



## "A Study on Factors Influencing Borrower Decision and Contentment towards Gold Loan" (With special reference to Punjab National Bank)

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### Abstract

The study investigates borrower preferences towards gold loans provided by Punjab National Bank (PNB) in a competitive market, where both public and private sector banks offer similar financial services. The research focuses on key factors such as interest rates, loan tenure, processing time, and customer service, exploring how these aspects influence customers' decisions to choose PNB. The analysis draws from a sample of PNB gold loan borrowers, examining their demographics, satisfaction levels, and the challenges they face. The study concludes with insights into areas where PNB can improve to enhance customer satisfaction and maintain its competitive position, particularly in light of increasing competition from private banks and Non-Banking Financial Companies (NBFCs).

### Keywords

Gold Loan, Interest Rates, Loan Tenure, Customer Satisfaction, NBFC

### I. Introduction

Gold loans have become an increasingly popular financial tool in India, offering individuals a convenient way to meet their financial needs by pledging gold as collateral. Among the public sector banks, Punjab National Bank (PNB) has positioned itself as a leading player in this sector, providing attractive gold loan schemes with competitive interest rates, flexible loan tenure, and minimal documentation. Despite the rising demand for gold loans, PNB faces significant competition from private banks and (NBFCs). Understanding the factors influencing customer preferences for PNB's gold loan offerings is crucial for maintaining its market position. This research aims to explore the key factors that drive customers to choose PNB over other financial institutions, focusing on interest rates, processing time, customer service, and loan-to-value ratio. Additionally, the study examines borrower

satisfaction levels and the role of trust in selecting PNB. By identifying these factors, the study seeks to provide insights into how PNB can enhance its services and continue to cater to the evolving needs of its customers in the highly competitive gold loan market.

### II. Review of literature

Mehta examined how digital innovations in gold loans, particularly online applications, influence customer choices. PNB's adoption of digital platforms has helped attract tech-savvy customers and improve its market position. (Mehta 2020). Singh and Kaur investigated customer satisfaction with gold loan services in urban areas and highlighted that ease of processing and minimal documentation are key factors. PNB scored highly in these areas. (Sing and Kaur 2020). Ramanathan analyzed the impact of the speed of loan disbursement on customer choice. While NBFCs were faster, PNB retained customers with its transparent procedures and customer-friendly policies. (Ramanathan 2019). Patel conducted a comparative study of gold loan interest rates between banks and NBFCs. Although PNB offered competitive rates, the quality of customer service played a key role in retention and preference. (Patel 2019). Kumar analyzed the competitive landscape between public sector banks and NBFCs. While NBFCs offered faster services, PNB was preferred due to transparency and favorable interest rates. (Kumar 2019)

### III. Research gap

The research gap identified in the study on "Borrower Preferences towards Gold Loans at Punjab National Bank (PNB)" focuses on several areas. While prior studies have largely examined trends in the gold loan market, particularly comparing public sector banks and non-banking financial companies (NBFCs), there is limited



research specific to customer preferences and satisfaction levels in relation to public sector banks like PNB. Furthermore, the role of factors such as digital adoption, service quality, loan processing times, and customer trust, especially in different regional contexts (urban vs. rural), remains underexplored. This research aims to fill these gaps by focusing on the influence of these factors on customers' decision-making processes, with a special emphasis on service quality and technological integration across different demographic groups

#### IV. Objectives of study

- To identify key factors influencing customer preferences for gold loans from Punjab National Bank
- To assess the level of customer satisfaction with PNB's gold loan services

#### V. Research Methodology

The study adopted a descriptive research design to explore borrower preferences towards gold loans at Punjab National Bank. Primary data was collected using a structured questionnaire distributed to 101 respondents, selected through convenience sampling. The sample included both urban and rural borrowers across different demographic segments. The primary data was supplemented by secondary sources, including bank reports and previous studies on gold loans. The data was analysed using statistical tools like percentage analysis, correlation, ANOVA, and Chi-square tests. These analyses were performed using SPSS (Statistical Package for Social Science) and Excel.

#### VI. Data Analysis

**Table No 1: This table shows respondents ranking the level of satisfaction of the gold loan service provided by PNB.**

(1 Very Dissatisfied, 2 Dissatisfied, 3 Neutral, 4 Satisfied, 5 Very Satisfied )

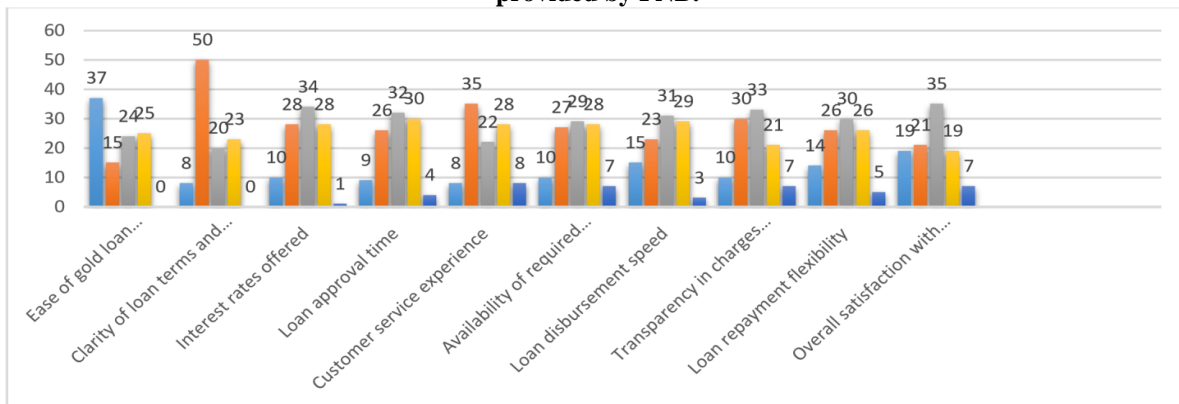
Factors	1	2	3	4	5	Total	1	2	3	4	5	Total
Ease of gold loan application process	37	15	24	25	0	101	36.63	14.85	23.76	24.75	0	100
Clarity of loan terms and conditions	8	50	20	23	0	101	7.92	49.50	19.80	22.77	0	100
Interest rates offered	10	28	34	28	1	101	9.90	27.72	33.66	27.72	0.99	100
Loan approval time	9	26	32	30	4	101	8.91	25.74	31.68	29.70	3.96	100
Customer service experience	8	35	22	28	8	101	7.92	34.65	21.78	27.72	7.92	100
Availability of required documentation	10	27	29	28	7	101	9.90	26.73	28.71	27.72	6.93	100
Loan disbursement speed	15	23	31	29	3	101	14.85	22.77	30.69	28.71	2.97	100
Transparency in charges and fees	10	30	33	21	7	101	9.90	29.70	32.67	20.79	6.93	100
Loan repayment flexibility	14	26	30	26	5	101	13.86	25.74	29.70	25.74	4.95	100
Overall satisfaction with PNB gold loan	19	21	35	19	7	101	18.81	20.79	34.65	18.81	6.93	100



**Analysis:** The above table shows respondents' rankings on various aspects of the PNB gold loan service reveal a generally positive outlook, though many ratings leaned towards neutrality. Overall satisfaction with the service was moderate, with most respondents (34.65%) rating it as "neutral" (3), and a significant portion (18.81%) expressing satisfaction, rating it as either "satisfied" (4) or "very satisfied" (5). Similarly, the ease of the application process was viewed favorably, with 36.63% of respondents rating it as "neutral" and 24.75% as "satisfied." However, the clarity of loan terms showed less positive feedback, as the majority (49.50%) rated it as "neutral." Interest rates offered followed a similar trend, with 33.66% rating them as

"neutral." Loan approval times were also perceived neutrally, with 31.68% rating them in the middle range. Customer service experiences were more mixed, with 34.65% of respondents indicating "neutral" and 27.72% expressing satisfaction. The availability of required documentation was generally seen positively, with 28.71% rating it as "neutral" and 27.72% as "satisfied." Loan disbursement speed received more neutral responses (30.69%), as did the transparency of charges and fees, with 32.67% rating them as "neutral." On a positive note, loan repayment flexibility was rated well, with 29.70% choosing "neutral" and 25.74% marking it as "satisfied," indicating relative contentment with this aspect of the gold loan service.

**Graph No 1: This graph shows respondents ranking the level of satisfaction of the gold loan service provided by PNB.**



**Interpretation:** The above horizontal bar graph visually represents the data from the table, illustrating the key features of the PNB gold loan service that respondents ranked in terms of satisfaction. The length of each bar corresponds to the section of respondents who selected that specific ranking. As observed in the graph, the ease of the gold loan application process, loan approval time, loan disbursement speed, and overall satisfaction with the PNB gold loan were rated positively by a significant portion of respondents. Clarity of loan terms and conditions, interest rates offered, and

customer service experience were rated neutrally by most respondents. Availability of required documentation and loan repayment flexibility received mixed ratings, with some respondents finding them satisfactory and others neutral. Overall, the graph effectively highlights the strengths and areas for improvement in the PNB gold loan service. While certain aspects like the ease of application and loan disbursement speed are perceived positively, there is room to enhance customer satisfaction in areas such as clarity of loan terms, interest rates offered, and customer service experience.

**Table No 2: This table shows Factors influenced to choose PNB gold loan (1 Strongly Agree, 2 Agree, 3 Neutral, 4 Disagree, 5 Strongly Disagree)**

Factors	No. of respondents						Percentage					
	1	2	3	4	5	Total	1	2	3	4	5	Total
Low interest rate	29	44	22	6	0	101	28.71	43.56	21.78	5.94	0	100
Loan disbursal time and convenience	7	63	29	2	0	101	6.93	62.38	28.71	1.98	0	100



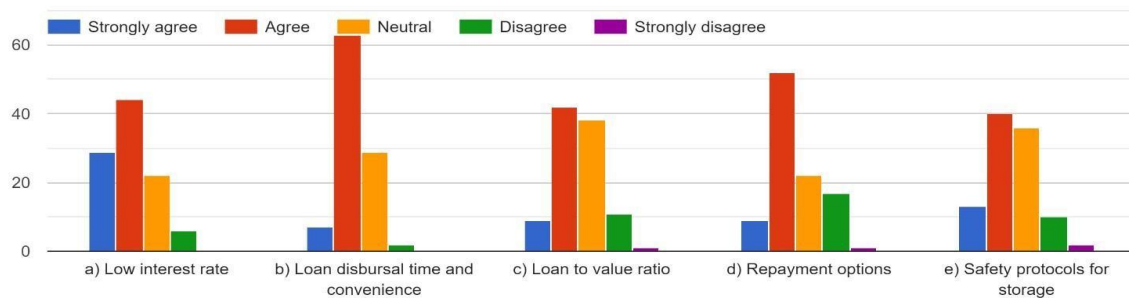
Loan to value ratio	9	42	38	11	1	101	8.91	41.58	37.62	10.79	0.99	100
Repayment options	9	52	22	17	1	101	8.91	51.49	21.78	16.83	0.99	100
Safety protocols for storage	13	40	36	10	2	101	12.87	39.60	35.64	9.90	1.98	100

**Analysis:** The above table shows the distribution of respondents availing gold loans from PNB based on their ratings of various factors. The most important factor for respondents was loan disbursement time and convenience, with 62.38% rating it highly. Low interest rates were also considered important by

43.56% of respondents. Other factors like loan-to-value ratio, repayment options, and safety protocols for storage were rated moderately or less importantly. This suggests that borrowers prioritize quick and easy loan processing and competitive interest rates when choosing a gold loan from PNB.

**Graph No 2: This graph shows Factors influenced to choose PNB gold loan**

What factors influenced your decision to choose PNB for a gold loan?



**Interpretation:** The above graph visually represents the factors influencing respondents' decisions to choose Punjab National Bank (PNB) for a gold loan. Low interest rates stand out as the most influential factor, with a significant number of respondents expressing strong agreement, indicating that cost-effectiveness is a primary concern when selecting a loan provider. Following this, loan disbursement time and convenience also receive considerable support, highlighting the importance of a streamlined and efficient process in meeting borrowers' needs for quick access to funds. In contrast, the loan-to-value ratio presents a more neutral perspective among respondents, suggesting that while it holds some

relevance, it is not as decisive in their decision-making compared to interest rates and convenience. Repayment options elicit mixed responses, with a notable number of respondents remaining neutral, indicating varying levels of importance placed on flexibility in repayment terms. Lastly, safety protocols for storage receive minimal attention, with few respondents expressing strong agreement, suggesting that borrowers prioritize financial terms and service efficiency over safety concerns. Overall, the findings indicate that borrowers at PNB prioritize financial considerations and convenience above all else in their decision to secure a gold loan.



**Table No 3: This table shows Respondents ranking the factors of how they influenced decision to choose PNB gold loan**

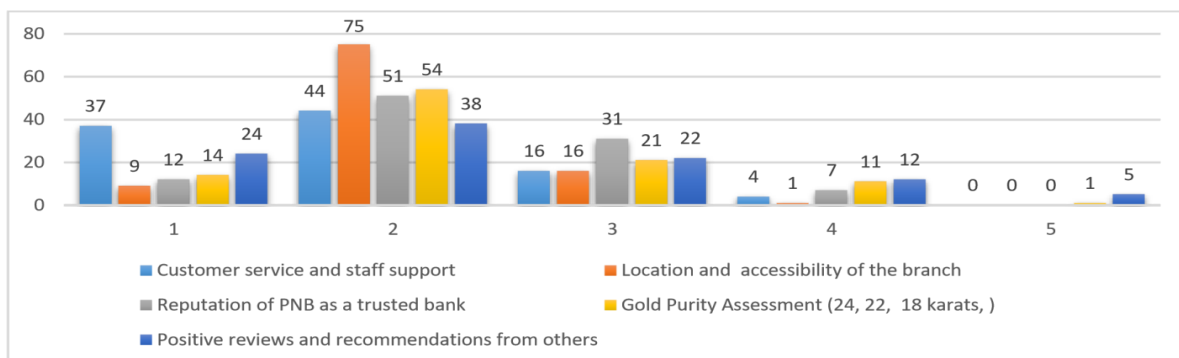
(1 Very Influential, 2 Influential, 3 Neutral, 4 Less Influential, 5 Non Influential)

Factors	No. of respondents					Total	Percentage					Total
	1	2	3	4	5		1	2	3	4	5	
Customer service and staff support	37	44	16	4	0	101	36.63	43.56	15.84	3.96	0	100
Location and accessibility of the branch	9	75	16	1	0	101	8.91	74.27	15.84	0.99	0.99	100
Reputation of PNB as a trusted bank	12	51	31	7	0	101	11.88	50.50	30.69	6.93	0	100
Gold Purity Assessment (24, 22, 18 karats, )	14	54	21	11	1	101	13.86	53.47	20.79	10.89	0.99	100
Positive reviews and recommendations from others	24	38	22	12	5	101	23.76	37.62	21.78	11.88	4.95	100

**Analysis:** The above table ranks the factors that influenced respondents' decisions to choose a gold loan from PNB on a scale of 1 to 5, with 1 being "very influential" and 5 being "non-influential." The analysis reveals that customer service and staff support were the most influential factors, with a significant majority of respondents rating them as either "very influential" or "influential." Location and accessibility of the branch were also deemed important by many respondents, although not to the same extent as customer service. The reputation of

PNB as a trusted bank and the gold purity assessment process were seen as moderately influential, with a mix of "influential" and "neutral" ratings. Positive reviews and recommendations from others were also influential to a certain degree. Overall, the table suggests that respondents valued personalized service, convenience, trust, and transparency when selecting a gold loan provider. PNB's ability to provide excellent customer support, accessible branches, and a trustworthy reputation were key factors in attracting customers

**Graph No 3: This graph shows Respondents ranking the factors of how they influenced decision to choose PNB gold loan**



**Interpretation:** The above graph visually represents the data from the table, illustrating the key factors respondents considered when choosing a gold loan from PNB. The length of each bar corresponds to the percentage of respondents who selected that particular factor. As observed in the graph, customer

service and staff support were the most influential factors, with a significant portion of respondents rating them as "very influential" or "influential." Location and accessibility of the branch were also deemed important by many respondents, although not to the same extent as customer service. The



reputation of PNB as a trusted bank and the gold purity assessment process were seen as moderately influential, with a mix of "influential" and "neutral" ratings. Positive reviews and recommendations from others were also influential to a certain degree. Overall, the graph effectively highlights the importance of personalized service, convenience, trust, and transparency in attracting customers to PNB's gold loan offerings.

**Hypothesis 1**

**H<sub>0</sub>:** There is no statistically significant relationship between gender of the respondents and key factors influencing borrower's decisions for gold loan

**H<sub>1</sub>:** There is a statistically significant relationship between gender of the respondents and key factors influencing borrower's decisions for gold loan

**Correlations**

		Gender of the respondents	factors influences borrower decision to choose PNB for gold loan
Gender of the respondents	Pearson Correlation	1	-.183
	Sig. (2-tailed)		.067
	N	101	101
factors influences borrower decision to choose PNB for gold loan	Pearson Correlation	-.183	1
	Sig. (2-tailed)	.067	
	N	101	101

**Interpretation:** From the output displayed above shows that the relation between gender of the respondents and factor influences borrower decision to choose PNB gold loan. It shows positive correlation between both having value of 0.067. From the correlation output, it shows that the P-value as 0.067 where P-value is greater than level of significance  $\alpha$  ( $0.067 > 0.05$ ). Hence Null Hypothesis accepted, Alternative Hypothesis is rejected. Therefore there is no statistically significance relation between gender of respondents

and Factors influences borrower decision to choose PNB gold loan.

**Hypothesis 2**

**H<sub>0</sub>:** There is no statistically significant relationship between occupation and level of satisfaction of gold loan service provided by PNB.

**H<sub>1</sub>:** There is a statistically significant relationship between occupation and level of satisfaction of gold loan service provided by PNB.

**Correlations**

		Occupation of the respondents	Satisfaction level of gold loan terms and conditions
Occupation of the respondents	Pearson Correlation	1	.140
	Sig. (2-tailed)		.163
	N	101	101
Satisfaction level of gold loan terms and conditions	Pearson Correlation	.140	1
	Sig. (2-tailed)	.163	
	N	101	101



**Interpretation:** From the output displayed above shows that the relationship between Occupation of respondents and occupation and level of satisfaction of gold loan service provided by PNB. It shows positive correlation between both having value of 0.163. From the correlation output it shows the P-value 0.163. Where P-value is greater than level of significance,  $\alpha$  ( $0.163 > 0.05$ ). Hence Null Hypothesis accepted, Alternative Hypothesis rejected. Therefore there is no statistically significant relationship between Occupation of respondents and level of satisfaction of gold loan service provided by PNB.

### VII. Findings

- The most influential factor for borrowers was the quick disbursal and convenience of PNB's gold loans, with 62.38% of respondents highlighting its importance
- A significant portion of borrowers (43.56%) agreed that low interest rates were a key factor in their decision to opt for PNB over other financial institutions
- While there was generally positive feedback regarding ease of application and loan disbursement, aspects like interest rate clarity and customer service received more neutral or mixed responses
- Borrowers appreciated flexible repayment options, with a majority expressing satisfaction with this feature
- Accessibility to PNB branches significantly impacted borrowers' decisions, with 74.27% of respondents agreeing it was a crucial factor

### VIII. Recommendations

- Enhance training for customer service staff to provide more consistent and satisfactory interactions, as customer service received mixed ratings.
- Simplify and make loan terms more transparent to ensure borrowers fully understand the interest rates and fees involved
- Increase the integration of digital platforms to streamline the loan application and approval process, targeting tech-savvy customers and making the process more efficient
- Highlight and promote flexible repayment options more effectively to attract potential borrowers who prioritize this feature
- Reduce the complexity of required documentation, as many borrowers found it cumbersome

### X. Conclusion

The study on borrower preferences for gold loans at Punjab National Bank (PNB) reveals key insights into customer behaviour and satisfaction. Factors such as low interest rates, quick loan disbursement, and convenient repayment options were significant drivers in borrowers' decisions to choose PNB. The research also highlights challenges, including documentation complexity and transparency issues regarding interest rates, which affected overall borrower satisfaction. While PNB has successfully established itself as a preferred choice for gold loans through competitive pricing and efficient service, areas like customer support and loan clarity need further improvement. Addressing these concerns could enhance customer experience and expand PNB's market share in the gold loan sector.

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