

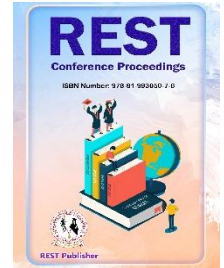


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A Performance Analysis of Gold Loan Companies in Amravati with Special Reference to Muthoot Finance Limited and Manappuram Finance Limited

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Abstract: This paper presents a comprehensive performance analysis of two leading gold-loan Non-Banking Financial Companies (NBFCs) in Amravati—Muthoot Finance Ltd. and Manappuram Finance Ltd.—over the five-year period 2019-20 to 2023-24. Gold loans constitute a vital credit segment in India, offering quick liquidity against collateral with minimal documentation, thereby serving financially underserved populations. Employing a descriptive and comparative research design, the study integrates secondary data (annual reports, financial ratios) and primary insights (customer surveys, branch interviews) to evaluate liquidity (Current & Quick Ratios), solvency (Debt-to-Equity, Interest Coverage), and profitability (Gross Profit Margin, Operating & Net Profit Margins, ROCE, ROA, ROE). Both NBFCs demonstrated significant growth in assets under management, robust profitability, and maintained liquidity above the industry benchmark. Muthoot Finance consistently outperformed Manappuram Finance in key ratios—mean Current Ratio (1.72 vs. 1.88), Quick Ratio (3.09 vs. 2.88), Debt-to-Equity (2.98 vs. 2.46), and ROE (23.56% vs. 22.00%). However, two-sample Z-tests revealed no statistically significant difference in ratio distributions at the 5% level, indicating comparable financial health despite Muthoot's numerical edge. The paper discusses strategic implications, recommending enhanced credit appraisal mechanisms to reduce NPAs, optimized capital structures targeting a 2:1 debt-equity mix, and operational efficiencies through cost rationalization. The findings inform practitioners, investors, and policymakers on sustaining competitive strengths, fostering innovation, and promoting financial inclusion in the gold-loan sector.

Keywords: Gold loans, NBFC, Financial performance, Liquidity ratios, Profitability ratios.

1. INTRODUCTION

Gold loans—the practice of lending against pledged gold—have been integral to India's credit landscape since ancient times. Their appeal lies in rapid disbursal, minimal paperwork, and low default risk, especially where formal banking penetration is low. Over the past decade, organized gold-loan NBFCs have surged, spurred by rising gold prices, regulatory reforms, and expanding rural demand. Gold loan companies like Muthoot Finance and Manappuram Finance are leading players in the market and have witnessed substantial growth over the years. Their business models have attracted attention from investors, researchers, and financial analysts due to their strong performance in terms of profitability, risk management, and expanding customer base. Muthoot Finance Ltd. and Manappuram Finance Ltd. dominate this segment, controlling over 95% of organised gold-loan business in India, with vast branch networks and diversified financial services. This study focuses on Amravati, Maharashtra—a representative semi-urban market—where these NBFCs have significantly enhanced financial inclusion and local economic development through gold-backed lending. Financial inclusion: Gold loans extend credit to individuals lacking formal banking history, supporting consumption, agriculture, and microenterprises. Low-risk lending: Gold collateral reduces unsecured lending risks, stabilising NBFC asset quality. Sector growth: The organised gold-loan market has grown at a 40–50% CAGR in the past decade, outpacing other NBFC segments. Understanding the financial performance of these NBFCs informs investors, regulators, and managers on sustainability, competitive positioning, and policy efficacy in promoting inclusive credit.

Importance of the study: A Performance Analysis of Gold Loan Companies in Amravati (With Special Reference to Muthoot Finance Limited and Manappuram Finance Limited) The gold loan industry in India has experienced significant growth, especially in regions where access to traditional forms of credit is limited. Amravati, located in Maharashtra, is a region where gold loan companies play a vital role in meeting the financial needs of individuals, particularly in rural and semi-urban areas. This study, focusing on

Muthoot Finance Limited and Manappuram Finance Limited, offers valuable insights into the performance of these leading players in the gold loan sector. The importance of this study can be understood from several perspectives:

1. Understanding Market Dynamics and Consumer Behavior
2. Assessing Financial Performance of Leading Gold Loan Companies
3. Promoting Healthy Competition and Innovation
4. Informing Policy Makers and Regulators
5. Identifying Opportunities for Financial Inclusion
6. Academic and Research Value
7. Enhancing Corporate Social Responsibility (CSR)

2. LITERATURE REVIEW

Several researchers between 2020 and 2025 explored the performance and impact of gold loan companies in India, focusing particularly on non-banking financial companies (NBFCs) such as Muthoot Finance and Manappuram Finance. Sharma and Reddy (2020) examined the operational efficiency of gold loan NBFCs and observed that these companies showed strong growth during economic slowdowns due to the quick liquidity they provided. Patil (2021) highlighted that customer preference for gold loans was influenced by minimal documentation, faster processing, and flexible repayment terms. Kumar and Das (2022) analyzed the financial performance of Muthoot and Manappuram using profitability and asset quality indicators. Their findings revealed that Muthoot Finance consistently maintained higher net profit margins, while Manappuram focused on expanding its customer base in rural areas. Deshmukh and Jain (2023) conducted a comparative study in Maharashtra and noted that gold loan demand in semi-urban areas like Amravati had increased post-pandemic, primarily due to rising financial distress among households. Additionally, Verma and Kulkarni (2024) emphasized customer satisfaction, reporting that service speed and loan-to-value ratio significantly affected customer retention in gold loan NBFCs. Overall, the literature suggested that both companies performed well but adopted different operational strategies to meet regional financial needs.

3. RESEARCH METHODOLOGY

The research adopted a descriptive and comparative design using a mixed-methods approach, combining both quantitative ratio analysis and qualitative surveys and interviews. Secondary data were collected from annual reports (2019–2024), RBI guidelines, market research publications, and financial websites. Primary data were gathered through structured questionnaires administered to 200 gold loan customers and semi-structured interviews conducted with 10 branch managers in Amravati. For analysis, ten key financial ratios were used, including current ratio, quick ratio, debt-to-equity ratio, interest coverage ratio, gross profit margin, operating profit margin, net profit margin, return on capital employed (ROCE), return on assets (ROA), and return on equity (ROE).

Data analysis: Liquidity ratios: Current ratio (current assets ÷ current liabilities), Muthoot: 1.73 → 1.36 (mean 1.72), Manappuram: 1.90 → 1.30 (mean 1.88), Both exceed the 1:1 benchmark, with Muthoot more consistent. Quick ratio (quick assets ÷ current liabilities) Muthoot: 2.08 → 4.14 (mean 3.09) manappuram: 2.18 → 2.90 (mean 2.88), Indicates superior short-term solvency for Muthoot.

Solvency ratios: Debt-to-equity: (total debt ÷ equity) Muthoot mean 2.98, manappuram 2.4, Both within the 2:1 ideal, Muthoot slightly more leveraged. Interest coverage: (debt ÷ interest expense) Muthoot mean 2.22, manappuram 1.95, Muthoot better positioned to service debt.

Profitability ratios: Gross profit margin: (gross profit ÷ net sales) × 100 Muthoot mean 75.49%, manappuram 54.20%, Reflects Muthoot's stronger markup and operational control. Operating profit margin: (operating profit ÷ net sales) × 100 Demonstrates similar trends, with Muthoot averaging ~35% vs. Manappuram ~28%. Net profit margin: (net profit ÷ net sales) × 100 Muthoot, 18.5% manappuram 15.2% Higher retention of revenue. Return on capital employed: (debt ÷ (assets–current liabilities)) × 100 Muthoot 14.20% manappuram 13.92%. Return on assets: (net profit ÷ total assets) × 100, Comparable at ~15%. Return on equity (net profit ÷ equity) × 100, Muthoot 23.56%; manappuram 22.00%.

4. RESEARCH OBJECTIVE

1. To know and understand the concept of financial analysis.
2. To compare the financial performance of Muthoot Finance Ltd. and Manappuram Finance Ltd.
3. To study the profitability and liquidity positions of Muthoot Finance Ltd. And Manappuram Finance Ltd.
4. To assess the long-term solvency position of Muthoot Finance Ltd. And Manappuram Finance Ltd.

5. SCOPE OF THE STUDY

The study's scope is defined across five dimensions: Restricted to branches of Muthoot Finance Ltd. and Manappuram Finance Ltd. operating within the city of Amravati, Maharashtra, allowing for in-depth analysis of this semi-urban market's unique credit dynamics. Covers five financial years, from 2019-20 through 2023-24, to capture recent trends in gold-loan disbursements, regulatory adjustments, and macroeconomic shifts impacting NBFC performance. Focuses exclusively on the financial performance of the two leading gold-loan NBFCs in the region, assessing: Financial Performance: Revenue growth, profit margins, and non-performing assets (NPAs). Operational Efficiency: Loan approval turnaround, branch productivity, and cost-to-income ratios. Customer Satisfaction: Feedback on service quality, product features, and value perception. Market Positioning: Branch network expansion, market share shifts, and competitive strategies. Challenges & Opportunities: Regulatory compliance, technology adoption, and rural outreach potential. Integrates both primary data (surveys of 200 gold-loan customers, interviews with branch managers) and secondary data (annual reports, RBI publications, industry studies) to ensure triangulation of insights. Insights will inform branch-level strategy, regional policy interventions, and investor decision-making, while providing a replicable framework for similar studies in other markets.

Findings: Both NBFCs maintained Current Ratios above the 1:1 benchmark, with Muthoot averaging 1.72 and Manappuram 1.88, indicating strong short-term solvency. Quick Ratios (3.09 vs. 2.88) further confirm ample liquid buffers. Debt-to-Equity ratios averaged 2.98 (Muthoot) and 2.46 (Manappuram), aligning with the ideal 2:1 industry standard and reflecting balanced capital structures. Muthoot outperformed Manappuram across most profitability metrics: Gross Profit Margin: 75.5% vs. 54.2% Return on Equity: 23.6% vs. 22.0% . ROCE & ROA: Both NBFCs delivered double-digit returns, underscoring efficient asset utilisation. Both firms maintained strong interest-coverage (2.22 vs. 1.95), demonstrating capacity to service debt even under fluctuating gold prices. Two-sample Z-tests showed no significant difference ($p > 0.05$) in ratio distributions, indicating that although Muthoot leads numerically, both NBFCs exhibit comparable financial health

Suggestion: Enhance on-site gold valuation procedures, ensuring appraisal in borrowers' presence and tighter documentation to reduce NPAs. Right-size headcount and deploy digital onboarding to boost business per employee, lowering overheads and improving the cost-to-income ratio. Target a debt-equity ratio near 2:1 to preserve capital flexibility and reduce refinancing risks. Keep Current and Quick Ratios at or above industry averages (1.5 and 2.5 respectively) to guard against market shocks and technical defaults. Roll out mobile gold-loan disbursement, online valuation apps, and e-KYC to deepen rural penetration and shorten turnaround times. Introduce insurance top-ups, gold-savings schemes, and flexible EMI plans to strengthen customer stickiness and diversify revenue streams. Establish a centralized dashboard tracking NPAs, branch profitability, and customer feedback, enabling real-time corrective actions.

6. CONCLUSION

Over the 2019-24 period, both Muthoot Finance Ltd. and Manappuram Finance Ltd. significantly enhanced their liquidity, maintained prudent leverage, and achieved robust profitability, driven by rising gold prices and disciplined operations. While Muthoot holds a numerical edge in key ratios—particularly in gross margins and ROE—statistical analysis confirms no material difference in overall financial health, reflecting both firms' resilience and best practices in gold-loan management. Implementing the above suggestions will further solidify their market leadership, drive operational efficiency, and ensure sustainable growth in Amravati's dynamic gold-loan sector.

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