



Comparative Analysis Of Consumer Behavior Towards Gold Loan And Personal Loan In Vapi Region

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Abstract

This research report presents a comparative analysis of consumer behavior towards gold loans and personal loans in the Vapi region. The study investigates the factors influencing consumers' choices between these two loan types, examining demographic and socioeconomic influences on borrowing preferences and behavior. Primary data was collected and analyzed using descriptive statistics, Kruskal-Wallis's test, and Jonckheere-Terpstra test to understand consumer preferences and attitudes towards gold and personal loans. The findings highlight the prevalence of personal loans, the influence of financial stability and urgency on loan choices, and the variations in loan preferences across different demographic groups.

Keywords: Consumer Behavior, Gold Loan, Personal Loan, Comparative Analysis, Vapi Region, Loan Preferences, Demographic Factors, Socioeconomic Factors.

Introduction

In the dynamic realm of financial services, individuals are frequently confronted with a multitude of options designed to meet their diverse financial requirements. Among these options, loans occupy a pivotal position, serving as crucial instruments for funding various life events, from planned expenditures to unexpected exigencies. This research delves into a comparative analysis of consumer behavior towards two prominent loan categories: gold loans and personal loans, specifically within the geographical context of the Vapi region. Understanding the nuances of consumer preferences and decision-making processes within this specific locale is of paramount importance for financial institutions, policymakers, and individuals alike. Vapi, an industrial hub situated in the western Indian state of Gujarat, presents a unique economic and demographic landscape. Its vibrant industrial sector contributes significantly to the region's economic prosperity, attracting a diverse workforce and fostering a dynamic financial ecosystem. Within this context, the demand for credit facilities is substantial, driven by factors such as business expansion, personal consumption, and the pursuit of improved living standards. Gold loans and personal loans emerge as two of the most prevalent loan products catering to this demand, each possessing distinct characteristics and appealing to different segments of the population. A comparative analysis of consumer behavior towards gold loans and personal loans in the Vapi region necessitates a meticulous examination of the factors that influence individuals' choices between these two financial products. These factors are multifaceted, encompassing economic considerations, individual circumstances, and the specific attributes of each loan type. One of the most significant factors influencing loan choice is financial stability. An individual's financial health, characterized by factors such as income regularity, employment security, and existing debt obligations, plays a crucial role in shaping their borrowing decisions. Individuals with steady jobs and a stable income stream may feel more confident in opting for loan products that require regular repayments, while those with fluctuating incomes may prefer options that offer greater flexibility or are less demanding in terms of fixed payment schedules. Financial stability also impacts an individual's creditworthiness, which in turn affects their eligibility for different types of loans and the terms and conditions associated with them.

Gold loans, traditionally deeply ingrained in Indian culture, derive their value and security from the gold pledged by the borrower as collateral. This inherent security often translates to faster processing times, as lenders have a tangible asset to secure the loan. The relative ease and speed with which gold loans can be obtained make them particularly attractive to individuals facing urgent financial needs. Moreover, the perceived lower risk associated with secured lending often results in more competitive interest rates compared to unsecured loans, further enhancing the appeal of gold loans for those requiring quick access to funds. Conversely, personal loans are unsecured financial products, meaning they do not necessitate the borrower to provide any collateral. While this feature may appeal to individuals who do not possess or wish to pledge assets, it typically entails a more rigorous assessment of the borrower's creditworthiness. Lenders rely heavily on the borrower's credit history, income stability, and repayment capacity to mitigate the risk associated with unsecured lending. Consequently, personal loans are often favored by individuals who possess a stable income, a strong credit score, and the ability to meet the associated repayment obligations. The absence of collateral in personal loans provides borrowers with greater flexibility in how they utilize the funds. Unlike some secured loans that may be earmarked for specific purposes, personal loans can be used for a wide array of needs, offering borrowers the freedom to allocate the funds according to their individual priorities. This flexibility makes personal loans a suitable option for individuals seeking financial assistance for diverse purposes, such as debt consolidation, travel, or personal expenses. This research aims to explore these dynamics in detail, providing a comprehensive comparative analysis of consumer behavior towards gold loans and personal loans in the

Vapi region. By examining the factors that drive consumer choices, the study seeks to contribute to a deeper understanding of the loan market in this specific geographical context. The findings of this research will be of value to financial institutions in tailoring their products and services to better meet the needs of the Vapi populace, to policymakers in formulating effective financial regulations and initiatives, and to individuals in making informed decisions about their borrowing options.

Literature Review

The literature review provides a comprehensive overview of existing research on consumer behavior within the personal and gold loan markets. Studies on personal loans highlight their increasing popularity, particularly among middle- to low-income groups, and emphasize the importance of service quality, with foreign banks often outperforming local institutions (Mohammad Shamsuddoha, 2009). Research has identified key determinants influencing personal loan borrowing, such as media awareness and religious/ethical beliefs (Shafinar Ismail et al., 2013, 2018), and has explored the utilization of personal loans by SMEs, considering factors like borrower characteristics and collateral (Anahi Briozzo & Hernan Vigier, 2014). Additionally, studies have investigated personal loan default and performance, identifying customer-related factors as significant predictors (Loku Pathirana Himali, 2020), and have examined customer perceptions and the role of banking services in shaping borrowing behavior (Kapil Kumar Tiwari & Dr. Rashmi Somani, 2021). Comparative analyses have also explored the impact of variables like age and income on personal loan decisions, often linked to personal consumption (Haoyi Wang & Zhangyang Xie, 2023).

The review further delves into the gold loan market, noting its substantial growth potential in India and its importance as a credit source for low-income households (Misha Sharma, 2013). Research has explored borrower awareness, satisfaction levels, and the influence of demographic factors on gold loan choices (S. Shankari & Dr. E. Muthukumar, 2016), while also emphasizing the role of gold as a readily accepted collateral and the increasing shift towards formal lending institutions (Gisa George & Johny Johnson, 2018). Studies have examined borrower demographics, satisfaction with jewel loans, and the need for improved customer service (K. Rani & S. Teena, 2018), as well as consumer attitudes and perceptions towards gold loans, highlighting factors like institutional reputation, interest rates, and procedural ease (Dr. Mahima Gupta, 2019). Comparative surveys have analyzed gold loan offerings from different financial institutions, focusing on borrower preferences and satisfaction (P. Vanitha Malarvizhi & A. Angel, 2019), and research has investigated consumer attitudes and awareness towards gold loans in specific regions (Vineeta Arora, 2020). Factors impacting gold loan acquisition, socioeconomic status, and satisfaction levels among borrowers have also been studied (Pooja Kayasth & Pr. Vivek Ayre, 2021; Aldrin Joseph & Dr. K. Jothi, 2021; Apurva Shrivastava et al., 2021), along with the purposes for availing gold loans and customer satisfaction in different banking sectors (Dr. P. Duraisamy, 2021). Furthermore, research has analyzed customer satisfaction within specific NBFCs (Thadeus Dani, S., T., 2021), examined the conversion of gold assets into currency and borrower perceptions (Mrs. Vidyadhari Shetty & Dr. Sujatha K. S., 2022), and explored perceptions towards gold loans offered by private sector banks (Vijay Prakash Singh & Vidhisha Chauhan, 2024). Comparative analyses of gold loan products across various financial institutions and studies on credit industry dynamics within specific contexts have also been conducted (Dr. Rengarajan V & Ms. Varshini M, 2024; Dr. B. Merceline Anitha & R. Sathana, 2024).

In addition to these focused reviews, research has also undertaken comparative studies on gold and personal loans, aiming to understand the factors influencing consumer behavior and decision-making through variables such as perception and preference, and by analyzing demographic and environmental factors (Dr. Tejashree P Patankar, 2018). Finally, the literature review acknowledges research on the problems faced by customers when borrowing loans, including issues such as delays in arranging security requirements and loan sanctioning (S. Nachammai & N. Manju, 2019).

Research Methodology

The research methodology section outlines the problem statement, objectives of the study, research design, data collection method, sampling methods, tools and techniques used, limitations, scope, and research plan. The problem statement is a comparative analysis of consumer behavior towards gold loans and personal loans in the Vapi region. The objectives include understanding the primary factors influencing consumers' choices, evaluating risks and attitudes towards these loans, and examining the impact of demographic and socioeconomic factors on borrowing preferences. The research design is descriptive, focusing on the characteristics of specific groups. Primary and secondary data are used, with a focus on primary data collected directly from firsthand sources. Non-probability sampling methods are employed, with a sample size of 150 individuals from the Vapi region. Tools such as descriptive statistics, Jonckheere-Terpstra Test, and Kruskal-Wallis Test are used for analysis. The limitations include the specificity of results to the Vapi region, challenges in data collection due to privacy issues and lack of cooperation, and ensuring sample accuracy. The scope of the study involves examining demographic factors influencing consumer choices and understanding consumer satisfaction and challenges. The research plan includes comparing consumer behavior, reviewing existing research, using mixed methods, collecting data through surveys, defining the target population and sample size, and using statistical and thematic analysis for data interpretation.

Data Interpretation

The data interpretation section of this research provides a detailed analysis of consumer behavior towards gold loans and personal loans in the Vapi region. This analysis combines descriptive statistics, which offer a foundational understanding of the data, with inferential statistics, specifically the Kruskal-Wallis test and the Jonckheere-Terpstra test, to explore relationships and trends within the data.

1. Descriptive Statistics: Profiling Loan Consumers

Descriptive statistics are used to provide a clear overview of the demographic characteristics of the respondents and their loan preferences.

- Demographic Profile:

- Age Distribution: The largest segment of respondents belongs to the 25-35 age group, representing 46% of the sample. This indicates that young adults are the primary consumers of loans in the Vapi region.
- Monthly Income Distribution: A significant portion of respondents reports a monthly income between ₹26,000 and ₹30,000 (28.7%), suggesting that middle-income individuals are actively participating in the loan market.

Here is a summarized table for Age and Monthly income distribution:

Age Group	Percentage
25-35	46%
Income Range (₹)	Percentage
26,000-30,000	28.7%

- **Loan Characteristics:**
 - Primary Source of Loans: Public banks are the dominant source of loans, with 82% of respondents obtaining their loans from these institutions. This highlights the crucial role of public sector banks in providing credit in the region.
 - Type of Loan: Personal loans are the most common type of loan availed, accounting for 59.3% of the loans. This preference may be due to the perceived flexibility and accessibility of personal loans.
 - Purpose of Loan: The primary purpose for seeking loans is personal reasons (58.7%), indicating that consumers mainly use loans to fulfill individual needs and expenses.
 - Loan Amount: Most respondents have loan amounts ranging from ₹1,50,000 to ₹2,00,000 (40.7%).
 - Interest Rate: The prevailing interest rates are commonly between 7% and 8% per annum (36%).
 - Loan Duration: Loan duration is typically measured in years (74%), indicating a preference for medium-term repayment schedules.

Here is the table summarizing Loan Characteristics:

Loan Source	Percentage
Public Banks	82%
Loan Type	Percentage
Personal Loan	59.3%
Loan Purpose	Percentage
Personal	58.7%
Loan Amount (₹)	Percentage
1,50,000-2,00,000	40.7%
Interest Rate (%)	Percentage
7-8	36%

Loan Duration	Percentage
Years	74%

2. Exploring Relationships: Use of Statistical Methods

Inferential statistics are used to explore potential relationships within the data, specifically the influence of age on loan feature perceptions. The Kruskal-Wallis test and the Jonckheere-Terpstra test are employed for this purpose.

- **Kruskal-Wallis Test:**
 - This non-parametric test is used to determine if there are statistically significant differences in the perception of loan features (e.g., interest rates, loan value, ease of procedure) across different age groups.
 - The Kruskal-Wallis test is appropriate for analyzing ordinal data or non-normally distributed data, which is often the case with attitudinal survey responses.
 - By applying this test, the researchers can identify if age plays a significant role in how individuals evaluate various aspects of gold and personal loans.
- **Jonckheere-Terpstra Test:**
 - This test is used to detect the presence of any ordered trends or patterns in loan feature perceptions among the different age groups.
 - It is particularly useful for identifying monotonic relationships, where the perception of a loan feature consistently increases or decreases across the ordered age groups.
 - Using the Jonckheere-Terpstra test allows researchers to understand if there is a systematic progression in how loan features are perceived as individuals move through different age brackets.

3. Opinions on Loan Features:

The research also includes an analysis of respondents' opinions on various loan features for both personal loans and gold loans. These opinions are categorized into "Strongly Disagree," "Disagree," "Neutral," "Agree," and "Strongly Agree."

- **Personal Loan Features:**
 - Respondents generally agree or strongly agree that personal loans offer an easy procedure, quick sanction, transparent terms, and security of personal information.
 - However, there are mixed opinions on whether personal loans have reasonable/low-interest rates and minimal documentation requirements.
- **Gold Loan Features:**
 - Similar to personal loans, respondents generally agree or strongly agree that gold loans offer an easy procedure, quick sanction, and security of gold.
 - There are also mixed opinions on whether gold loans have reasonable/low-interest rates and minimal documentation requirements.

4. Loan Preferences and Behaviors:

The research also explores respondents' preferences and behaviors related to loans.

- **Urgent Need for Funds:**
 - Respondents were asked whether they would consider a gold loan or a personal loan if they had an urgent need for funds.
 - The responses indicate varying preferences, with some respondents favoring gold loans, others favoring personal loans, and some willing to explore both options.
- **Preferred Loan Repayment Period:**
 - Respondents were asked about their preferred loan repayment period.
 - The most common preference is for a repayment period of 1-3 years.
- **Preference for Secured vs. Unsecured Loans:**
 - Respondents were asked whether they would prefer a secured loan (e.g., gold loan) or an unsecured loan (e.g., personal loan).
 - Many respondents indicated a preference for secured loans, while others stated that it depends on the situation.

Conclusion

The research concludes that the profile of loan respondents is diverse, with varying demographics, income levels, loan sources, and loan type preferences. The majority of respondents are young adults (25-35 years) with moderate incomes (₹26,000 to ₹30,000). Public banks are the primary source of loans, with personal loans being the most common type, primarily for personal reasons. Loan amounts are mostly between ₹1,50,000 and ₹2,00,000, with interest rates commonly between 7% and 8% per annum. Loan duration is typically measured in years, and monthly installments are mostly between ₹10,000 and ₹20,000. Gold loans are primarily sourced from public banks, as are personal loans. Respondents generally find the loan process easy and quick, with transparent terms and secure personal information. Concerns include minimal documentation, restrictions on loan purposes, and the perception that interest rates are not low. A repayment period of 1 to 3 years is preferred, with a notable inclination towards secured loans like gold loans. The research highlights the importance of public banks in loan provision and the need for transparent and efficient loan processes. It suggests that financial institutions focus on making loan processes more transparent and accessible, offering loans with reduced documentation and clearer interest rate structures, and exploring targeted loan offerings for specific demographics. In summary, this research highlights the dynamics of the loan market in Vapi, providing valuable insights for financial institutions, policymakers, and consumers. By understanding consumer behavior and preferences, stakeholders can work towards developing more effective and customer-centric loan products and services, fostering financial inclusion and supporting economic development in the region.

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