



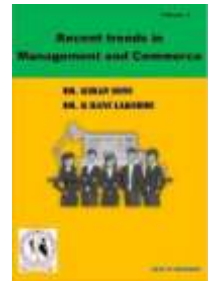
## Recent Trends in Management and Commerce

Vol:2(2),2021

REST Publisher

ISBN:978-81-936097-6-7

Website: <http://restpublisher.com/book-series/rmc/>



# A Study on Various Forms of Gold Investment

R. Naveena, Dr. D. Sumathi

Department of Commerce Shri Shankarlal Sundarbai Shasun Jain College for Women, Chennai, Tamil Nadu, India.

Email: naveenarajan66@gmail.com

### Abstract

In this study various forms of Gold Investment has been taken into consideration. This study was conducted with the basic concern to understand investment alternatives available, factors associated with it, positive and negative aspect of different forms of investment and thereby help to create general awareness among investors. Traditional and modern investment in gold are: jewelry, coins, bullions, ETF, mutual funds, E-gold, etc. The present study “A Study on Various Forms of Gold Investment” tries to study forms of gold investment available to investors. Based on the research it is found that, respondents preferred Gold as their Investment Option. Respondents were also fully aware of various gold investment options like Paper Gold and ETF. Majority of the respondents choose Tax Benefits as the reason for Investing in Gold. It is concluded that Gold is the most preferred Investment among respondents.

### Introduction

An Investment is an asset or item required with goal of generating income or appreciation. Appreciation refers to an increase in the value of an asset overtime. When an individual purchases a good as an investment, the intent is not to consume the good but rather to use it in the future to create wealth. An investment always concerns the outlay of some capital today -time, effort, money, or an asset – in hopes of a greater payoff in the future than what was originally put in. In this study various forms of Gold Investment has been taken into consideration. This study was conducted with the basic concern to understand investment alternatives available, factors associated with it, positive and negative aspect of different forms of investment and thereby help to create general awareness among investors. Traditional and modern investment in gold are: jewelry, coins, bullions, ETF, mutual funds, E-gold, etc. The present study “A Study on Various Forms of Gold Investment” tries to study forms of gold investment available to investors. The objective is to study the investors awareness on various forms of Gold Investment, To ascertain if gold is a preferred investment of customers and to analyze the reasons for investing in gold and to identify the factors that influences the customers to invest in gold investment. For the purpose of study the primary data and secondary data has been collected. Primary data consists of questionnaire and Secondary data through website, research papers and magazines. Statements of Problem There are various investment portfolios available to the investors among the investors, investment in Gold is considered as a safe investment because of its high profitability and liquidity. The main reason is that like currency Gold has an intrinsic value and has a stable purchasing power to goods and services. Historically, Gold was used as currency. Even now it is still considered a backup for Government and Central Banks. The demand for gold has been very volatile and has shown both increasing and decreasing trend. Hence an attempt is made to ascertain if gold is still a preferred investment by the investors. Need of study the main purpose of the study is to ascertain if gold is a preferred investment of customers and to analyze the reasons for investing in gold. And to identify the factors that influence the customers to invest in gold investment. Investment is the planned method of safely putting one’s savings into different outlets to get a good return. The essential quality of an investment is that it involves waiting for a reward. Gold as an asset plays a very important role in an investor’s portfolio as it not only provides stability for returns but also gives an opportunity to maximize the wealth of the investor. Scope of study The study evaluates the pattern of investing in various forms of Gold Investment. Each respondent invest in various forms of Gold Investment after considering various influencing factors. The study also tries to know the investors awareness on various forms of Gold Investment. It also tries to focus on the various demerits in each gold investment options which stops the investor in such investment Limitation of study As the duration of the project is very short the survey cannot be conducted on a very large sample size. The research is conducted commonly among every customer in every city. The information provided by the sample unit is not always correct. The sample size of 100 is small so there may be differences in the reality and the findings. The sample unit is customers.

### Objective of the Study

To study the investors awareness on various forms of Gold Investment. To ascertain if gold is a preferred investment of customers and to analyze the reasons for investing in Gold.

## Review of Literature

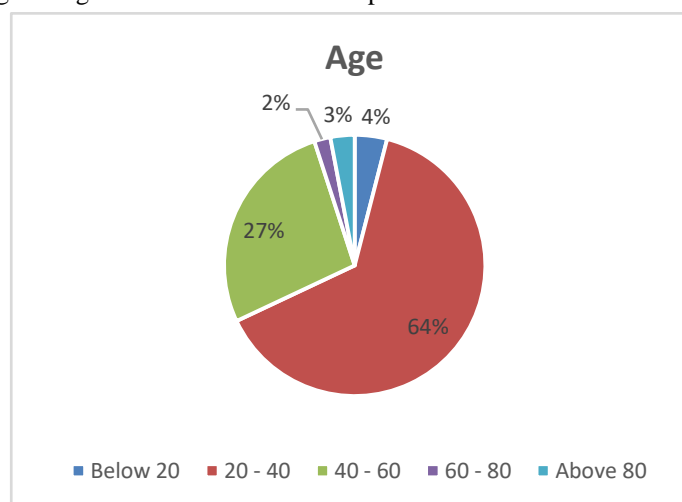
P K Mishra, J R Das, et.al. (2010) In their research stated that, Gold price volatility has attracted the attention of many researchers, academicians and analysts. This paper aims at investigating the dynamic relationship between gold prices and stock market returns in India for the period 1991 to 2009. This study is mainly based on Secondary data that have been collected from the database on Indian economy maintained by Reserve Bank of India. From the Granger Casualty Test it is found that, It is inferred that the null hypothesis of “Gold Prices do not Granger Cause Stock Market Returns” and “Stock Market Returns do not Granger Cause Gold Prices” are here clearly rejected. The Granger causality test in the vector error correction model suggests the evidence of feedback causality running between the gold prices and BSE 100 Index based stock returns in India. The Augmented Dickey-Fuller test says that the time series of the study are stationary and all integrated of order one. Thus, each variable contains some significant information so that one can be used to predict the other. Lujia Wang (2012) In his research stated that, Gold is traditionally considered a safe investment, especially during a time of recession with high risks such as inflation, exchange rates depreciating and bank collapsing. The link between financial crisis and the raise in gold’s price is not considered. The price of gold is volatile. The thesis is based on both literature studies and empirical research. The result of tangent portfolio of OMX20, Danish mortgage bonds and gold is listed. By holding 3.57% in OMX20, 7.20% in gold and 89.23% in Danish mortgage bonds. Based on the results, the return of gold is proven to have a positive correlation with the change of inflation rates, but not related to the changes of interest rate and the return of stocks. In sum, an investor should add gold to the investment portfolio as, gold can diversify the risks of stocks and bonds, and therefore, enhance the portfolio’s ability of bearing risks in the crisis. Dr.Shefali Dani, et.al. (2015) In their research paper stated that, the recent bull market of gold and other precious metal industry point to obvious questions. For our research purpose we have used various statistical tools to identify perceived risk and return of the investing in gold and silver. It is found that, Gold and Silver are the most popular metals in India. Another finding from the research is that before the year 2006, investors regularly make investment in Gold and Silver but they reduce their investment in such metals as the prices of Gold and Silver are at the hike peak for the year 2007 and they have choose other options from the investment. Gold has been selected as an investment options in form of coins, bars, Exchange -traded fund, gold certificates, derivatives and Mining companies. From our study on investors preference and risk and return analysis of precious metals specifically Gold and Silver, we come to the conclusion that many factors affect for making investment in Gold and Silver.

## Research Methodology

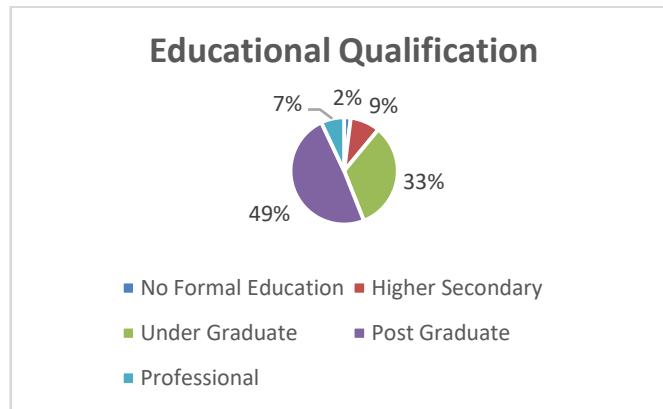
**Research Design** The research design refers to the overall strategy that is choose to integrate the different component of the study in a coherent and logical way, which ensures it will effectively address the research problem. Research design is the blue print for empirical research work that guides the research in a scientific way towards the achievement of the objectives. Survey method has supported to determine the most preferable avenue of Gold investment options. The research is designed in the Descriptive model as it includes survey through Structured Questionnaire to collect the data of survey. The attributes used in the data collection are dynamic and subjective in nature. The responses are based on their experience and awareness level in Gold Investment options. **Statistical Tool Used** A Chi square test also written as  $X^2$  test is a statistical hypothesis test that is valid to perform when the test statistic is chi square distributed under the null hypothesis. It is used to determine whether there is a statistically significant difference between the expected frequencies in one or more categories of contingency table. ANOVA permits for the study of one factor or many factors, but will only measure one variable. ANOVA is done by measuring the variance of the population in two totally different way; first by noticing the spread of values among sample; second is by the spread out of sample means that.

## Data Analysis and Interpretation

Diagram showing the percentage of Age of Male and Female Respondents



**FIGURE 1.** From the table it is observed that the majority of the respondents are from the age group of 20-40. Diagram showing the Educational Qualification of Respondents



**FIGURE 2.** Relation between annual income and investment opportunity Null hypothesis  $H_0$ : There is no significant between Annual Income and Investment Opportunity.

**TABLE 1.** Table showing the relationship between Annual Income and Investment Opportunity

Investment Opportunity		Sum of Squares	df	Mean Square	F	P Value
Share Market	Between Groups	10.180	3	3.393	1.718	.169
	Within Groups	189.660	96	1.976		
	Total	199.840	99			
Real Estate	Between Groups	4.639	3	1.546	1.160	.329
	Within Groups	128.001	96	1.333		
	Total	132.640	99			
Gold	Between Groups	10.838	3	3.613	2.585	.058
	Within Groups	134.162	96	1.398		
	Total	145.000	99			
Mutual Funds	Between Groups	3.129	3	1.043	.800	.497
	Within Groups	125.231	96	1.304		
	Total	128.360	99			
Life Insurance Policy	Between Groups	10.669	3	3.556	1.842	.145
	Within Groups	185.331	96	1.931		
	Total	196.000	99			

Source: Computed data Inference: From the above table, it is inferred that the P value are more than 0.5 which assumes that the null hypothesis is validated. Hence, there is no relationship between the Annual Income and Investment Opportunity.

### Findings and Suggestions

**Findings** The majority number of respondents falls under 20-40 years (64.0%) followed by the age group of 40-60 years (27%), 4% of respondents in the age group of Below 20 years, 3% of respondents in the age group of Above 80 and the least respondents belong to the age group of 60-80 years with (2%). It is observed that 49% of the respondents were Post Graduates, 33% were Under Graduates, 9% of the respondents pursued up to Higher Secondary, followed by 7% respondents with Professional, and the least is said to be No formal education with 2%. **Suggestions** the main focus of the study is to know about the Investors awareness on various forms of Gold Investment. Majority of the respondents choose that they are fully aware of Paper Gold and ETF. From their point of view they might have not invested in Jewellery, Bullions and Gold Mutual Funds. Awareness about Gold Mutual Funds, Jewellery can be made through Advertisements, Awareness programs. Highest percent of respondents choose Gold as their Investment Preference, those who invest in Gold must get a clear reason for investing in gold. They must come to know about what are the options available for gold in future like, schemes, chit funds. It is suggestible for investors to go through offer documents, schemes objectives, and performance analysis through experts before investing in mutual funds. Investing in Gold as a benefit is constantly useful for long haul. It is suggestible to invest in Gold ETF where possibilities of losses are limited. ETF's are available at easy and it does not need high knowledge, as it is very easy trading mechanism.

### Conclusion

The present study "A Study on Various Forms of Gold Investment" tries to study about the various forms of gold investment options available. In the current market scenario of high volatile, rapidly changing market place, various avenues for investment are creating confusion among Investors. Large numbers of the portfolio are not good for healthy investment. The Indian Investors are very much aware of the concept of portfolio allotments and risk and return of the investment. In India, purchase of gold is the most ideal form of Investment. It carry good return and appreciation. This confirms that the Indian investor, even if they are high income, well educated, salaried, independents are conservative investors prefers to play safe. As per various studies 16,000 tons of gold is there in Indian households predominantly in the form of Jewellery. There are various alternatives available for investment in gold through options like Jewellery, coins,

bullions, ETF, mutual funds, E-gold etc. The main objective of the study is to know the investors awareness on various forms of Gold Investment, to ascertain if gold is a preferred investment of customers and to analyze the reasons for investing in Gold. For the purpose of study Primary and Secondary data have been collected. Based on the research it is found that, respondents preferred Gold as their Investment Option. Respondents were also fully aware of various gold investment options like Paper Gold and ETF. It is concluded that Gold is the most preferred Investment among respondents.

### **References**

1. P K Mishra, J R Das and S K Mishra, Gold Price Volatility and Stock Market Returns in India, American Journal of Scientific Research, 2010, Issue 9, ISSN:1450-223X
2. Lujia Wang, An Empirical Study of the Gold Return from 90s to 21<sup>st</sup>, Applied Economics and Finance, 2012.
3. Dr.Shefali Dani and Riddhi Ambavale, A Study on Investors Preference and Risk and Return Analysis of Precious Metals (Gold and Silver in India), International Journal of Advanced Research in Management and Social Sciences, 2015, Volume 4, Issue 2, ISSN :2278-6236