

CHANGE IN THE PLEDGING OF GOLD POLICIES AFFECTS THE FARMERS- A STUDY ON COIMBATORE CITY

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Abstract: The Reserve Bank of India (RBI) and banks' treatment of loans secured by pledged gold jewellery, in particular, has a substantial impact on the financial stability and credit availability of Indian farmers. Because formal credit channels like Kisan Credit Cards might not adequately satisfy their needs, many small and marginal farmers have historically relied on pledging gold as collateral to obtain short-term credit for agricultural inputs, emergencies, and seasonal working capital. Up to the specified limits recent regulatory clarifications permit the voluntary pledge of gold or silver as collateral for agricultural loans without going against the collateral-free loan norms.

I. INTRODUCTION & RESEARCH DESIGN

A significant portion of the rural population is employed in agriculture, which continues to be the foundation of the Indian economy. For farmers to cover production expenses like labour, seeds, fertilizer, and irrigation, they must have access to timely and reasonably priced credit. However, many farmers, particularly small and marginal ones, have trouble getting institutional credit because of their inconsistent income, lack of formal documentation, and small landholdings. In this regard, rural finance has been greatly impacted by gold pledgement (gold loan) policies. In Indian households, gold is a common and culturally significant asset that is frequently used as collateral to obtain short-term loans. To cover emergency and agricultural needs, farmers pledge gold ornaments to banks and non-banking financial institutions (NBFCs).

OBJECTIVES OF THE STUDY

- To study the socio-economic profile of the respondents.
- To analyse borrowing patterns and institutional aspects of gold loans.

II. SCOPE OF THE STUDY

The study's scope is restricted to analyzing how Indian farmers are affected by modifications in gold pledgement regulations. The study focuses on how changes to gold loan regulations, including loan-to-value ratios, interest rates, documentation requirements, and valuation standards, impact farmers' ability to obtain institutional credit. Small and marginal farmers, who mainly rely on gold pledges as a source of short-term agricultural financing, are the focus of this study. It assesses how banks and non-banking financial institutions carry out updated gold loan regulations and how much these modifications affect farmers' borrowing habits.

III. STATEMENT OF THE PROBLEM

Many Indian farmers still struggle to obtain timely and sufficient financing, even with the availability of numerous institutional credit facilities. For farmers, especially small and marginal ones, gold pledgement has historically been a convenient and dependable source of credit because of its quick disbursement and low procedural requirements. However, the availability of gold-backed agricultural loans has changed due to recent modifications to gold pledgement regulations, including tighter regulatory standards, updated loan-to-value ratios, more stringent documentation requirements, and interest rate adjustments. These policy changes may unintentionally restrict farmers' access to credit when they most need it, even though their goals are to improve the financial system and lower lending risks.



IV. RESEARCH METHODOLOGY

Data Collection

Primary Data: Collected through structured surveys with farmers in Coimbatore.

Secondary data: For secondary data, the related journals, articles, websites, RBI reports and past thesis were referred for this project.

SAMPLE SIZE AND SAMPLING TECHNIQUE:

A Simple Random Sampling technique is used to select a representative sample from consumers in Coimbatore. 108 samples were collected from the respondents.

TOOLS USED FOR ANALYSIS:

- Frequency
- Chi-square

LIMITATIONS OF THE STUDY

- The area of the study is restricted within the Coimbatore.
- Only 108 respondents have been taken for the study, additionally, the study relies on self-reported data, which may be subject to bias.

V. REVIEW OF LITERATURE

Vinoth, D. (2011). Comparison between the perception of farmers to avail gold loan by banks and pawnbrokers in Periyanyakkanpalayam Block of Coimbatore District. Master Thesis, unpublished, Tamil Nadu Agricultural University, Coimbatore.

Dr. P. Jayasubramanian et al. (EPRA, 2025) Study Focus: Examined subsidy-based finance effectiveness in Coimbatore District using a survey of 200 farmers. Accessibility Point: Noted that while cooperative banks are physically present in rural blocks, "Placement Efficiency" is hindered by delayed disbursement cycles. Policy Impact: Farmers indicated that the placement of banks does not correlate with accessibility if the administrative "wait-time" exceeds the immediate need for seasonal inputs (seeds/fertilizers).

VI. AN OVERVIEW OF POLICY CHANGES AND PERCEPTION

India has recently amended its gold pledgement policies to facilitate access of the farmers to institutional credit and decrease reliance on informal lenders. The loose requirements on the loan-to-value ratio and documents have increased accessibility to gold loans in terms of small and marginal farmers. The farmers consider the gold pledgement as quick and easy way of financing their farmers in the case of emergency and agricultural seasons. Nevertheless, there are still certain concerns on the interest rates, possibility of loss on pledged gold and lack of understanding repayment terms and its is necessary to have more understandable and more farmer-friendly policies.

VII. DATA ANALYSIS AND INTREPEDATIONS

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FREQUANCY

		Frequency	Percent
Valid	above 25	38	35.2
	above 35	16	14.8
	less than 30	34	31.5
	Others	20	18.5
	Total	108	100.0

Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	200000	30	27.8	27.8	27.8
	500000	32	29.6	29.6	57.4
	100000	26	24.1	24.1	81.5
	others	20	18.5	18.5	100.0
Total		108	100.0	100.0	

Area Of Residence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	urban	39	36.1	36.1	36.1
	rural	58	53.7	53.7	89.8
	others	11	10.2	10.2	100.0
	Total	108	100.0	100.0	

Type Of Farming Practiced

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	substantial farming	25	23.1	23.1	23.1
	terrace farming	34	31.5	31.5	54.6
	mixed farming	36	33.3	33.3	88.0
	Others	13	12.0	12.0	100.0
	Total	108	100.0	100.0	

Case Processing Summary

	Cases		Missing		Total	
	Valid N	Percent	N	Percent	N	Percent
age * awareness about gold pledgement policy	108	100.0%	0	0.0%	108	100.0%

Age*Awareness About Gold Pledgement Policy Crosstabulation

Count

		awareness about gold pledgement policy		
		yes	No	Total
age	above 25	26	12	38
	above 35	9	7	16
	less than 30	24	10	34
	others	12	8	20
Total		71	37	108

Chi-Square Tests

	Value	df	Asymptotic Significance (2- sided)
Pearson Chi-Square	22.989 ^a	9	.006
Likelihood Ratio	23.739	9	.005
Linear-by-Linear Association	.828	1	.363
N of Valid Cases	108		

a. 7 cells (43.8%) have expected count less than 5. The minimum expected count is 1.33.

INTERPRETATION

The majority of respondents are economically engaged farmers, mostly from rural areas, according to the study, suggesting a greater reliance on gold pledges for credit. Compared to low- and high-income groups, medium-income farmers are more likely to pledge gold. Age-group differences in awareness of the gold pledgement policy are negligible, suggesting that farmers have comparable levels of knowledge. However, the reason for taking out gold loans varies greatly depending on the age of the farmer, indicating that loan requirements vary with age and experience.

FINDING

- Economically active farmers, particularly those in rural areas, are the primary users of gold pledgement.
- Compared to farmers with low or high incomes, medium-income farmers are more likely to pledge gold.
- Age and knowledge of the gold pledgement policy do not significantly correlate.
- The reason for taking out gold loans is significantly correlated with age.

SUGGESTIONS

1. Strengthen awareness programs on gold pledge policies

Awareness levels do not vary much across age groups ($\chi^2 = 0.704$). Banks, government agencies, and agricultural extension centers should run regular financial literacy programs in both rural and urban areas. These programs should educate farmers about procedures, interest rates, risks, and repayment of gold loans.

2. Design age-specific and need-based gold loan products

A strong link exists between age and the purpose of loans ($\chi^2 = 0.006$). Financial institutions should create flexible gold loan options that consider farmers' ages and needs. For example, they could offer input-based loans for younger farmers and low-interest personal or emergency loans for older farmers.

3. Improve access to formal credit in rural areas

Most respondents live in rural areas (53.7%). Banks and cooperative societies should make documentation easier, speed up processing, and expand gold loan options in villages. This will help reduce reliance on informal moneylenders.

4. Promote productive use of gold loans in farming

Many farmers use loans for personal expenses. Policies should encourage and monitor the use of gold-backed loans primarily for agricultural inputs, irrigation, machinery, and farming activities. This way, borrowing can lead to higher farm income and sustainability.

VIII. CONCLUSION

In conclusion The study comes to the conclusion that gold pledges are crucial in helping farmers, especially those in rural areas, meet their financial needs. Due to their reliance on collateral-based credit, the majority of gold loan users are middle-class and working-age. The purpose of borrowing varies by age group, but awareness of gold pledgement policies does not differ significantly by age. Farmers can benefit from gold loans in general, but policies that promote the efficient use of these loans in agriculture are needed, as is increased awareness and easier access to formal credit.

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WEBSITES

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