THE GROWTH OF GOLD LOAN MARKET IN INDIA: A CASE STUDY OF KERALA

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Abstract

Gold has occupied a special place in the socio economic milieu of India. It is considered to be an important asset, a hedge against inflation and an immediate source of cash especially for the rural households in India. Gold is used as collateral to earn money for short term needs. Due to an emotional attachment to the gold that households have, most of households do not sell gold ornaments; instead they pawn it for immediate use. In India, gold is associated with many socio religious customs and therefore households attach an emotional value to it. Inorder to meet short term financial needs people pledge their gold ornaments as collateral. This has shown a rising trend post pandemic in India, as most of the people have either lost their jobs or shut down their small business enterprises. As per The RBI study in 2017 on Indian Household Debt, it is seen that about 18% of debt in Kerala is in the form of gold loans, which is highest for any Indian state. Kerala has just 3% of the country's total population, but handles about 20% of the total gold sales. Gold retail houses have mushroomed within the state and have pursued an active expansion path outside the country, catering primarily to emigrants from India. Kerala has the highest per capita consumption of gold and has the highest inflow of remittances among Indian states. The consumption expenditure in the state has witnessed a rapid growth in the state post 1995. Two of the largest NBFCS, Muthoot and Manappuram, which controls about 90% of the gold loan market among NBFC'S has its origin in Kerala. Though these companies were in existence as early as 1940s, their growth and expansion began post 1998 after the government liberalized policies with respect to the Indian gold loan market. Given this context the paper is trying to explore questions on the macro economic implications of a growing gold loan market in India, correlation with flow of remittances and gold loan market growth in Kerala, pattern of growth post pandemic and new strategies pursued by NBFCS and banks to ensure a robust growth of the gold loan market. The organized sector public banks data would be used to gather information about gold loans disbursed. The annual company reports of NBFCS would also be analysed to understand the volume of trade and the innovative instruments adopted by the NBFCS. RBI reports, World Gold Council Reports, Cognizant Report, KPMG Report would be used for secondary data analysis. Kerala migration Survey, conducted by the Centre for Development Studies, would provide data on remittances to specific districts and also data on gold possession.

Keywords: gold loan, NBFC, remittances, Kerala

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Introduction

Gold has occupied a special place in the socio economic milieu of India. It is considered to be an important asset, a hedge against inflation and an immediate source of cash especially for the rural households in India. Gold is used as collateral to earn money for short term needs. Due to an emotional attachment to the gold that households have, most of households do not sell gold ornaments; instead they pawn it for immediate use. As it a liquid asset Indian households prefer to possess it so that it can be useful during crisis times. In 2019 India accounted for 16% of the global gold demand. It is also one of the largest importers of gold which macro economically has resulted in a higher trade deficit. It is estimated that Indian households has about 25,000 tonnes of gold possession with them. Traditionally gold has been pawned by rural households with money lenders and pawn brokers. In rural areas in India, due to the lack of access to banks the poor continue to invest their savings mainly in gold. Also, there are strong cultural factors at work in India which make gold not only a desirable but also a necessary asset to hold.

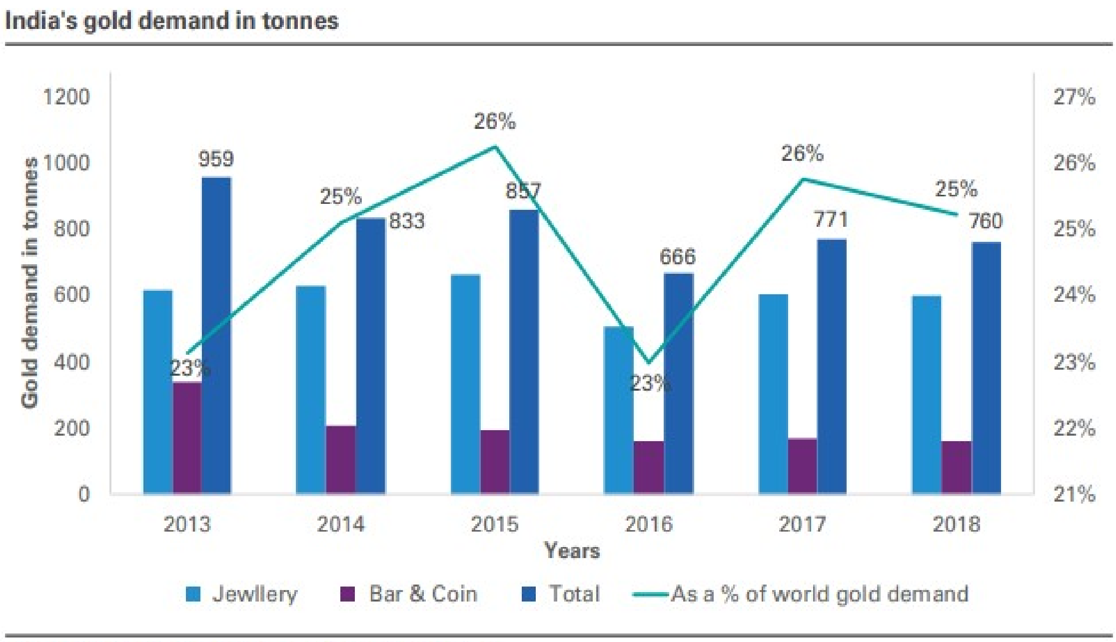


Figure 1: India's gold demand over the years[1]

Source: KPMG Report, 2019

Kerala has the highest per capita consumption of gold and has the highest inflow of remittances among Indian states. The consumption expenditure in the state has witnessed a rapid growth in the state post 1995. Two of the largest Non Banking Financial Intermediaries (NBFC's), Muthoot Finance and Manappuram, which controls about 90% of the gold loan market among NBFCS, has its origin in Kerala. Though these companies were in existence as early as 1940s, their growth and expansion began post 1998 after the government liberalized policies with respect to the Indian gold loan market. Given this background, I would like to explore the following questions in this paper.

Research Questions

1. What are the macro economic implications of a growing gold loan market in India?
2. Is there any correlation with flow of remittances and gold loan market growth in Kerala? What is its pattern of growth post pandemic?
3. Do NBFCS have a greater potential for growth and share in the gold loan market compared to banks operating in the same segment in the state? What are the innovation and strategy they have adopted for pursuing growth in the recent years?

Methodology

The organized sector public banks data would be used to gather information about gold loans disbursed. The annual company reports of NBFCS would also be analysed to understand the volume of trade and the innovative instruments adopted by the NBFCS. RBI reports, World Gold Council Reports, Cognizant Report, and KPMG Report would be used for secondary data analysis. For remittances data, World Bank data base would be used. Kerala migration Survey, conducted by the Centre for Development Studies, would provide data on remittances to specific districts and also data on gold possession.

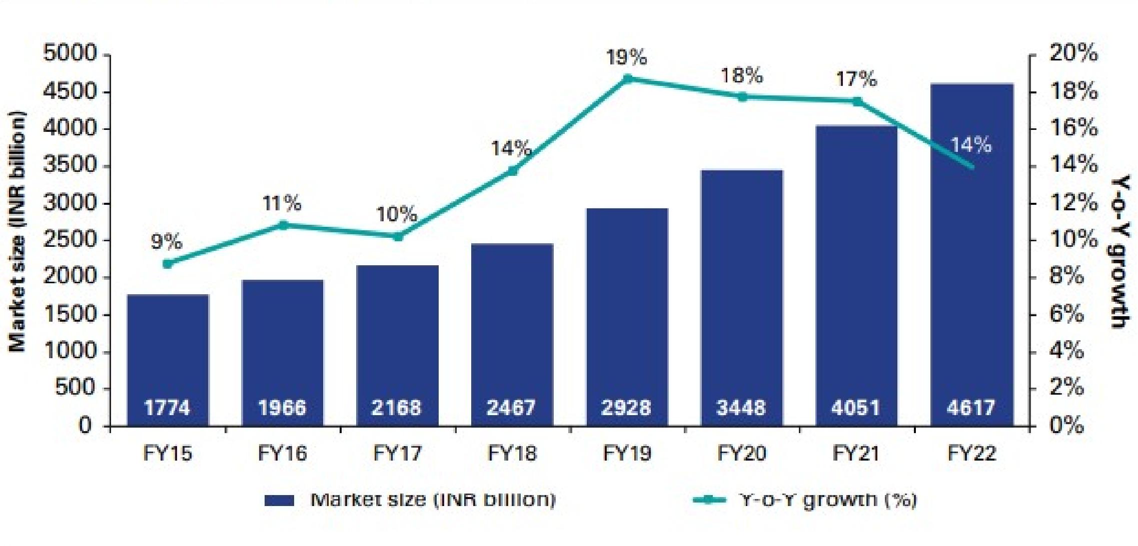
The Gold Loan Market- Structure

. At a macro level gold loan lenders can be classified into two

1. Organised Sector
2. Informal or Unorganised Sector

The organized gold loan market comprises of banks (private, public, small finance and co-operative), Non Banking Financial Intermediaries (NBFC'S) and Nidhi companies which contribute nearly 35% of the gold loan market in India. The nationalized banks advance gold loans, which charge a lower rate of interest than the NBFCS. Banks change an interest of 7-12% whereas the interest rates of NBFCS is in the range of 12- 22%. Even though this makes bank gold loans cheaper, the NBFCS are more preferred by customers due to their flexibility, ease of doing business and customer oriented approach. The NBFCs which specialize in the gold loan segment have developed a competitive edge as they are quicker in loan processing, accurate in gold valuation, precise in safe keeping and auctioning (KPMG, 2020). NBFCS through aggressive advertising and branding has earned the trust of the customers. NBFCS demonstrated a growth in gold loan credit over the past five years compared to banks.

Indian gold loan market size projection (INR billion)



Source: KPMG Report, 2019

Post pandemic a surge in credit growth is expected by NBFCS as many small enterprises, has started to access gold loans. Bank loans may not grow at all in year ending March 31st, 2021, according to S & P Global ratings for India. This makes gold loans extremely important for the economy.

The unorganized sector comprises 65% of India's gold loan market and has traditional pawn brokers and money lenders as its main players. The local money lenders have higher market penetration. The advantages of approaching them is that there is minimal or no documentation and a higher Loan to Value (LTV) ratio than organised players

At present it is observed that the gold loan market, especially the organized sector has expanded throughout the country. The gold loan market has witnessed a steady growth especially in terms of growth in number of institutions, branches, volume of business and volume of loans disbursed (RBI, 2013). The reasons for the sharp increase in gold loans is due to convenience, geographical expansion, flexibility, liberal Loan to Value Ratio (LTV) and easy to conform documentation. The average size of gold loans have increased due to a steady rise in gold prices and also due to the number of restraints on retail and personal loans availed from banks. Unlike MFI loans, gold loans do not have a borrowing constraint and can be used for various purposes. This provides flexibility to gold loan clients as health; education, improvement/repair of household assets, etc. are also important investments that improve quality of life indicators. While other types of loans (MFI/SHG loans) often restrict its clients to use the loans for an income generating activity, gold loan does not impose this constraint, thereby enabling us to see the natural expenditure pattern of low-income households. This presents a case for formal financial institutions to develop innovative credit products to meet the specific needs (health, consumption, marriage, etc.) that help in building the social capital of low income households(Sharma, 2013).

The Organised Sector- Banks as a Provider of Gold Loans

In India as nearly 65% of the gold is held by rural population whose income is dependent on agriculture and allied activities, the unpredictable nature of their income makes them reliant on gold loans. Most of the population do not still have access to formal bank credit and therefore has to depend on other means to access gold loans. In recent years, gold loans have become popular in the cities as well as the rural areas. A key reason for this is that gold loan rates compare favourably with those available on personal loans. With frequent hikes in interest rates by the RBI and the subsequent hike in rates by banks, the cost of personal loan borrowing is increasing. This will lead to an increased consumer willingness to secure gold loans. The taboo of using gold as a collateral is soon weaning away and idle gold jewellery is being diverted for productive uses.According to an RBI working group report, the gold loan market was worth about Rs1.2tn in 2011 (US$25.5bn), a six-fold rise in less than five years. Gold loans have become a basis for creation of new financial products such as loans for purchase of gold wherein gold is purchased on the date of the loan and held as a pledge until the equated monthly installments are paid. Gold saving schemes are also emerging wherein the customers pay regular cash flows which on maturity are added with a certain amount of interest payment to purchase gold for customers.

By early 2011, the gold loan companies' growth in the market became a macroeconomic concern for the RBI. The cause of worry emerged from the fact that incase of a fall in gold prices what would be the outcome on the growth patterns and financial stability of the new players in the gold loan market. The RBI took several steps to limit their presence in the gold loan market. In March 2012, priority sector lending was removed from bank credit provided to gold loan companies. This pushed up their cost of financing. Later the same month, the RBI reduced the LTV gold loan companies could offer from 75% to 60%. In September 2013, they were only allowed to provide a loan by cheque for loan amounts above Rs1 lakh (US$1,700) and they had to ensure they carried out full due diligence on the borrower .Finally, NBFCs were required to provide RBI-approved gold storage infrastructure.

The organized gold loan market has grown at 40% CAGR from 2002 to 2010. NBFCs have been a major driving force behind this growth given their extensive network, faster turnaround time, higher loan-to-value ratios and the ability to serve non-bankable customers (Cognizant, 2012). The success of NBFCS is partly due to a stronger customer value proposition than some of their competitors; they typically process loans quickly. They also work round the clock and have a wide network. Banks, with a broad range of financial products, have generally found it difficult to compete with NBFCs, which focus on a narrow product range. The success of these gold loan companies is certainly not because of pricing; their interest rates are significantly higher than banks, although much lower than in the informal sector. Banks have a more vigilant approach: while dealing with gold loans. They view gold credit as a safer means to meet their Priority Sector Lending (PSL) targets, especially agricultural loans.• Even in the case of non-agricultural gold loans, they mostly target the organised segment or their existing customers as they are unable to offer flexible and rapid disbursal.• It is only a few south-based banks - Indian Overseas Bank, Indian Bank and South Indian Bank - that have a higher share in non-agricultural gold loan disbursements, given the region's proclivity for gold loans. According to KPMG (2019), India's gold loan market is expected to reach C 4.62 trillion by 2022 at a five-year compounded annual growth rate of 13.4%. KPMG in 2017 report on gold loan expected that India's gold loan market to reach C 3.1 trillion by 2019-20 at a three-year CAGR of 13.17%.

Interest Rates and LTV Ratio of Various Players (2016)

Institutions	Interest rates	LTV Ratio
Banks	Base rate + 2.5% to 5%	80%
Gold Loan Companies	12% to 24%	Upto 75%
Money Lenders/Pawn Brokers	30-50%	Depends on the amount of loan and security

Source: WGC Report, 2017

A low default rate is another factor underpinning gold loan companies' growth. Defaults typically hover around 1%–2%.This is low compared with other loan products. For example, nationwide non-performing loans account for 4.3% of total Indian bank lending. A significant factor here is that people are emotionally attached to the god jewellery they hold and often does not like to give up their possessions. While they are prepared to pledge it as collateral, they will often want it back, especially if it is a piece of jewellery or an ornament. Prices and income are two major determinants of gold demand. Rising gold prices also made it quite lucrative for borrowers to settle their debt and take receipt of their gold. The corollary is that when the price falls, defaults rise. In 2013, the default rate shot up to 3%. Still low compared to other assets, but quite striking given the usually lower default rates for gold loans

While it is true that high demand for gold worsens the current account balance by increasing deficit, the fact that gold is the most valued asset among Indians, cannot be neglected either. Over the years, gold has become an inseparable part of the Indian society, as it not just holds an emotional value but is also used for various other financial purposes like savings, investment and insurance. Therefore, curbing demand for gold and gold loans should be complemented by introducing innovative financial products that can act as a substitute for gold loans. Gold loans are more than just a conduit for credit- they also act as a delivery mechanism that helps progress the lives of some of the poorest households and policymakers needs to be sensitive to these realities. Gold demand in India is hardly affected by economic, fiscal or political downturn. Jewellery is the most preferred form of gold in India (86% Jewelry, 13%Coins/bars, 1% others) (PRICE Survey, 2015).

Kerala- Financial Status

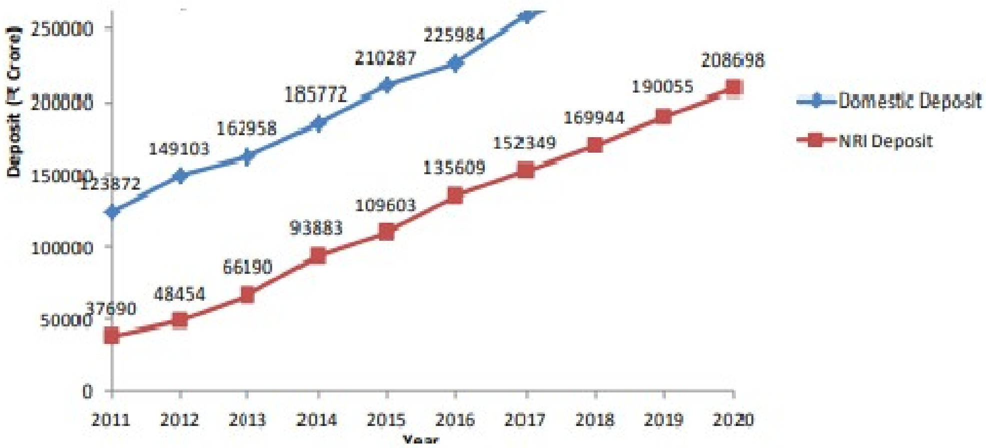
Financial institutions play a pivotal part in promoting growth with equity in an economy. The role of financial institutions becomes all the more crucial when an economy is in a recession as credit is needed to sustain viability of agents and facilitate economic recovery

According to the RBI, Kerala, Maharashtra, and Karnataka have achieved high financial inclusion (Index on Financial inclusion (IFI) > 0.5). They indicate three critical variables of financial inclusion, namely penetration of financial services (number of adults having bank accounts), availability of banking services (number of bank branches per population of 1,000), and the usage of the financial services (measured as outstanding credit and deposit)

(Chattopadhyay 2011). According to the World Bank's Global Financial Inclusion Database or Global Findex report (2017), 80% Indian adults have a bank account—27 points higher than the 53% estimated in the Findex 2014 round. The Findex 2017 report also estimates that 77% Indian women have bank accounts, against 43% and 26% respectively in 2014 and 2011. Reliance on non-institutional credit agencies by rural households was as high as 44 percent in 2012 as per the All-India Debt and Investment Survey (AIDIS).

State Bank of India is in the first position with 30.25 per cent share of NRI deposits among the public and private sector banks. The percentage share of the NRI deposit in public sector banks is 49 per cent and that in private sector banks is 50 per cent. Among public sector commercial banks, State Bank of India has the highest NRI deposit base of ₹56,987.47 crore

Growth of Bank Deposits in Kerala- 2011-20,in crores



Source: Census of India

The domestic deposits show a variation of 10.6 per cent compared to previous year. The total domestic deposits in March 2020 is ₹3,35,674 crore as against ₹3,03,507 crore in March 2019. The total NRI deposits in the banking sector in March 2020 is ₹2, 08, 698 crore as against ₹1, 90,055 crore in March 2019(Kerala Economic Review, 2020) the deposits increased by almost

10 per cent. The total NRI deposit in private sector banks is higher than that of the public sector banks in Kerala. The share of deposits in scheduled commercial banks in Kerala to the total deposits in the country as on March 2020 is 3.98 per cent.

Remittances and Consumption

Migrants from India have three major destination markets: English speaking industrial countries, including Australia, Canada, the United Kingdom, and the United States; Gulf countries, such as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates; and Southeast Asian countries, including Indonesia, Malaysia, Singapore, and Thailand. The Indian states with the highest rate of migrants are Kerala, Tamil Nadu, and Uttar Pradesh, accounting for 53 percent of the total 850,000 workers who received an official clearance to work overseas in 2008(Gabi, 2012). According to industry sources, Kerala tops the country in gold consumption with the largest number of retailers, more than 5000, compared to 1000 a decade earlier. Kerala tops Indian states in per capita consumption. As per The RBI study in 2017 on Indian Household Debt, it is seen that about 18% of debt in Kerala is in the form of gold loans, which is highest for any Indian state. Kerala has just 3% of the country's total population, but handles about 20% of the total gold sales. Gold retail houses have mushroomed within the state and have pursued an active expansion path outside the country, catering primarily to emigrants from India. Evidence from household surveys show that remittances increase savings and asset accumulation (liquid and non liquid assets) and help smooth income and consumption (Kannan and Hari 2002).Poorer emigrants are prone to make more remittances. Remittances made by these migrants are crucial resources for the households at the place of origin, to overcome capital constraints(Pelletier,2011:398).

Migration and remittances in Kerala has been analysed in detail in recent studies (Kannan and Hari, 2020; Sunny et.al, 2020;Kannan and Hari 2002;Pushpangadan 2003;Zachariah et.al 2002; Zachariah and Rajan 2005: Sil 2013). Pushpagadhan (2003) shows that remittances into Kerala economy led to increase in demand for consumer durables ,which led to trade as the domestic sector was not enough to meet the demand. Emigrants to the Gulf, from Kerala are mostly those with lower socio economic status but they regularly send remittances back home. Contrary to permanent migration the ties between the Gulf emigrant and his family do not loosen over time (Pelletier,2011:406). The savings rate in the Kerala economy seems to have increased tremendously since the early 1990s.In the Kerala context, much of the savings have gone into house construction, investment in gold and in financial assets (Kannan and Hari, 2020). The revival of growth in the Kerala economy since the late 1980s, after more than a decade of economic stagnation, brought into prominence the role of remittances.

The major findings of a study (Sunny et.al, 2020) using KMS data suggest that remittances improved households' per capita income and changed their spending patterns. Households receiving remittance, on average, spare a relatively larger share of monthly income on the consumption of non-food durable goods. Moreover, receipts of remittance also enable the households to save, to invest more on assets, land and buildings, and to form human capital (through increased share of spending on education and health).

Historically, the industry was a strict caste-based occupation, training being imparted in the confines of a household. Work was home-based, diligently passed on in hierarchical line. The demand for gold jewellery was mainly from temples and royal courts. Prior to the 1950s, gold did not feature as an important item of consumption for people in Kerala.

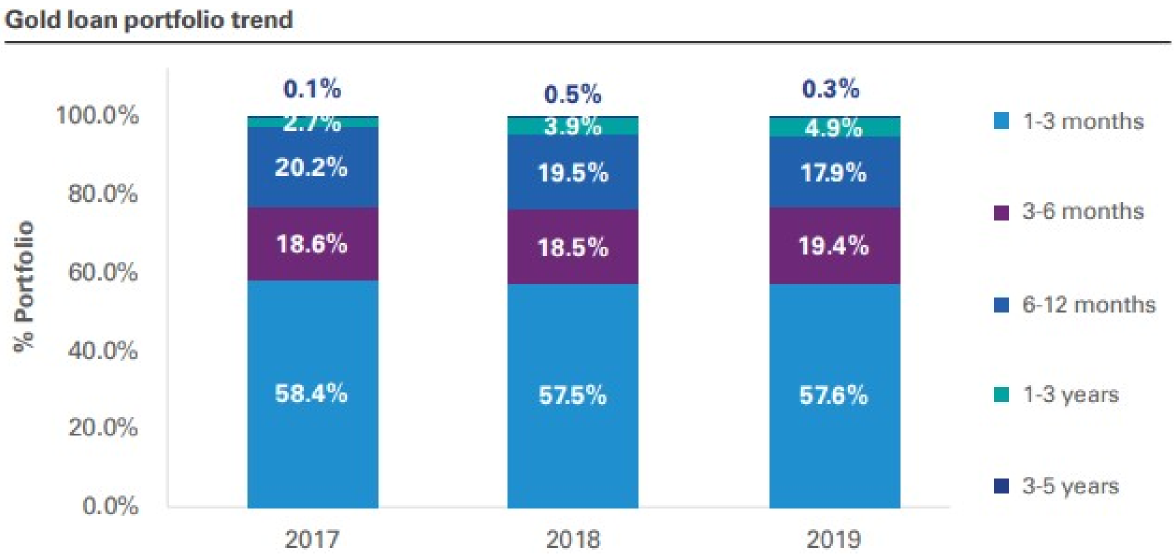
The state policies with respect to the use and allocation of gold had ramifications for the industry.As the industry expanded and the world gold prices became turbulent in the late 1980s, its ripples were felt on the gold jewellery industry in the state. Most of the local goldsmiths began to depend on local money lenders (often from the Syrian Christian communities) and private bankers for loans to procure gold(Sumeetha, M,2020). The majority of the large retailers in Kerala way back in the 1980s were Syrian Christians who used to be active in running private banks in the state. Thus, emerged a sturdy link between financial capital and gold. The quality issue in the industry was highlighted, but there was no means to find the accurate caratage of gold in any piece of jewellery. The notion that the goldsmith would cheat became widespread. Thus, with the remittances boom in Kerala economy, there arose a powerful industrial group in the form of gold jewellery retailers, who acted as an intermediary between the goldsmith and his customers. The wholesalers, who emerged as new capitalists, soon became important intermediaries between the traditional workers and the retail houses. The wholesalers were also agents in procuring migrant workers.

The Syrian Christian community has emerged as a forerunner in the industry. The reason for their success in jewellery production and retailing can be attributed to the organisation of private banks under the aegis of the community, which had a major role to play in the financing of the gold business. The Syrian Bank established as early as 1920s with its headquarters in Trissur and was started by the local Syrian Christian community. One of the strengths of the banks is that it caters to small and medium businesses.

An expansion of their business abroad has been the policy of retail houses in Kerala. This is to directly cater to a huge population of Non-Resident Indians (NRIs) from Kerala especially in the Middle-East. The expansion path, if closely observed, would reveal that instead of exporting more, the method followed by the retailers was to open new showrooms, mostly in the Middle East(also to the Far-East and Europe) , to meet the demands of the emigrant population there. The Joy Alukkas group has fifty-five showrooms abroad; Malabar Gold has more than seventy-five showrooms outside India.

The Gold Loan Market in Kerala- Growth and Strategies

The evolution of the gold loan market began in the southern India, in the state of Kerala. The Muthoot Finance and Manappuram finance, which are two important gold loan companies in India today, had its origin in 1939 and 1949 respectively. The formalization of the gold loan market accelerated when RBI granted a license to Manappuram Finance and Muthoot Finance in 1998 and 2001 respectively (World Gold Council, 2019)



Source: KPMG Report, 2019

A gold loan is a loan against gold. It is a secured loan where gold articles such as gold jewellery, ornaments etc. are taken as collateral by the lending bank/NBFC. The loan is given to the borrower against this gold as collateral. Gold Loan Companies reduce volatility in gold prices by offering short term gold loans. One to three months gold loans amounts for 57 to 58% of the gold loan book of two top gold companies for a three year period. They have also increased from 2.7% to 4.9% during the same period.

Muthoot Finance which has its roots in Kerala is India's largest gold financing company. The main aim of this company is to make credit accessible across the economic pyramid, especially to the underserved/unserved segments. Gold loan assets under management also registered a 21% increase over last year to 407,724 millions. Muthoot primarily provide business loans secured by gold jewellery (or gold loans) and cater to individuals who possess gold jewellery but cannot access formal credit within a reasonable time, or for whom credit may not be available at all.

Manappuram Finance Ltd another NBFC with its base in Kerala, named as the largest wealth creator for the year 2019 in the list of ET500 companies with market capitalisation of over `50 billion(Annual report, Manappuram Finance, 2019-20). It is the second-largest gold finance NBFC in India. The Company provides loans against the pledge of used household gold jewellery and extends short-term gold loan primarily to customers who require funds immediately and may not have access to formal credit. Company sources also report an increase in the share of online gold loans (OGL) in gold loan AUM up to 48% from 39% a year back. The yields on gold loans remained stable for the company. The growth in these companies like Muthoot Finance and Manappuram Gold can be attributed to the fact that during an economic crisis, the wider financial services sector (banks and non-banks) is always put to severe stress and their lending activity slows down as the appetite for risk and disbursing new loans declines. With few other options available, gold loans become the natural fallback for borrowers who are denied access to their regular channels. Further, the tendency among governments and central banks to respond to such crises by infusing liquidity and fiscal stimulus drives international gold prices higher. Given this natural impetus towards higher gold prices, it becomes an additional boost for the gold loans business.

The NBFCS has made use of technological strides in the banking sector and thus improved their efficiency in functioning. Technology provides a new space for the business to grow especially allowing expansion into new markets. Accurate real-time information has led to faster decision making and reduced turnaround time for disbursal. Technology has reduced human intervention significantly, thereby making the approval, disbursal and repayment processes much faster, simpler and more robust. Better compliance, efficient tracking of customer accounts, and lowering of operational costs are some of the significant benefits realised using technology. Based on these convenient features provided by the technological innovations to the NBFCs, their Online Gold Loan (OGL) Book has seen extraordinary growth over the last two fiscals.

Substantial collateral, higher interest rate, lower cost, better return on investment, Product diversification ,scope for cross-selling opportunities in future, including other gold-based products, has improved the market share of these two NBFCs. The brand value and aggressive marketing strategies has helped them to gain a wider consumer base. Since the sector offers wide scale growth opportunities, co-operative banks and Small Banking Financial enterprises are also making their foray into gold loan business.

Innovative Products

The gold loan segment has shown immense diversity. NBFCS, commercial banks, private banks and government undertakings have introduced innovative gold loan products which have helped them to create a strong consumer base.

Kanakadhara Loan (KSFE): The scheme aims at providing loan for the purchase of gold ornaments for marriage purposes. All persons eligible to enter into a contract under the Indian Contract Act are eligible for the loan, provided the loanee has repaying capacity and produces security which is sufficient and acceptable to the Company as per the norms in vogue. As this loan is given only for marriage purposes, genuine proof of the same should be produced to the satisfaction of the company. The loanee will be given opportunity to purchase BIS. 916 Hallmarked gold ornaments from reputed jewelers who are approved by the Company on the basis of their application, and scrutiny and Goodwill of the Jewelers. This scheme thus has a two sided effect- it leads to the growth of gold loan market and also encourages the growth of the jewellery industry.

Jeevanam Package: The Government of kerala recently declared the Jeevanam package which is intended to provide cheap gold loans to return migrants who have lost their jobs due to the COVID 19 pandemic. The emigrant, who are NORKA cardholders and who have lost their jobs can avail this. Pravasimithram gold loans for returnee NRKs and gold loan up to ₹1.5 lakh at an interest rate of 3 per cent will help to cater to the urgent financial needs of NRIs, especially those who returned to the State after the onset of the pandemic(Kerala Economic Review, 2020)

Federal Bank:-is a major private bank in gold loan segment. It offers gold loan from Rs 1000 to Rs 1.5 lakhs. There are flexible repayment options – which include either making lumpsum payments or making monthly instalments. The digital Over draft scheme allows withdrawal of upto 75% gold when required and the rest is pledged with the bank. The bank has also tied up with Rupeek a digital gold loan initiative to offer services to customers at their homes itself. They have a special NRI gold loan scheme.

SBI- The largest public sector bank in India, is trying tto expand its gold loan segment through different schemes. There are 3 kinds of loans offered by SBI-Gold Loan(maximum of 36 months), Liquid Gold Loan(maximum of 36 months), bullet Repayment Loans(maximum of 12 months). Gold loans on all variants had an interest rate of 7.5%. There was also an exclusive reality gold loan offered exclusively at 7.3% interest for SBI housing loan customers. The most attractive part of gold loans offered by SBI includes its low rate of interest and low processing fees.

ICICI Gold Loans- A minimum gold loan amount is Rs 10000 to a maximum of 10,000,000. The loan tenure is from 3 months to 12 months. Mean interest rates across all kinds of loans are 13.59%, with a processing fee of 1%.The bank offers an eligibility calculator for gold loan availability online, which makes it convenient for the customer.

Muthoot Finance : has its Akshaya Gold Credit Line which is a unique, digitally enabled and customer centric product which ensures that any customer who needs funds –either in an emergency or for just running their business, has access to a pre-approved credit line against gold ornaments .During the pandemic phase, Akshaya Gold Credit Line which is based on the principle of ‘not letting customers account turn empty’, is an ideal product. The product will take care of immediate liquidity and cash flow requirements of customers, including businessmen, small traders and salaried persons.

The Catholic Syrian Bank: has linked overdraft to Savings Bank (SB) account with sweep/automatically repays credit functions, which means any amount put into SB account will automatically reduce overdraft limit, thus bringing down interest burden on the borrowers. The amount withdrawn can be utilized on demand like an overdraft through debit card or digital banking facilities offered by the linked SB account whenever there is an emergency. The Kanakdhara Scheme of CSB is applicable for all categories of customers and is available for a tenure of up to 12 months.

South Indian Bank : has introduced Double Power Gold Loan which is a short term loan upto 5 months at 1 3% interest rates per annum. It allows customers to borrow an amount of Rs.25,000/- to Rs.50 Lakhs. Recently, South Indian Bank has also introduced a one month gold loan, which can raise a minimum Rs.1 Lac & Maximum Rs.10 crore against pledge of 22 ct Gold Ornaments

Discussion and Further Study

The gold loan market has much growth potential- with increasing return migrants, starting of small businesses and also with an emerging and robust online market.Mainstraem literature points out that it is often during agrarian distress and people left out of the baking system that avail gold loans.

In Keralas case, this does not seem to hold, as it is the state leading state in the semi urban category to have larges banck branch penetration. Remittances , has ushered a consumption culture- which resulted in excess purchase of consumer durables. NRIs found it lucrative to invest in gold as real estate investments and euity shares did not yield returns as expected. Gold as collateral is tus now a distress instrument for return migrants in Kerala, and is often used to meet unforeseen emergencies and now slowly been diverted to productive uses like to finance education expenses.

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