

# Gold Loan Priority In Loan Portfolio: A Comparative Study At Manappuram Finance Limited

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**Abstract-** *The gold loan segment has emerged as one of the most significant and rapidly growing components of the Non-Banking Financial Company (NBFC) sector in India. This study examines the priority given to gold loans within the overall loan portfolio of Manappuram Finance Ltd., one of India's leading gold loan NBFCs headquartered in Kerala. The research aims to evaluate customer preferences, satisfaction levels, processing efficiency, interest rate perceptions, and the overall contribution of gold loans to Manappuram's lending portfolio in comparison with other loan products. Primary data were collected through a structured questionnaire from 117 respondents comprising customers and employees associated with gold loan services at Manappuram Finance Ltd. Statistical tools such as percentage analysis, chi-square test, and Pearson correlation were applied to analyse the data. The study finds that the majority of customers prefer gold loans due to quick processing, minimal documentation, and easy availability. The findings indicate that gold loans hold a dominant and strategic position in Manappuram's loan portfolio, and customer satisfaction with gold loan services is considerably high. Recommendations are provided for further strengthening the gold loan business and expanding the customer base.*

**Keywords:** Gold Loan, Manappuram Finance, NBFC, Loan Portfolio, Customer Satisfaction

## I. INTRODUCTION

Finance is the science and art of managing money, credit, and capital assets. It involves the mobilization of funds, their allocation to productive uses, and the management of financial risks so that individuals, businesses, and governments can achieve their economic objectives. In the context of non-banking financial institutions, finance primarily relates to the lending and borrowing of money, with interest serving as the price of credit.

A gold loan is a secured loan in which the borrower pledges gold ornaments or coins as collateral to obtain funds from a lender. The Loan-to-Value (LTV) ratio is regulated by the Reserve Bank of India (RBI) and currently capped at 75% for NBFCs. Gold loans are widely preferred due to their

simplicity, minimal documentation requirements, quick disbursement, and accessibility to all sections of society, including those without formal income proof or credit history.

India is the world's second-largest consumer of gold, with households collectively holding an estimated 20,000–25,000 tonnes of gold. The gold loan market in India was valued at approximately INR 6.5 lakh crore as of 2023-24, with leading NBFCs like Manappuram Finance Ltd. and Muthoot Finance commanding the largest market share. The gold loan industry is characterized by quick processing and disbursement within 15–30 minutes, minimal KYC-based documentation, wide geographic reach, and regulatory oversight by RBI.

Manappuram Finance Ltd. is one of India's leading NBFCs and a pioneer in the organized gold loan industry. Headquartered in Valapad, Thrissur, Kerala, the company was founded in 1949 and operates across more than 4,500 branches in 28 states and 3 Union Territories. It serves over 4 million customers and has reported a consolidated gold loan AUM of over INR 23,000 crore as of FY 2023-24, with total consolidated AUM exceeding INR 42,000 crore.

## II. REVIEW OF LITERATURE

Kumar & Singh (2024) examined the rapid growth of the gold loan NBFC market post-COVID-19 and found that Manappuram Finance and Muthoot Finance captured over 65% of the organized market, with rising gold prices and financial stress among middle-income families as primary demand drivers.

Mehta & Rao (2023) surveyed 300 gold loan customers across NBFC branches in South India and concluded that processing speed and minimal documentation were the top two factors driving customer satisfaction, with Manappuram Finance scoring highest on both parameters.

Sharma & Pillai (2023) found that a 1% increase in gold loan interest rates led to a 5–7% reduction in new loan applications, though the impact was moderated by lack of alternative quick-credit options in rural areas.

Nair & Krishnan (2022) examined loan portfolio composition of major NBFCs and concluded that gold loans contribute to higher portfolio stability due to low non-performing asset (NPA) rates, as gold collateral significantly reduces credit risk.

Agarwal & Bose (2021) documented how digital gold loan platforms reduced disbursement time from 2–3 days to under 30 minutes, leading to a 20% increase in customer acquisition for early adopters like Manappuram Finance. Pillai (2020) found that over 72% of Manappuram Finance customers were repeat borrowers, indicating strong brand loyalty and high customer retention rates.

### III. RESEARCH METHODOLOGY

#### A. Research Design

This study employs a Descriptive Research Design. Descriptive research is used to describe the characteristics of a population or phenomenon being studied. It is focused on fact-finding investigations in a well-structured form based on primary data.

#### B. Data Collection

Primary data were collected through a structured questionnaire distributed among customers and employees associated with gold loan services at Manappuram Finance Ltd. The questionnaire consisted of multiple-choice questions and Likert scale statements covering gold loan awareness, preference, satisfaction, interest rate perceptions, repayment behaviour, and portfolio perceptions. The Convenient Sampling method was adopted. The sample size for this study is 117 respondents from selected branches in Chennai and surrounding districts of Tamil Nadu.

#### C. Statistical Tools

The following statistical tools were used: (1) Percentage Analysis – to understand the distribution of respondents across various categories; (2) Chi-Square Test ( $\chi^2$ ) – to examine significant associations between two categorical variables, using the formula  $\chi^2 = \sum [(O - E)^2 / E]$ ; and (3) Pearson Correlation Analysis – to measure the strength and direction of linear relationships between continuous variables, using  $r = \frac{\sum[(x - \bar{x})(y - \bar{y})]}{[\sqrt{\sum(x - \bar{x})^2} \times \sqrt{\sum(y - \bar{y})^2}]}$ .

### IV. DATA ANALYSIS AND INTERPRETATION

#### A. Demographic Profile

Table I presents the gender distribution of the 117 respondents. A majority (59.8%) are male, reflecting the traditional pattern of male members managing financial transactions in Indian households.

**TABLE I. Gender of Respondents**

Particulars	Frequency	Percentage (%)
Male	70	59.8
Female	47	40.2
Total	117	100.0

Table II shows the age distribution. The majority (36.8%) belong to the 30–40 age group, indicating that working-age adults are the primary consumers of gold loan services.

**TABLE II. Age Group of Respondents**

Age Group	Frequency	Percentage (%)
Below 25 Years	23	19.7
25 – 30 Years	35	29.9
30 – 40 Years	43	36.8
Above 40 Years	16	13.7
Total	117	100.0

Regarding occupation, 36.8% are salaried employees and 35.9% are business owners, forming the dominant customer segments. Monthly income analysis reveals that 41.0% earn ₹20,000–₹50,000, confirming that the middle-income group constitutes the largest customer base.

#### B. Gold Loan Awareness and Preference

A high level of awareness (83.8%) was recorded for gold loan services at Manappuram Finance Ltd., reflecting strong brand presence and marketing reach. Prior gold loan experience was reported by 76.1% of respondents, indicating strong customer retention. When asked about preferred lending source, 58.1% preferred NBFCs over banks (25.6%) and private lenders (16.2%).

Table III summarizes the primary reasons for preferring gold loans. Quick processing emerged as the top factor (32.5%), followed by less documentation (29.1%), easy availability (23.1%), and lower interest rates (15.4%).

**TABLE III. Reasons for Preferring Gold Loan**

Reason	Frequency	Percentage (%)
Quick Processing	38	32.5
Less Documentation	34	29.1
Easy Availability	27	23.1
Lower Interest Rate	18	15.4
Total	117	100.0

A strong preference for gold loans over other loan types (personal loans, vehicle loans, housing loans) was demonstrated by 79.5% of respondents.

### C. Service Quality and Satisfaction

Over 73% of respondents rated gold loan processing speed as fast or very fast. The majority (44.4%) perceive interest rates as moderate, while 31.6% consider them high, suggesting scope for further rate reduction to attract price-sensitive customers.

Overall satisfaction data (Table IV) reveals that 70.1% of respondents are satisfied or highly satisfied with Manappuram Finance Ltd.'s gold loan services. Transparency was rated positively (good/excellent) by 70.9%, and staff behaviour was satisfactory for over 70% of respondents.

**TABLE IV. Overall Satisfaction with Gold Loan Services**

Satisfaction Level	Frequency	Percentage (%)
Highly Satisfied	38	32.5
Satisfied	44	37.6
Neutral	25	21.4
Dissatisfied	10	8.5
Total	117	100.0

### D. Portfolio Perspective

Regarding future demand, 57.3% of respondents perceive gold loan demand as increasing, while 29.9% consider it stable. A majority (65.0%) agree that gold loans should maintain a major share in Manappuram Finance Ltd.'s loan portfolio. About 49.6% agree with portfolio diversification, though the mixed response indicates customers do not wish this to be at the expense of gold loan services. Over 77% consider the future of the gold loan business as strong or very strong.

### E. Chi-Square Test

H0: There is no significant association between gold loan preference and willingness to recommend gold loans to others.

H1: There is a significant association between gold loan preference and willingness to recommend gold loans to others.

**TABLE V. Chi-Square Test Results**

Test	Value	DF	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.642	2	0.000
Likelihood Ratio	17.348	2	0.000
N of Valid Cases	117		

Since  $p = 0.000 < 0.05$ , H0 is rejected and H1 is accepted. There is a significant association between gold loan preference and willingness to recommend, indicating strong customer loyalty at Manappuram Finance Ltd.

### F. Pearson Correlation Analysis

H0: There is no relationship between overall satisfaction with gold loan services and perception of the future of the gold loan business.

H1: There is a significant positive relationship between overall satisfaction and future business perception.

**TABLE VI. Pearson Correlation Results**

Variable	Overall Satisfaction	Future Outlook
Overall Satisfaction (r)	1	0.312
Sig. (2-tailed)	–	0.001
N	117	117

The Pearson correlation coefficient  $r = 0.312$  indicates a moderate positive correlation ( $p = 0.001 < 0.05$ ). H1 is accepted. As customer satisfaction increases, the positive perception of the gold loan business future also increases, reinforcing the strategic importance of service quality for sustainable portfolio growth.

## V. FINDINGS

(1) 59.8% of respondents are male. The majority (36.8%) belong to the 30–40 age group. (2) Salaried employees (36.8%) and business owners (35.9%) form the

primary customer segments, predominantly in the middle-income bracket (₹20,000–₹50,000 per month, 41.0%). (3) Awareness of gold loan services is high at 83.8%, and 76.1% of respondents have previously availed gold loans, reflecting strong customer retention. (4) NBFCs are preferred over banks and private lenders by 58.1% of respondents. Quick processing (32.5%) is the top reason for gold loan preference. (5) 79.5% prefer gold loans over other loan types. Over 73% are satisfied with processing speed. (6) 70.1% of respondents are overall satisfied with gold loan services; transparency and staff behaviour are rated positively by over 70%. (7) 57.3% perceive future demand for gold loans as increasing; 65.0% agree gold loans should maintain a major portfolio share. (8) Chi-square test ( $p = 0.000$ ): significant association between gold loan preference and recommendation behaviour. (9) Pearson correlation ( $r = 0.312$ ,  $p = 0.001$ ): moderate positive relationship between service satisfaction and positive future business outlook.

## VI. SUGGESTIONS

Based on the study findings, the following suggestions are offered: (1) Manappuram Finance Ltd. should further reduce gold loan interest rates to attract price-sensitive customers who currently opt for bank gold loans. (2) Investment in digital gold loan platforms to enable online gold pledging, real-time tracking, and digital repayment is recommended to improve customer convenience. (3) Expansion into rural markets should be prioritized by increasing branch presence in underserved areas. (4) Regular customer education programs should be conducted to increase awareness about LTV ratios and auction procedures. (5) Flexible repayment schemes such as bullet repayment, part-payment, and EMI-based options should be introduced to cater to diverse customer needs. (6) While maintaining gold loans as the core portfolio, strategic diversification into microfinance, housing finance, and MSME lending should be pursued to reduce portfolio concentration risk.

## VII. CONCLUSION

This study on 'Gold Loan Priority in Loan Portfolio: A Comparative Study at Manappuram Finance Ltd.' has revealed that gold loans occupy a dominant and strategically critical position in the company's overall loan portfolio. Primary data from 117 respondents confirms that customers strongly prefer gold loans due to quick processing, minimal documentation, and accessibility during financial emergencies. The chi-square test establishes a statistically significant association between gold loan preference and customer advocacy. The Pearson correlation analysis further confirms that higher service satisfaction leads to a more positive

perception of the gold loan business's future prospects. Overall, the study validates the strategic rationale for maintaining gold loans as the priority segment within Manappuram Finance Ltd.'s loan portfolio. With appropriate strategic initiatives in interest rate competitiveness, digital service delivery, and rural market penetration, Manappuram Finance Ltd. can sustain its leadership position in the gold loan NBFC sector while contributing to financial inclusion and customer value creation across diverse market segments.

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