



A STUDY ON CUSTOMERS' PERCEPTION TOWARDS PAWNBROKERS IN MADURAI CITY

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ABSTRACT:

The pawnshop industry is a considerable business today. Small short-term loans are clearly in high demand, and this demand is only increasing. This method is the oldest method of lending money. Pawnbroking is the service preferred by customers to meet their financial needs. The access to loans through formal banking/financial institutions is less in rural areas when compared to pawnbroking in spite of the higher interest rate offered by pawnbrokers and the possibility of fraudulent activities in pawnbroking. The present study overlooked pawnshop lending because the loans made are small, short-term, collateralized loans typically used by low-income consumers especially rural area people. Pawnshop loans are a valuable instrument that many customers utilize to manage their monthly finances during financial downturns, despite their small principal. It is evident that customer experience is positive being satisfied with the service offered by pawnbrokers as it offers many benefits such as relative affordability compared to other forms of credit, secured loan meaning a lack of debt if repayment cannot be made, and easy accessibility. Therefore the study focuses on understanding the customers' perception towards pawnbrokers in Madurai city and to identify their level of satisfaction in accessing loans and the pawnbroking system. The study also tries to analyze the challenges faced during the process of accessing loan and to provide suggestions for safe and secure fund operation.

KEYWORDS:

PAWNBROKERS, INTEREST RATE, LOANS, FINANCIAL AND SATISFACTION.

1.1 INTRODUCTION

Before the government initiated the structured development of the money market in India, its unorganized form had its presence since ancient times, its remnant is still present in the country. Although the government recognizes them, their operations are not subject to the same regulations as the organized money market. Small, dispersed organizations that are mostly beyond government supervision define the unorganized sector. Organized sector also provides loan with interest rates. But many people prefer the unorganized sector because the loan process is simple and easy. The people in the rural and remote areas mostly pawnbrokers to borrow money as they are not aware of the organized sector. The pawnbroking industry has been in existence since the 15th century and has been an important source of credit facilities to the low-income communities. It is the oldest source of credit. The pawnbroking profession is often misunderstood, which restricts its potential. The Pawn Shop loans are small, short-term, collateralized loans typically used by low-income consumers. A pawnbroker is an individual or business that offers secured loans to people, with items of personal property used as collateral. The borrower leaves a possession, or "pledge," as collateral in

exchange for a loan, typically pawnbrokers only charge interest for the period you have borrowed the money.

1.2 STATEMENT OF THE PROBLEM

The unorganized sector is made up of indigenous bankers, pawnbrokers, money lenders, traders, commission agents, etc., some of these components combine money lending with trade and other activities. The unorganized sector includes the portion that is outside the RBI's jurisdiction. Borrowers face limited alternatives due to high interest rates in the unorganized sector are taken advantage of in this area of the money market. The unorganized financial market is operating in rural and remote regions where the organized sector is not present. The people in rural areas mostly prefer pawnbrokers. Pawn Shop loans are small, short-term, collateralized loans typically used by low-income consumers. Pawn Shop loans are minor, short-duration loans secured by collateral, commonly utilized by low-income individuals, where the borrower offers an item, known as a "pledge," as security for the loan. Pawnbroking is the service preferred by customers to meet their financial needs.

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

- To know the theoretical background of the study.
- To Study the perception of customers towards pawnbroking.
- To identify the level of satisfaction towards pawnbroking.
- To analyze the challenges faced by the customers in pawnbroking.

1.4 METHODOLOGY

1.4.1 RESEARCH METHODOLOGY

Research is the methodical process of resolving issues and gathering information. The primary objectives of project is to know the awareness among our customers perception towards pawn brokers. Research should be systematic, organized and research design shows how the outcome at the end will be obtained in line with meeting the objective of the study.

1.4.2 SAMPLING DESIGN

Convenient sampling method has been adopted in this study to acquire data from respondents in Madurai City. A Convenient Sampling Method is easy to implement and cost effective and more common in research that gets a higher response rate.

1.4.3 SAMPLING SIZE

The sample size are the representative unit of population Since it is not possible to study the whole community. The research has taken the sample size of 100 respondents to study the level of awareness of the customers perception towards pawn brokers in Madurai City

1.4.4 TOOLS AND TECHNIQUES FOR DATA ANALYSIS

Percentage analysis and Garrett Ranking were used to analyze the awareness and usage of customers perception towards pawn brokers in Madurai City

Tables are used to simplify the percentage of Information from the collected data from Respondent.

1.4.5 PERCENTAGE ANALYSIS

It is used for the preparation of the tables in research analysis. When data is converted , it is easy to understand and draw the interface. Percentage refers to a special kind of ratio percentages used in the comparison between preference and satisfaction with various other factors. Percentage-observed data X 100/Sample size

1.4.6 METHODS OF DATA COLLECTION

1.4.6.1 PRIMARY DATA

The study used primary and secondary sources of data. Data observed or collected directly from firsthand experience known as primary data. The primary data were collected through questionnaire method and interview schedule method from respondents. The questionnaire contains demographic profile of the respondents and a

Likert five point scale ranging from strongly agree to strongly disagree been used to collect a quick response from the respondents towards their level of satisfaction and challenges.

1.4.6.2 SECONDARY DATA

Secondary data are those which have already been collected by someone else and which have been passed through a statistical process. The main sources of data considered for the study are books, journals, websites, magazines, published and unpublished thesis.

1.4.7 DATA ANALYTICS

1.4.7.1 RESULT AND DISCUSSION

It was observed that out of 100 respondents, 72(72%) of the respondents pledged gold ornaments to obtain a loan amount, 21(21%) of the respondents pledged land documents to obtain loan, 6(6%) of the respondents pledged silver ornaments to obtain loan, 1(1%) of the respondents pledged coins to obtain loan From the above it is understood that Most respondents pledge Gold ornaments and land document 14(14%) of the respondents said that they had to pay within 1 year, 62(62%) of the respondents said that they could pay up to 7-12 months, 2(2%) of the respondents said that the repayment period was according to the amount borrowed, 22(22%) of the respondents said that the repayment period was within 6 months. From the above, It was understood that the repayment period given by pawnbrokers was within 7-12 months

TABLE 1.4.7.1
ITEMS PLEDGED BY THE CUSTOMERS:

SI.NO	Pawn items	No of respondents	Percentage (%)
1	Coins	1	1.0
2	Gold ornaments	72	72.0
3	Land document	21	21.0
4	Silver ornaments	6	6.0
TOTAL		100	100.0

FIGURE 1.4.7.1
ITEMS PLEDGED BY CUSTOMERS

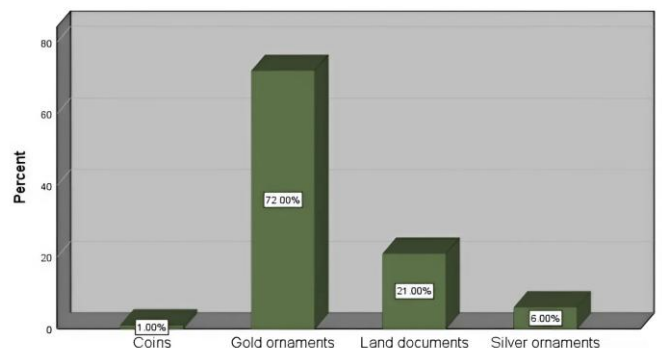


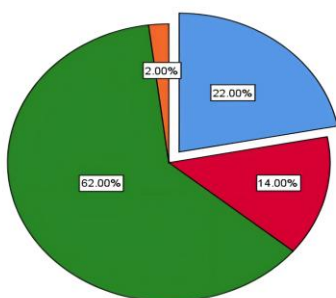
TABLE 1.4.7.2

LOAN REPAYMENT PERIOD

SI.NO	Repayment Period	No of respondents	Percentage (%)
1	0-6 months	22	22.0
2	7-12 months	62	62.0
3	1 year	14	14.0
4	According to the amount borrowed	2	2.0
Total		100	100.0

FIGURE 1.4.7.2

LOAN REPAYMENT PERIOD



1.5 SUGGESTION

Awareness campaigns could be conducted regarding the functions are pawnbroking so as to enhance better financial decision making. Proper procedure and standards are to be framed by pawnbrokers to facilitate better loan access. Loan repayment period could be longer, so that more people would prefer pawnbroking. Government could take initiatives and actions to formulate legal

procedures for systematic and uniform operations of pawnbrokers. In Terms of interest rates, repayment period, assurance, etc... Awareness could be created to the public regarding the fraudulent activities of the pawnbroking system, so as to ensure safety and secure fund operation.

1.6 CONCLUSION

The main objective of the study is to identify the perception of the customers' towards the pawnbroking system and analyse the challenges faced during the process of pawnbroking. The results of the study stated that the majority of the respondents prefer pawnbroking for its flexibility to meet their emergency financial needs. It was observed that the people are not aware of the fraudulent activities and legal provisions regarding pawnbroking services. Therefore, it is suggested to access loans from the organized financial sectors. So as to ensure safe and secure fund operations.

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