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A STUDY ON INVESTORS PERCEPTION AND PREFERENCE TOWARDS GOLD BONDS AND ETF

Commerce

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ABSTRACT

In today world there are many options for investment they are physical gold, such as jewellery, gold coin schemes, and gold savings schemes, as well as paper, digital gold, but more people are preference towards sovereign gold bonds and ETF. The investing options, the Sovereign Gold Bond offers more value than the others. Reserve Bond of India issues sovereign gold bonds on behalf of the Indian government in multiples of gram/grams of gold. However, the aim of study is theoretical in nature, the explore various investment alternatives available in market and analysis the investment perception and preference towards gold bonds and gold exchange traded fund. Quantitative research was adopted in the present study to examine a study on preference and perception towards gold bonds and ETF. The resulting questionnaire consist of item on respondent's demographic, perception and analysis based on gold bonds and ETF. The result shows that sovereign gold bonds are superior to alternative gold investment options, although they may not be suited for all investors. Diversification can be achieved by investing a portion of one's assets.

KEYWORDS

Gold, Bonds, Exchange Traded Fund, Gold Bonds, Gold Exchange Traded Fund

Introduction

Gold Bonds the govt. introduced Sovereign Gold Bonds in Nov 2015 as a part of the Gold proof theme. RBI, in coordination with the govt. of Republic of India, opens the institution for subscription in tranches beneath the set up (Government of India). run batted in give notice the scheme's terms and conditions on a daily basis. SGB subscriptions are on the market as of the subsequent calendar. the speed for SGB are proclaimed by run batted in prior to of every part via a release. The multiplies of weight unit inside the minimum unit of one weight unit can dominate the Sovereign Gold Bond.

The Gold Bond's charge per unit are a pair of .50 pec per annum, collectable semi-annually on the nomination worth. The bond can have associate degree 8-year term, with exit choices on the market on interest payment dates within the fifth, 6th, and seventh years. people will subscribe up to four kilo-gramme of gold, whereas Hindu Undivided Families will subscribe up to four kilogram and trusts and alternative similar establishments will subscribe up to twenty kilogram. Gold Bonds are a sort of debt fund that the Indian government created in Nov 2015 as another to buying actual gold. the difficulty value paid in money by the capitalist, and therefore the bond are saved in money at maturity.

A gold ETF is associate degree Exchange listed Fund that tries to trace the worth of actual gold within the us. they're a sort of passive investment instrument that invests in gold bullions and relies on gold costs.

In a shell, gold ETFs ar units that represent physical gold in paper or dematerialized kind. One weight unit of gold is up to one gold ETF unit, that is backed by terribly pure actual gold. Gold exchange-traded funds (ETFs) mix the flexibleness of gold finance with the simplicity of gold finance.

Gold ETFs, like every alternative stock, ar listed and listed on the National exchange of Republic of India (NSE) and therefore the metropolis exchange Ltd. (BSE). Gold ETFs, like every alternative company stock, ar listed on the money phase of the NSE and BSE and might be purchased and sold at value on endless basis.

You're shopping for gold in associate degree electronic kind after you purchase gold ETFs. Gold ETFs will be bought and sold within the same manner that stocks will. you do not get physical gold after you redeem the Gold ETF; instead, you get certificate of indebtedness. Gold ETFs ar listed electronically through a dematerialized kind (Demat account) and a broker, giving them a convenient thanks to invest in gold.

Review of Literature

Dr. P. Menakadevi, Dr. P. Prabha, and Dr. M. Latha Natarajan (2021). The sampling approach was accustomed choose a sample size of one hundred fifty investors within the Coimbatore district to gather comprehensive data regarding the investor's behaviour in gold instruments like reserve assets, digital gold, and physical gold. per the report, the bulk of investors square measure unaware of any of the schemes, and as a result, they like gold jewellery and like to take a position in gold ETFs and sovereign gold bonds, that yield higher returns.

Narinder Verma, (2020) the bulk of households like bank deposits and gold jewellery for safe and reliable returns, per the study. "A high preference for gold is driven by exaggerated demand, that doesn't prognosticate well for India, that may be a internet gold businessperson." Similar studies can offer signals to the Indian government to develop a "National Policy on Gold" to adequately regulate gold investment. within the state, gold ETFs square measure quickly catching up to bank deposits, gold jewellery, and insurance policies as investment alternatives. The findings indicate that households within the long-standing time, investors' preferences could shift toward Gold ETF since it offers a mixture of safety, stability, and convenience of commercialism on stock exchanges. This transition would eventually lead to lower gold demand, which can profit the Indian economy by reducing imports. per the report, gold jewellery encompasses a high preference, whereas gold ETFs have a rising preference.

Amrutha and Kansal (2017) in their study uses a literature review, field visits, and structured interviews with a range of stakeholders to spot and analyse the obstacles that stop the arrange from reaching its full potential. The report concludes with suggestions for increasing home and temple adoption of the system.

S. R. Acharya, A. K. Dwivedi, and B. D. Panchal (2015) in their study compares the performance of 5 gold exchange listed funds (ETFs) to four index ETFs. The goal is to appear at however commodity-based funds have performed. the costs of ETFs were gathered from their various websites and were chosen counting on the analysis period. knowledge introduction analysis is employed to try and do the analysis (DEA). The yearly come back and risk adjusted come back are used as input variables, whereas the quality deviation (risk) and most drawdown are used as output variables. The results of the investigation clearly show that index funds vanquish alternative varieties of mutual funds to gold-backed funds Gold ETFs square measure effective at up returns whereas index ETFs square measure effective at decreasing risk.

Objectives of the Study

- To understand theoretical aspect of investing in gold bonds and gold exchanges traded funds.
- To explore various investment alternatives available in market.
- To describe investment mechanism in gold bonds and gold exchange traded fund.

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- To analysis the investment perception and preference towards gold bonds and gold exchange traded fund.

Research Methodology

The study concerns with the study on preference and perception of investors towards gold bonds and ETF of the randomly selected investors. We take 150 samples from the research.

The information gathered in the study is primary information obtained directly from respondents through the use of a structured questionnaire. Goole forms were used to create the survey questionnaire, which included selection options, multiple choice questions, a Likert Scale, and a close ended questionnaire.

Secondary data, on the other hand, is gathered through the use of research papers, journals, websites and databases. The data provided is readily available.

Investors, students, businessmen and others are population of Vadodara are respondents in this research paper.

There are numerous different sampling methods for conducting a study or survey, including both probability and non-probability sampling. The survey samples were collected using the probability sampling method, which seems to be the optimum strategy.

Conduct a survey of around 104 possible respondents. The first phase in this study's sample selection approach was to find investors who hold gold bonds and gold exchange traded funds. The second stage is to choose respondents who fill out the questionnaire using a Google form that is provided to them via email, WhatsApp, or other means.

The use of scientific methods and procedures for data collection is referred to as data processing. When coding data, the data was first input and processed using MS Excel. This coded excellence book was also loaded into SPSS for mathematical study. This work was carried out using mathematical methods.

Results and Discussion

- **Gender**

Gender	Respondent	Percentage
Male	40	38%
Female	64	62%
Total	104	100%

In the above table the information of gender shown that there are more of female investors of 62% with 64 respondent rest than male investors of 38% with 40 respondents.

- **Perception and Preference**

Perception and Preference		Very High	High	Moderate	Low	Very Low	Total
What is the liquidity perception regarding gold bonds & ETF?	Resp.	40	21	30	10	3	104
	%	38%	20%	29%	10%	3%	100%
What is the risk reduction perception regarding gold bonds & ETF?	Resp.	6	40	33	23	2	104
	%	6%	38%	32%	22%	2%	100%
How do you rate the return in gold bonds & ETF?	Resp.	24	32	29	17	2	104
	%	23%	31%	28%	16%	2%	100%
What is your preference towards gold bonds and ETF?	Resp.	18	32	25	25	4	104
	%	17%	31%	24%	24%	4%	100%
How safer do you think is gold bonds and ETF?	Resp.	20	35	32	14	3	104
	%	19%	34%	31%	13%	3%	100%

In the above chart the information given has positive and neutral effects that is 38% of people has very high liquidity perception, 20% of respondents has high liquidity perception, 29% are moderate responses, 10% responses as low responses and lastly 3% responses as very low perception towards gold bonds and ETF.

In risk reduction, perception 6% responses as very high opinion towards gold bonds & ETF, 38% responses has high opinion, 32% responses are moderate, 22% responses with low opinion and 2% responses with very low opinion towards gold bonds and ETF.

The rate of return, perception 23% responses has very high opinion, 31% responses as high perception, 28% responses are moderate about it, 16% responses as low perception and at least 2% of responses has very low perception towards gold bonds and ETF.

The preferences towards gold bonds and ETF, 17% of responses has very high preference, 31% of responses has high preference, 24% responses are for both moderate and low preference and lastly 4% responses is very low preference.

The perception of safety towards gold bonds and ETF, 19% responses towards safety is very high, 34% of responses has high regarding safety, 31% responses are moderate, 13% of responses are low and 3% responses are very low.

- **Portfolio Diversification factor**

Portfolio Diversification factor		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
It is not affected by fluctuation in stock market?	Resp.	33	16	23	25	7	104
	%	32%	15%	22%	24%	7%	100%
It gives higher returns than other investment (like sh., bonds, mutual funds, etc)	Resp.	7	35	36	21	5	104
	%	7%	34%	35%	20%	4%	100%
Gold bonds & ETF investments distributes portfolio risk.	Resp.	15	35	40	12	2	104
	%	14%	34%	38%	12%	2%	100%
Other market investment are more volatile & avenue are risky.	Resp.	17	35	31	17	4	104
	%	16%	34%	30%	16%	4%	100%

In the above chart the information given of portfolio diversification factor, not affected by fluctuation in stock market 32% responses strongly agree about not affected in stock market, 15% of responses agree about not affected in stock market, 22% responses are neutral about fluctuation not affected, 24% responses disagree about fluctuation not affected by stock market and lastly 7% of responses strongly disagree about not affected by stock market.

Gives higher returns than other investments, 7% responses strongly agree that it gives return, 34% responses agree that it gives higher returns, 35% responses are moderate about higher returns, 20% responses disagree about higher investments and lastly 4% of responses strongly disagree about higher investment.

Distribution of portfolio risk, 14% of responses strongly agree that it distributes portfolio risk, 34% responses agree that it distributes portfolio risk, 38% responses are neutral about the portfolio risk distribution, 12% responses disagree about distribution risk and at least 2% responses strongly disagree.

Other investment is more volatile & avenue are risky; 16% responses strongly agree, 34% responses agree, 30% are neutral about it, 16% responses disagree and at least 4% strongly disagree about it.

- **Marketability & Liquidity factor**

Marketability & Liquidity factor		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
It enjoys better marketability than other assets.	Resp.	33	21	30	17	3	104
	%	32%	20%	29%	16%	3%	100%
Acceptable internationally.	Resp.	19	37	26	22	0	104
	%	18%	36%	25%	21%	0	100%
It does not carry liquidity risk.	Resp.	14	31	46	13	0	104
	%	13%	30%	44%	13%	0	100%
It is highly liquid (easy to buy and sell)	Resp.	19	38	30	10	7	104
	%	18%	37%	29%	10%	6%	100%

It enjoys better marketability than other assets; 32% responses strongly agree about marketability, 20% responses agree about marketability, 29% responses are neutral about marketability, 16% responses disagree about marketability and 3% responses strongly disagree.

Accepted internationally, 18% responses strongly agree about accepted internationally, 36% responses agree about acceptation, 25% responses are neutral about accepted internationally, 21% responses disagree about accepted international.

It dose not carry liquidity risk; 13% responses strongly agree about liquidity, 33% responses agree about not carrying liquidity risk, 44% responses are neutral about not carrying liquidity risk and 13% of responses disagree about not carrying liquidity risk.

It is high liquid (easy to buy or sell); 18% responses strongly agree about high liquidity, 37% responses agree about high liquidity, 29% responses are neutral about high liquidity, 10% responses disagree about high liquidity and 6% responses strongly disagree about high liquidity.

- **Financial Security factor**

Financial Security factor		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
It is evergreen investment as even banks maintain gold reserves.	Resp.	31	29	15	24	5	104
	%	30%	28%	14%	23%	5%	100%
It provides sense of security against future emergency.	Resp.	13	45	30	12	4	104
	%	13%	43%	29%	12%	3%	100%
It is safe mode of investment.	Resp.	13	42	33	12	4	104
	%	13%	40%	32%	12%	3%	100%
Gold is safe mode of investment.	Resp.	20	37	32	11	4	104
	%	19%	36%	31%	10%	4%	100%

It is an evergreen investment as bank keep gold reserves; 30% responses strongly agree it as an evergreen investment, 28% responses agree it as an evergreen investment, 14% responses are neutral about it, 23% +responses disagree it as an evergreen investment and 5% responses strongly disagree it as an evergreen investment.

It provides sense of security against future; 13% responses strongly agree as a sense of security, 43% responses agree about as a sense of security, 29% responses are neutral about it, 12% responses disagree about security against future and 3% responses strongly disagree about it.

Safest mode of investment; 13% responses strongly agree about as a safe mode of investment, 40% responses agree about it as a safe mode of investment, 32% responses are neutral about it, 12% responses disagree about safe mode of investment and 3% of responses strongly disagree about it.

Gold is a safe mode of investment; 19% of responses strongly agree, 36% of responses agree about it, 31% of responses are neutral about it, 10% of responses disagree about it and 4% of responses strongly disagree about it.

- **Hypothesis Testing**
- **Perception and Preference**

H0: There is no significant difference in the responses for preference and perception across gender.
H1: There is significant difference in the responses for preference and perception across gender.

Sr. No.	Hypothesis [Null (H0)]	P (Significant)	Result (greater than 0.05 reject to fail)
1	There is no significance difference in the response that there is the liquidity perception regarding gold bonds & ETF.	0.197	Fail to Reject
2	There is no significance difference in the response that there is the risk reduction perception regarding gold bonds & ETF.	0.371	Fail to Reject
3	There is no significance difference in the response that investors rate the return in gold bonds & ETF.	0.899	Fail to Reject
4	There is no significance difference in the response that investors preference towards gold bonds and ETF.	0.797	Fail to Reject
5	There is no significance difference in the response that it is safer to invest gold bonds and ETF.	0.460	Fail to Reject

Conclusion

This test, fail to reject perception and preference of investors towards gold bonds and ETF. From this it can be said we accept that there is no significant difference in the perception and preference of investors towards gold bonds and ETF.

- **Financial Security factor**

H0: There is no significant difference in the responses for financial security factor across gender.
H1: There is significant difference in the responses for financial security factor across gender.

Sr. No.	Hypothesis [Null (H0)]	P (Significant)	Result (greater than 0.05 reject to fail)
1	There is no significance difference in the response that it is evergreen investment.	0.691	Fail to Reject
2	There is no significance difference in the response that it provides sense of security against future emergency.	0.779	Fail to Reject

3	There is no significance difference in the response that it is safe mode of investment.	0.030	Reject
4	There is no significance difference in the response that gold is safe mode of investment.	0. 366	Fail to Reject

Conclusion

In financial security factor, only one factor is rejected that there is no significance difference in the response that it is safe mode of investment. Other than that, we accept all the factors of financial security there is no significance difference in the responses that it is evergreen investment, no significance difference in the response that it provides sense of security against future emergency and no significance difference in the response that gold is safe mode of investment.

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