

An Empirical Study of Gold Loan Companies' Financial Performance

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Abstract: The Gold Loan Companies' Financial Performance The gold loan sector is a part of the financial services industry. This is particularly the case in developing nations where people are likely to provide gold as security. The present study deals with the financial performance analysis of gold loan companies. It is based on data of a few businesses during a specific time frame. The study evaluates the profitability of the gold loan companies, their ability to repay the loan and utilization of resources. The study utilizes methods such as trend analysis and comparative analysis to identify patterns and variations in gold loan companies over time. The findings reveal that gold loan companies are in fact very different with respect to their performance. This is because they have different patterns of behaviour in managing their assets, costs and taking risks. For instance, profitability gauges reveal the sum that gold loan companies generate. The liquidity and solvency ratios reflect the ability of gold loan companies to meet their short term and long term obligations. It is also observed from the analysis that conservation of resources is significant to maintain stability of the economy and money lending is also wise. Other factors such as market conditions and government regulations also affect the profitability of the gold loan sector. The study helps us understand how well the gold loan industry is doing financially. It gives information to investors, policymakers and banks. The study also emphasises the need for oversight and strategic planning to improve financial efficiency and sustainability in a competitive financial landscape.

Key words: performance, gold loan companies, ratio analysis, profitability, liquidity, solvency and financial efficiency.

1. Introduction

The financial services industry is really important for a country's growth. This is because it helps people use their resources in a way that makes it easier for everyone to get financial services. Gold loan companies are a part of this industry, especially in countries where people like to save their money in gold.

Gold loans are a type of loan where you can get money by keeping your gold jewellery or other gold items as security. These loans are a way for people and small businesses to get the money they need. The gold loan industry has grown fast in the last few years. This is because many people need short-term loans, and gold loan companies make it easy for them to get one. They do not ask for many papers, and they process the loan very fast.

Many gold loan companies are not banks. They still play a big role in giving loans to people who do not have a bank account or do not have enough money. These companies offer loans that are easier to get than loans from traditional banks. This makes them a better choice for people who need money away. The way gold loan companies work is based on the value of gold, the amount of loan they give, compared to the value of gold, the interest rate and how they manage risks.

This means their success in the financial market is determined by their business management practices as well as market conditions such as fluctuations in gold prices and government regulations. The management of gold loan companies' finances is an important aspect to consider when evaluating them, whether you are an investor, a policymaker, or a financial expert. By studying how a company performs we can determine whether they are making a profit or not, whether they have sufficient funds to pay the company's debts and whether their business is being managed well. This helps us to know whether a company is capable of making profit, bearing risks and sustaining growth over time. With the money in plenty, it is very crucial to know these things so that decisions can be made regarding investing and running a business. Gold loan companies are also a component of the financial services sector, and they are able to offer a lot of people the loans they need. Gold loans will continue to develop and expand. It is important to understand in what way it works. The gold loan companies will continue to be a part of the financial services industry. Although the gold loan industry is gaining significance, there is a need for studies examining the money management of the gold loan companies

based on the means of measurement. The majority of research carried out till date has examined the performance of all non-bank financial companies or that of the banking sector as a whole rather than specifically on the performance of the gold loan companies. The gold loan business must be thoroughly analysed. Most studies focus on the finance industry. They fail to thoroughly investigate gold loan firms. This study wants to fill this gap by taking a look at how well gold loan companies Compare numerical value of the money (with it being in numbers) and make comparisons with it. The study will look at the performance of gold loan companies to see how they are doing and how they can improve. Gold loan companies need to be looked at to understand their financial performance and how it affects their business. The main goal of this study is to check how well gold loan companies are doing financially over a period of time.

The study looks at financial numbers like

- * how much profit they make compared to their assets, known as Return on Assets or ROA

- * how much profit they make compared to the money invested by shareholders, known as

Return on Equity or ROE

- * how much money they have available to pay debts, known as the current ratio

- * how much debt they have compared to the money invested by shareholders, known as the debt-to-equity ratio

The study also looks at how well gold loan companies use their assets and manage their day-to-day-day operations.

The study will attempt to determine whether there are any trends or shifts in gold loan company operations. are doing financially. It also attempts to identify the factors that may account for these changes. By looking at statements, the study provides useful information on how gold loan How companies are functioning and the state of their finances. The results of the study will help add to what we know about gold loan companies. They will also give advice to people who have a stake in the financial services industry, including gold loan companies. The results of the study will not only contribute to the existing knowledge but will also give inputs to the stakeholders of financial services industry and the gold loan sector. The findings of this study reveal that a financial analysis of gold loan companies is of paramount importance. It helps us to observe if they can continue and be competitive with others. With more people looking to borrow money with the use of something to back them up, it's particularly vital to watch how well these companies handle their cash and how they cope with market fluctuations. What we will know from this study will aid in decision making. It will also play a role in maintaining stability in the gold loan industry in the run. The study will particularly be important for the gold loan companies and their performance. The results of the study will benefit the gold loan sector and its stakeholders. 2. Literature Review For a long time, people have been observing the financial performance of the companies and analyzing their ratios to gauge the efficiency and stability of the companies. A few years ago, Altman did some work that demonstrated that a company's financial ratios can help determine if it is in financial trouble. In 1977, Higgins claimed, "Money management is a critical issue for businesses as they continue to expand. These studies assisted other people in conducting research on the performance of companies in specific areas. As far as institutions are concerned, such as Non-Banking Financial Companies (NBFCs), many people think of. researchers have investigated their success in areas such as profitability, amount of resources needed, and other measures. How secure they can be with money they have and just how safe they are. Bansal and Kaur examined the performance of some of the NBFCs. In 2016 they discovered that the management of assets and capital really does have an impact on profitability. Well, good management of money and credit risk would be very crucial for the NBFCs, Mishra said in 2018. be financially stable. These findings are significant for gold loan organisations, since They are a type of NBFC and heavily depend on the provision of loan money with something secured. loan, like gold. Good management of the resources is essential for gold loan firms to succeed. There is not much research conducted on gold loan companies. In recent years, it has gained popularity in the The industry is very rapidly growing and it is the last few years that I have seen such a growth. Nair and Pillai did a study in 2019 that compared gold loan providers. Sharma and Verma used a kind of analysis in 2022 to look at how well nonbank

financial companies do. They found that the size of the company, how much capital they have and how well they operate are all important factors in how successful they are financially. Reddy and Jain used a method called Data Envelopment Analysis in 2023 to measure how efficient financial institutions are. They found that there are differences in performance based on how the companies are managed and how they use their resources. Gold loan companies are still an area of study, and they will likely continue to be a major part of the financial industry. The thing about money and finance is

that people are now talking more about being sustainable and managing risk when they look at how a company is doing with its finances. Singh and Arora said in 2024 that it is really important to look at how a company is doing after you consider the risks, especially for companies that lend money using gold as security. This is because the price of gold can go up and down a lot. Patel found out in 2025 that using technology can make a company work better and reach customers, which is good for its finances.

With all this research, there is still a gap in what we know about companies that lend money using gold. Most studies. Look at all companies that are not banks, or just look at one or two things, like how much money they make or how much risk they take. This study is trying to look at the picture by using many different financial indicators and tools to see how well companies that lend money using gold are doing. So when we look at what other people have found out, we can see that financial ratios and rules are important for companies. We also know that companies need to work and be efficient. We still need to know more about companies that lend money using gold, so this study is trying to help with that. The study is looking at gold loan companies. Trying to figure out how they are doing financially, which is something that we do not know much about.

3. Research Methodology

This part of the study talks about how we did our research on gold loan companies. We looked at how they did. We used tools to pick the companies we wanted to study and to analyse the information we got from them. We wanted to make sure we did the research in away that was fair and based on facts.

3.1 Research Design

We chose a research design that describes and analyses things. Our study describes what gold loan companies are like when it comes to money. It also analyses how well they do using numbers and statistics. This way of doing research helps us be objective and make decisions based on data from gold loan companies. They will also do this. We used this approach to get a picture of the performance of gold loan companies.

3.2. Source of Data

This study uses information that already exists, which I got from sources that people can trust and access easily. These sources are:

- ✓The yearly reports from some companies that give loans for gold
- ✓The records of these companies, like their balance sheets and income statements
- ✓Reports from the people who make rules for banks, like the central bank
- ✓Websites of these companies and databases that have financial information.

Using this kind of information helps to make sure that the study is consistent and reliable and that we can compare things over time.

3.3 Sample Selection

We selected gold loan companies that work in the financial services sector. We chose these gold loan companies based on things like:

- ✓ If they had consistent financial data
- ✓ How well-known these gold loan companies are in the market, and how important these gold loan companies are
- ✓ If these gold loan companies were still operating during the time we were studying these gold loan companies

We only picked these gold loan companies that met these criteria so that our analysis of these gold loan companies would be valid.

3.4 Study Period

This study looks at a period of several years, for example, from 2018 to 2024. I chose this for me period because it helps me see what is happening recently and understand how the financial performance of gold loan companies changes over time including any ups and downs that happens because of the market and gold loan companies.

3.5 Nature and Source of Data

This study is based on data that I got from reliable and publicly available sources. These sources include: Annual reports of selected gold loan companies

- ✓Financial statements like balance sheets and income statements

✓Publications from regulatory authorities such as central bank reports

✓Financial databases and official company websites

Using secondary data helps to keep the study consistent and reliable across the study period. The gold loan companies data is important here so I used data from these gold loan companies.

3.6 Sample Selection

The sample consists of selected gold loan companies that operate in the financial services sector. I chose these gold loan companies based on criteria such as:

✓If they have consistent financial data available

✓If they have a strong market presence and are important to the industry

✓If they were operating continuously during the study period

The final sample includes gold loan companies that meet these criteria, so the analysis is valid.

3.7 The Tools We Used to Analyse the Data

To see how well these companies are doing financially, we used the following tools:

a) Looking at Financial Ratios

We used the RA analysis primarily to gain an understanding of how various components of performance are progressing: Some ratios reveal whether a company is operating profitably or not. Some ratios provide an indication of profitability or lack thereof.

ROA measures \$ of net profit per \$ of total assets (\$ / \$); Net Profit is divided by Total Assets.

Return on Equity is the ratio of Net Profit to the Shareholders Equity (ROE = Net Profit / Shareholders Equity).

➤ Net Profit Margin, finding out whether or not a business has a surplus of cash.

4. Understanding the Data

This is a study on the performance of these companies with the help of significant financial ratios.

over the period we studied. We analysed the data using ratios which indicate profitability, liquidity, and leverage.

solve the problems of the relative solvency and efficiency in order to get the relative performance of these companies.

4.1 Looking at Profitability

Profitability ratios indicate the ability of companies to generate profits with their assets, equity, and business operations. revenue.

Return on Assets: It is the ratio that indicates the profit-making ability of a company by average of assets. If this ratio is consistent or getting better over time, it means the company is getting more efficient. If it is going

Up and down -- it indicates that the company is not using its assets on an even keel.

Investors put into the firm. investors invest in a company.

shareholders put in. Our results show that this ratio is different for companies and years, which

This implies that they have varying financial structures and strategies. The higher the RoE the

The management of the company is sound and it makes returns to its investors.

The data consists of Gold Loan Companies and their source. Data comprises of Gold Loan Companies and their source.

The study is based on data from gold loan companies, which have been collected from reliable and publicly available sources. These include:

Annual reports of selected gold loan companies

✓Financial statements including balance sheet, income statement of gold loan companies

Reports, statements or publications of regulatory bodies, including Central Bank reports on Gold loan Companies

✓The websites and financial databases of the gold loan companies.

The Gold loan companies make use of secondary data which ensures the consistency, reliability and

Comparability for the study period of gold loan companies during that time.

4.3 Profitability Analysis of Gold Loan Companies

Profitability ratios represent the ability of gold loan enterprises to empower profit to its resources, equity and revenue.

ROA refers to the efficiency of the gold loan firms in using their assets. Analysis of ROA suggests that the gold loan firms are managing their assets with efficiency.

companies utilise their assets to generate profits. A positive and steady ROA throughout the study period indicates increased efficiency of gold loan companies while the variations indicate changes in

The efficiency of gold loan companies in the use of their assets and in their performance in terms of their earnings. Return on Equity (ROE): It indicates the return earned on the money of the share-holders of gold loans. companies. The findings reveal that there are variations across gold loan companies and years, reflecting differences in: Gold loan companies and their strategy and capital structure. Higher ROE values indicate management's ability to generate profits.

Increased profitability to the investors of gold loan companies.

Net Profit Margin: The Net Profit Margin reveals a company's profitability after all expenses have been deducted.

This analysis concludes that businesses with low-cost operations with small profit margins will have margins. They are more profitable since they will be able to manage their expenses and run efficiently.

This is the information that the company's net profit margin provide us with:

4.2 Liquidity Analysis

We use liquidity ratios to see if companies can pay their short-term debts.

Current Ratio: The current ratio tells us about the health of a company.

It shows if a company has money to pay its debts.

The findings say that most companies have money to pay their debts, even though some years are a little different.

The net profit margin and liquidity ratios are important to understand how well a company is doing the net profit margin.

The current ratio is also important because it shows the strength of a company.

Liquidity analysis is crucial for companies to meet their short-term obligations. The current ratio is a key part of this analysis.

4.3 Solvency Analysis of Gold Loan Companies

Solvency ratios evaluate the term financial stability of gold loan companies.

•Debt-to-Equity Ratio: This ratio highlights the proportion of debt used in financing the operations of gold loan companies. The analysis shows that gold loan companies maintain a capital structure, though variations exist. Higher leverage may enhance returns. Also increases financial risk for gold loan companies.

4.4 Efficiency Analysis of Gold Loan Companies

Efficiency ratios measure how effectively gold loan companies utilise their assets.

•Asset Turnover Ratio: The asset turnover ratio reflects the ability of gold loan companies to generate revenue from their asset base. The results indicate efficiency across gold loan companies, with some gold loan companies demonstrating better asset utilization than others.

4.5 Trend and Comparative Analysis of Gold Loan

Companies

Trend analysis shows that the financial performance of gold loan companies exhibits both growth and fluctuations over the study period. Comparative analysis highlights differences among gold loan companies in terms of profitability, liquidity and solvency. These variations are influenced by management practices, market conditions and operational efficiency of gold loan companies.

3.2 Nature and Source of Data

The study is based on data that I collected from reliable and publicly available sources. These sources include:

Annual reports of selected gold loan companies

✓Financial statements, which are the balance sheet and income statement

✓Publications from regulatory authorities, such as central bank reports

✓Financial databases and official company websites

Using secondary data helps to ensure that the information is consistent, reliable and comparable across the study period.

3.3 Sample Selection

I selected a group of gold loan companies that operate within the financial services sector. The selection is based on criteria, such as:

- ✓Whether the companies have consistent financial data available
- ✓Their market presence and operational significance
- ✓Whether they have been in operation continuously during the study period

The final group of companies that I selected are the ones that meet these criteria, which helps to ensure that the analysis is valid.

3.4 Study Period

The study covers a period of years, for example, from 2018 to 2024. I chose this period to capture trends and to get a comprehensive view of the financial performance of gold loan companies over time. This includes any variations that may have occurred due to changes in the market or regulatory environment.

3.5 Tools and Techniques of Analysis

To evaluate the performance of gold loan companies, I used the following tools:

a) Ratio Analysis

I used the RAO analysis to assess different aspects of financial performance, including:

- Profitability ratios, such as Return on Assets and Return on Equity
 - Return on Assets is calculated by dividing Net Profit by Total Assets
 - Return on Equity is calculated by dividing Net Profit by Shareholders' Equity

- Liquidity ratios, such as the Current Ratio

The Current Ratio is calculated by dividing Current Assets by Current Liabilities

- Solvency ratios, such as the Debt-to-Equity Ratio

The Debt-to-Equity Ratio is calculated by dividing Total Debt by Shareholders' Equity

- Efficiency ratios, such as the Asset Turnover Ratio

The Asset Turnover Ratio is calculated by dividing Revenue by Total Assets

b) Trend Analysis

I used trend analysis to examine changes in financial performance over the study period. This helps to identify patterns of growth and fluctuations.

c) Comparative Analysis

I conducted an analysis to evaluate differences in financial performance among the selected gold loan companies and across different years.

3.6 Hypotheses of the Study

To provide a basis for analysis, I formulated the following null hypotheses:

- ✓H₀₁: There is no difference in profitability among gold loan companies.
- H₀₂: There is no significant difference in liquidity positions among the selected companies.
- ✓H₀₃: There is no difference in solvency and financial stability among the companies.

3.7 Limitations of the Study

The study has limitations, including:

- It relies solely on secondary data, which may be affected by biases in reporting.
- The analysis is limited to the selected gold loan companies and a specific period.
- Factors, such as economic conditions and regulatory changes, may influence the results but are not controlled in detail.

4. Data. Interpretation

This section presents the analysis of performance using key financial ratios over the study period. The data are analysed using profitability, liquidity, solvency and efficiency indicators to evaluate performance.

4.1 Profitability Analysis

Profitability ratios measure the ability of gold loan companies to generate earnings from their assets, equity and revenue.

- Return on Assets: The analysis of Return on Assets indicates how efficiently companies utilise their assets to generate profits. A consistent or increasing Return on Assets over the study period reflects improved efficiency.

•Return on Equity: Return on Equity measures the return generated on shareholders' funds. The results show variation across firms and years, indicating differences in strategies and capital structure.

4.4 Efficiency Analysis

Efficiency ratios measure how effectively companies utilise their assets.

•Asset Turnover Ratio: The asset turnover ratio reflects the ability of firms to generate revenue from their asset base. The results indicate efficiency across companies.

4.5 Trend and Comparative Analysis

Trend analysis shows that financial performance exhibits both growth and fluctuations over the study period. Comparative analysis highlights differences among companies in terms of profitability, liquidity and solvency.

4.6 Sample Data Analysis

The following tables present sample financial data and calculated ratios for selected gold loan companies over a five-year period from 2019 to 2023. The figures are illustrative. Expressed in percentage terms unless otherwise stated.

Table 1: Profitability Ratios

year	Return on Assets (%)	Return on Equity (%)
2019	3.2	18.5
2020	2.8	16.2
2021	3.5	19.8
2022	3.9	21.4
2023	4.1	22.7

The table shows an increasing trend in both Return on Assets and Return on Equity after a slight dip, in 2020.

Table 2: Liquidity Ratio

Year	Current Ratio
2019	1.25
2020	1.18
2021	1.30
2022	1.35
2023	1.40

The current ratio is always above 1, which means companies can pay their short-term debts. Over time this ratio gets a little better which shows that companies are getting better at managing the money they use to run their businesses.

Table 3: Solvency Ratio (Debt-to-Equity)

Year	Debt-Equity Ratio
2019	2.5
2020	2.8
2021	2.6
2022	2.4
2023	2.2

The debt-to-equity ratio is going down after 2020, which means companies are not borrowing much money from outside, and they are more financially stable.

Table 4: Efficiency Ratio (Asset Turnover)

Year	Asset Turnover (Times)
2019	0.85
2020	0.78
2021	0.88
2022	0.92
2023	0.96

The asset turnover ratio shows that companies are getting better at using their assets to make money after 2020. This means they are doing a job of running their businesses and using their assets. Companies are doing a job of making money from their assets, which is a sign of good management. The Efficiency Ratio is improving, which is a good thing for companies. Companies are using their assets efficiently, which helps them make more money.

5. Findings

✓I found that gold loan companies have different levels of profitability, which shows that some Companies are better at running their operations than others.

Most of the time these companies have enough money to meet their needs, but some of them have a little more or a little less than they need.

✓When I looked at how these companies can pay their debts, I saw that most of them have a good balance of debt and equity, which means they have a moderate level of financial risk.

✓Some gold loan companies are better at using their assets than others. This affects how well they do overall.

✓Things that happen outside of the company, like changes in the price of gold and new rules, can affect how well the company does financially.

✓Gold loan companies that are good at managing their costs and controlling risks tend to perform financially.

6. I looked at how gold loan companies do financially by using numbers and comparing them to each other. What I found is that gold loan companies do not all do well and some do better than others at different times. Some gold loan companies make a lot of money. Use their assets well, but others have trouble managing their money and controlling their costs.

My study shows that gold loan companies need to be good at making money, managing their money, paying their debts and using their assets well if they want to do. Gold loan companies also need to be aware of what's happening outside of their company, like changes in the market, the price of gold and rules that affect their business.

This study can help investors, people who make rules and managers of gold loan companies make decisions. Investors can use numbers to decide which gold loan companies to invest in. People who make rules can make rules that help the gold loan industry. Gold loan companies can do better by managing their operations and risks

My study is limited because I only used information that already existed and only looked at a certain number of gold loan companies. Future studies can look at information use better methods strategically and compare gold loan companies in different countries to learn more about the gold loan industry.

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