



## A study on perception towards Gold loans given by Private Sector Banks

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### ABSTRACT :

In India there are so many private sector banks. Like HDFC Bank, ICICI Bank, Yes Bank, Axis Bank, and many others. Private sector banks offer a variety of products and services including savings and current accounts, credit cards, insurance and investment options, and loans like personal loans, home loans, education loan, and gold loans. The gold loan is quickly becoming one of the most significant types of loans in the competition of different loans.

This research study is related to the perception towards gold loan given by the private sector. This study is focused on the preferences of the borrowers in availing the gold loan by private sector banks. The data collected using an appropriate questionnaire were analyzed and interpreted.

Keywords: Banking sector, Private sector banks, Gold loan

### Introduction:

Banks today provide their customers with a variety of loans so they can finance their aspirations. The gold loan quickly became one of the most significant types of loans in the competition of different loans such as car loans, housing loan, education loans, etc. Private sector institutions are increasingly offering gold loans as a valuable financial service. These loans allow individuals to use their gold as collateral to secure funds. It's a convenient option with quick processing, flexible repayment terms, and competitive interest rates. It's worth considering if you need immediate financing without parting with your precious gold assets.

Private sector institutions have realised the potential of gold loans are now providing them as a reliable financial option. With gold loan, you can use your gold as collateral and borrow money based on its value. It's convenient way to access funds, specially during emergencies, and the interest rates are usually lower compared to other types of loans. It's definitely worth exploring if you are in a need of some quick cash.

### Concept- ( Gold Loan )

#### *Meaning of Gold Loan*

A gold loan is a type of loan where you can use your gold jewellery or ornaments as collateral to get funds from lender. It's a secured loan, meaning that if you fail to repay the loan, the lender can sell the gold to recover the amount. These loans are popular because they are quick, easy to obtain, and generally have lower interest rates compared to other types of loans. It is a great way to leverage the value of your gold assets to meet your financial needs.

A gold loan is a way to get money by using your gold as security. You give your gold as security. You give your gold to a lender as collateral, and in return they give you a loan amount based on the value of the gold. Once you repay the loan, you get your gold back. It's popular option because it's quick, easy, and the interest rates are usually lower compared to other loans. It's like unlocking the value of your gold to meet your financial needs.

#### *Benefits of gold loan*

- **Quick and Easy:** Gold loans are typically processed quickly, allowing you to access funds in a short period of time. The application process is simple and hassle free.
- **Lower Interest Rates:** Gold loans often come with lower interest rates compared to other types of loan. This makes them affordable and cost effective.

- **No Credit Check:** Since gold loans are secured by collateral lenders may not require a thorough credit check. This makes it easier for individuals with limited credit history or poor credit scores to obtain a loan.
- **Flexible Repayment Option:** Gold loans usually offer flexible repayment terms, allowing you to choose a repayment plan that suits your financial situation.
- **Asset protection:** Rather than selling your gold, you can use it as collateral for a loan. This way, you can access funds while still retaining ownership of your precious asset.

#### **Top Private Banks that provides the Gold Loan are**

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

HDFC Bank offers a gold loan amount up to Rs 20 lakh by submitting their gold or coins as collateral security. HDFC gold loan available at a attractive rate of interest range from 8.50% to 17.46% per annum, which is quite affordable

The second largest gold loan provider in private sector is the ICICI Bank. Available at an affordable rate of interest ranging from 10% to 18% per annum, people can get a minimum loan of Rs 50,000. Other than this, ICICI Bank also provides a flexible repayment option and providing services such as Online, Offline, and Missed Call Method.

Axis Bank 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.

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.

Kotak Mahindra Bank has certainly been one of the finest private sector banks that provide an amazing gold loan facility to the customers. The interest rates range from 9% to 24% per annum which may vary according to customer's loan amount.

#### **1.1. Tables**

**Table 2.1.1 - Private sector banks that provides gold loan.**

Name of the bank	Minimum Loan Amount	Maximum Loan Amount	Interest Rate	Tenure	Repayment Method	Processing fee
HDFC Bank	INR 25000 ( INR 10000 in rural area )	According to the gold value	8.50 % - 17.46 %	3 to 24 Months	Partial Payment Bullet Repayment EMI	1 % of the loan amount
ICICI Bank	INR 50000	1 crore	10 % - 18 %	6 to 12 Months	EMI	1.0 % of the loan amount
Axis Bank	5	INR 40,00,000	17%	6 to 36 Months	EMI	0.50% of the loan amount

Yes Bank	INR 25000	INR 50,00,000	9.65 % to 15.65 %	3 to 36 Months	Bullet payment Overdraft	1.50% of the loan amount
Kotak Mahindra Banks	INR 20,000	INR 1,50,00,000	9% to 24%	1 Year to 4 year	Bullet payment EMI	2% of loan amount + applicable GST

## Literature Review :

- **Mehta and Tandon (2019)** In a research paper titled "Approved Percentage and Gold Loan: An Analytical Study," the authors examined various financial factors that influence the gold loans offered by different private banks. These factors include interest rates, penalties, loan tenure, and maximum loan amounts. The study specifically looked at whether the approved percentage of a gold loan plays a significant role and gathered opinions from both bankers and customers regarding its importance.
- **Gupta (2019)** The study's findings reveal that respondents generally prefer obtaining gold loans from banks and NBFCs, with most of them using the funds for smoothing out their consumption patterns. However, it is crucial to note that the paper emphasises the importance of responsible borrowing, cautioning individuals to opt for gold loans only if they are confident in their ability to repay the borrowed amount. Otherwise, it may not be a suitable financial option.
- **Dr.Gupta (2019)** studied on "A study on consumer attitude and perception towards gold loan with reference to beawar city." This paper presented the various factors which are considered by borrowers while availing the gold loan. The gold loans have appeared as mostly use as quick & short-term capital. Gold loans were preferred more than traditional personal loans due to less procedures, fast disbursement and easy EMI. The study shows that the respondents preferred gold loans from the banks, NBFCs and most of the respondents use the fund for their consumption smoothing
- **Churiwal and Shreni (2017)** They discuss the increasing demand for gold loans and how it has evolved over time. They touch on several key points, including the shift from traditional pawnbrokers to non-banking financial companies (NBFCs), and the growing significance of gold loans for both borrowers and lenders.
- **Varma (2013)** investigated on "Gold loan: A study on consumer perception towards gold loan by private sector banks." For the present study gold loan companies operating are selected, some of the gold loan companies operating in India. Data used in this paper was primary and secondary. Gold has been a value commodity particularly in India. Possession gold has been a symbol of prosperity.
- **Dr.Shaikh & Prof.Deshpande (2012)** presented on "Customer's perception towards gold loanby private sector." The paper identified the various factors which are considered by borrowers while availing the gold loan and the various reasons for opting private sector banks for availing gold loan. Also studied on various demographic factors like gender, age, income level, educational background of the borrowers which have an impact in opting private sector banks for availing gold loan.
- **Jamal and Naser<sup>23</sup> (2002)** identified the link between both core and relational dimensions of service quality and customer satisfaction.They found a connection between two important aspects of service quality and customer satisfaction. When it comes to customer satisfaction, it's not just about what customers think of the service's reliability. It also depends on their overall experiences with how the service is delivered.
- **Joshi<sup>25</sup> (2006)** identified that for banks to thrive in the competitive retail banking industry, providing excellent customer service using modern technology is crucial. Instead of just focusing on technical or educational qualifications, banks are now prioritising the development of interpersonal skills among their employees. The primary goal for banks is to keep their existing customers loyal while also attracting new ones.

## 2. Research Methodology:

### 4.1 Objective of the study:

The objectives of the private sector's perception toward gold loans can vary depending on their individual business goals and Strategies. The study attempts to achieve the following objectives:

1. To study the consumer perception towards gold loans.
2. To explore the reasons for choosing gold loans instead of conventional loans.
3. To study the lending practice of NBFC (gold loan company).

### 4.2 Research Design :

1. Objective Setting: Establish specific objectives for the research, such as raising Gold loans by the Private Sector.

2. Target Audience: Identifying the target audience for gold loans in the private sector involves understanding the characteristics and needs of individuals or groups who are most likely to be interested in or benefit from these financial products.
3. Data Collection Methods: Select between quantitative (surveys, data analysis) and qualitative (focus groups, interviews) methods.
4. Hypothesis Formation: Create suppositions to evaluate the efficacy of various marketing tactics.
5. Experimental Design: Choose between doing observational research or controlled experiments.

The study adopted a multi-stage sampling technique

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### Data collection:

- Primary data : Pre coded questionnaire was designed in such a way as to meet the requirement of the study's personal interviews and personal the discussion was also be adhered.
- Secondary data: RBI's bulletins, publication of Indian banks, association of gold loan, Indian Institute of Bankers, Indian banking association, NBFC's journal, various published and unpublished literature and websites.

### Sampling Design

A Sample design is a definite plan for obtaining a sample from a given population. The present study refers to the sample size being limited to 50 due to the cost and time limitations. The area of the study is Vadodara city and the methods of data collection are primary as well as secondary method.

### Data collection Instrument:

1. Quantitative Data Collection Instrument
2. Qualitative Data Collection Instrument

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### Data Analysis :

A well-structured questionnaire was circulated among the respondents and the responses are:

### Demographic Profile

**Table 5.1.1 - Age**

Age Group	respondent	Percentage (%)
18-24	87	58
25-34	39	26
35-44	21	14
45 and above	3	2

Interpretation: The above table shows the age of the respondents, 58% were from the age group of 18 to 24 years old, 26% were from the age group of to 34 years old, 14% were from the age group of 35 to 44 years old, and 02% were from above 45 years.

**Table 5.1.2 - Gender**

Gender	Percentage (%)
Male	56
Female	44

Interpretation; The above table shows that the interpretation would be that out of the total population or sample, 56% are male and 44% are female.

**Table 5.1.3 - Educational Background**

Educational Background	Percentage (%)
High School	12
Bachelor's Degree	26
Master's Degree	54

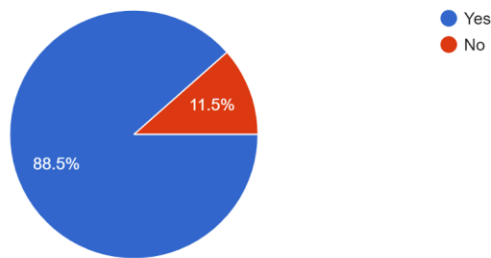
Doctorate	2
Other (please specify)	6

Interpretation; The above table shows that 12% have High School, 26% people have a Bachelor's Degree, 54% have a Master's Degree, 2% of them have doctorate and 6% have another degree.

1.1 Nominal Questions

1. Awareness and of gold loan

Are you aware of gold loan services provided by private sector organizations?  
113 responses



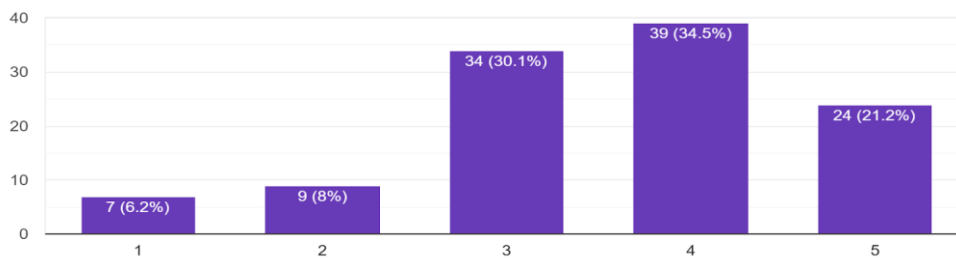
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GRAPH 5.2.1

**Interpretation:** The above table shows that 66% are aware of gold loan services offered by private sector organizations, while the remaining 34% are not aware of these services.

2. Level of trust

How would you rate your trust in private sector organizations offering gold loans?  
113 responses



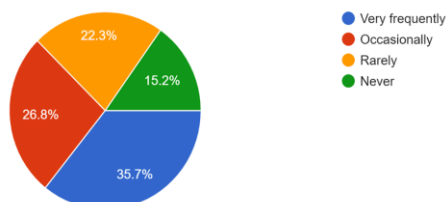
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GRAPH 5.2.2

**Interpretation:** The above table shows that 8% have Interest rates, 24% of people have a Loan-to-value ratio, 32% of them have a Reputation of the organization, 12% of them have an Ease of application process and 6% have Customer service. 4% have Other.

3. Usage Patterns

How frequently have you or would you consider taking a gold loan from a private sector organization?  
112 responses



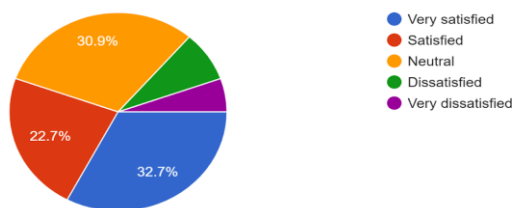
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GRAPH 5.2.3

**Interpretation:** The above table shows that 62% would consider or have considered taking a gold loan from a private sector organization very frequently. 28% would consider or have considered it occasionally. 9% would consider or have considered it rarely. Only 1% would never consider taking a gold loan from a private sector organization

#### 4. Satisfaction Level

how satisfied are you with your experience (if any) of taking a gold loan from a private sector organization?  
110 responses



(output by google form)

GRAPH 5.2.4

**Interpretation:** The above table shows that individuals rated their experience of taking a gold loan as highly dissatisfied 7% rated, 13% st as moderately dissatisfied. 20% rated it as neutral. A significant portion, 27%, rated their experience as satisfied (Rating 4). 33% rated their experience as highly satisfied.

### 3. Findings :

- 88.5% people are aware about the gold loan by private sector
- Among the total respondents there are 59.6% users are using gold loan by private sector banks.
- There are 39.4% people who gave 40% good rating to gold loan service provided by private sector banks
- 32.7% people are very satisfied with gold loan services and very few people who is not satisfied with the gold loan services
- 43.2% of people are likely to use gold loan services for emergency purpose.

### 4. Conclusion :

In the global market India 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. 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 a rapid growth of the gold loan market in India.

gold loans offered by private sector banks have both advantages and disadvantages. On the positive side, they often have competitive interest rates and flexible repayment terms. The loan-to-value ratio, which determines how much loan you can get against your gold, can vary from bank to bank. However, there are also some limitations and risks to consider. For example, if you're unable to repay the loan, the bank can auction off your gold. But the gold loan is the best way to meet your financial need. And private sector banks provides the best services and lower interest rates in the comparison of the other banks. There are so many people who are satisfied with the services provided by the private sector banks therefor to meet your financial need taking a gold loan by private sector is the best option.

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