Research Paper Commerce

A Study of Consumer Behaviour on the Impact of Inflation on Gold

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ABSTRACT

India throughout its history has always considered gold as a valuable commodity. Indians not only consider gold for the purposes of investment but also as a status symbol .the obsession of Indians for gold is well known around the world. The strong price increase seen for gold in recent years has been the result of a complex of short-term factors including a weak dollar, low real interest rates, and high levels of financial stress and central bank quantitative easing policies, which may have raised the tail risk of high inflation. The researcher has tried to find out the relationship between the purchases of gold with respect to Inflation. For this study we have collected the response of 30 respondents & analysed using simple percentage method.

KEYWORDS Gold, Inflation, consumer behaviour

Introduction –

Gold has been used as a store of value and form of currency since ancient times. Since the seventeenth century it has been formally traded over the counter in London and by the nineteenth century it underpinned the largest fixed exchange rate system the world has ever known (the Gold Standard). In the twentieth century it was again used as the backbone to a formal exchange rate mechanism (Bretton Woods) but the collapse of the system in the early 1970s left the price to float freely for the first time in over 250 years.

Since 2007 the world has seen a period of striking economic and financial volatility, featuring the deepest recession since the 1930s and steep declines in the value of many financial assets – both traditional ones such as equities and newly developed ones such as mortgage-backed securities. Against this background, however, gold has performed strongly with its price roughly doubling since the global financial crisis began in mid-2007.

Another article How to invest in gold(Mrs. Shweta B H)states different views of investing; she suggests protecting wealth rather than creating wealth and states that gold is one such investment. The article also states that gold is an asset which has long term intrinsic value which helps to shield from inflation, currency debasement and equity market bears.

Gold, although not specifically mentioned as an artefact, is also a valued possession according to its significant role in Indian culture (Dempster, 2006). Gold is an artefact because the status it holds in the Indian culture designates membership to that culture (Craig and Douglas, 2006).

Gold is unique, however, because it is not necessarily a 'cherished' possession. Cherished possessions carry reminiscences about life and '… create a personal and durable sense of identity' (Price, Arnould and Curasi, 2000, p 187). Initial interest in this study developed from observing gold-buying activities in the Dubai Gold Souk after being introduced to the intricacies of supplying, manufacturing and retailing gold to Indian consumers (Siroya et al, 2005). Possessing gold is firmly embedded in Indian customs and traditions (Dempster, 2006) although little academic attention has been paid to its significance within the consumer culture. Rituals include consumer behaviours as well as occasions such as religious holidays, festivals, and marriage (Craig and Douglas, 2006).

Scope and Objectives of the Study:

The purpose of this research is to find out effect of Inflation on consumer behaviour on purchase of Gold with the objective to get the feedback about various factors affecting consumer behaviour towards the purchase of gold and evaluating gold as an investment decision. This research began with questions whether Indians have distinctive consumer [culture] actions when buying gold. The study narrowed to the question 'have gold-buying activities become ritualized in the Indian consumer culture?' The main objective of the study is to:

(1) Find out when Indian customer purchase gold,
(2) Why they buy Gold
(3) How – described by actions and behaviours do they buy.

Limitation:

The study was restricted only to Bangalore. So the results cannot be generalized. Some of the customers were not serious in their responses to the survey and as a result there are some difficulties in reaching to the right conclusion. The results may help people to understand about the factors that influence the satisfaction of customers towards Gold.

RESEARCH METHODOLOGY

The research design used in this study is descriptive research design. In order to fulfil the chalked up objectives a present study of 30 respondents are taken. The present study is based on primary as well as secondary data. In order to receive the responses of 30 people, questionnaire method and personal contact method is adopted.. The secondary data is collected from journals, text books and through internet. Random sampling method is adopted used to select the consumers for collecting data. The data has been collected and analysed using simple percentage method.

ANALYSIS & INTERPRETATION

Table 1: Demographic &Socio economic characteristics of Respondents

Particulars	No of Respondents	Percentage of Respondents
Age		
Below 30	13	20.63
30-40	23	36.51

40-50	18	28.57
Above 50	9	9.52
Family Income		
41,000-60,000	6	9.52
61,000-80,000	17	26.93
81,000 -100000	21	33.33
1,00000 and above	19	30.16

Table 1 shows the demographic & socio economic characteristics of the respondents. The age of the respondents varies but the respondents of an age group between 30 to 40 years are 36.51% followed by the persons between 40-50 at 28.57% & below 30 at 20.63% respectively.

The above table also portrays that 30.16% of the respondents are in the income group of 81,000 to 1, 00,000 where as only 9.52% are in the income group of 41,000-60,000.

Table 2: Type of investments

Particulars	No of Respondents	Percentage of Respondents
Stock & shares	15	23.81
Real estate	20	31.74
Gold	18	28.57
Others	10	15.87
Total	63	100

The above table states that the preference of the respondents towards the type of investments they would like to invest. Real estate has the highest percentage at 31.74% ,gold at 28.57%, stock & shares at 23.81% and other avenues at 15.87% respectively.

Table 3: Amount invested in gold

Particulars	No of Respondents	Percentage of Respondents
Below 30,000	14	22.22
30,000-40,000	26	41.27
40,000-50,000	15	23.81
Above 50,000	08	12.70

The above table shows that 41.27% of the respondents have invested in gold for 30,000 to 40,000. 23.81% of the respondents have invested between 40,000-50,000 where as 22.22% have invested below 30,000.

Table 4: Whether the decision to invest in gold depends on the market price

Particulars	No of Respondents	Percentage of Respondents
Yes	49	77.78
No	14	22.22
Total	63	100

The above table shows that 77.78% of respondents are investing in gold on the basis of the market price where as 22.22% have responded that their decision to purchase is not dependent on the market price.

Table 5: Factors which encourages or would encourage you to invest

Particulars	No of Respondents	Percentage of Respondents
Appreciation in value	12	19.05
Social status	18	28.57
Cultural values ,Rituals	26	41.27
Others	7	11.11

The above table shows that cultural values or rituals have encouraged 41.27% of respondents to invest in gold where as 28.57% have chosen social status as their reason for investing in Gold. The other 19.05% consider gold as an investment as it appreciates in value.

Table 6: Important areas to search information before making investment decision in gold

Particulars	No of Respondents	Percentage of Respondents
Friends & acquaintance	25	39.68
Market analysis	29	46.03
Others	9	14.28

The above table states that 46.03 % of the respondents are taking an investment decision to purchase gold by doing the market analysis through internet, newspapers etc.39.68% of respondents make the decision to invest on the advice of their friends.

Findings

1) 36.51 % of respondents belong to the age group of 30 to 40years. & the family income ranges between 80,000 to 1,00,000
2) 31.74 % prefer real estate investment but 28.57% prefer their investment to be gold.
3) 41.27% of the respondents have made an investment of 30,000 to 40,000 in gold.
4) The respondents responded favourably at 77.78% to the market price as an indicator to invest in gold.
5) 41.27% still consider cultural & social values or rituals as the main factor to encourage gold buying
6) 46.03 % of respondents search information from internet, newspapers etc . About the market analysis before making a investment decision in gold.

Conclusion

With steep prices in real estate market, gold investment should be encouraged as it is a suitable form of investment to every pocket of an individual. The effect of inflation has reduced the total amount invested in gold but there is a steep increase in the prices of gold in the recent times thus making it a solid investment. Gold is also an accessory and an indicator of social stature. Therefore gold as a commodity is always in demand

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