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INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.

- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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A STUDY ON THE LENDING PATTERNS OF THE PAWN BROKERS WITH RESPECT TO GOLD LOANS – BANGALORE CITY

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ABSTRACT
Gold has been an integral part of the Indian culture and considered as an extremely desirable product. Since gold has the characteristics of readily acceptable collateral for the lenders, many Indian households end up taking loans from the value of the gold prevailing in the market for any kind of emergency or events occurred. A lender provides loans by securing the gold assets as collateral. India approximately holds for around thirty per cent of the demand for gold stock in the last years. The Indian economy has been rapidly growing for the past few years especially the gold market. The research study is of both descriptive and analytical in nature. This study has used both primary and secondary data. A study has been conducted on the lending patterns of pawn brokers with respect to gold loans. With the rapid growth in the market, regulatory scrutiny has also been increased on the gold loan lending practices. The only drawback of the unorganized sector is that even though they are supposed to be under the regulatory framework many of them fail to adhere to do so. Even after the non-adherence to the regulatory framework the unorganized sector still holds most of the gold loan market share. However, with the increasing change in the perspective of the mind set of people to the organized sector they are more likely to go for collateral for gold from the banks or NBFC's.

KEYWORDS
gold loan, lending patterns, pawn brokers, unorganized sector.

JEL CODE
H80.

INTRODUCTION
Gold has been an integral part of the Indian culture since time immemorial. It has been a store of value and a part of the medieval monetary systems as medium of exchange for thousands of years. The endurance of gold in its physical form even through war, political turbulence, and natural calamities has made it popular in India and the only means of savings in rural India. Gold purchases in India are entwined with cultural and religious beliefs. Indian celebrations demand the purchase of gold on important occasions. Traditionally and as a religious practice an Indian woman wears ornament throughout her life. The trend in recent times is going towards platinum and white gold among the urban elite, but for the middle class people it still remains gold. In India gold has both sentimental and financial value. It is considered as the best investment and that explains why India is the world's highest consumer of gold.

The gold market in India looks positioned to achieve greater heights owing to the fascination for gold in the country. The India's gold demand was 842.7 tonnes in 2014. India holds the top position globally as gold consumer followed by China. Combined demand volumes in India and China have grown by 71 percent over the last ten years. The two markets accounted for 54 percent of consumer gold demand in 2014. India's gold jewellery demand rose by 8 percent to an all-time high of 662 tonnes in 2014 on purchase for weddings and festivals. More than 50% is used for making jewellery. The domestic Indian gold market has been rising significantly. However, it is fragmented and unorganized even though India is the leading consumer in gold. Due to non-availability of a benchmark, the gold prices in India vary from region to region. Despite the global economic recession, the gold consumption in the country during this period has not been affected adversely. The Indian gold market is characterized by factors such as gold demand, value of US dollar, interest rate, comparative returns on stock markets, official gold loans, jewellery and industry demand, gold jewellery recycling, speculation and taxes.

GOLD LOANS
A loan is a debt provided by an entity i.e. an organization or an individual to another at an interest rate and evidenced by a note which specifies among other things such as the principal amount, interest rate and date of repayment. Gold loans which are also called as gold deposits are undertaken to obtain an income return on gold. The gold that is placed on loan or deposit can be either of financial asset i.e. monetary gold or a non-financial asset i.e. non –monetary gold. The gold remains on the books of the lender and the lender retains the exposure to the market risk arising from movements in the market price of gold.

Pawn is derived from the Latin word "pignus" which means pledge. In another term it is referred as collateral. Pawn refers to pledging of a personal item as a security to borrow money from the pawn brokers. A pawn broker is an individual or a business who offers secured loans to the people who pledge their personal property as collateral. Pawnbrokers lend money on items which ranges from items such as gold and diamond jewellery, musical instruments, televisions, electronics, tools, household items. The loan amount given to the customers are based on the value of the collateral. When the customer pays back the loan amount their item is returned back to them. The pawnbroker gives a pawn ticket or receipt which the customer needs to keep it so that the customer can prove that he/she owns that particular item. A customer can choose either to pawn or sell their item in pawnshops. If the loan is not paid within the time period, the pawned item will be auctioned by the pawn broker. Unlike other lenders, the pawn broker does not report the defaulted loan on the customer's credit report, since the pawn broker has physical possession of the item and may recover the loan value through the entire sale of the item.

LITERATURE REVIEW
➢ *Mishasharma (2013) "Study of gold-loan market as an alternative source of credit for low-income households."* In this paper the author examines the different characteristics of the various stakeholders in the gold loan market. The review highlighted the various characteristics of the customers who acquire gold loans and for what purpose they acquire.

➢ *Why do Indians buy gold? (2013)* article mention that India is one of the biggest markets for gold and gold loans and the various reasons for which spread across are related to the social, economic and cultural dimensions. Indians have proved to be smart investors and consider gold as a medium to save, invest, hedge against inflation and most importantly to safeguard their future.

➢ *Dr. PriyankaVerma and SomeshSinha (2012) "Study On Gold Loan Scenario Of Specific Financial Companies In India-A Success Story".*The basic objective underlying in this paper is to identify the reasons for the increase in the imports of the gold loans. The author feels that Loan taken by NBFCs from banks to fulfill the financial requirement may be a risk factor for economy so the RBI should come out with regulatory framework to ensure safety of loan. International gold prices and exchange rate significantly and positively affect the gold prices in India.

➢ *Reserve Bank of India (January 2013)* in its study observed that gold loans have a causal impact on gold imports substantiating the emergence of a liquidity motive for holding gold. Furthermore, increase in gold prices appears to be one factor that increases the gold loans outstanding.

➢ *Cognizant (January 2012)* pointed out that gold loan market in India is still under-penetrated and the government should frame suitable policies favoring its growth.

➢ *Claudia Ruiz (2011) From Pawn Shops to Banks: The Impact of Formal Credit on Informal Households.* The author identified the impact of expanding access to credit on the decisions and welfare of households.

STATEMENT OF PROBLEM

The value of gold has been on the verge of rising in the past few years which was uninterrupted by economic factors. Thus people have turned their attention to utilize the power of gold lying in the lockers to avail loans instead of paying higher interest rates for other loans such as personal loans. Lately it is seen that pawnbrokers in India are not registered under the Act even though they are supposed to register themselves. Due to this the pawnbrokers charge interest rates, loan to value according to their rules. From the above observation the present study intends to study the lending patterns of the pawn brokers.

OBJECTIVES OF THE STUDY

1. To identify the conditions with respect to lending of loans in Pawn Brokers.
2. To study the lending patterns of Pawn Brokers.

SCOPE OF THE STUDY

The study will help to understand the lending patterns of pawn brokers. The study was conducted in Bangalore city and helps to analyze the performance of providing loans by pawn brokers. Since limited number of study has been conducted about the pawn brokers, this study will serve as a guide for further research relating to this topic.

RESEARCH DESIGN

The research design of present study is the descriptive and analytical research design. An attempt has been made through the research to find out in detail the lending patterns of the pawn brokers with reference to Bangalore.

SOURCE AND TYPE OF DATA

The data was collected from various primary data sources such as questionnaires, interviews and observations. The data was also collected from various secondary data sources such as journals and various published electronic sources.

Sample size: – 50 pawn brokers

Sample technique: - convenient sampling technique.

Sample area: - Bangalore.

TOOLS FOR THE DATA COLLECTION

For the data collection a structured questionnaire was framed and distributed to the pawn brokers.

STATISTICAL ANALYSIS

For the analysis of data, the Pearson's correlation test was used.

LIMITATIONS OF THE STUDY

- Sampling unit was small and it was restricted to fifty pawn brokers.
- The data obtained can be biased or not accurate in nature.
- The information obtained from the respondents based on the questionnaires was assumed to be factual.

ANALYSIS AND INTERPRETATION

The conditions with respect to lending of loans by Pawn brokers are-

- Eligibility criteria
- ✓ The minimum age of applicant should not be less than 18 years.
- ✓ The maximum age of applicant should not be more than 65 years.
- Documentations
- ✓ Identity proof: Passport copy/ voters ID card/ driving license.
- ✓ Address proof: Ration card/ Tel, electricity bill/ rental bill/ Passport copy/Trade license /Shop & Est. License/Sales Tax certificate.
- Gold valuation

The gold given for availing loan is valued basically on the usage of gold and the number of carats in the gold and the rate of gold in the market date.

- The loan is usually disbursed within 30 minutes.
- The gold given for pledging is kept safe in the lockers available in the office.

Hypothesis

The following hypotheses are framed and tested in the study.

HYPOTHESIS 1

Null hypothesis (Ho):- There is no significant relationship between the loan repayment period and the maximum loan amount.

Alternate hypothesis (H1):- There is a significant relationship between the loan repayment period and the maximum loan amount.

TABLE 1: CORRELATION BETWEEN THE LOAN REPAYMENT PERIOD AND MAXIMUM LOAN AMOUNT

Descriptive Statistics			
	Mean	Std. Deviation	N
loan repayment period	2.0400	.72731	50
maximum loan amount	1.7400	.59966	50

Correlations		loan repayment period	maximum loan amount
loan repayment period	Pearson Correlation	1	.024
	Sig. (2-tailed)		.867
	N	50	50
maximum loan amount	Pearson Correlation	.024	1
	Sig. (2-tailed)	.867	
	N	50	50

Interpretation

Pearson's correlation test is used to find out if any significant relationship exists between the loan repayment period and the maximum loan given to the customers. It is observed that the significance value for Pearson's correlation is 0.024 which is positively low correlated. The significant value at 5 per cent level of significance

is 0.867 which is higher than the alpha value of 0.05. Therefore, the null hypothesis is accepted and it can be concluded that there is no significant relationship between the loan repayment period and the maximum loan amount.

HYPOTHESIS 2

Null hypothesis (Ho):- There is no significant relationship between the customer visits and the service charges imposed on them.

Alternate hypothesis (H1):- There is a significant relationship between the customer visits and the service charges imposed on them.

TABLE 2: CORRELATION BETWEEN THE CUSTOMER VISITS AND THE SERVICE CHARGES IMPOSED ON THEM

Descriptive Statistics			
	Mean	Std. Deviation	N
Service charges	2.0400	.94675	50
Customer visits	1.4800	.70682	50

Correlations			
		Service charges	Customer visits
Service charges	Pearson Correlation	1	-.151
	Sig. (2-tailed)		.294
	N	50	50
Customer visits	Pearson Correlation	-.151	1
	Sig. (2-tailed)	.294	
	N	50	50

*A negative correlation means that there is an inverse relationship between two variables - when one variable decreases, the other increases.

Interpretation

Pearson's correlation test is used to find out if any significant relationship exists between the customer visits and the service charges imposed on them. It is observed that the significance value for Pearson's correlation is -0.151 which is negatively correlated. The significant value at 5 per cent level of significance is 0.294 which is higher than the alpha value of 0.05. Therefore, the null hypothesis is accepted and it can be concluded that there is no significant relationship between the customer visits and the service charges imposed on them. The negative correlation has come because when the service charges increases the customer visiting the pawnshops gradually decreases.

HYPOTHESIS 3

Null hypothesis (Ho):- There is no significant relationship between the penalty charges and the customer visits.

Alternate hypothesis (H1):- There is a significant relationship between the penalty charges and the customer visits.

TABLE 3: CORRELATION BETWEEN THE PENALTY CHARGES AND THE CUSTOMER VISITS

Descriptive Statistics			
	Mean	Std. Deviation	N
Penalty charges	2.3800	.83029	50
Customer visits	1.4800	.70682	50

Correlations			
		Penalty charges	Customer visits
Penalty charges	Pearson Correlation	1	-.317[*]
	Sig. (2-tailed)		.025
	N	50	50
Customer visits	Pearson Correlation	-.317[*]	1
	Sig. (2-tailed)	.025	
	N	50	50
*. Correlation is significant at the 0.05 level (2-tailed).			

Interpretation

Pearson's correlation test is used to find out if any significant relationship exists between the customer visits and the penalty charges levied on the customers. It is observed that the significance value for Pearson's correlation is -0.317 which is highly negatively correlated. The significant value at 5 per cent level of significance is 0.025 which is lesser than the alpha value of 0.05. Therefore, the null hypothesis is rejected and it can be concluded that there is a significant relationship between the customer visits and the service charges imposed on them. When the penalty charges increase the customers tends to gradually decrease the visits to the pawnshops for availing the loan.

HYPOTHESIS 4

Null hypothesis (Ho):- There is no significant relationship between the documents provided by customers and the maximum loan amount.

Alternate hypothesis (H1):- There is a significant relationship between the documents provided by customers and the maximum loan amount.

TABLE 4: CORRELATION BETWEEN THE DOCUMENTS AND THE MAXIMUM LOAN AMOUNT

Descriptive Statistics			
	Mean	Std. Deviation	N
Documents	1.6800	.93547	50
maximum loan amount	1.7400	.59966	50

Correlations			
		Documents	maximum loan amount
Documents	Pearson Correlation	1	.249
	Sig. (2-tailed)		.081
	N	50	50
maximum loan amount	Pearson Correlation	.249	1
	Sig. (2-tailed)	.081	
	N	50	50

Interpretation

Pearson's correlation test is used to find out if any significant relationship exists between the documents provided by customers and the maximum loan amount. It is observed that the significance value for Pearson's correlation is 0.249 which is highly positively correlated. The significant value at 5 per cent level of significance is 0.081 which is higher than the alpha value of 0.05. Therefore, the null hypothesis is accepted and it can be concluded that there is no significant relationship between the documents provided by customers and the maximum loan amount.

FINDINGS

- The maximum amount of loan given by pawn brokers to the customer falls in the range of 11 to 50 lakhs with 60 per cent opted for it. Some of the other pawn brokers having 34 per cent have given a maximum amount of loan in less than 10 lakhs.
- The most acceptable document that customers need to provide for availing the gold loan is identity proof with a majority of 58 per cent of pawn brokers opting for it. Around 26 per cent of pawn brokers have also said address proof is also the acceptable document which customer needs to provide while availing the loan.
- A majority of 48 per cent of pawn brokers have given a repayment period of loan in the range of one to five years and around 24 per cent of pawn brokers have given the loan repayment period of less than 12 months.
- The late payment penalty charges levied by pawn brokers fall in the range of six to ten per cent having a majority of 48 per cent. 30 per cent of pawn brokers have also charged around 11-15 per cent for penalty charges.
- 64 per cent of pawn brokers have mentioned that the customer visits the office lesser than three times. Around 24 per cent of pawn brokers mentioned that the customer visits the pawn shops in the range of four to seven times.
- There is no significant relationship between the loan repayment period and the maximum loan amount given by the pawn brokers to the customers at a significant value of 0.867 at five per cent level of significance. When the loan amount increases even the repayment period also increase invariably.
- There is no significant relationship between the customer visits and the service charges imposed by pawn brokers to the customers at a significant value of 0.294 at five per cent level of significance. When the service charges increased the visiting to the pawn shops by customers for availing the loan decreased
- There is a significant relationship between the penalty charges imposed on the customers and their visits to the pawn shops. When the penalty charges were increased the visit to the pawn shops by customers for availing the loan was decreased.
- There is no significant relationship between the documents provided by the customers and the maximum loan amount. The documents provided and the loan amounts provided to the customers are increasing on a parallel basis.

SUGGESTIONS

- It is suitable for the pawn brokers to determine the value of gold on the basis of the purity of gold and the rate of gold on that particular market date.
- The most acceptable documents which are accepted by the pawn brokers are identity proof and address proof. In order to assure more safety for the pawn brokers by their customers they can improve on the documents to be provided by them by having a signature proof also.
- The pawn brokers can increase the amount reduced from the market price of one gram of gold. This will help the customers to get more loan value for the value of gold they have provided.
- There should be an age limit set up for pawn broker customers. The age limit will help to ensure that those people will be able to provide the correct documents and will be able to repay the loan amount in proper period given to them.
- The pawn brokers can increase the loan repayment tenure so that the customers get a proper time for repaying the loan amount and without any extra interest charged on the loan amount. The extension of loan repayment period will be a relief for the customers from the burden of paying the full amount.
- The majority of pawn brokers do not provide renewal facilities for their customers. The pawn brokers can have renewal facilities for their customers so that they can have loyal customers in their shops.
- If the service charges and penalty charges are reduced to some extend by the pawn brokers they can have more number of customers visiting the pawn shops for availing the gold loan.

CONCLUSION

Gold loans are among the newest class of assets which have seen rapid growth in securitization. The gold market in India looks positioned to achieve greater heights owing to the fascination for gold in the country. Lenders provided loans by securing gold assets as the collateral. Gold is considered as a highly liquid asset. From past few years the gold value has been appreciated which have led to explosion of the gold loan market. The dominance of unorganized sector in the gold loan market can be broken by the organized sector by leading the organizations to have flexible schemes and products, simpler approval and disbursal processes and better accessibility for the customers. The lending patterns of pawn brokers shows that the maximum loan value and repayment period is very less compared to that of the organized sector. Most of the pawn brokers and money lenders are not regulated under the law even though they are supposed to do it. Due to this reason they charge and fix the amount according to their shops norms and regulations.

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