

E-ISSN: 2709-9369  
P-ISSN: 2709-9350  
[www.multisubjectjournal.com](http://www.multisubjectjournal.com)  
IJMT 2020; 2(1): 56-59  
Received: 08-01-2020  
Accepted: 15-03-2020

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## Study on the correlation of variables and supporting factors of loan to consumers

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### Abstract

In this research paper the study is on the correlation of variables and supporting factors to be considered by consumer while seeking loan. This study includes correlation to understand the importance of these factors during loan process in mind of the customers. This will help the loan provider to understand the decision-making process of consumer as well.

**Keywords:** rate of interest, personal loan, gold loan, types of loans

### Introduction

The study was conducted to analysis the existing loan or the type of Loans already taken by the respondents or Actual loan holders. It was necessary to study responses of Actual loan hold or existing loan holder's choice for further study on their Preference and Perception. At the same time this study also provided information about the Types of Loan available or provided by the lenders in the market.

### Qualitative data

#### Correlation of the Variables in the Research Study

It is necessary to study correlation of the variables. The correlations are:

- Types of Loan and Rate of Interest
- Rate of interest of Personal Loan
- Rate of interest of Gold Loan
- Rate of interest of Other Loan

#### (a) Types of Loan and Rate of Interest

Table 1 (a): Types of Loan and Rate of Interest

Particulars		Rate of Interest						Total
		<7%	7%-8%	8%-9%	9%-10%	10%-11%	>11%	
Types of Loan	Personal Loan	30	23	38	61	75	30	257
	Gold Loan	1	16	0	22	31	8	78
	Any other Loans	50	48	49	88	71	53	359
Total		81	87	95	171	177	105	716 <sup>[1]</sup>

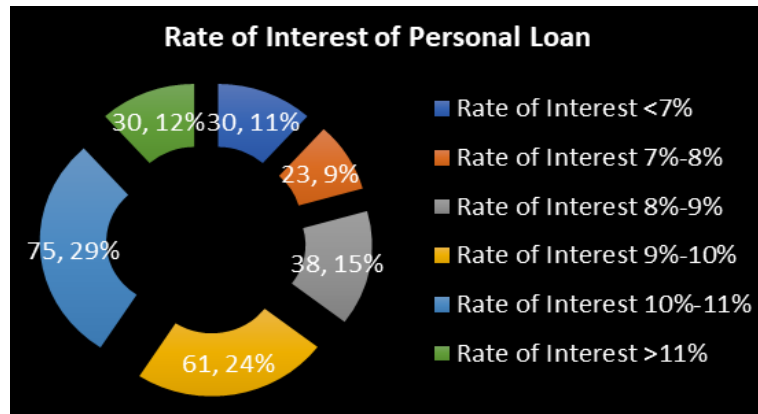
(Compiled from the field Study)

The above table 1 (a) shows the Rate of Interest of Gold loan and Personal Loan and other. In order to explain in detail, the researcher has further made individual diagrams of Personal loan (1.7 (a) Gold Loan (1.7 (b) and Any other Loans (1.7 (c).

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<sup>1</sup> The total responses are 739, but to test these variables the responses get filtered, processed and after that it may arrive at 736 or less. This can be due to the SPSS package picks up those particular variable responses only and not necessarily always all 739 for the analysis.

**(b) Rate of Interest on Personal Loan**



(Compiled from the field-survey)

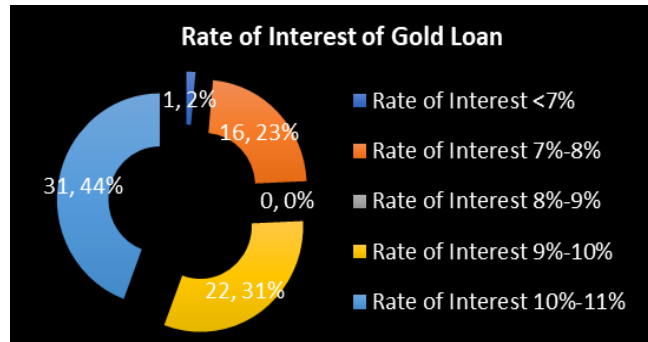
**Chart 1 (a):** Rate of Interest of Personal Loan

The chart no. 1 (a) represents the Personal Loan Rate of Interest that range

From the above diagram < 7 percent, in the range of 7 percent – 8percent, in the range of 8 percent to 9 percent, between 9 percent -10 percent, 10 percent -11 percent, 11 percent and above.

It was observed that the rate of interest less than 7 percent and above 11 percent is in the higher side. This is corresponding to the Amount of loan as well as the Sources of loan and Duration of loan taken.

**(c) Rate of Interest on Gold Loan**

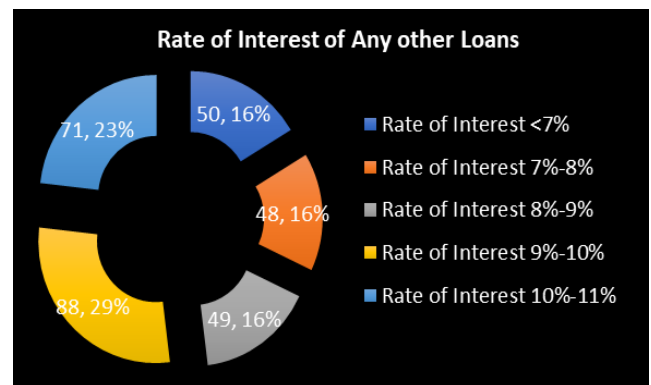


**Chart 1 (b):** Rate of Interest of Gold Loan

The above chart no. 1 (b) shows the Rate of interest paid on the Gold Loan taken, i.e. Actual Gold Loan holders paying their rate of interest. The Rate of Interest is in the range of diagram < 7 percent, between 7 percent – 8 percent, in the range of 8 percent to 9 percent, between 9 percent -10 percent, 10 percent -11 percent, and 11 percent and above.

From the diagram 1.7 (a) it has been observed that out of 78, 31 respondents of Actual gold loan holder paying the Rate of interest in the range of 10-11. This is in corresponding to the Amount of Loan taken, Duration of Loan and Sources of Loan. But one can concluded that due the Rate of Interest on Gold loan is more in the range of 9 percent to 11 percent. Thus it can reason for Gold loan popularity.

**(d) Rate of Interest on Any Other Loans**



(Compiled from the field-survey)

**Chart 1 (c):** Rate of Interest of Any other Loans

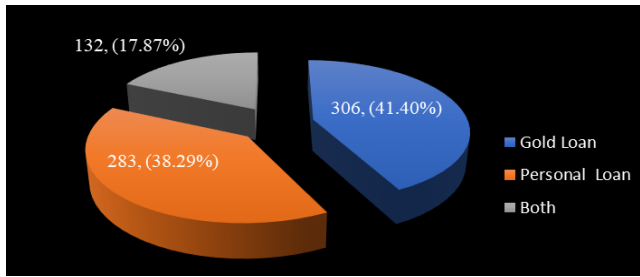
From the above chart no. 1 (c), it shows that the any other loans which includes Car Loan, Education Loan, Home Loan. The Rate of interest is in the range of diagram< 7 percent, between 7 percent – 8 percent, between 8 percent to 9 percent, range of 9 percent -10 percent, 10 percent -11 percent, and 11 percent and above. Here also the range 9 percent -10 and 10-11 percent is higher side. This again corresponds to Amount of loan taken, Sources of loan taken as well as Duration Loan taken.

**Preference of Gold Loan / Personal Loan / Both**

**Table 2:** Preference for Gold Loan/Personal Loan/Both

Particulars		No. of Respondents	Percent
Types of Loan	Gold Loan	306	41.40
	Personal Loan	283	38.29
	Both	132	17.87
	Total	721	97.56
Missing System		18	2.44
Total		739	100.0

(Compiled from the field-survey) \* missing system figure has not been presented in the chart.2 below



(Compiled from the field-survey)

**Chart 2:** Preference for Gold Loan/Personal Loan/Both

From the Chart No. 2 shows the Preference of Gold loan or Personal Loan or Both the Loans. Out of total responses, i.e. 739, it indicates that the preference for Gold loan is 306 (41.40 percent), and Preference for the Personal Loan is 283 (38.29 percent), Preference for both the loans is 132 (17.87 percent).

**Supporting Factors to Analyze in the study**

The supporting factors to analyse the Preference was whether Organised loan lenders provide Low rate of Interest, Loan to Value, Easy Procedures, Minimum Documents required, less time taken to provide the Gold loan as compared to unorganised loan lender. The details of factors affecting the Preference towards gold loan from organised loan, lenders are represented in tables and charts as follows:

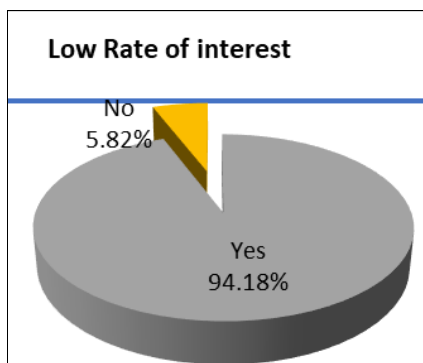
- a) Low Rate of Interest
- b) Loan to Value
- c) Easy Procedures
- d) Minimum Documents required
- e) Less time taken

**(a) Low Rate of Interest**

**Table 3 (a):** Public/ NBFC-Low Rate of Interest

Low Rate of Interest	No. of Respondents	Percent	Valid Percent	Cumulative Percent
Yes	696	94.18	94.18	94.18
No	43	5.82	5.82	100.0
Total	739	100.0	100.0	

(Compiled from the field-survey)



**Chart No. 3 (a):** Public/ NBFC-Low Rate of Interest

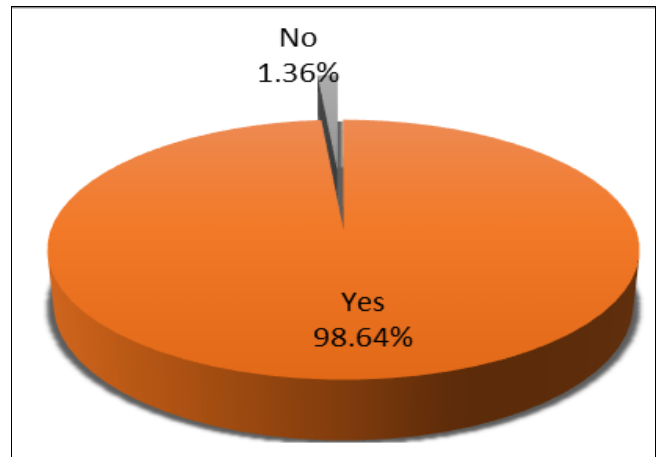
The table From the table and chart no. 3 ((a) indicates the No. of respondent for Public /NBFCs is 696 out 739, agrees upon that the organised loan lender provides Low Rate of Interest as compared to unorganised. It can be concluded that there is higher scope for the organised loan lenders due to loan rate of interest.

**(b) Loan to Value**

**Table 3 (b):** Loan to Value

Loan to Value	No. of Respondents	Percent	Valid Percent	Cumulative Percent
Yes	729	98.64	98.64	98.64
No	10	1.36	1.36	100.0
Total	739	100.0	100.0	

(Compiled from the field-survey)



(Compiled from the field-survey)

**Chart 3 (b):** Public/ NBFC-Good loan to value Loan to Value

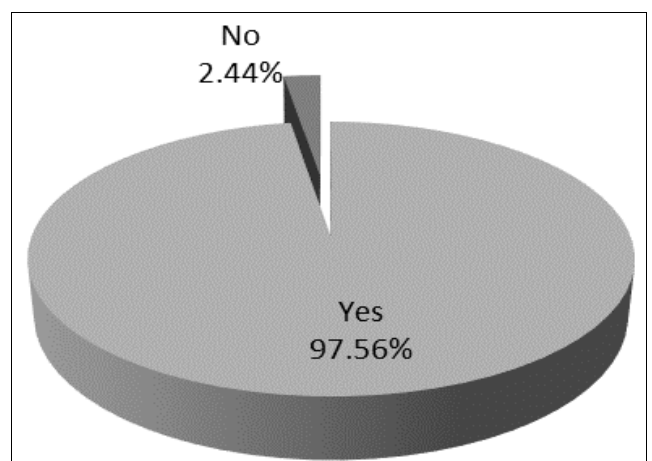
The table and chart no. 3 (b) indicates the No. of respondent for Public /NBFCs is 729 out 739, who agree that the Loan to Value is the maximum percentage of gold pledged. Therefore, one can conclude that as compared to unorganised loan lenders, the organised loan lenders give a maximum valuation on gold during the gold loan process. This is beneficial from the point view of borrowers.

**(c) Easy Procedures to take Gold loan**

**Table 3 (c):** Public/ NBFC-Easy Procedure involved

Easy Procedure	No. of Respondents	Percent	Valid Percent	Cumulative Percent
Yes	721	97.56	97.56	97.56
No	18	2.44	2.44	100.0
Total	739	100.0	100.0	

(Compiled from the field-survey)



(Compiled from the field-survey)

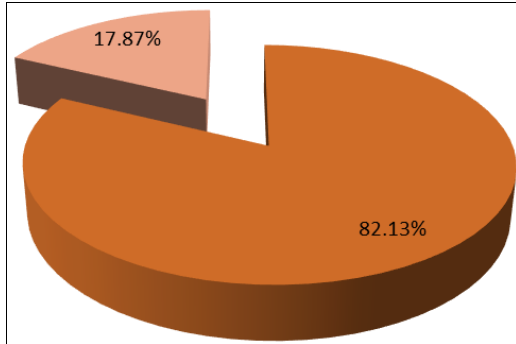
**Chart 3 (c):** Public/ NBFC-Easy Procedure involved

The Table and chart no. 3 (c) presents that 97.56 percent agrees that the Public/ NBFCs involve an easy procedure during Loan Process. This indicates Gold loan from organised loan lenders involves an easy procedure as compared to unorganised loan lenders.

**(d) Minimum Documents required**

**Table 3 (d):** Public/ NBFC-Minimum Documents

Minimum Documents	No. of Respondents	Percent	Valid Percent	Cumulative Percent
Yes	607	82.13	82.13	82.13
No	132	17.87	17.87	100.0
Total	739	100.0	100.0	



(Compiled from the field-survey)

**Chart 4 (d):** Public/ NBFC-Minimum Documents

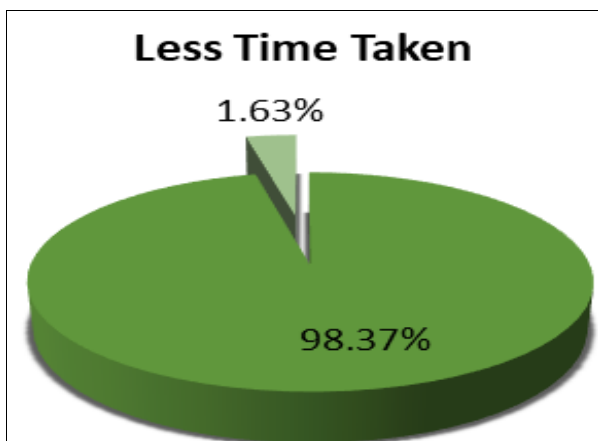
The table and Chart No. 4 (d) indicates the Minimum Documents required by Public /NBFCs. It shows that the responses are positive. That is Yes – 82.13 percent and No-17.87 percent. This indicates that the organized loan lenders also require minimum documents to opt gold loan unlike unorganized. So, taking a gold loan from an organized loan lender is also equally benefited and quick.

**(e) Less time taken**

**Table 3 (e):** Less time taken

Particulars	No. of Respondents	Percent	Valid Percent	Cumulative Percent
Less time taken	Yes	727	98.37	98.4
	No	12	1.63	100.0
	Total	739	100	100

(Compiled from the field-survey)



(Compiled from the field-survey)

**Chart 4 (e):** Less Time taken

From the Table and Chart No. 4 (e) it indicates that the Public Bank /NBFCs also take less time to sanction the loan. The responses are Yes-98.37 percent and No- 1.63 percent. It can be concluded that unlike unorganized loan lenders, organized loan lenders also take less time to sanction the gold loan.

**Conclusion**

From the above data analyzed, one can conclude that the gold loan has scope in future due to entry of organized loan lenders. Therefore, the researcher could derive on this conclusion after referring to Rate of interest, Loan amount, and Sources of loan and Duration of the loan. But along with the Preference of the loan, it is necessary to analyze the Perception of borrowers. The perception can be studied on basis of Experience and Expectation.

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