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An Analytical Study on Perception of investors towards Gold as an Investment Option

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ABSTRACT

Gold is the one of the precious metal plays an important role in our economy; Gold is the symbol of beauty, in our country gold has some heritage value, now a day for all occasion's gold is an inevitable element. Nations may fall, paper money may lose its value but gold will always remain as something of value. But there are certain disadvantages in investing gold. In the short run, gold is an excellent store-house of wealth as long term investment gold is not an ideal investment. This is because its return is easily out placed by the equity market. Moreover investment in gold has no payout in terms of dividends. Now a day's investors prefer to invest in gold because of its high return, Gold is subjected to speculation, many investors use gold as a hedge against inflation.
This study tries to focus about different gold investment schemes available in the market and also the investor's attitude towards the investment. This study aims at collecting investor's response towards investment in gold. Pros and cons of investing gold have been elicited. We in our study have tried to throw light on the different avenues of gold investment available in the market. This will ensure that gold becomes tradable and generates revenue rather than lying idle as a dead investment.

KEYWORDS Gold investment, return, risk, ETF, Inflation.

Introduction:
The perception about gold in India has come a long way from the days when its main function was to merely adorn and act as a status symbol. The emotional investment in the metal was so huge that parting with it seemed unthinkable. People use gold for coins, jewelry, ornaments, and many industrial purposes. Now, however, it is becoming clear that an increasing number of Indians are realizing that gold deserves a place not just in the cupboard at home or the bank locker, but also in their investment portfolio. Until recently, gold reserves formed the basis of world monetary systems. Gold plays an important role in providing the best possible protection against the fluctuations of both political and economic scenario, mainly in India.

Investment is a planned method of safely putting ones 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 .Investors generally buy gold as a way of diversifying risk. Price of gold is determined by the market force of demand and supply. Gold is a hedging tool against inflation.

Objectives of the Study:
The objectives of the study are:
- To study the factors influencing the choice of investment in gold.
- To study about the various options available to investor while investing in gold.
- To identify the reasons for not to invest in gold.
- To know about the risk opinion in physical gold and other gold investment Options.

Research Methodology:
The methods used in this study are both descriptive and analytical in nature. The data required for the present study were collected both from the primary as well as from the secondary sources. The primary data had been collected from the respondents in the study area directly by using a well designed interview schedule. Secondary data are collected from magazines, journals, Articles, Newspapers, Website, Research papers, booklets.

- To study the factors influencing the choice of investment in gold:

Investing money in gold is worth because it is a hedge against inflection. Over a period of time, the return on gold investment is in line with the rate of inflation. It is worth investing in gold for a one more very valid reason. That is gold is negatively correlated to equity investments, the equity markets started performing poorly whereas the gold has performed well.
Benefits:

- **Risk**

The real risk with buying gold is in the opportunity cost of investing in other avenues that can actually give higher returns.

- **Liquidity**

Gold scores the highest in terms of liquidity, compared to all other investments.

- **Tax treatment**

Gold suffers capital gains tax as per the IT Act. So the tax payable will not be much. Gold does not have any other tax benefits.

- **Convenience**

Gold scores very high here. But with the per gram price rising, the smallest single investment is becoming higher.

- Smart Ways to Invest in Gold in India:

There are so many ways to invest in gold such as:
- Futures and options,
- Exchange Traded Funds (ETF)
- coins and bars,
- Gold Accumulation Plans (GAP)
- Gold Funds
- E gold
- Gold Futures:

Gold futures contracts are binding commitments to make or take delivery of a specified quantity and purity of gold, on a prescribed date, at an agreed price. The initial margin or cash deposit paid to the broker is only a fraction of the price of the gold underlying the contract.

- **Exchange Traded Funds** (ETFs):

Buying Gold ETF is purchasing gold in electronic form. You buy them just like you buy stock of any company from your broker. Gold ETF makes it easier for you to invest in gold. Each Gold ETF unit that you buy is roughly equal to the price of 1 gm of gold.

- **Gold Coins And Gold Bars:**

You can invest in gold coins and bars, by buying them from your jeweler or from the bank. Gold coins are mass produced; they are available at very competitive prices compared with similar size bars. Gold coins are almost universally recognized, they are also easy to resell.

- **Gold Accumulation Plans :**

Gold Accumulation Plans (GAPs) are similar to conventional savings plans in that they are based on the principle of putting aside a fixed sum of money every month. At any time during the contract term or when the account is closed, investors can get their gold in the form of bullion bars, coins, jewellery or cash.

- **Gold Funds:**

Gold fund of funds is a solution meant for investors who wish to invest in gold but do not have a demat account. It aims to generate returns by investing in units of gold ETF. It works like any other open-ended mutual fund scheme.

- **E-Gold:**

You can invest in e-gold just as you invest in shares. The e-gold is held in electronic form or demat form, just like shares. One unit of e-gold is equal to 1 gram of gold.

- **Reasons Not to Invest in Gold:**

Since the days of the ancients, gold has been prized, coveted and viewed throughout the world as an asset with real inherent value. Here are five characteristics that show gold isn't a great place to put your money.

- **Poor long-term returns:**

Let's start with the biggest one. Investors are familiar with the phrase "past performance is not necessarily indicative of future results," which is a sober reminder that mutual funds and managed accounts frequently mean-revert (or move back toward their average).

- **How do you value gold?**

The value of any asset is the present value of all future cash flows. The value of gold is determined by supply and demand, which is very hard to predict. Demand typically goes up based on fear and not fundamentals.

- **Gold doesn't throw off cash:**

A major disadvantage to investing in gold is that there are no periodic cash flows made to the investor. There are no regular cash dividends or coupon payments made to gold investors.

- **Little actual utility:**

Gold isn't even the most useful precious metal. Most gold that gets mined gets turned into bars, jewelry and coins and then stored in a vault.

- **Inefficiency:**

The final reason investing in gold simply isn't a wise idea is its extreme inefficiency.

- **Current income:**

Gold in any form does not give any current income. there is only outflow of cash for the maintenance of lockers.

- **Capital appreciation:**

Historically, gold has been the perfect hedge for inflation. But in terms of absolute returns gold has fared rather poorly giving returns at only 0.8 per cent above inflation.

- **Risks On Investing In Gold :**

It is not an essential commodity. People cannot eat gold. Gold investment does not provide any current income like dividend or rental as in Stocks or real estate where investors can reap the rewards of their investment without having to sell their asset. Besides when an investor purchases gold, attention needs to be given to how the gold will be safely stored. Storing gold coins in one's house is the equivalent of putting money under one's mattress: It is not a safe place to keep it. Some investors use safe deposit boxes (available at some banks) to store gold. Other investors purchase gold in a manner that does not require taking delivery on the gold. For instance, a gold exchange traded fund enables the purchase of gold without having to take possession of gold.

Conclusion:

The research gives better understanding of investor's attitude and awareness regarding gold investment decisions and shows where currently physical gold's position among the other gold investment instruments is. Investors go through a information search and market analysis before making the gold investment decision. Research showed that gold is already known and valued by the people for its return and long tradition and all the respondents mostly have investment in gold or plan to buy more gold. Research also throws light on the lack of awareness about the new trends in gold investment alternatives i.e. Gold ETF, E-Gold and Gold Funds.

As India imports most of its gold requirement, high value of gold imports has now started hurting India's current account position. Thus government should encourage means of alternate gold investment.

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