

Gold Investment - Perception & Preference of Consumers

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Abstract

Gold is a precious commodity and most popular as an investment in India. There are religious and sentimental values in buying gold. This study is conducted to evaluate the perception of consumers for investing in gold in India. The paper also aims to study the different modes of investment in gold. Primary research was conducted to know the perceptions of respondents. Survey was done to know about the awareness of options for investment in physical gold and the most preferred gold investment and gold fund. The survey shows that many people are aware of gold ETFs. 72 percent respondents perceive gold as a risk free investment, 43 percent invest in gold funds while 36 percent respondents invest in physical gold. SBI Gold fund is the most preferred fund followed by HDFC Gold Fund. The analysis shows that people invest primarily for returns. Other reasons for investment in gold are safety and liquidity. Investment can be made in physical gold, Gold ETFs and E-Gold, Gold Monetisation Scheme, Gold Sovereign Bonds and Gold Mutual Funds.

Keywords: Gold prices, Gold ETF, E-Gold, Gold Monetisation scheme, Gold Mutual Funds, Gold Sovereign Bonds, Physical Gold, Liquidity.

1. Introduction

Gold has a dominant presence in Indian culture. It is considered as an asset in a portfolio. Gold has a religious and sentimental value. Since gold is imported it impacts the current account deficit of India. To reduce the import of gold the government has introduced gold funds. People can now invest in gold funds instead of buying physical gold. These funds give same returns as investment in gold. Gold ETFs and various schemes enable people to invest in gold in the demat form. The paper tries to understand how the perceptions of people have changed from investing in physical gold to gold in demat form. Financial literacy would enhance and make people aware of these gold schemes and the safety and returns available. The paper also aims to study the different modes of investment in gold in India.

2. Research Objectives

- a. To evaluate the perception of consumers for investing in gold in India
- b. To study the various modes of investment in gold in India

3. Research Methodology

The paper aims at evaluating the perception of consumers for investing in gold in India. The paper also aims at studying the various modes of investment in gold. Primary and secondary data has been collected for the purpose. For primary data, randomly 100 people were distributed a questionnaire. A questionnaire was prepared to know about the age, gender, savings ratio, awareness about gold funds, reasons for investment in gold, preferred mode of investment and preferred gold mutual fund. Based on the answers data has been collected and analyzed. Basic tools in excel such as sums and percentages and charts for the quantitative data analysis and Participant Observation, Non-participant Observation, Field Notes, Analysis of documents and materials have been used for analysis.

4. Literature Review

CS Isha Shankar & SK Shukla [1] (2017) have studied the gold jewelry market in India. The increase in demand for gold in India is due to religious significance, status symbol and gold has high ornamental value. Gold is a liquid and appreciating asset and hence it is a good investment. The demand for gold increases more in rural areas as income increases. Dr M Nishad Nawaz & Surindra V R[2] (2013) have analyzed data and found that people invest more in jewelry. People are also finding it easy to invest in gold ETFs. V. Vinoth Balaji & S. Mahalingam [3] (2018) have evaluated the relationship between gold prices and Sensex, Nifty, major currencies and crude oil. Using statistical analysis like correlation and regression, they have analyzed that there is positive relation between Sensex and gold prices, Nifty and gold prices. Dollar and Pound have a negative relation with gold prices whereas crude oil, Euro and Yen have a positive relation with gold prices in India. Seasonal analysis shows that gold prices are high in the third and fourth quarters due to festivals and functions.

Soumya Sharma [4] (2018) have mentioned that factors affecting gold prices are exchange rate, inflation, BSE Sensex, personal disposable income, interest rates and crude oil prices. Impact of inflation and interest rates on gold prices is negative and insignificant and impact of exchange rates, Sensex, personal disposable income and crude oil prices on gold prices is positive and significant.

The empirical findings of R. Kannan & Sarat Dhal [5] (2008) in their paper suggest that gold demand is significantly influenced by real income and interest rate, exchange rate, income tax and government spending. The response of demand for gold to these variables tells how gold serves as a saving instrument in India. Dr. Naliniprava Tripathy [6] (2016) has investigated the relation between Nifty and gold prices by using time series data for a period of 16 years. The study finds that in the short run there is no causal relationship between Nifty and gold prices but in the long run there is a relationship between gold prices and Nifty.

Aghila Sasidharan [7] (2015) has studied the investment pattern in Thiruvanthapuram and Ernakulum districts of Kerala. It was found that investors prefer to invest in gold, and family and friends influence the decision making process of investing in gold.

5. Investment in Gold

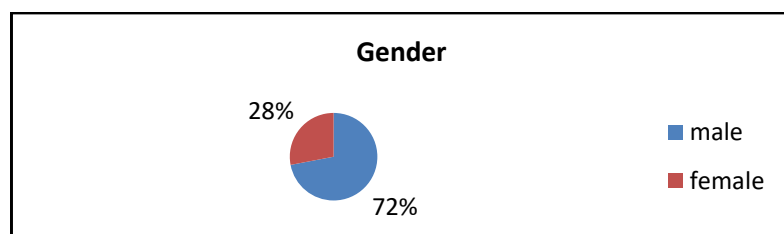
Due to high liquidity and inflation beating capacity, gold is one of the most preferred investments in India. Gold investment also has a sentimental and religious value. There are many modes of investment in gold such as jewelry, gold bars, gold coins, exchange traded funds, gold funds and sovereign gold bond scheme.

A questionnaire was distributed to obtain responses from people to know their preferences regarding investment in gold. The data collected has been presented in the form of charts.

5.1 Analysis and Discussion of Survey

1. Gender of Respondents

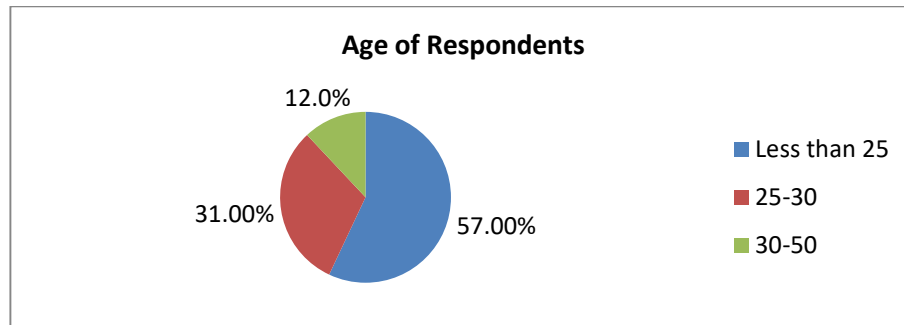
Figure 1: Gender of Respondents



72% respondents are male and 28% respondents are female.

2. Age of Respondents

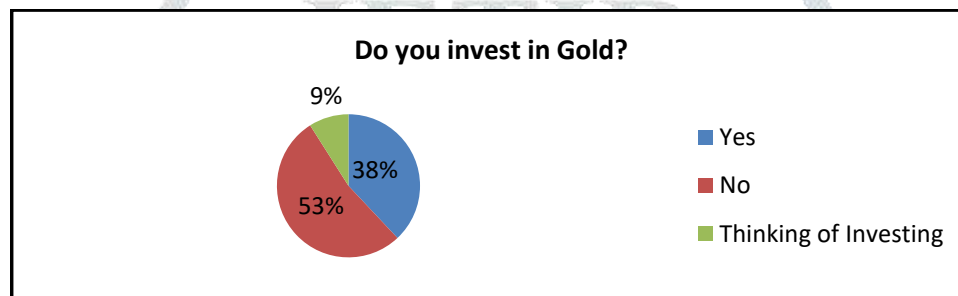
Figure 2: Age of Respondents



Out of 105 respondents surveyed, 57% respondents are less than 25 years, 31% are between 25-30 years and 12% respondents are between 30-50 years.

3. Do you invest in Gold?

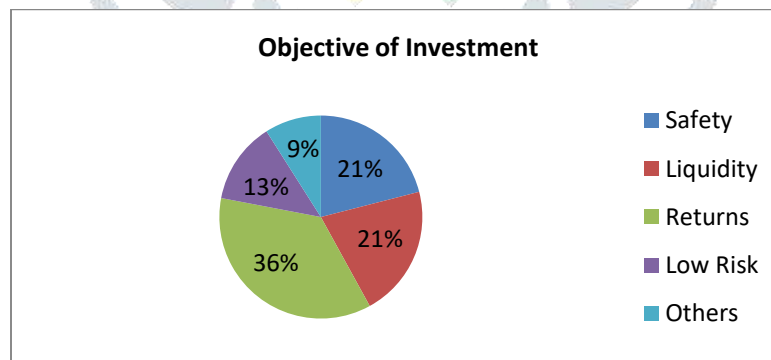
Figure 3: Investment in Gold



Out of 105 respondents surveyed, 38% invest in gold, 53% do not invest in gold and 9% are thinking of investing in gold.

4. Objectives of Investment

Figure 4: Objectives of Investment



As per figure 11 it can be observed that 36 percent respondents invest for returns, 21 percent invest for safety and liquidity and 13 percent do not invest in risky funds.

5. Is Gold a Risk-free investment?

Figure 5: Is Gold a Risk –free Investment

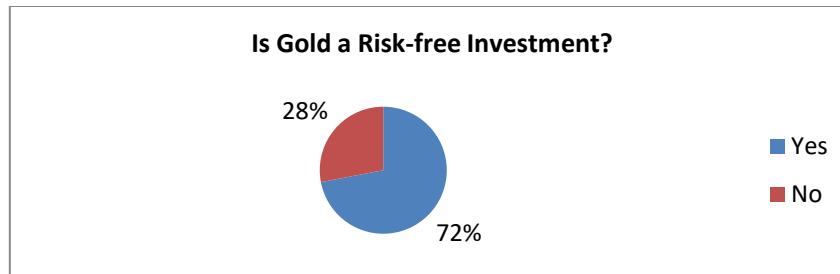


Figure 5 shows that 72 percent respondents see gold as risk free investment but 28 percent find gold as a risky investment.

6. Most preferable mode of investment in Gold

Figure 6: Most Preferable Mode of Investment in Gold

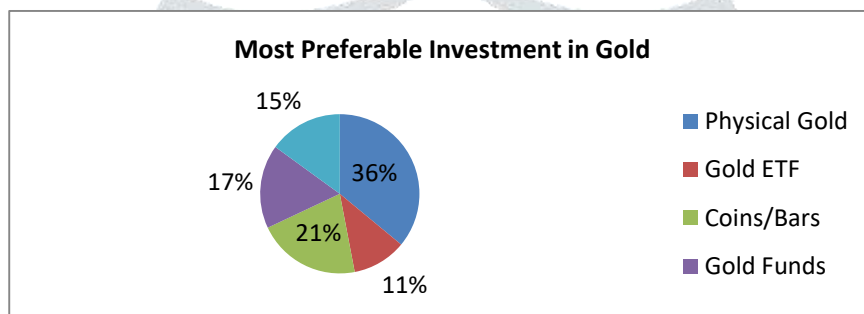
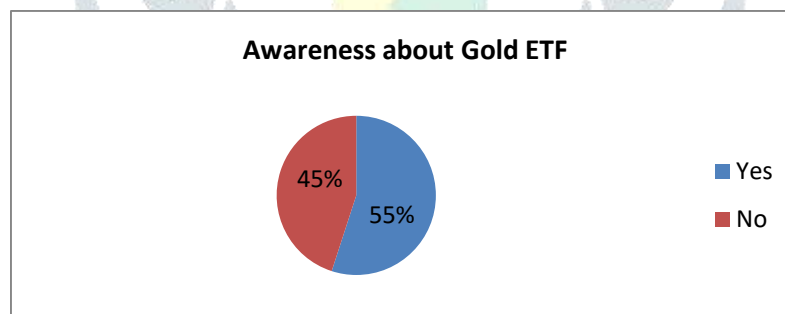


Figure 6 shows that 36 percent people prefer to buy physical gold, 21 percent buy gold bars and coins and 43 percent respondents invest in gold funds.

7. Awareness of Gold Exchange Traded Funds (ETF)

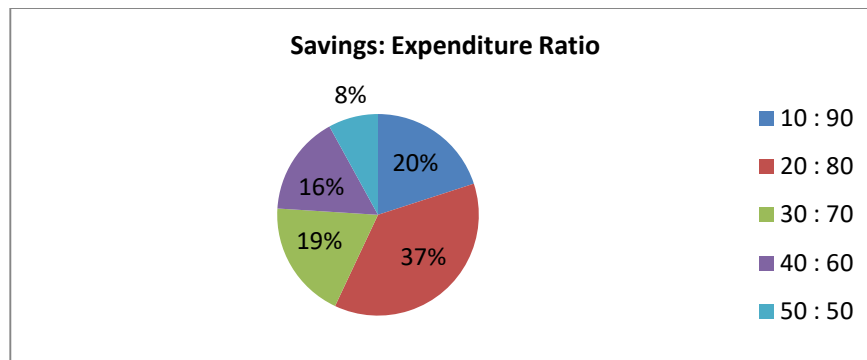
Figure 7: Awareness Gold ETF



The above chart indicates that 55% people surveyed are aware about gold ETF.

8. Savings : Expenditure Ratio

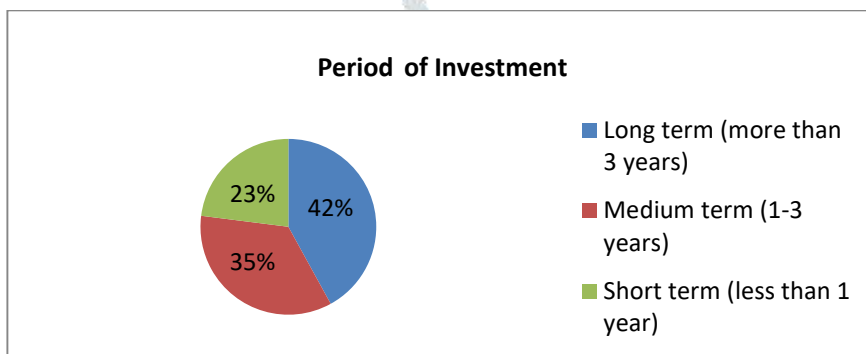
Figure 8: Savings: Expenditure Ratio



The data in the above chart shows that 8 percent people save 50% of their income, 16 percent respondents save 40% income, 19 percent save 30% income, 37 percent respondents save 20% income and 20 percent save 10% of their income.

9. Preferred Period of Investment

Figure 9: Period of Investment



From figure 8 we can say that 42 percent respondents save money for long term, 35 percent save for medium term and 23 percent save for short term period.

10. Preferred Gold Funds

Figure 10: Preferred Gold Funds

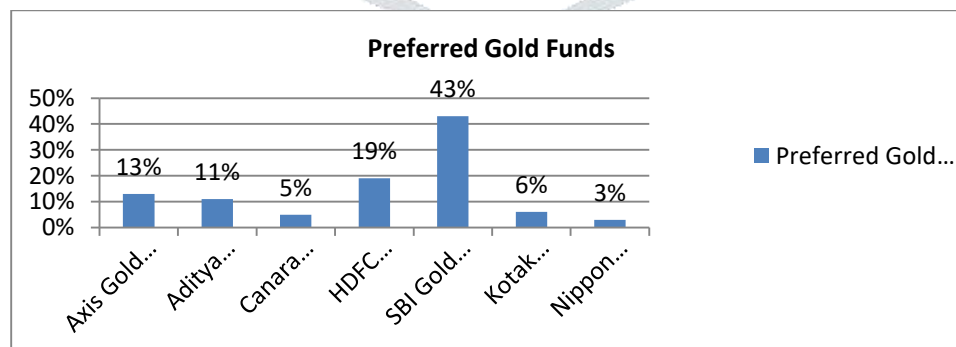


Figure 10 shows that 43 percent respondents prefer to invest in SBI Gold Fund and 19 percent prefer HDFC Gold Fund.

5.2 Gold Investment Options

The various modes of investing in gold are

1. **Physical Gold** – People buy gold in the form of jewelry, gold bars and coins.
2. **Gold Exchange Traded Funds (ETFs)** – These units represent physical gold in dematerialized form or paper form. These funds are open-ended funds and are traded on major stock exchanges. One ETF unit is equal to one gram of gold. Investing in Gold ETF is cost efficient as there are no making charges unlike gold jewelry.
3. **Gold in Electronic form (E-Gold)** – E-Gold units can be bought and sold through National Stock Exchange (NSE) just like shares. Here, one unit of e-gold is equal to one gram of gold. E-Gold can be bought in small quantities and kept in demat account. These units can be encashed or converted to physical gold.
4. **Gold Monetisation Scheme** – The government has introduced this scheme which gives interest on gold deposits. Investors can deposit gold in any physical form. It works like a savings account.
5. **Gold Sovereign Bond Scheme** – This is an alternative to buying physical gold. On maturity, the bonds can be redeemed or sold on the stock exchange and encash them. These bonds are available in the demat form and loans can be availed against these bonds.
6. **Gold Mutual Funds** – These are mutual funds that invest in gold ETFs and other related assets. These funds do not directly invest in physical gold but take the same position indirectly by investing in Gold ETFs.

6. Findings and Conclusions

The survey conducted includes 88 percent respondents up to 30 years and 55 percent of them are aware of gold ETFs. 72 percent respondents perceive gold as a risk free investment. 43 percent invest in gold funds while 36 percent respondents invest in physical gold. SBI Gold fund is the most preferred fund followed by HDFC Gold Fund. The analysis shows that 36 percent respondents invest for returns, 21 percent invest for safety and liquidity and 13 percent do not invest in risky funds.

The various gold investment options are physical gold, Gold ETFs and E-Gold. The government has announced schemes such as Gold Monetisation Scheme and Gold Sovereign Bonds. People can also invest into Gold Mutual Funds.

7. References

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