



A Study on Consumer's Preference Towards Gold as an Investment With Reference to Coimbatore City

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ABSTRACT

Investment ensures one's dreams turn real and enjoy life to the fullest without actually worrying about the future. Though there are various investment portfolios available to the investors, investment in Gold is considered as a safe investment because of its high profitability and liquidity. Hence an attempt is made to ascertain if gold is still a preferred investment by the investors and identify the factors which influence the customers to invest in gold investment. This study is based on the primary data which is collected by using structured questionnaire from a sample of 100 respondents from Coimbatore city. Chi-square test is used to analyze the data. It is found that there is no significant relationship between age, marital status, education, and occupation and respondents believe that gold investment is a better investment and would generate a good return.

KEYWORDS

1.1 Introduction

In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or appreciate and be sold at a higher price. Investment ensures one's dreams turn real and enjoy life to the fullest without actually worrying about the future. It controls an individual's spending pattern. It decides how and what amount one should spend so that he has sufficient money for future. There are various avenues for investment for an individual, namely, Bank deposits, Real estate, Securities, Mutual funds, Commodity exchange and Gold investment. Though there are different areas for investment, Gold has been a traditional favourite for Indian investors. Gold has always come out as a trusted pillar to fall back on. During the recent upheavals in the global markets, including the US downgrading and the Euro zone issues, investors started ploughing money into gold. Consequently, the demand for the gold went up. In addition, as there were no other comparably safe assets to invest in, the price of gold skyrocketed. The pricier the gold gets, the more desirable it becomes, with many a woman yearning for the precious metal. The higher gold price has added to gold jeweler's desirability despite these challenging economic times. According to World Gold Council, India is the largest consumer of gold in the world followed by China.

1.2 Statement 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.

1.3 Objectives of the study

The study is based on following objectives

- To ascertain if gold is a preferred investment of custom-

ers and to analyze the reasons for investing in gold.

- To identify the factors that influence the customers to invest in gold investment.
- To ascertain the investment pattern of gold by the customers.

1.4 Scope of the study

As consumers have adjusted their price expectations upwards, a further rise in gold jewellery and investment demand anticipated and this trend projected to continue over the long run as local investors are buying gold driven by wealth accumulation motives. Moreover, gold is the most popular investment in the country. This study is based on consumer's preference towards gold as an investment and respondents are from Coimbatore city.

1.5 Period of study

The period study is from December 2015 to March 2016

1.6 Research methodology

1.6.1 Source of data

This study is based on the primary data which is collected by using structured questionnaire from a sample of 100 respondents and the respondents include Housewives, Doctors, Engineers, Lawyers, Professors, etc.

1.6.2 Tools for analysis

Chi-square tests

Chi-square test is used to test the independence of two attributes. The Chi-square test shows the relationship between one variable with another and results in analyzing a hypothesis. The hypothesis is accepted or rejected according to its significance level. The study is based on this result:

If $P \text{ value} > 0.05$ - Not significant

If $P \text{ value} < 0.05$ - Significant

2. GOLD-AN OVERVIEW

As common knowledge, gold is one kind of precious metals. The purpose of this introduction is to shed the light on the

role of gold in a financial world, and other features of gold as an investment.

2.1 Gold

“Gold is a chemical element with the symbol Au and an atomic number of 79. Gold is a dense, soft, shiny metal and the most malleable and ductile metal known”. People took gold to make jewellery and currency. It is the symbol of wealth, beauty and heritage carrying memories and cultures. Gold has a place in history regardless of the country of origin. History states that the gold coins have been minted since around 670 BC when king Gyges of Turkey minted some gold coins for his personal currency when travelling. The Roman Legions were apprehensive when Julius Caesar first issued gold coins as payment for their service.

From the past many centuries, Indians have made gold as an integral part of their lives. Gold is believed as symbol of good luck and prosperity and therefore we can easily find gold in every Indian life. In Indian culture, women and gold have remained more near to each other and this tradition is very old and still continuing. Gold is a metal that lures many it gives security against any financial crisis. Because of its easy liquidity it is also used by women for adorning themselves. Today earning capacity of the Indian people is increasing fast which is making it possible for them to buy more and more gold thus pushing the prices of gold further high level.

2.2 Gold a good investment:

Historically, gold played a major role in the economies of many nations. Although it is no longer a primary form of currency, gold is still a solid, long term investment and may be a valuable portfolio addition; particularly in a bear market. Gold was considered a universal currency for hundreds of years. Due to its recognized value worldwide ,a gold standard was used as far back as the Byzantine Empire over 1500 years ago. Until recently, in fact gold was used as the world reserve currency. Liquidity also refers both to a business ability to meet its payment obligations, in terms of possessing sufficient liquid assets, and to such assets themselves. Liquidity is not the first thing most people start to think of when they invest to the precious metals. However, liquidity is very important primarily when one buy a precious metal.

2.3 Advantages of gold investment

- Liquidity
- Holds its value
- Diversification
- Universally desired investment
- Gold is used as input in products

3. CHI-SQUARE ANALYSIS

In this section Chi-square test is used to test the independence of two attributes. For the purpose of applying the Chi-square test the factors such as age, education, marital status, education level, occupation ,annual family income and savings per annum are compared with the factor namely “Respondents belief that gold investment is a better investment and would generate a good return”.

Demographic Factors Vs Respondents Belief That Gold Investment Is A Better Investment and Would Generate A Good Return - A Relationship Analysis

Demographic factors, namely, gender, age, marital status, educational level, occupational status, family annual income and savings per annum are considered with respondents’ belief that gold investment is a better investment and would generate a good return.

Hypothesis

Ho: There is no significant relationship between demographic factors and respondents belief that gold investment is a better investment and would generate a good return.

Chi-square Test- Demographic Factors Vs. Respondent belief that gold investment is a better investment and would gener-

ate a good return

Demographic factors	Calculated value	Difference	Table value	Significance
Gender	6.180	3	0.103	NS
Age	6.623	9	0.676	NS
Marital status	6.385	3	.094	NS
Educational level	7.466	12	.825	Ns
Occupational status	39.510	24	.024	NS
Annual family income	36.328	20	.008	*
Savings per annum	36.328	20	0.14	*

NS- Not Significant

* - Significant level at 5%

The chi-square results show that annual family income and savings per annum have a significant relationship at 5 per cent level with respondents’ belief that gold investment is a better investment and would generate good return.The other variables, namely, gender, age, marital status, educational level and occupational status do not have a significant relationship with respondents’ belief that gold investment is a better investment and would generate a good return. Hence, the hypothesis has been rejected with respect to annual family income and savings per annum whereas hypothesis has been accepted with regard to gender, age, marital status, educational level and occupational status.

4.1 FINDINGS FROM PERCENTAGE ANALYSIS

- Majority of the respondents are females(51 per cent)
- Majority of the respondents are married(81 per cent)
- Most of the respondents are between the age group of 21-30 years(32 per cent)
- Most of the respondents are post graduates(33 per cent)
- Most of the respondents are employed(26 per cent)
- Majority of the respondents have two earning members in the family(61 per cent)
- Most of the respondents have annual family income between 5-10 lakhs(37 per cent)
- Most of the respondents are engaged in business(35 per cent)and(35 per cent)per cent respondents are employed and receive salaries.
- Majority of the respondents saves between 30-50 per cent per annum(50 percent)
- Most of the respondents get to know information about different kinds of investments through other sources (56 per cent).
- Most of the respondents make investment in gold, real estate and bank deposit(32 per cent)
- Majority of the respondents have ranked gold as their first preference of investment.
- Most of the respondents purchase gold for the purpose of investment(43.18 per cent)
- Most of the respondents have family influence while making gold investment(81.82 per cent)
- Most of the respondents are influenced by their spouse and children while making investment in gold(38.89 per cent)
- Most of the respondents are investing in gold for 1-3 years(18.18 per cent)
- Most of the respondents invest between 10-30per cent of their annual income in gold(47.73 per cent)
- Most of the respondents invest in physical form of gold(82.95 per cent)
- Majority of the respondents purchase 22karat gold(70.73 per cent)
- Most of the respondents purchase gold at least once a year(39.02 per cent)
- Most of the respondents prefer gold accounts and gold ETFs of non-physical gold(43.75 per cent)
- Most of the respondents strongly agree that they purchase gold as it explains their status(37.5 per cent)
- Majority of the respondents agree that gold investment is better investment and would generate good return(51.13 per cent)

- Most of the respondents are neutral that the current trend price of gold will affect their decision in gold investment(45.45 per cent)
- Most of the respondents agree that the gold price will increase(46.6per cent)
- Most of the respondents agree that they invest in gold according to friends/family/relatives advice(38.6 per cent)
- Majority of the respondents are pledged gold(90.09 per cent)
- Majority of the respondents did not face any difficulty in satisfying the norms while pledging gold(98.75 per cent).

4.2 FINDINGS FROM CHI-SQUARE ANALYSIS

- There is no significant relationship between gender and respondents belief that gold is a better investment and would generate good return.
- There is no significant relationship between age and respondents belief that gold investment is a better investment and would generate a good return.
- There is no significant relationship between marital status and respondents belief that gold is a better investment and would generate a good return.
- There is no significant relationship between education and respondents belief that gold is a better investment and would generate a good return.
- There is no significant relationship between occupation and respondents belief that gold is better investment and would generate a good return.
- There is significant relationship between annual family income and respondents' belief that gold is a better investment and would generate a good return.
- There is significant relation between savings per annum and respondents belief that gold is a better investment and it would generate a good return.

CONCLUSION

Though there are various investment options available to the investors namely securities, real estate, bank deposits, commodity exchange and mutual funds, Gold has been considered as the most preferred investments due to its high liquidity and profitability. Investors are now looking beyond gold as merely a commodity for consumption and are realizing its worth as an investment avenue too. Investments in gold have yielded consistent and assured returns, especially in volatile times. The rise of India as an economic power will continue to have gold at its heart. However the public are not aware of various forms of gold namely gold accounts, EFT's, gold bullion which yields a high amount of return comparatively to that of physical form of gold. Hence awareness should be created.

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