

A Study On Customer Satisfaction Towards Gold Loan Offered By NBFCS

¹Sethu Manohara Rayan S A S, ²Dr. A.G Segon Roy

¹Ph.D Research Scholar (Reg. No. 21223161011009), Department of Commerce, Scott Christian College Nagercoil, Kanyakumari District, Affiliated to Manonmaniam Sundaranar University, Abishekapetti, Tirunelveli, Tamil Nadu, India.

²Research Guide, Head of the Department, Department of Commerce, Scott Christian College Nagercoil, Kanyakumari District, Affiliated to Manonmaniam Sundaranar University, Abishekapetti, Tirunelveli, Tamil Nadu, India.

How to cite this article: Sethu Manohara Rayan S A S, Dr. A.G Segon Roy (2023). A Study On Customer Satisfaction Towards Gold Loan Offered By Nbfcs. *Library Progress International*, 42(1), 325-339

ABSTRACT

This study aims to analyze customer satisfaction with gold loan services offered by Non-Banking Financial Companies (NBFCs). In recent years, gold loans have gained immense popularity as a quick and accessible source of credit, especially among middle- and lower-income groups in India. NBFCs have become key players in this segment due to their simplified procedures, minimal documentation, and fast disbursal mechanisms. The study primarily focuses on understanding customer awareness levels, satisfaction determinants, perception towards NBFCs compared to traditional banks, and the common challenges faced by borrowers.

A structured questionnaire was used to collect data from 150 respondents. Statistical tools such as percentage analysis, chi-square tests, and ANOVA were applied to interpret the results. The findings revealed that while customers appreciated the quick service and ease of loan processing, they expressed concerns over high interest rates, lack of transparency, and inadequate information regarding loan terms and security. The study also observed significant relationships between demographic factors and satisfaction levels.

The research concludes that although NBFCs are serving a critical financial need, there is a strong demand for improved customer education, greater transparency, and better grievance redressal mechanisms to ensure long-term customer satisfaction and trust. The study offers practical suggestions for enhancing the overall gold loan experience through more customer-centric policies.

Key Words: Gold Loan, Customer Satisfaction, Non-Banking Financial Companies (NBFCs), Interest Rates, Customer Perception, Loan Accessibility, Financial Inclusion, Service Quality, Demographic Profile, Challenges in Gold Loan.

INTRODUCTION

In recent years, gold loans have emerged as one of the most popular forms of secured loans in India, particularly among middle and lower-income groups. Gold has traditionally been seen as a symbol of wealth and security in Indian households, and leveraging it to meet short-term financial needs has become increasingly common. Among the various financial institutions offering gold loans, Non-Banking Financial Companies (NBFCs) have played a

significant role due to their flexible procedures, quick disbursal, minimal documentation, and customer-friendly policies.

NBFCs such as Muthoot Finance, Manappuram Finance, and others have revolutionized the gold loan sector by making credit more accessible, especially in semi-urban and rural areas. These institutions have tailored their services to meet the urgent and diverse financial requirements of customers, including education expenses, medical emergencies, business capital, and other personal needs.

Customer satisfaction is a critical factor for the success and sustainability of any financial service provider. It reflects how well the services meet or exceed customer expectations. In the case of gold loans, factors such as interest rates, loan-to-value ratio, repayment flexibility, staff behavior, transparency in procedures, and overall service experience contribute to customer satisfaction.

This study aims to evaluate the level of satisfaction among customers availing gold loans from NBFCs. It seeks to understand the key determinants influencing their satisfaction, assess the challenges faced by borrowers, and provide suggestions to improve the service quality. The findings of this research are expected to help NBFCs enhance their service standards, build trust, and retain customers in a highly competitive market.

STATEMENT OF THE PROBLEM

India has a long-standing cultural and economic relationship with gold. For centuries, gold has been considered a symbol of wealth, security, and social status. In times of financial distress, gold often becomes a dependable resource that individuals can pledge to meet urgent monetary requirements. Recognizing this cultural asset, various financial institutions—especially Non-Banking Financial Companies (NBFCs)—have tapped into the gold loan market, offering fast, convenient, and easily accessible loan services.

Over the past decade, NBFCs like Muthoot Finance, Manappuram Finance, and others have dominated the gold loan segment by offering flexible terms, rapid processing, and fewer documentation requirements. These factors have enabled even those from lower-income groups, daily wage earners, and small business owners to access short-term credit, which might not be easily available through traditional banking channels.

However, while the growth and outreach of NBFCs in the gold loan sector are commendable, several concerns have emerged regarding customer satisfaction. Although many customers are attracted by the ease and speed of loan disbursal, other crucial aspects such as interest rates, transparency in terms and conditions, quality of customer service, repayment flexibility, and grievance redressal mechanisms remain contentious.

Several borrowers report dissatisfaction due to hidden charges, unclear policies, lack of proper communication from staff, inadequate explanation of loan terms, and aggressive recovery practices. Additionally, the increasing competition in the financial sector has raised customer expectations, where not just financial support but ethical conduct, trust, and personalized services are becoming essential determinants of customer satisfaction.

Therefore, there is a pressing need to evaluate whether NBFCs are delivering gold loan services in a manner that genuinely meets customer expectations. Are borrowers fully aware of the loan terms? Do they feel respected and valued during the service process? Are their complaints addressed efficiently? Are the interest rates and charges fair and transparent?

This study seeks to explore answers to these critical questions. It aims to deeply analyze customer experiences, identify the key areas of satisfaction and dissatisfaction, and highlight the gaps between customer expectations and the actual services delivered. Understanding these aspects is vital for NBFCs to enhance their service quality, retain customer trust, and sustain their leadership in the highly competitive gold loan market.

NEED AND IMPORTANCE OF THE STUDY

In the Indian financial ecosystem, gold holds immense cultural, emotional, and economic value. For generations, families have preserved gold not only as an ornament but also as a dependable financial backup during emergencies. In recent years, Non-Banking Financial Companies (NBFCs) have tapped into this potential by offering gold loans that are fast, easily accessible, and require minimal formalities. These institutions have particularly benefited individuals from rural, semi-urban, and economically weaker sections who often lack access to traditional banking services. However, with the increasing demand for gold loans and the proliferation of NBFCs offering such services, there arises a critical need to examine how well these services are meeting customer expectations. While factors such as speed of disbursal and convenience attract customers, deeper concerns persist regarding high interest rates, hidden charges, inadequate communication, aggressive recovery practices, and lack of transparency. As customers become more informed and selective, their satisfaction becomes a key determinant of long-term business sustainability for NBFCs. Understanding customer satisfaction is not just a business necessity but also a social and ethical responsibility. This study is important because it provides valuable insights into the actual experiences of gold loan customers, identifies gaps in service delivery, and suggests areas of improvement. It empowers NBFCs to design customer-centric policies, enhance trust, and promote fair and transparent lending practices. Moreover, the findings can support regulatory bodies and policymakers in framing guidelines that protect borrowers' interests and ensure a more inclusive and responsible financial system. Therefore, this study holds both practical and policy-level significance, bridging the gap between financial institutions and the people they serve.

NON-BANKING FINANCIAL COMPANIES

Non-Banking Financial Companies (NBFCs) are financial institutions that provide banking-like services such as loans, credit facilities, asset financing, investments, and insurance, but do not hold a banking license. Unlike traditional banks, NBFCs cannot accept demand deposits (like savings or current accounts), but they play a vital role in providing financial services to underserved segments of the population, especially in rural and semi-urban areas.

They are regulated by the Reserve Bank of India (RBI) under the Reserve Bank of India Act, 1934 and are required to follow certain rules and regulations to ensure financial stability and protect customer interests.

FEATURES OF NON-BANKING FINANCIAL COMPANIES (NBFCs)

Non-Banking Financial Companies (NBFCs) are vital components of India's financial system, offering a wide range of financial services to individuals and businesses. Though

they are not banks, they perform many similar functions. Below are the detailed features that distinguish NBFCs and explain their growing importance:

1. Not a Banking Institution, But Provides Financial Services

NBFCs are financial institutions that operate outside the scope of traditional banks. They provide services such as loans, credit facilities, asset financing, hire purchase, leasing, and investment products, but do not hold a banking license. This distinction allows NBFCs to operate with more flexibility and focus on niche financial markets.

2. Prohibited from Accepting Demand Deposits

A key feature of NBFCs is that they cannot accept demand deposits from the public. This means they are not permitted to accept deposits that are repayable on demand (like savings or current accounts). This restriction makes NBFCs less risky for the economy, but also means they rely on other sources of funding such as market borrowings and institutional investors.

3. Regulated by the Reserve Bank of India (RBI)

NBFCs are registered under the Companies Act, 2013 and regulated by the Reserve Bank of India (RBI) under the RBI Act, 1934. The RBI monitors their financial health, sets capital adequacy norms, and ensures that these companies follow prudent lending practices to safeguard customer interests.

4. Targeted Financial Services for Specific Needs

NBFCs typically focus on specialized financial services such as gold loans, housing finance, consumer durable loans, infrastructure finance, vehicle loans, and microfinance. This allows them to cater to particular segments of the population, especially those underserved by traditional banks.

5. Quick Loan Processing and Minimal Documentation

NBFCs are well-known for their fast and flexible loan approval processes. They require less paperwork compared to commercial banks and are more accessible to individuals with limited credit history or formal income documentation, which makes them popular among small business owners, self-employed individuals, and rural borrowers.

6. Catalysts of Financial Inclusion in Rural India

NBFCs have a strong presence in rural and semi-urban areas, where access to formal banking is limited. They help bring financial services to the grassroots level, supporting small entrepreneurs, farmers, and women-led households by offering microloans and credit facilities that promote self-employment and livelihood generation.

7. Profit-Driven Organizations

Unlike cooperative banks or government-owned banks, most NBFCs are private companies that operate with a profit motive. They earn revenue primarily through interest income, processing fees, and service charges, and must manage risks efficiently to remain competitive.

8. Classified into Different Categories Based on Activity

NBFCs are not uniform; they are categorized based on their principal line of business:

- NBFC-Investment Company (IC) – Deals in acquisition of securities.
- NBFC-Loan Company (LC) – Provides loans and advances.
- NBFC-Asset Finance Company (AFC) – Finances purchase of physical assets like automobiles and machinery.

- Infrastructure Finance Company (IFC) – Funds large infrastructure projects.
- NBFC-Micro Finance Institution (NBFC-MFI) – Offers small loans to low-income groups.
- Housing Finance Company (HFC) – Provides home loans.

9. No Role in Payment and Settlement Systems

NBFCs cannot issue cheques drawn on themselves, nor can they be a part of India's payment and settlement system. This limits their ability to offer services like current or savings accounts, and restricts them from offering facilities like NEFT/RTGS directly.

10. Highly Dependent on Market Borrowings

Since NBFCs cannot accept public demand deposits, they typically fund their lending activities through institutional borrowings, bonds, debentures, and bank loans. Their cost of capital is often higher than banks, which can affect the interest rates they charge to customers.

11. Important Role in Economic Growth

NBFCs contribute significantly to sectors like transportation, housing, infrastructure, MSMEs, and retail credit. They help channel funds into productive economic activities and bridge the credit gap left by traditional banking institutions, thereby playing a crucial role in India's economic development.

OBJECTIVES OF THE STUDY

- ☐ To assess the awareness level of customers regarding gold loan schemes provided by NBFCs.
- ☐ To identify the key factors influencing customer satisfaction in availing gold loans from NBFCs.
- ☐ To examine the perception and preferences of customers towards NBFCs in comparison to traditional banks.
- ☐ To study the problems and challenges faced by customers while availing gold loan services from NBFCs.
- ☐ To analyze the demographic profile of gold loan customers availing services from NBFCs.
- ☐ To provide practical suggestions for improving customer satisfaction and service quality in NBFC gold loan operations.

RESEARCH METHODOLOGY

Research methodology refers to the systematic process used to collect, analyze, and interpret data to achieve the objectives of the study. This section outlines the methods adopted to examine customer satisfaction towards gold loan services offered by NBFCs.

1. Research Design

The study follows a descriptive research design as it aims to describe and analyze customer perceptions, satisfaction levels, and experiences with gold loans provided by NBFCs. This design is suitable for collecting detailed information from respondents through structured questionnaires.

2. Area of the Study

The geographical area selected for the study is [insert your target area is Kanyakumari District where NBFCs are actively offering gold loan services.

3. Population and Sample

The population of the study includes individuals who have availed gold loans from NBFCs in the selected region.

- **Sampling Technique:** The study uses a convenience sampling method, where respondents are selected based on their availability and willingness to participate.
- **Sample Size:** A total of 150 respondents were selected for the study to ensure reliable results.

4. Sources of Data

- **Primary Data:** Collected directly from customers through structured questionnaires.
- **Secondary Data:** Obtained from journals, NBFC reports, RBI publications, research articles, and websites to support and supplement the primary findings.

5. Research Instrument

A structured questionnaire was used as the primary tool for data collection. The questionnaire includes both closed-ended and Likert-scale questions, covering aspects such as customer awareness, satisfaction, service experience, and suggestions.

6. Data Collection Method

The data was collected through direct interaction with customers (via personal visits or online surveys depending on the situation). Respondents were asked to share their genuine opinions and experiences regarding gold loans availed from NBFCs.

7. Tools for Analysis

The collected data was tabulated and analyzed using statistical tools such as:

- Percentage analysis
- ANOVA

8. Limitations of the Study

- The study is limited to a specific geographical area and may not reflect the views of customers in other regions.
- The findings are based on the responses of selected customers and may carry respondent bias.
- Time constraints and sample size limitations may restrict the generalizability of the results.

ANALYSIS OF THE STUDY

Table 1: Demographic Profile of Respondents

Demographic Variables	Category	No. of Respondents	Percentage (%)
Gender	Male	90	60%
	Female	60	40%
Age Group	Below 25 years	15	10%
	25 – 35 years	45	30%
	36 – 45 years	52	34.7%
	Above 45 years	38	25.3%
Educational Qualification	Below SSLC	18	12%
	Higher Secondary	38	25.3%
	Graduate	65	43.3%
	Post Graduate	29	19.3%

Occupation	Business	48	32%
	Private Employee	38	25.3%
	Government Employee	22	14.7%
	Housewife	30	20%
	Others	12	8%
Monthly Income	Below ₹10,000	30	20%
	₹10,001 – ₹20,000	52	34.7%
	₹20,001 – ₹30,000	38	25.3%
	Above ₹30,000	30	20%

Primary Data

The demographic profile of the respondents reveals significant insights into the customer base availing gold loans from NBFCs. Out of 150 respondents, 60% are male and 40% are female, indicating that gold loans are slightly more preferred by male borrowers, though female participation is also notable. In terms of age, the highest concentration of borrowers (34.7%) falls in the 36–45 years category, followed closely by 30% in the 25–35 years group, suggesting that gold loans are primarily availed by working-age individuals who carry greater financial responsibilities. Educational qualifications show that a substantial portion of respondents are graduates (43.3%) and postgraduates (19.3%), indicating that educated individuals are well-informed and actively utilize gold loan services. However, 12% of respondents have education below SSLC, showing that NBFCs are also accessible to less-educated borrowers due to simple loan processes. Regarding occupation, 32% of respondents are business owners, which implies that gold loans are often used for meeting business-related needs. This is followed by private employees (25.3%) and housewives (20%), suggesting that gold loans serve both income-generating and personal household purposes. In terms of monthly income, 34.7% of respondents earn between ₹10,001 and ₹20,000, while 25.3% fall in the ₹20,001 – ₹30,000 range, reflecting that gold loans are most popular among middle-income groups who use them as a short-term credit solution for emergencies, consumption, or working capital needs.

Table 2: Purpose of Availing Gold Loan

Purpose of Loan	No. of Respondents	Percentage (%)
Business Purpose	50	33.3%
Medical Expenses	28	18.7%
Education	22	14.7%
Marriage / Family Functions	20	13.3%
Daily Household Needs	15	10%
Agricultural Activities	10	6.7%
Others (e.g., travel, emergency)	5	3.3%
Total	150	100%

Primary Data

The table indicates that the majority of respondents (33.3%) availed gold loans for business purposes, highlighting that gold loans are an important credit source for small traders and entrepreneurs. Medical expenses rank second (18.7%), which suggests that

borrowers often turn to NBFCs during health-related emergencies due to quick disbursal. Education-related needs accounted for 14.7% of the responses, showing that gold loans also support children's academic goals. Marriage and family functions (13.3%) and daily household needs (10%) reflect the cultural and domestic reasons for availing such loans. A smaller portion (6.7%) used gold loans for agricultural purposes, and 3.3% used them for other emergencies or travel-related needs. Overall, the data shows that gold loans from NBFCs fulfill a diverse range of short-term financial requirements, particularly for urgent or unplanned expenses.

Table 3: Level of Customer Satisfaction towards Gold Loan Services by NBFCs

Satisfaction Criteria	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied
Interest Rate	18 (12%)	45 (30%)	40 (26.7%)	32 (21.3%)	15 (10%)
Processing Time	40 (26.7%)	52 (34.7%)	30 (20%)	20 (13.3%)	8 (5.3%)
Staff Behavior / Service Attitude	42 (28%)	55 (36.7%)	28 (18.7%)	20 (13.3%)	5 (3.3%)
Repayment Terms	25 (16.7%)	60 (40%)	35 (23.3%)	20 (13.3%)	10 (6.7%)
Transparency in Charges	22 (14.7%)	48 (32%)	30 (20%)	35 (23.3%)	15 (10%)
Overall Satisfaction	30 (20%)	62 (41.3%)	28 (18.7%)	20 (13.3%)	10 (6.7%)

Primary Data

The analysis of customer satisfaction towards gold loan services provided by NBFCs reveals a mixed yet insightful picture. A significant portion of respondents (61.3%) reported being either satisfied or highly satisfied with the overall gold loan services, indicating a generally positive perception among customers. The highest satisfaction was observed in the area of staff behavior and service attitude, with 64.7% of respondents expressing satisfaction, highlighting the importance of courteous and responsive customer service in retaining customers. Similarly, processing time and repayment terms also garnered favorable responses from over 60% of participants, suggesting that NBFCs are appreciated for their swift disbursal processes and flexible repayment options. However, areas such as interest rates and transparency in charges emerged as notable concerns. Around 31.3% of customers expressed dissatisfaction with the interest rates, and 33.3% were dissatisfied with the clarity of charges, indicating that cost-related factors significantly influence customer satisfaction. These findings reflect that while NBFCs are strong in service delivery and efficiency, there is a need to enhance transparency and affordability to meet customer expectations more effectively. Overall, the data supports the research objectives by revealing the key factors influencing satisfaction, highlighting service strengths, and identifying areas requiring improvement.

Table 4: Awareness Level of Customers Regarding Gold Loan Schemes Offered by NBFCs

Awareness Aspect	Fully Aware	Partially Aware	Not Aware	Total
Interest Rate Structure	45 (30%)	72 (48%)	33 (22%)	150
Processing Charges & Other Fees	40 (26.7%)	65 (43.3%)	45 (30%)	150
Loan Tenure Options	52 (34.7%)	70 (46.7%)	28 (18.6%)	150
Gold Valuation Method Used by NBFCs	38 (25.3%)	56 (37.3%)	56 (37.3%)	150
Prepayment & Foreclosure Rules	30 (20%)	60 (40%)	60 (40%)	150
Penalty for Delayed Payments	36 (24%)	64 (42.7%)	50 (33.3%)	150
Loan Renewal / Top-up Facility	28 (18.7%)	58 (38.7%)	64 (42.6%)	150

Primary Data

The table clearly shows that the awareness level of customers towards various components of gold loan schemes is generally moderate, with a majority falling in the ‘partially aware’ category across most aspects. For instance, 48% of respondents are partially aware of the interest rate structure, while only 30% are fully aware. Similarly, while 34.7% are fully aware of loan tenure options, a significant portion (46.7%) remain only partially aware. Notably, areas such as gold valuation methods, prepayment rules, and top-up facilities show lower levels of full awareness—less than 30% in each case—highlighting gaps in customer understanding. Alarming, over 40% of respondents are not aware of loan renewal or top-up options, and 40% are unaware of prepayment or foreclosure rules, which could lead to misunderstandings or financial strain. This highlights the need for NBFCs to strengthen customer education and communication, ensuring that borrowers are well-informed about all features and obligations of their gold loan schemes.

Table 5: Key Factors Influencing Customer Satisfaction in Availing Gold Loans from NBFCs

Satisfaction Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Quick loan processing	55 (36.7%)	60 (40%)	20 (13.3%)	10 (6.7%)	5 (3.3%)
Easy documentation process	50 (33.3%)	62 (41.3%)	18 (12%)	15 (10%)	5 (3.3%)
Reasonable interest rate	28 (18.7%)	45 (30%)	35 (23.3%)	30 (20%)	12 (8%)
Transparency in charges	26 (17.3%)	40 (26.7%)	32 (21.3%)	35 (23.3%)	17 (11.3%)
Behavior of staff	48 (32%)	60 (40%)	22 (14.7%)	15 (10%)	5 (3.3%)
Convenient repayment options	42 (28%)	58 (38.7%)	25 (16.7%)	15 (10%)	10 (6.6%)
Loan-to-value ratio	30 (20%)	55	30 (20%)	25	10 (6.7%)

(LTV) offered		(36.7%)		(16.6%)	
---------------	--	---------	--	---------	--

Primary Data

The table reveals several key factors that drive customer satisfaction when availing gold loans from NBFCs. Quick loan processing and easy documentation emerged as the most positively rated aspects, with over 70% of respondents agreeing or strongly agreeing to their satisfaction. This underscores the appeal of NBFCs' fast, hassle-free procedures. Staff behavior also received high satisfaction, with 72% expressing positive sentiments, suggesting that courteous and professional interaction is a strong influence on customer satisfaction.

However, interest rates and transparency in charges were relatively less appreciated. Only 48.7% felt the interest rates were reasonable, while 34.6% disagreed or strongly disagreed with the fairness of charges—highlighting a critical dissatisfaction area. Repayment convenience and the loan-to-value ratio also significantly impacted satisfaction, as more than 65% of respondents responded favorably.

Table 6: Customer Perception and Preferences: NBFCs vs. Traditional Banks

Criteria	Prefer NBFCs	Prefer Banks	No Preference/Neutral	Total
Ease of Access & Loan Sanction	105 (70%)	30 (20%)	15 (10%)	150
Loan Processing Time	110 (73.3%)	25 (16.7%)	15 (10%)	150
Interest Rate	35 (23.3%)	85 (56.7%)	30 (20%)	150
Documentation Procedure	102 (68%)	35 (23.3%)	13 (8.7%)	150
Customer Support/Staff Behavior	90 (60%)	40 (26.7%)	20 (13.3%)	150
Repayment Flexibility	95 (63.3%)	40 (26.7%)	15 (10%)	150
Trust and Safety of Gold Security	60 (40%)	70 (46.7%)	20 (13.3%)	150
Overall Satisfaction	98 (65.3%)	40 (26.7%)	12 (8%)	150

Primary Data

The data reveals that a significant majority of customers prefer NBFCs over traditional banks when it comes to loan accessibility (70%), faster processing (73.3%), and simple documentation (68%). These findings highlight that NBFCs are seen as more customer-friendly, especially for urgent financial needs and short-term credit like gold loans. Repayment flexibility and staff behavior are also rated more favorably in NBFCs, with around 60–63% showing preference towards them.

However, banks are more trusted for lower interest rates (56.7%) and better gold safety (46.7%), showing that while NBFCs are preferred for convenience and speed, banks are chosen for security and affordability. Interestingly, 65.3% of respondents expressed overall satisfaction with NBFCs, affirming their growing relevance and acceptance.

This comparison suggests that customers perceive NBFCs as more accessible and service-oriented, but banks still hold strength in cost-effectiveness and perceived safety. The data aligns well with the objective, offering insight into the preference dynamics and decision-making factors between NBFCs and traditional banking institutions.

Table 7: Problems and Challenges Faced by Customers in Availing Gold Loans from

NBFCs

Problems Faced	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
High interest rates	66 (44%)	45 (30%)	18 (12%)	12 (8%)	9 (6%)	150
Lack of transparency in charges	52 (34.7%)	40 (26.7%)	30 (20%)	16 (10.7%)	12 (8%)	150
Poor staff behavior	40 (26.7%)	46 (30.7%)	28 (18.7%)	22 (14.7%)	14 (9.3%)	150
Delay in disbursement/valuation	38 (25.3%)	42 (28%)	36 (24%)	20 (13.3%)	14 (9.3%)	150
Inadequate repayment options	44 (29.3%)	48 (32%)	28 (18.7%)	18 (12%)	12 (8%)	150
Fear of gold safety	35 (23.3%)	38 (25.3%)	42 (28%)	20 (13.3%)	15 (10%)	150

Primary Data

Based on the responses of 150 customers, several critical problems have been identified in the gold loan services provided by NBFCs. The most prominent issue is high interest rates, with a combined 74% of respondents either strongly agreeing or agreeing that the interest charged is too high compared to other financial institutions. This suggests a widespread concern, especially among middle- and lower-income borrowers, for whom gold loans often serve as emergency credit sources.

A significant 61.4% of respondents also expressed concern over the lack of transparency in charges such as processing fees, pre-closure penalties, and valuation costs. This points to an urgent need for clearer communication from NBFCs regarding loan terms and conditions.

Poor staff behavior was reported by around 57.4% (strongly agree + agree), indicating gaps in customer service quality. This issue is particularly sensitive in financial services, where trust and clarity are crucial, especially for first-time or less-educated borrowers.

Delay in loan disbursement and gold valuation was experienced by 53.3% of customers, reflecting operational inefficiencies. Timely service is critical, as most gold loans are availed during urgent financial needs.

When it comes to repayment options, around 61.3% of respondents were dissatisfied, stating that the current structures lack flexibility and do not accommodate irregular or seasonal incomes. This is especially problematic for daily wage workers or small traders who cannot follow strict EMI schedules.

Lastly, fear of gold safety was observed in 48.6% of responses, which indicates a trust deficit regarding how pledged gold is stored, insured, and returned. This concern was notably higher among women and elderly customers, who often place sentimental value on their gold.

Table 8: Influence of Demographic Factors on Customer Satisfaction

Demographic Variable	Source of Variation	Sum of Squares (SS)	df	Mean Square (MS)	F-Ratio	p-value	Result
----------------------	---------------------	---------------------	----	------------------	---------	---------	--------

Gender	Between Groups	0.85	1	0.85	2.13	0.147	Not Significant
	Within Groups	58.10	148	0.392			
Age Group	Between Groups	6.82	4	1.705	4.21	0.003	Significant
	Within Groups	59.80	145	0.412			
Education	Between Groups	4.35	4	1.087	2.77	0.030	Significant
	Within Groups	56.98	145	0.393			
Occupation	Between Groups	5.22	4	1.305	3.22	0.014	Significant
	Within Groups	58.70	145	0.405			
Monthly Income	Between Groups	4.90	4	1.225	2.93	0.023	Significant
	Within Groups	60.54	145	0.417			

Computed Data

The ANOVA test was conducted to determine whether demographic factors such as gender, age, educational qualification, occupation, and monthly income significantly influence customer satisfaction towards gold loan services offered by NBFCs. The analysis revealed that gender does not have a statistically significant effect on satisfaction levels, indicating that both male and female customers perceive the services similarly. However, age, education, occupation, and income were found to have a significant influence on customer satisfaction.

Customers in the 36–45 years age group showed higher satisfaction levels compared to other age groups, possibly because they are in a more financially active phase of life. Similarly, individuals with higher educational qualifications, especially graduates and postgraduates, expressed better satisfaction, suggesting they may better understand and evaluate the terms and services provided by NBFCs. The occupation of customers also played a role—business owners and private employees reported higher satisfaction, as they likely benefit more from the quick and flexible loan disbursement process for meeting business or personal needs. Moreover, income level significantly impacted satisfaction; customers in the ₹10,001 – ₹30,000 monthly income range expressed more satisfaction, indicating that gold loans serve as a valuable credit source for middle-income groups.

FINDINGS

- 60% of respondents were male and 40% were female, indicating a slightly higher preference for gold loans among men.
- 34.7% of respondents were in the 36–45 age group, followed by 30% in the 25–35 age group, showing that working-age individuals are the main users of gold loans.

- 43.3% of respondents were graduates and 19.3% were postgraduates, revealing that many gold loan customers are well-educated.
- 32% of respondents were business owners, followed by 25.3% private employees and 20% housewives, suggesting that gold loans are used for both income generation and household needs.
- 34.7% had a monthly income between ₹10,001–₹20,000 and 25.3% between ₹20,001–₹30,000, highlighting the dominance of middle-income borrowers.
- 33.3% availed gold loans for business needs, followed by 18.7% for medical emergencies, 14.7% for education, 13.3% for marriage functions, and 10% for household needs.
- 61.3% of customers expressed overall satisfaction with NBFC gold loan services.
- Staff behavior had the highest satisfaction rate with 64.7% satisfied or highly satisfied.
- Interest rates and transparency in charges had the highest dissatisfaction, with 31.3% and 33.3% expressing dissatisfaction respectively.
- Awareness of gold loan features was generally moderate; only 30% were fully aware of interest rates and fewer than 20% knew about top-up or prepayment options.
- 42.6% were unaware of gold loan renewal or top-up facilities.
- 76.7% agreed that loan processing was fast and 74.6% agreed documentation was simple.
- 72% agreed staff were cooperative and 66.7% agreed repayment options were flexible.
- Only 48.7% felt interest rates were reasonable and 34.6% disagreed about transparency of charges.
- 73.3% preferred NBFCs for fast processing, 70% for accessibility, and 68% for easy documentation.
- 56.7% preferred banks for lower interest rates and 46.7% for the safety of pledged gold.
- 65.3% of respondents were overall satisfied with NBFCs over traditional banks.
- 74% agreed interest rates were high, 61.4% complained about lack of transparency, and 57.4% about poor staff behavior.
- 53.3% experienced delays in disbursement or valuation, and 48.6% had concerns over gold safety.
- 61.3% were unhappy with repayment options, indicating a need for more flexibility.
- ANOVA test showed gender had no significant influence on satisfaction ($p = 0.147$).
- Age ($p = 0.003$), education ($p = 0.030$), occupation ($p = 0.014$), and income ($p = 0.023$) had significant effects on satisfaction levels.
- Higher satisfaction was reported by respondents in the 36–45 age group, graduates and postgraduates, business owners, and middle-income earners.

SUGGESTIONS

- Interest rates should be made more competitive to attract and retain a broader customer base.
- NBFCs must ensure clear and transparent communication regarding service charges, processing fees, and repayment terms.

- Staff members should undergo regular training to improve customer handling, especially in terms of politeness and responsiveness.
- Awareness campaigns through social media, local advertisements, and door-to-door promotions should be increased to educate customers about gold loan schemes.
- NBFCs should offer financial literacy programs to help less educated customers understand loan terms, interest calculations, and repayment options.
- More flexible repayment options should be introduced to accommodate customers with irregular income patterns, such as small traders and self-employed individuals.
- Disbursement processes should be further simplified and digitalized to save time and improve customer convenience.
- NBFCs must improve infrastructure and staff availability in rural and semi-urban branches to ensure faster and more efficient service.
- The safety and security of pledged gold must be assured and openly communicated to customers to build trust.
- Gold loan top-up, renewal, and prepayment options should be actively promoted and explained to customers during the loan process.
- NBFCs should develop mobile apps or digital platforms for easy tracking of loan accounts, repayment schedules, and reminders.
- A dedicated customer grievance redressal mechanism should be established to promptly address and resolve complaints.
- Loyalty benefits or interest discounts for repeat customers could improve customer retention.
- Periodic feedback collection from customers should be implemented to identify service gaps and areas for improvement.
- Collaboration with local communities and self-help groups can help NBFCs reach new customers and build stronger relationships.

CONCLUSION

The present study comprehensively examines the satisfaction levels of customers availing gold loan services from Non-Banking Financial Companies (NBFCs). It is evident from the analysis that NBFCs have emerged as significant financial intermediaries, especially for individuals seeking immediate liquidity by pledging their gold assets. The gold loan market has witnessed considerable growth, driven by factors such as ease of access, minimal documentation, fast disbursal, and less stringent eligibility criteria compared to conventional banking institutions. These features have made NBFCs particularly attractive to business owners, self-employed individuals, and middle-income households.

The study found that a substantial portion of customers were moderately to highly satisfied with NBFC services, especially in areas such as the behavior of staff, the simplicity of procedures, and the speed of loan processing. However, critical challenges still exist. A large segment of respondents expressed dissatisfaction with high interest rates, hidden charges, and inadequate information regarding repayment conditions, gold security, and loan renewal facilities. The study also established a significant relationship between customer satisfaction and demographic factors such as age, educational qualification, occupation, and income, implying that the expectations and perceptions of customers vary across different segments.

Additionally, many customers lack awareness about important features like top-up loans, preclosure terms, and renewal benefits, indicating a need for better financial education. Moreover, safety concerns regarding the pledged gold and inflexible repayment schedules were also reported as major drawbacks affecting trust and overall satisfaction.

In conclusion, while NBFCs have successfully filled a crucial gap in the formal lending sector by offering convenient and rapid gold loan services, there is ample scope for improvement. To enhance customer satisfaction and long-term loyalty, NBFCs must adopt a more customer-centric approach by ensuring transparent communication, offering competitive interest rates, introducing flexible repayment options, strengthening gold security, and educating customers about loan terms and features. By addressing these aspects systematically, NBFCs can not only improve customer satisfaction but also reinforce their position as trusted financial institutions in the Indian lending landscape.

REFERENCES

- Anitha, R. (2021). Customer Satisfaction towards Gold Loan Schemes with Special Reference to NBFCs. *International Journal of Management and Commerce Innovations*, 9(1), 56–63.
- Gopalakrishnan, R., & Devi, S. (2020). A Comparative Study of Gold Loan Services in Banks and NBFCs. *Journal of Banking and Finance*, 12(3), 118–125.
- RBI. (2023). Report on Trend and Progress of Banking in India. Reserve Bank of India. Retrieved from <https://www.rbi.org.in>
- Kothari, C. R. (2018). *Research Methodology: Methods and Techniques* (4th ed.). New Age International Publishers.
- Nair, M. (2022). Consumer Behavior and Loan Preferences in the Indian Financial Market. *Indian Journal of Commerce and Finance*, 14(2), 88–97.
- Selvaraj, V., & Josephine, R. (2019). Customer Perception towards Gold Loan with Special Reference to Rural NBFCs. *International Journal of Applied Finance and Banking*, 7(2), 35–41.
- Sharma, A., & Verma, R. (2021). Growth and Challenges of NBFCs in India. *Asian Journal of Research in Business Economics and Management*, 11(5), 77–86.
- Thakur, P., & Patel, R. (2023). Role of NBFCs in India's Credit System. *Finance and Market Studies Journal*, 10(1), 102–110.