



Investors' attitude towards Physical and Electronic form of Gold Investment in South India

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ABSTRACT

Now-a-days gold is purchased by the people in many forms of Gold coins/Bars, GETF(Gold Exchange Traded Funds), Commodity market (i.e. trading in NCDEX & MCX in India) etc., And people felt about gold investment as a prestigious issue in the past and now people are considering gold is also one of the investment avenue for short term and long term. There are many reasons for the people and institutions around the world are investing in gold once again. Hence this study attempts to study on the investment behaviour of investors towards gold.

Key Words : Gold Investments, Attitude, Gold ETF, Commodity ,E-Gold.

1. INTRODUCTION

For thousands of years, gold has been valued as a global currency, a commodity, an investment and simply an object of beauty. As financial markets developed rapidly during the 1980s and 1990s, gold receded into the background and many investors lost touch with this asset of last resort. Recent years have seen a striking increase in investor interest in gold.

The domestic India gold market is estimated to be more than US\$15 billion and is expected to rise significantly in the coming years. During April 2008 to February 2009, gems and jewelry worth US\$ 17.79 billion was exported from the country. United Arab Emirates imported more than 30% of gems and jewelry from India, making it the largest importer from the country. Hong Kong was the second largest importer with 25% followed by United States with 20%. The gem and jewelry industry accounts for more than 10% of India's total commodities exports.

Though India is the leading consumer of gold in the world, the gold market in India is largely fragmented and unorganized. Due to the non availability of a benchmark price, the gold prices in India vary very much from region to region. The festive and the wedding season in the country witnesses a heavy demand for gold. Despite the global economic recession, the gold consumption in the country during these times has not abated.

2. TYPES OF GOLD INVESTMENTS

Investment in gold can be done directly through ownership, or indirectly through certificates, accounts, spread betting, derivatives or shares. Other than storing gold in a safe deposit box at a bank or in one's home, gold can also be placed in allocated (also known as non-fungible), or unallocated (fungible or pooled) storage with a bank or dealer.

- Gold Bar / Coin
- Gold Exchange traded funds
- Gold certificates
- Digital Gold currency and bullion vault
- Mining company shares & commodity derivatives

3. STATEMENT OF THE PROBLEM

Gold surprisingly gave 70% returns from 2006 to 2009 when

world suffered worst ever recession. Now-a-days gold is purchased by the people in the forms of Gold coins/Bars, GETF(Gold Exchange Traded Funds), Commodity market (i.e. trading in NCDEX & MCX in India) etc., And people felt about gold investment as a prestigious issue in the past and now people are considering gold is also one of the investment avenue for short term and long term. There are many reasons for the people and institutions around the world are investing in gold once again. Hence it is decided to study on the investment behaviour of investors towards physical and electronic form of gold.

4. OBJECTIVES OF THE STUDY

The primary objectives of the study are

- To know the attitude of investors towards Gold investment
- To study the investment behaviour of the investors towards various electronic forms of gold trading.

5. SCOPE OF THE STUDY

The study covers the attitude of the investors towards gold & electronic forms of gold trading.

6. RESEARCH DESIGN

Though the primary objective of the study is to know about the attitude of investors towards gold investment, descriptive design is most suitable and Stratified random Sampling method was used to select the respondents. The Universe of the study is South India. Since the population size is infinite, sample size for the study was taken as 500 respondents. This study has been conducted in southern region of India, a sample of respondents were selected from the different states which includes Tamilnadu, Andhra Pradesh, Kerala, Karnataka and Pondichery(UT). From each state and Union Territory of Pondichery, 100 respondents were selected at random to make it as 500.

7. SOURCES AND DATA COLLECTION

The research consists of the application of both primary and secondary data. Primary data was collected by administering questionnaire to the investors. The secondary data was collected through websites and from various journals and magazines. The collected data was analyzed by using the statistical tools like tables, charts, Chi-square test, weighted average & ranking methods.

8. ANALYSIS

Table No.1-General Profile of the investors

Factors	Classification	No. of Respondents	No. of Respondents (in Percentage)
Gender	Male	280	56
	Female	220	44
Age	Less than 35	155	31
	36-50	170	34
	51-65	70	14
	Above 65	105	21
Educational Qualification	Schooling	55	11
	Diploma	20	4
	U.G	267	53.4
	P.G	120	24
	Mphil/Phd	30	6
Occupation	Un educated	8	1.6
	Business	75	15
	Private employee	85	17
	Retired	70	14
	Housewife	105	21
	Government employee	95	19
	Professionals	70	14
Income range	Less than 50000	70	14
	50000-100000	130	26
	100001-300000	280	56
	300001-500000	20	4
	Above 500000	0	0

Source: Primary data

Table No.2- Attitude of investors towards various investment avenues

Factors	I	II	III	IV	Fx	Mean
Safety	308	145	22	25	1736	3.47
Capital Appreciation	50	280	125	45	1335	2.27
Liquidity	130	125	220	25	1360	2.72
Regular income	12	50	98	340	734	1.47

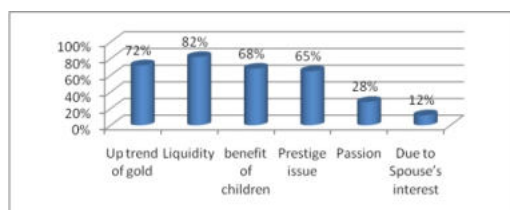
Note: "Safety" is having highest mean Source: Primary data

Table. No. 3: Preference of investment avenues by the investors

Avenues	I	II	III	IV	V	VI	VII	FX	Mean
Bank	108	20	142	50	0	0	0	2866	5.73
Stock Market	80	125	197	98	0	0	0	2687	5.375
Gold	220	165	75	40	0	0	0	3065	6.13
Mutual Fund	10	25	45	95	325	0	0	1800	3.6
Insurance	82	150	93	155	0	0	0	2559	5.295
RD	0	0	0	0	0	45	455	545	1.09
Chits	0	0	0	0	0	55	445	555	1.11

Note: "gold" is having highest mean Source: Primary data

Chart No:1: Reasons for selecting Gold as investment by the investors:



Percentage may not be 100 as respondents can select more than one option Source: Primary data

Table No. 4: Occasions of purchasing gold:

Occasions	No. of respondents (%)
Akshaya Tritiya	58
Diwali	12
Marriage	82
New Year	8
Others	5.5

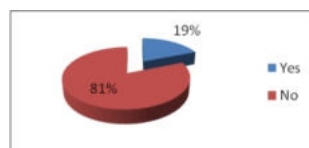
Percentage may not be 100 as respondents can select more than one option source: primary data

Table No. 5 : Factors influencing the selection of Jewellery shop

Factors	No. of respondents (%)
Habitual	32
Quality	44
Discounts in making and wastage charges	52
Advertisements	58
Gift	22
Collections	28

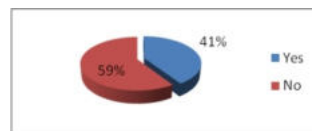
Percentage may not be 100 as respondents can select more than one option Source: Primary Data

Chart No: 2: Awareness of gold trading in ETF form:



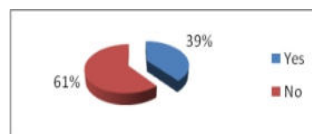
Source: Primary data

Chart No:3: Awareness of gold trading in commodity market:



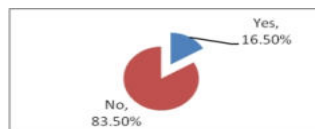
Source: Primary data

Chart. No: 4: Awareness of trading in gold related companies:



Source: Primary data

Chart No: 5: Investor's preference of gold trade in electronic format:



Source: Primary data

Table No. 6: Investors currently doing electronic form of gold trading:

Electronic form of gold trading	No. of respondents (%)
Yes	14.5
No	85.5
Total	100

Source: Primary data

Table No. 7: Various modes of electronic form of gold trading:

Modes	No. of respondents (%)
ETF	3.5
Commodity market	7
Gold related stocks	4
Not doing electronic form of gold trading	85.5
Total	100

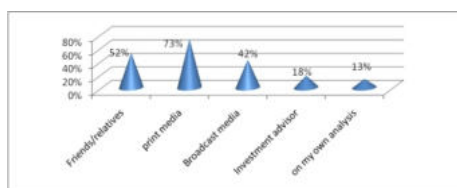
Source: Primary data

Chart No. 6: Overpricing of gold



Source: Primary data

Chart No.7: Sources for getting gold price movement related news:



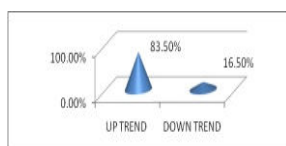
Percentage may not be 100 as respondents can select more than one option
Source: Primary data

Table No. 8: Factors affecting the gold price:

Factors	No. of respondents (in %)
World economical scenario	68
Stock market fluctuation	32
Crude oil fluctuations	28
Inflation	13
\$ value fluctuations	10
No idea	20.5

Percentage may not be 100 as respondents can select more than one option
Source: Primary data

Chart No. 8: Expected future trend of gold price:



Source: Primary data

Test-1 : Chi-Square Test

Here Chi-square test is used to identify whether the general profile of the respondents influences the trading of electronic form of gold and the Null hypothesis is set as "there is no significant relationship between each general characteristics of investors and their preference towards electronic form of gold trading".

Table. No: 9:The relationship between the general profile of the respondents and their preference towards electronic form of gold trading

Factor	CV	TV	Is Significant?	Reason
Gender	10.05	3.841459	Yes	Female investors prefer physical gold than E-Gold when compared to male investors.
Age	9.6	7.814728	Yes	All the age group are not having the same set of mindset towards electronic form of gold trading.
Education	2.4	11.0705	No	All set of people in different educational profile having the same mindset while investing in E-Gold
Occupation	11.9	11.0705	Yes	Based on the occupation category, investors are preferring E-Gold
Income	0.94	9.487729	No	All set of people in different income range having the same mindset while investing in E-Gold

*Significant @ 5% level
Source: Primary data

Thus the null hypotheses for each general characteristics like gender, age, income, occupation and education of the investors are tested and it is revealed that Gender, age and occupation plays an important role in the trading of electronic form of gold.

Test-2 : ANOVA test

Table No. 10: satisfaction level for male and female respondents towards gold investments.

Satisfaction Level	Male	Female	Total
Highly satisfied	60	110	170
Satisfied	192	108	300
Neither satisfied nor dissatisfied	28	2	30
Dis - Satisfied	0	0	0
Highly dis - satisfied	0	0	0
Total	280	220	500

Source: Primary data

Null Hypothesis : There is no significant difference between satisfaction level of gold investment towards male and female respondents.

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Table No. 11 : ANOVA TABLE:

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	360	1	360	0.302775	0.61143	7.708
Within Groups	34900	4	8725	7.338	0.039	6.388
Total	40016	9				

Hence calculated value(0.302) is less than the table value(7.7). Hence, we can accept the hypothesis. So, there is no significant difference between satisfaction level of gold investment towards male and female respondents.

9. FINDINGS OF THE STUDY

- While considering about investments, most of the respondents are giving more importance to safety followed by liquidity and capital appreciation.
- Majority of the respondents are interested in gold investment followed by bank and stock market investments.
- Majority of the respondents (more than 80%) are selecting the gold investment because of its liquidity and its uptrend.
- 82% of the respondents are preferred to purchase gold at the time of marriages followed by Akshaya Tritiya.
- 58% of the respondents are selecting the jewellery shop based on advertisements followed by discounts on making charges.
- 59% of the respondents are not aware about gold trading in commodity market, 81% of them are not aware about ETF trading in gold and 61% of the investors are not aware of gold related stocks in the stock market.
- Majority of the respondents are not showing interest in purchasing electronic form of gold.
- 14.5% of the respondents are currently doing electronic form of gold trading (i.e) some 4 % of the respondents are doing trading in gold related stocks, 3.5% of the respondents are doing ETF trading and 7 % of them are investing in commodity market.
- 76.5% of the respondents are confirming the overpricing of gold
- 73% of the respondents are collecting the gold related information thru print media followed by friends/relatives.
- 83.5% of the respondents are expecting further uptrend in the gold price.
- 68% of the respondents were feeling that gold price is affected due to the world economical scenario followed by stock market fluctuations.
- The Gender of the respondents influences the preference towards electronic form of gold trading
- There is no significant difference between satisfaction level of gold investment towards male and female respondents.

10. CONCLUSION:

1. The researchers suggested the investors to go for gold investments because of the following reasons:
 - Central banks in several countries have stated their intent to increase their gold holdings instead of selling.
 - All gold funds are in a long term uptrend with Bullion, most recently setting new all time highs.
 - Gold consumption is more in India and China and their demand is increasing with their increase in national wealth.
2. The investors could concentrate more on Gold ETFs for the convenience and safety and all the brokerage houses, SEBI and Government should work on that to create awareness on the electronic form of gold trading.
3. The investors should not invest blindly. And while investing in gold, the investors should consider and analyse the various factors like stock market movements, Crude oil price movements, inflation data and various economical factors which are having impact on the gold price movement for reducing the risk