



Research of Gold Loan Sector in India with Reference to India Infoline Finance Limited

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ABSTRACT–

IIFL finance, through the subsidiaries, offers a wide spectrum of products such as Home loan, Gold loan, Business loan, Microfinance, Capital Market finance and Developers & construction finance to a vast customer base of about 30lakh customers. IIFL Finance has become widened its pan-India reach through extensive network of branches spread across the all the country and various digital channels.

India's fastest growing business it became a Gold Loan. The entry of organized sector in recent year, especially the entry of new players like NBFCs into the field of gold loan, has made the business more profitable and it attracted widespread attention in the media. Even though the study was conducted in collecting information regarding the nature, character and composition of gold loan business in India. For borrowers, gold loan have emerged as one of the best means of raising quick, short-term capital. For lenders, gold loans are more advantageous compared with home and car loans because of the shorter tenures, lower processing time and cost, and greater returns due to higher interest rates. These factors, along with appreciations in value of gold, have led to an explosion in the gold loan market. With everyone wanting a piece of this action, the organized sector is challenging the large unorganized gold loan market dominated by pawnbrokers and moneylenders, with NBFCs leading the pack due to simpler approval and disbursal processes, flexible product and better accessibility.

Key Words: NBFCs, GOLD LOAN,

I. INTRODUCATION

India Infoline originally incorporated on October 18, 1995 as “probity Research And services Private Limited” at Mumbai under the companies act, 1956 with registration number-1193797. And become a public limited company on April 28, 2000.

Gold loan have become a basis for creation of new financial products such as loans for purchases of gold wherein gold is purchased on the date of loan and held as a pledge until the equated monthly instalment are paid. The origin of gold loans took place in the southern states where the landowners and moneylenders would traditionally lend money against gold at exorbitant rates but without many restrictions for special occasion.

The meaning of a gold loan is quite simple. It is a kind of secured loan that uses gold as security. This means that you have to pledge your gold to the lender, and they will give you money based on the value of your gold. They differ from unsecured loans, where you don't have to provide any security but may have to pay higher interest rates of face stricter eligibility criteria. A gold loan is a convenient financial option for people who own gold and need money quickly.

Gold loan or loan against gold is the easiest and quickest way for servicing your financial needs. To avail a gold loan, all you need to do is pledge your gold ornaments with us and we would provide you with a loan amount as per the market value of your gold. Unlike other loans, gold loan does not require you to provide any income or salary proof. Moreover, it has comparatively lower interest rates; requires lesser documentation, and hence is processed in lesser time.

The gold loan market in India has recently experienced remarkable growth, driven by the country's cultural affinity towards gold and the need for accessibility credit. With a historical significance deeply ingrained in traditions, gold has become a symbol of wealth and financial security. Additionally, the emergence of non-banking financial companies (NBFCs) specializing in gold-backed-loans, easy access, quick disbursement, and competitive interest rates has catapulted the market's popularity.

As the Indian economy progresses and financial inclusion efforts expand, the gold loan market is poised to play a important role in meeting credit demands and empowering individuals and businesses alike.

BENEFITS OF TAKING GOLD LOAN

1. It becomes a low – interest rates because gold are secured and they are provided lower interest rate.
2. It have a fast processing times are the most significant gold loan advantages.
3. It is a simple and easiest KYC based process requiring for small personal information.
4. They have non-banking financial companies and typically do not charge processing fees on gold loans because it collateral is involved.
5. Choosing a suitable repayment option based on your repayment capacity is one of the many reason people opt for gold loans.
6. It is the lender’s responsibility to maintain the physical gold safely.
7. It become important gold loan advantage is that the lenders don’t require documentation.

Factors Driving the Growth of the Gold Loan Market

➤ Easy Access to Credit

Gold loans offers a convenient and accessible means of obtaining credit without requiring extensive documentation or a strong credit score. This accessibility has made the gold loan market popular among rural and semi-urban populations.

➤ Quick Disbursement

Unlike traditional loans, gold loans involve minimal processing time. This feature proves helpful in emergencies, prompting individuals to opt for gold loans instead of going through lengthy loan approval processes in banks.

➤ Lower Interest Rates

Gold loans typically have lower interest rates than unsecured personal or credit card debt. And this affordability has made them an attractive option for those seeking credit with manageable interest obligations.

➤ Short Tenure

According to this overview of gold loan market, another important reason behind the increasing demand for gold loans is their shorter tenures, typically ranging from a few months to a year. Borrowers appreciate this short repayment period, as they can repay the loan quickly without the long-term debt burden.

➤ Gold Price Volatility

The volatility of gold prices also plays a role in the growth of the gold loan market. During economic uncertainty, individuals seek liquidity by leveraging their gold assets. During the period of high gold prices, the value of the gold collateral increases substantially, allowing borrowers to access higher loan amounts.

➤ Market Players and Competition

The gold loan market in India is highly competitive, with numerous NBFCs, banks, and even digital lending platforms vying for a share of the growing market. And this competition has led to innovative loan products, attractive interest rates, and customer-friendly services.

➤ Regulatory Framework

The Reserve Bank of India governs the gold loan market to ensure its stability and safeguard the interests of borrowers and lenders. The RBI periodically issues guidelines and regulations to govern loan-to-value ratios, interest rates, and other aspects of gold loans.

➤ Uses of Gold Loans

Unlike a fixed mortgage product, one is free to use the gold loan amount for all various purposes, including emergency funds, like medical emergencies, unexpected expenses, or urgent repairs; as working capital for small business; for debt consolidation; education expenses; and many more. In this way, gold loans offer immense flexibility and quick access to funds, making them a versatile financial tool for businesses and individuals.

II. LITERATURE REVIEW-

A literature review is a summary of previous knowledge generated on the topic of study. It is believed by researchers that research cannot be conducted in a vacuum, benefit of the previous knowledge available, but that is requires a foundation of existing knowledge to plan and conduct a good research. This knowledge base can only be acquired through literature review from several sources, such as books journals, research reports, unpublished theses, newspapers, magazines and other current popular electronic information sources. Review of literature helps the researches to understand what is already known about a topic and what needs to be further investigated. Literature review plays an important role in the development of research project and,

moreover, researchers develop greater insight into research problem and gain information on what has been already investigated regarding a particular topic under study.

A literature is an objective, through summary and critical analysis of the relevant available research and non - research literature on the topic being studied.

The following are the review of literature supporting this study:

According to SatyajitsinhGohil, Neel Shah, Subhanmkumar, surat, a descriptive was conducted on customer perception towards unofficial gold loan in surat rural region, they found a total of 161 people. They concluded public opinions of a gold loan that is a better a personal loan . Most people borrow money from bank there are NBFC's people prefer a simple installment as a way to repay a gold loan people believe that getting a gold loan is a simple process that a little time.

According to Bhupendrajivbhaichavda, Dr. Bhikhalal V. Moradiya, (2018), a aim of the study reaserch paper on financial reviews of gold loan companies in india. They conclude For borrowers, gold loan have emerged as a one of the best means of rising quick, short term capital. For lenders, gold loan are more advantageous compared to home and other loans. This is because of gold loan shorter tenures, lower processing time and cost, and greater return due to higher interest rates.

According to, ms. deptishastri gupta, (2023) aim of the study factors affecting gold loan providing banks and NBFC's with special reference to indoor madhya Pradesh, india. They found sample of 774 responded was used in this study along with Likert's Scaling and applied principle component analysis to determine the factors affecting gold loan sourcing and repaying of gold loan.

III. OBJECTIVE OF STUDY-

- To analysis of information about customer satisfaction
- To know the stability and potentially of customer towards bank.
- To know the customer attraction towards services.
- To find out current trends of IIFL providing gold loan.
- To find out the competitors operating in the gold loan market

IV. SCOPE OF THE STUDY-

- The subject study will enable better understanding of the gold loan market.
- The study will also put light on the different strategies of promotion and lending methods of different market players in the study.

V. PURPOSE OF THE STUDY

- It aims to understanding the companies' organization structure, departments, marketing strategies and the benefits it is having over the competitors.
- It aims to understand the skill of the company in different area.

VI. CONCLUSION-

- It helped me to find out the different factors responsible for the success of the India Infoline Finance Limited
- The major finding that study is India Infoline Finance Limited is still the best gold financing company in India.
- This experience has helped me gain knowledge about the business of gold loan financing in India.

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