services. In this article, we discuss what customer perception is and why it's important, factors that impact customer perception and how to influence customer perception positively for any brand.[14]

PERCEPTION:

Customer perception refers to how a customer feels and understanding a particular business and a particular product. This includes their thoughts, emotions and opinions related to that brand. Customer perception can be positive or negative. The customer perception process occurs when customers interact with that brand, products or services. [5] Customer perception is important because consumers always more likely to do business with companies they trust and desire. Developing a positive relationship with customers can generate more leads and more sales, contributing to company success and longevity.

Customer perception can also impact whether consumers are loyal to that brand or switch to other competitors. By cultivating positive emotions and experiences, company can encourage customers to come back for purchasing from their company.[8] In Addition, customers who value the brand and think positive of it may be more likely to recommend that products or services to others, leading to more leads and more sales. It's like mouth to mouth advertisement and spreading about bank and its services.

How to influence customer perception for Bank

Here are some steps for bank can take to improve customer perception:

1. Learn about what customers think about bank product and services

Bank has to learn what the public thinks of their brand, products or services. They have to conduct surveys and find out the genuine customers of their bank. Send out surveys to current customers. Purchase a mailing list that particular area. Post a link on social media accounts to an anonymous survey.[4] Banker should search in online for comments and reviews about the bank. Telecalling the people and hearing from people in their own words, it can provide with a direction for the marketing and public relations initiatives. With these insights, banker can target the decisions to the specific areas the public cares about. Bank might consider an alternate pricing or promotion strategy.

2. Product development

Once bank have an idea of how the public feels about bank, bank can create products and services that better meet customers' needs. It may consider upgrading existing products to include more features or enhance their usability. You might offer top up loans to the needy among customers'.

3. Focus much on customer service

Exceptional customer service may outrank other considerations, like price and location, as customers are deciding where to make purchases. [19] Make sure your customer service team is prepared to exceed expectations by:

- Creating comprehensive training programs for new employees
- Giving representatives freedom to come up with reasonable solutions on their own
- Employing secret shoppers to gauge the customer service experience
- Providing surveys for customers to rate their experience
- Rewarding representatives who exhibit the bank's values
- Holding regular training that incorporates role-playing scenarios

4. Improve the standard of the customer experience

Consider every stage of the customer's experience, from reading bank's website to visiting the bank branch. Each of these points can positively or negatively affect how clients and customers feel about bank operations. [22] Go through the steps that a customer does, and identify areas of improvement at each phase. For example, the customer experience can improve by:

- Making the lobby comfortable and inviting
- Offering beverages or snacks to clients who are waiting for a long time
- Decreasing wait times for clients
- Creating an app and website for clients to make appointments digitally
- Sending reminder emails or texts when it's time for a follow-up service
- Hiring a customer experience coordinator who can help to determine what steps can be taken and how to implement new elements

successfully.

5. Monitor public opinions and views

After conducting the initial research by the bank, it's important to stay aware of how the public views about the brand. Stay engaged on social media and review sites to monitor the conversations around your products and services. For larger companies, it may be helpful to hire a public relations professional or reputation consultant.

Factors influences customer perception;

Customer perception can change based on a variety of internal and external factors, such as:

Past experiences of the customer

Every interaction with the customer with every bank is an opportunity for banker to impact customer opinion of their bank. Delivering consistently positive experiences can build trust between customers and brand and lead to a loyal customer base. Past positive and negative impressions regarding bank products and services influences overall improvement of banks.

Estimation or Price of the products

Price plays a very important role in choosing any bank for customer's transactions. Many consumers prioritize price when choosing between service providers. Prices that are too high or too low may detract from the public's perception of the brand. Incorporate strategic pricing strategies based on market research, competitor practices and banks business's financial needs.

Quality of the services

Product quality can influence customers' perception of bank brand. When banks product or service exceeds expectations, customers feel like they received a good deal, leading to a positive experience that can lead them to do business with same bank again.

Usability of the products

Customers generally prefer products that are quick and easy to use and have clear directions. The ease with which buyers can interact with bank products and use them to solve a problem can influence their feelings about the brand. [13] Banks have the aim to create products that a wide range of users can operate easily and choose straightforward, widely accessible language and features.

Location of the bank

Customer value convenience and where bank is located can impact whether certain customers choose to purchase the products or services. When searching locations for bank premises, banker should try to choose one that is central to the customer target market and has easy entrance and exit points and convenient parking.

Customer service

Customer service is an important facet of how clients and customers view bank business. Effective customer service can make customers feel appreciated, heard and respected. Even when customers have an issue with a product or service, a productive experience with the customer care team that meets their expectations and solves the problem quickly can leave customers with an overall positive perception of the bank.

Marketing

In this competitive world marketing strategies plays very dominant role to attract customers. Marketing strategies deliver messages to the public about what the bank all about is, what it values and why it's better than the competitor. Bank audience is receiving these messages from a range of mediums and can use them to develop an opinion of the brand.

Reputation of the bank

The news and stories people hear about bank can impact their feelings about the business. For example, if the bank appears in a news story about a sponsor for a local charity, this can create positive feelings for viewers, even if they have never contact with those people before. External factors like advertisement, media coverage and public reputation can help supplement the other elements that drive customer perception.

After sale service

Banks responsibility didn't get over when the products are sold out and the services are rendered. They have to keep a contact and touch with the customers after their services too. If the bank has a continue touch with their customers they have a faith on bank. This is very important for the reputation and the improvement of any organization.

Recommendations

Recommendations from family members, relatives, friends and influencers can influence whether a person purchases bank products or services. This is why investing in strategies to improve customers' perception can be worthwhile, leading to a rapid increase in sales and conversions. Understanding customer attitudes can help the bank to monitor and change their intentions about doing business.

Level of Satisfaction Realised and Nature of Problems Faced by the Gold Loan Borrowers

- It was found that customers faced problem of lower valuation of the gold. Banker won't sanction loan equal to the amount of gold customer's pledge.
- Customers had a fear of ethical practices such as poor communication after loan offered.
- It was found that customers are not satisfied with the treatment of clients in case of default. Banker will treat badly if the customer fails to pay the EMI in time.
- Big amounts of loans are not available even the borrowers are the sufficient collateral asset.
- Interest rates are also high compare to scheduled banks and other financial institutions.
- Long term loans are not available. Private sector banks sanction gold loans only up to 36 months.

FINDINGS, RECOMMENDATIONS AND SUGGESTIONS:

Gold Loan is secured loan but a personal loan is an unsecured loan so banker has a security against gold loan so no worries about the repayment. If the customer fails to pay the EMI regularly, banker has the right to make necessary arrangements to cover up the dues. There is no eligibility criteria, anyone at any age with gold as collateral is eligible for avail gold loan. Non-bankable people are also will get gold loan from any banks only he is having gold as collateral security. But personal loan will be available only for those particular bank customers only. Convenient hours of operation can enjoy by the customers in any private sector banks. Private sector Banks will respond the customers if they will arrive non banking time also because they will respect their customers.

Quick Loan approvals and disbursals, with minimum documentation in case of private sector banks compare to public sector banks. After the acceptance of loan application banker take a quick decision and make proper arrangements to release the gold loan as early as possible.

To streamline their interest rates and try to fix a uniform interest rates to attract more borrowers. Maintaining uniformity in interest rates create a feel of security and trust among the public about the operation of the private sector banks. Private sector banks to increase its credit sanction values based on the market value of gold instead of an earlier fixed by Bankers Association.

It was found that the loan application procedures of private sector banks are very elaborate and banks checks various documents, ask for introducer, introducers security, take gold as collateral, sanction only 60 per cent gold value as loan amount and check the credit validation documents before approval of gold loan to the applicant. So the loan sanctioning norms of the private sector banks have to be simplified.

Gold rate keep fluctuating on daily bases so banker has to suggest increasing in the amount of loan lending and from time to time to revalue its gold rate for lending, so that borrowers can be receiving more benefits. Bankers are suggested to revalue its gold rate on every quarterly or half yearly base and not to follow a fixed slab of lending. In this case both the banker and the customers will be benefited. Banks has to maintain the better operating cost structure and minimize the processing charges and other charges. Special provision has to make for very small and very large Loan amounts.

In general, the suggestions and recommendations are provided for better availability of the Loan options and best customer services. Ultimately customer satisfaction costs heavily for the success of any organizations. The consistently increasing the value of gold, it is considered as a safe and secure investment. The rural population sees gold as the most liquid saving instrument that can be converted into cash at the shortest period of time.

Cordial Relationship with the Customer

Banker should treat the loan borrowers as a welcomed guest; either they are rich or poor, illiterate or literate, beautiful or ugly. Banker should treat customers are the god. Bank staffs are suggested to improve their soft-skills in people's relationship management, attain certain training section on customers' relationships management and customer enquires or grievances handling techniques, as in corporate sectors. [9]

The demand for gold is mainly driven by two components, consumption demand and investment demand. The consumption demand is decided by the jewelry demand

The prices were fluctuating at relatively high levels during this period. The main factor which affected the demand was the complicated situation that existed in the economy. Several countries were affected by the economic crisis. People were facing issues like unemployment and were more focused on spending their incomes on necessities.

Motivation is one of the techniques of customer's attraction. If a banker provides attractive rate of interest for gold loans borrowers are motivated to buy gold loan from these private institutions rather than other financial institutions. There are various reasons behind the motives why consumers and investors hold gold; the gold has a unique rare physical characteristic such as liquidity, scarcity and safety. Gold is entrusted with its scarcity attribute because of the limited underground level of mines stock and mining capacity. Gold is durable and fungible.

CONCLUSION:

In the global market India and China remained as the highest consumer of gold in the world. The gold prices were increasing throughout the year and people expected further rise in prices. Gold is passed down from generations to generations like genes and the genetic stones. Gold has long been a valued commodity, particularly in India where it is considered auspicious, and has been in use for centuries in the form of jeweler, coins and other assets. [12] Though gold is a highly liquid asset, it effectively to meet customers liquidity needs. The urban people is now beginning to realize that their gold ornaments and coins can be converted into gold loans, which has got arapid growth of the gold loan market in India. The concept of Gold loans is not a new phenomenon to the Indians. Lending against gold has been a practice since the very beginning of the process of lending.

India is the largest user of gold ornaments in the world with states like Kerala and Tamil Nadu topping the list on Indian states. Taking advantage of this, several Southern companies have captured the market. Banks in coastal Karnataka Syndicate Bank and Canara Bank; Kerala Federal Bank, South

Indian Bank, Catholic Syrian Bank and Dhanalakshmi Bank and in Tamil Nadu Indian Bank, Indian Overseas Bank, Karur Vysya Bank and Lakshmi Vilas Bank entered the gold-loan business during the 60s in a grand manner. Several private organizations such as Mannapuram gold and Muthoot finance group, raging in the media show the extent to which the market for gold has flourished. [9] The origin of gold loans took place in the Southern states where the landowners and moneylenders would traditionally lend money against gold at high rates but without many restrictions for special occasions. This practice continued for several years in the unorganized sector with the pawnbrokers. Their business was incompetent, but the problems arose with the increase in the market rates and interest rates of gold - 25 - to as high as 24-32%. Most of the borrowers were from relatively poor backgrounds that they lost everything since they cannot afford to pay such a high rate of interest. [2] When the finance companies collapsed in the '80s the people lost all their money. Finally the commercial banks and other Nonbanking financial institutions entered into this field. That, in the present day, control up to 28% of the market demand. The interest rates are regulated and controlled by the RBI and were further regulated after the nationalization of banks took place in 1969.

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