

Approved percentage and gold loan: An analytical study

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Abstract

There are so many financial factors that affect the gold loan being provided by different private banks. Interest rate, penalty, tenure and upper limit of loan are among these factors. Is approved percentage of gold loan significant, what is the opinion of bankers and customers about it; were judged in this research. The study was conducted in ten cities of Rajasthan and opinion of 150 bank employees and 500 gold loan customers was collected for the analytical research.

Key words: gold loan, private banks, financial factors and approved percentage.

Introduction

Banks claim to provide maximum percentage of loan against the gold. Does every client expect to get more advances against the gold placed to the bank? To measure the importance of this phenomenon and to understand the significance of approved percentage of loan this study was conducted.

As usage of gold in India is very high, India is one of largest gold importing nation; there is vast scope of gold loan. NBFCs namely Manappuram Finance Ltd. and Muthoot Finance Ltd. are doing very well the field of gold loan. ¹

Gold loans are very useful not just for banks but for the economy as a whole. It is one of the best means of raising quick and short-term capital. Its processing time and cost are also less. ²

Gold is a costly essential commodity in India, people tend to buy gold regardless of price. People accumulate gold for the mental satisfaction and for unforeseen financial crisis. Private lenders approve gold loan in just two hours. Their services are very prompt. Banks are still trying to create awareness among borrowers. ³

Hypothesis

1. There is no significant relationship between approved percentage of loan and volume of gold loan.
2. High percentage of loan is approved against gold.

Research Sample

150 bank employees and 500 customers were randomly selected from the HDFC, ICICI, Axis, Kotak Mahindra and Yes bank.

Table 2
Sample of Bank Employees

Bank	Jaipur	Jodhpur	Udaipur	Kota	Ajmer	Bhilwara	Rajsamand	Chittorgarh	Banswara	Pali	Total
HDFC Bank	3	3	3	3	3	3	3	3	3	3	30
Yes Bank	3	3	3	3	3	3	3	3	3	3	30
ICICI Bank	3	3	3	3	3	3	3	3	3	3	30
Kotak Mahindra Bank	3	3	3	3	3	3	3	3	3	3	30
Axis Bank	3	3	3	3	3	3	3	3	3	3	30
Total	15	15	15	15	15	15	15	15	15	15	150

Table 2
Sample of Bank Customers

Bank	Jaipur	Jodhpur	Udaipur	Kota	Ajmer	Bhilwara	Rajsamand	Chittorgarh	Banswara	Pali	Total
HDFC Bank	10	10	10	10	10	10	10	10	10	10	100
Yes Bank	10	10	10	10	10	10	10	10	10	10	100
ICICI Bank	10	10	10	10	10	10	10	10	10	10	100
Kotak Mahindra Bank	10	10	10	10	10	10	10	10	10	10	100
Axis Bank	10	10	10	10	10	10	10	10	10	10	100
Total	50	50	50	50	50	50	50	50	50	50	500

Significance of approved percentage of loan

To know the significance of approved percentage of loan in the volume of gold loan business; opinion of bank employees of HDFC, ICICI, Axis, Kotak Mahindra and Yes bank who were dealing with gold loan was collected. Approved percentage of loan on gold varies from bank to bank; it is not uniform in all the banks. The opinion of bankers regarding it was analyzed as ahead.

On ten point scale they rated the significance of approved percentage of loan against gold provided by banks (see table 3). 52% employees gave it 10 point, 48% gave it 7 to 9 point. No one rated it below seven points. Chart 1 depicts it in an understandable manner.

On the basis of gross total weightage, significance of approved percentage of loan is 92.93% which is very high. Hence first hypothesis is fully rejected.

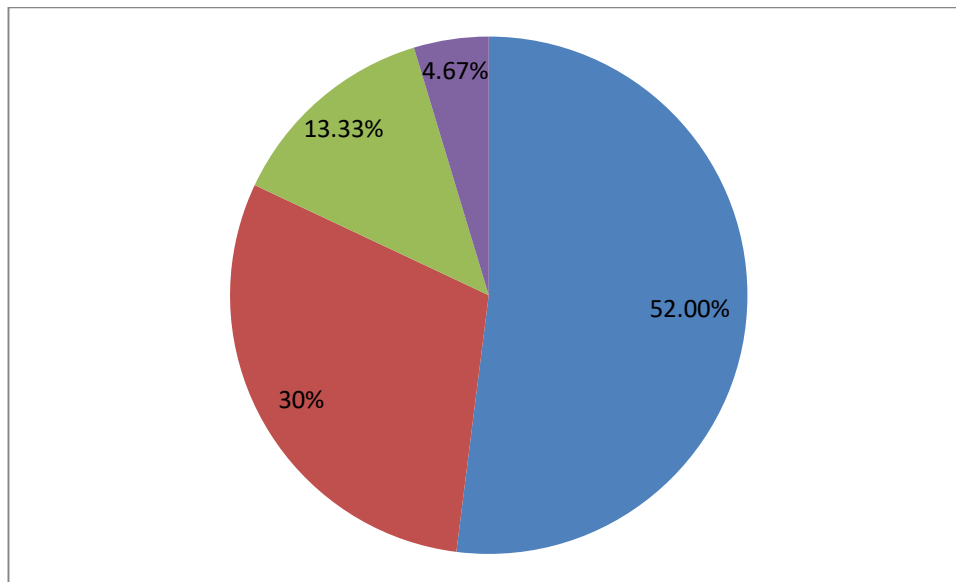
Keeping this in mind; approved percentage of loan need to be kept at par with the prevailing market rate or a bit higher to increase the business of gold loan. It also reflects that gold loan market is highly competitive market where approved percentage of loan is very crucial.

Table 3

Significance of approved percentage in gold loan		
No. of employees	Weightage	Gross Weightage
78	10	780
45	9	405
20	8	160
7	7	49
Total		1394

Chart 1

Significance of approved percentage in gold loan



*10 point *9 point * 8 point * 7 point

Level of approved percentage of gold loan

Banks feel that they are approving appropriate and right percentage of loan against gold. What the customers think about it was investigated in this research. The information was directly collected from the selected 500 customers of HDFC, ICICI, Axis, Kotak and Yes bank.

66.40% consider that low percentage of loan is approved. 27.80% find it moderate while just 5.80% find it high (see chart 4). Hence second hypothesis is also fully rejected. It signifies that customers find insufficient amount is approved against gold.

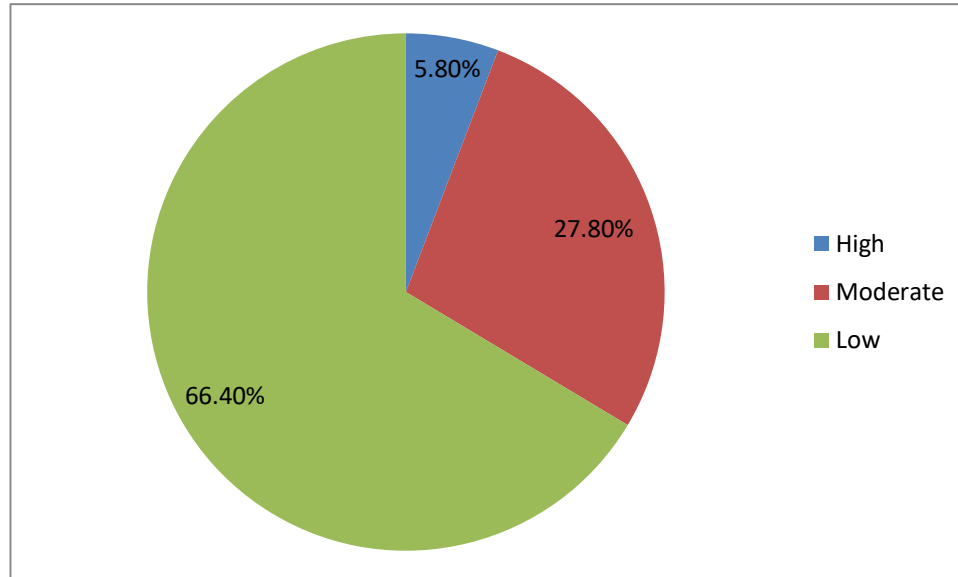
Table 4

Approved percentage of gold loan from customers' viewpoint

Approved percentage of gold loan	No. of customers
High	29
Moderate	139
Low	332
Total	500

Chart 2

Approved percentage of gold loan from customers' viewpoint

**Conclusion & suggestion**

Study reveals approved percentage of loan is of great importance in field of gold loan. Higher approval percentage of loan against gold can motivate and convince more clients and volume can be maintained or increased. In the competitive market disbursement of gold loan can be done by competitive approval percentage. Customers are not satisfied as they felt loan approved against gold is less. It may be 90% of the value of gold to satisfy and attract more customers.

Reference

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