



INVESTMENT IN GOLD: A STUDY ON CHANGING PERSPECTIVES OF INVESTORS

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Abstract:

The present paper aimed to identify the changing perspectives of investors on Gold, to evaluate the changing perspectives of Male, Female on Gold investment and to critically examine the preferences of Male and Female on Gold investments. It is observed that majority of the investors preferred gold as their investment avenue. Majority of the respondents preferred Jewelry as their Investment Avenue rather than Gold Biscuits, coins and ETF in the Krishna district region of Gudivada. Almost all the female interested to invest on Gold for their self-satisfaction.

Key words: Deposit, Gold, investment, Male and female, Saving

Introduction:

In the investment era of the developing nation a world wide range of investment opportunities are available to the investor. These are primarily Bank Deposits, Corporate Deposits, Bonds, and units of Mutual Funds, instruments under National Savings Schemes, Pension Plans, Insurance Policies, and Equity Shares etc. All these instruments compete with each other for the attraction of investors. Each instrument has its own return, risk, liquidity and safety profile. Gold has been considered as a moderate risk instrument. However weakness in demand for Gold is attributed to the high prices. According to the WGC (World Gold Council) annual mine production of Gold over the last few years has been close to 2,500 tones. About 2000 tones goes into jewelry or industrial / dental production and around 500 tones

goes to retail investors and exchange traded Gold Funds.

Survey of literature:

Investors, who are keen on securing safe haven features of gold investment, cannot generally rely on gold stocks or mutual funds. Instead, they need to take positions directly in bullion or ETFs by employing daily data over the period 1987-2010, Tim Pullen, Karen Benson, Robert Faff of UQ Business School, University of Queensland in their work titled " A Comparative Analysis of the Investment Characteristics of Alternative Gold Assets".

The poor should never invest in gold for whenever they have purchased gold, it either lands up in the temple or in the hands of the moneylender or, at the most, it may be given away during a daughter's marriage. There was a need for a socio-



cultural revolution to help Indians overcome their love for gold. India is the world's largest consumer of gold and is estimated to have imported close to a thousand tonnes in 2011. Despite the import drop, domestic gold prices continue to rule high with the yellow metal being seen as a strong hedge against inflation according to K C Chakrabarty, deputy governor, the Reserve Bank of India (RBI) in the article published on September 7th 2012 in times of India on "RBI advises against gold investment".

Indians love for gold is partly to blame for the country's wide trade deficit and large current-account gap. The South Asian nation--where gifting of gold jewelry is a tradition during weddings and festivals--is the world's largest consumer of the metal, and it meets all its demand through imports. Gold is India's second-largest imported commodity by value, behind crude oil highlighted by Prasanta Sahu and Anant Vijay Kala in their article titled "India Increases Import Tax on Gold" published in The Wall street Journal Monday 21 January 2013.

Objectives of the study:

The major objectives of the current research work is to identify the interest of people in Krishna district (located in and around Gudivada) on treating Gold as their investment avenue

The sub objectives of the present work include:

- ✓ To identify the changing perspectives of investors on Gold.

- ✓ To evaluate the changing perspectives of Male on Gold investments.
- ✓ To evaluate the changing perspectives of Female on Gold investments.
- ✓ To critically examine the preferences of Male and Female on Gold investments.
- ✓ To conclude the preferences of the investor's on Gold investments

Data sources and methodology:

The study is based on both the primary data and secondary data. The primary data is obtained through administering a questionnaire among 500 people (220 Male and 280 Female) of Krishna district mainly settled in and around Gudivada region and individual observation, discussion has made. The secondary data has been extracted from journals, newspapers and websites.

Hypothesis:

H0: There is no significant relationship between Male and Female for preferring gold as their investment avenue.

H1: There is a significant relationship between Male and Female for preferring gold as their investment avenue.

Results and Discussion:

The data collected using the questionnaire on Investment in Gold to know the changing perspective of the Investors had been classified, summarized and analysed using tables, charts and applied chi-square technique to interpret the same as shown below:



$$X^2 = \sum \frac{(o - e)^2}{e}$$

Where : *O*'=*Observed Value*; *e*'=*Expected Value*,

Table1. Investor’s Preferring Gold as their Investment Avenue

| S.No. | Observation/ preferring | O | e | X ² |
|-------|--------------------------------|-----|-----|----------------|
| 1 | Male : Gold as Investment | 190 | 194 | 0.08247 |
| 2 | Female: Gold as Investment | 252 | 248 | 0.06452 |
| 3 | Males: not Gold as Investment | 30 | 26 | 0.61538 |
| 4 | Female: not Gold as Investment | 28 | 32 | 0.5 |
| | | | | 1.2623 |

From the above Table1 and Chart it can be interpreted that majority of the investors were preferred gold as their investment avenue. Female investors were found to prefer Gold as their investment avenue more rather than the Male investors. But very few Male and

Female investors are in the category of not preferring Gold as their investment avenue. As the calculated chi square is less than the critical value accept H0 and reject H1. There exists no significant relationship between Male and Female in preferring Gold as their investment.

Table2. Forms of Gold preferred by the Investor’s

| S.No. | Observation | O | E | X ² |
|-------|-------------------------------------------|-----|-----|----------------|
| 1 | Male prefers Gold Jewellery for invst. | 110 | 146 | 8.87671 |
| 2 | Female prefers Gold Jewellery for Invst. | 252 | 216 | 6 |
| 3 | Male preferring Gold Biscuits for Invst | 22 | 20 | 0.2 |
| 4 | Female preferring Gold Biscuits for Invst | 28 | 30 | 0.13333 |
| 5 | Male preferring Gold coins for Invst | 55 | 34 | 1.2623 |
| 6 | Female preferring Gold coins for Invst | 28 | 49 | 9 |
| 7 | Male preferring Gold ETF for Invst | 22 | 9 | 18.7778 |
| 8 | Female preferring Gold ETF for Invst | 0 | 13 | 13 |
| | | | | 57.2501 |

From the above Table 2 and chart it can be interpreted that majority of the respondents preferred Jewelry as their

Investment Avenue rather than Gold Biscuits, coins and ETF. No female in this district is interested to invest on



Gold ETF's. Males preferred all forms of gold as their investment. But, at a maximum level they preferred jewelry then they preferred biscuits and ETF's at a minimum level. As the calculated chi

square is more than the critical value reject H0 and accept H1. There exists significant relationship between Male and Female in preferring various forms of Gold as their investment.

Table 3. Investor's Motive behind Gold Investment

| S.No. | Observation | O | E | X ² |
|-------|----------------------------------------------------|-----|-----|----------------|
| 1 | Male motive for Gold is self-satisfaction | 55 | 101 | 20.9505 |
| 2 | Female motive for Gold is self-satisfaction | 195 | 148 | 14.9257 |
| 3 | Male motive for Gold is security | 55 | 45 | 2.22222 |
| 4 | Female motive for Gold is security | 56 | 66 | 1.51515 |
| 5 | Male motive for Gold is status | 55 | 34 | 1.2623 |
| 6 | Female motive for Gold is status | 28 | 49 | 9 |
| 7 | Male motive for Gold is to gain more | 22 | 9 | 18.7778 |
| 8 | Female motive for Gold is to gain more | 0 | 13 | 13 |
| 9 | Male motive for Gold is to meet unexpected needs | 22 | 20 | 0.2 |
| 10 | Female motive for Gold is to meet unexpected needs | 28 | 30 | 0.13333 |
| | | | | 81.987 |

From the above Table 3 and Chart it can be concluded that majority of the female were interested to invest on Gold for their self-satisfaction, very few were interested to prefer Gold for security, status and meeting unexpected needs and No female were interested to prefer Gold to gain more. Whereas the Male were preferred Gold not only for self-

satisfaction but also to find security, to acquire status, to gain more in future and to meet unexpected needs in almost equal proportion. As the calculated chi square is more than the critical value reject H0 and accept H1. There exists significant relationship between Male and Female motives behind Gold as their investment



Table4. Frequency to make Gold Investment per annum

| S.N | Observation on prefer to buy Gold | O | E | X ² |
|-----|----------------------------------------|-----|-----|----------------|
| 1 | Gold 2-3 times a year by Male | 28 | 25 | 0.36 |
| 2 | Gold 2-3 times a year by female | 28 | 31 | 0.29032 |
| 3 | Male prefer to buy Gold once a year | 110 | 85 | 7.35294 |
| 4 | Female prefer to buy Gold once a year | 84 | 108 | 5.33333 |
| 5 | Male prefer to buy Gold occasionally | 82 | 110 | 1.2623 |
| 6 | Female prefer to buy Gold occasionally | 168 | 140 | 5.6 |
| 7 | Male prefer Gold frequently | 20 | 20 | 0 |
| 8 | Female prefer Gold frequently | 25 | 25 | 0 |
| | | | | 20.1989 |

Table5. Occasions Investor's preferred to make Gold Investments

| S.No. | Observation | O | E | X ² |
|-------|-------------------------------------------------------|-----|-----|----------------|
| 1 | Male prefer to invest on Gold for Marriages | 82 | 61 | 7.22951 |
| 2 | Female prefer to invest on Gold for Marriages | 56 | 77 | 5.72727 |
| 3 | Male prefer to invest on Gold for festivals | 28 | 37 | 2.18919 |
| 4 | Female prefer to invest on Gold for Festivals | 56 | 47 | 1.7234 |
| 5 | Male prefer to invest on Gold for Functions | 55 | 38 | 1.2623 |
| 6 | Female's prefer to invest on Gold for Functions | 30 | 47 | 6.14894 |
| 7 | Male's prefer to invest on Gold for other occasions | 82 | 111 | 7.57658 |
| 8 | Female's prefer to invest on Gold for other occasions | 168 | 139 | 6.05036 |
| | | | | 37.9075 |

From the Table 4 and chart it can be interpreted that majority of the female were invested on Gold occasionally, very few were invested on Gold 2-3 times a year and frequently and 30% were invested on Gold only once per annum. Whereas maximum Males were preferred Gold once in a year and few 2 to 3 times a year and very frequently invested on

Gold but 37% were invested occasionally. As the calculated chi square is more than the critical value reject H₀ and accept H₁. There exists significant relationship between Male and Female frequency of Gold investments per annum.

From the table 5 and chart it can be inferred that majority of the females were



interested to invest on Gold for occasions, very few were interested to prefer Gold for functions and 20% female were preferred Gold for Marriages and festivals. Whereas majority of Male were preferred Gold for marriages and other occasions, 20% preferred for functions

and very few i.e. 12% preferred to invest on Gold at festival times. As the calculated chi square is more than the critical value reject H0 and accept H1. There exists significant relationship between Male and Female occasions preferred Gold as their investment.

Table6. Quantity preferred to invest on Gold per one transaction

| S.No. | Observation | O | E | X ² |
|-------|------------------------------------|-----|----|----------------|
| 1 | Male's prefer less than 5 grams | 0 | 23 | 23 |
| 2 | Female's prefer less than 5 grams | 56 | 33 | 16.0303 |
| 3 | Male's prefer 5 to 10 grams | 55 | 68 | 2.48529 |
| 4 | Female's prefer 5 to 10 grams | 112 | 99 | 1.70707 |
| 5 | Male's prefer 10 to 20 grams | 55 | 34 | 1.2623 |
| 6 | Female's prefer 10 to 20 grams | 28 | 49 | 9 |
| 7 | Male's prefer 20 to 40 grams | 28 | 23 | 1.08696 |
| 8 | Female's prefer 20 to 40 grams | 28 | 33 | 0.75758 |
| 9 | Male's prefer more than 40 grams | 55 | 45 | 2.22222 |
| 10 | Female's prefer more than 40 grams | 56 | 66 | 1.51515 |
| | | | | 59.0669 |

From the above table 6 and chart it can be inferred that majority of the female were interested to invest 5 to 10 grams Gold, few i.e. 10% were interested to invest 10 to 40 grams of Gold and 20% were interested to prefer to invest less than 5 grams or more than 40 grams of Gold. Whereas 25% of Male were found to make an investment of 5 to 20 grams or more than 40 grams of Gold, very few i.e.

12% were found to invest between 20 to 40 grams but no Male found to invest less than 5grams of Gold. At 5% level of significance the tabulated value of Chi square at 4 degree of freedom is 9.487. As the calculated chi square is more than the critical value reject H0 and accept H1. There exists significant relationship between Male and Female preferred quantity to invest on Gold.



Table7. Places preferred to store Gold

| S.No. | Observation | O | E | X ² |
|-------|-----------------------------------------------|-----|-----|----------------|
| 1 | Male's preferring to store Gold at Banks | 165 | 143 | 3.38462 |
| 2 | Female's preferring to store Gold at Banks | 140 | 162 | 2.98765 |
| 3 | Male's prefer to store Gold at Home | 55 | 92 | 14.8804 |
| 4 | Female's prefer to store Gold at Home | 140 | 103 | 13.2913 |
| 5 | Male's prefer to store Gold at other places | 28 | 13 | 1.2623 |
| 6 | Female's prefer to store Gold at other places | 0 | 15 | 15 |
| | | | | 50.8063 |

From the above Table 7 and Chart it can be inferred that majority i.e. 75% of the Male were preferred Banks to store Gold, few 25% Male preferred Home and very few i.e.10% preferred to store at other places. Whereas Females preferred to store Gold at Banks and at Home in equal proportion and No female preferred

other locations to store Gold. At 5% level of significance the tabulated value of Chi square at 2 degree of freedom is 5.99. As the calculated chi square is more than the critical value reject H₀ and accept H₁. There exists significant relationship between Male and Female storing their Gold investments.

Table 8. Investor's opinion towards the Gold Investments trend in near future

| S.No. | Observation | O | E | X ² |
|-------|-----------------------------------------------|-----|-----|----------------|
| 1 | Male's opinioned that Gold invst's increase | 165 | 172 | 0.28488 |
| 2 | Female's opinioned that Gold invst's increase | 225 | 217 | 0.29493 |
| 3 | Male's opinioned that Gold invst's decrease | 11 | 17 | 2.11765 |
| 4 | Female's opinioned that Gold invst's decrease | 28 | 22 | 1.63636 |
| 5 | Male's opted Gold invst's will be constant | 25 | 23 | 1.2623 |
| 6 | Female's opted Gold invst's will be constant | 28 | 13 | 17.3077 |
| 7 | Male's cannot say about Gold Invst.'s | 44 | 32 | 4.5 |
| 8 | Female's cannot say about Gold Invst.'s | 28 | 40 | 3.6 |
| | | | | 31.0038 |



From the above Table 8 and Chart it can be inferred that majority i.e. 75% of the Male and 80% of Female were opinioned that Gold investments will increase in near future, very few (5%) Male and 10% Female opinioned that Gold investments will decrease in near future, Few 10% of Male and Female opinioned that Gold investments will be constant in future and 20% of Male and

10% of Female could not able to say about Gold investments in near future. At 5% level of significance the tabulated value of Chi square at 3 degree of freedom is 7.81. As the calculated chi square is more than the critical value reject H0 and accept H1. There exists significant relationship between Male and Female opinion towards trend in Gold investments in near future.

Table 9. Modes preferred to invest on Gold

| S.No. | Observation | O | e | X ² |
|-------|------------------------------------------------|-----|-----|----------------|
| 1 | Male's prefer Gold Shops to Gold investment | 165 | 172 | 0.28488 |
| 2 | Female's prefer Gold Shops to Gold investment | 224 | 217 | 0.22581 |
| 3 | Male's prefer Gold Smiths to Gold investment | 22 | 22 | 0 |
| 4 | Female's prefer Gold Smiths to Gold investment | 28 | 28 | 0 |
| 5 | Male's prefer Banks to Gold investment | 22 | 22 | 1.2623 |
| 6 | Female's prefer Banks to Gold investment | 28 | 12 | 21.3333 |
| 7 | Male's prefer other modes to Gold investment | 11 | 5 | 7.2 |
| 8 | Female's prefer other modes to Gold investment | 0 | 6 | 6 |
| | | | | 36.3063 |

From the above Table 9 and Chart it can be inferred that majority of the female 80% and 75% Male were preferred Gold Shops to invest on Gold, very few 10% of Male and Female preferred Gold smiths and Banks and 5% male were preferred other modes to invest on Gold. But no female were interested to prefer

other modes to invest on Gold. At 5% level of significance the tabulated value of Chi square at 3 degree of freedom is 7.81. As the calculated chi square is more than the critical value reject H0 and accept H1. There exists significant relationship between Male and Female preferred modes to invest on Gold.



Table10. Investor’s perspective towards other metals

| S.N | Observation | O | E | X ² |
|-----|------------------------------------------------------|-----|-----|----------------|
| 1 | Male's prefer investing other metals | 28 | 57 | 14.7544 |
| 2 | Female prefer investing other metals | 112 | 83 | 10.1325 |
| 3 | Male's never prefer investing other metals | 84 | 57 | 12.7895 |
| 4 | Female' never prefer investing other metals | 56 | 83 | 8.78313 |
| 5 | Male sometimes prefer investing other metals | 55 | 68 | 1.2623 |
| 6 | Female's sometimes prefer investing other metals | 112 | 40 | 129.6 |
| 7 | Male's agree to other metals can substitute Gold | 140 | 126 | 1.55556 |
| 8 | Female agree to other metals can substitute Gold | 168 | 182 | 1.07692 |
| 9 | Male never agree to metals can substitute Gold | 52 | 44 | 1.45455 |
| 10 | Female never agree to metals substitute Gold | 56 | 64 | 1 |
| 11 | Male sometimes agree to other metals substitute Gold | 28 | 34 | 1.05882 |
| 12 | Female sometimes agree to metals can substitute Gold | 56 | 50 | 0.72 |
| | | | | 184.188 |

From the Table 10 and Chart it can be inferred that majority i.e. 64% of the Male and 60% of the female agreed that other metals can substitute Gold, but very few i.e. 12% of Male and 10% of Female were invested on other Metals and agreed that sometimes other metals can substitute Gold. 40% of Female invested other metals and sometimes preferred to invest other metals. Few i.e. 38% of Male and 20% of Female never invested other Metals, 23% Male and 20% Female never agree that other metals can substitute Gold. At 5% level of significance the tabulated value of Chi square at 4 degree of freedom is 9.487. As the calculated chi square is more than the critical value reject H₀ and accept H₁. There exists significant relationship between Male and Female preferring other metals as their investment.

Conclusion:

It is observed that majority of the investors preferred gold as their investment avenue. Majority of the respondents preferred Jewelry as their Investment Avenue rather than Gold Biscuits, coins and ETF in the Krishna district region of Gudivada. Almost all the female interested to invest on Gold for their self-satisfaction.

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