

A Study on Investor Decision Making and Buying Motives on Gold Investment

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Abstract: Among investors, gold has been a popular investment option. Investor behaviour differs according to needs, expected returns, benefits, and also other factors when it comes to different investment opportunities. There are many advantages and disadvantages to every investment path. As an investment choice, gold offers several unique advantages. For reasons like financial security as well as tradition, gold investment is highly popular. During festivals, marriages, and other special occasions, people in India used to purchase gold jewellery. Although gold jewellery was always thought to be the most popular way to invest in gold, there are now other options available, including gold bars, gold exchange-traded funds (ETFs), SGBs, and more. This paper will investigate the several elements that influence investors' decisions to invest in gold.

Keywords: Gold Exchange Traded Funds, Sovereign Gold Bonds, Jewellery.

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I. INTRODUCTION

In the current economic environment, an investor frequently chooses the investment path that both protects and grows his capital. Gold is one such asset that investors all over the world continue to choose as a safe haven. People used to invest in gold in the past by buying jewellery and other items. Buying gold was regarded as a good luck and a sign of wealth for certain occasions, weddings, etc. In the past, people kept their wealth in this precious metal to pass down from generation to generation. They view jewels as a significant and secure investment option. However, there are additional options for investing in gold, such as gold bars, gold ETFs, digital gold, SGBs, and gold coins. This research will investigate the several aspects that influence the investor behaviour regarding gold purchases.

II. REVIEW OF LITERATURE

- **Bhatnagar et al. (2015)**, investigated investor behaviour and their psychology towards gold investments. Their goals were to identify the factors influencing the mindset of gold investors and the differences in investment psychology between men and women. The ANOVA and correlation tests were used to analyse the research. They found that investing in gold is the best investment option, and investing in the physical form is better than investing in the paper form. Most of them invest because of the advice of friends. They conclude that gold investment is done by the event of gold investment as well as by men and women in terms of gold investment behavior.
- **Sundaravadhani and Sathya (2016)**, mentioned some of the factors that are considered when investing in gold, such as current income, capital appreciation, liquidity, tax, ect. and they studied about the various forms of gold investment, their awareness of them, and the merits and demerits of each. As a result, the majority of respondents are willing to invest in gold, and the majority prefer to invest in gold in the form of jewelry, with the majority citing convenience as the most important factor. And the majority of them agreed that gold coins are the simplest way to save. And they suggest buying the gold from a

known jewellery shop because the charges will be low compared to other big shops.

- **Selvaraj & Sudha (2020)**, stated that gold investment is preferred by investors because of its safety, liquidity, etc. They mentioned that gold comes in two forms: paper and physical, with the paper forms including ETFs, gold mutual funds, and so on physical forms of gold investments are jewellery, coins, bars, etc. They studied the factors prompting the gold investments and the problems they faced. They found that lower returns, problems with physical storage, price fluctuations, and fewer tax benefits were some of the problems they faced. According to the study, there are many factors that influence gold investment, but the most important factor is safety.

III. OBJECTIVES OF THE STUDY

- To study investor's perception towards various forms of gold investment.
- To examine the factors influencing investors decisions on gold investments.
- To know the investors perception towards risk and challenges faced by investors in gold investment.

IV. HYPOTHESIS

H1: There is no significant association between Age and Risk in Gold investment.

H2: There is no significant difference among Gender and Factors of Gold investment.

V. RESEARCH METHODOLOGY:

It includes the collection of primary and secondary data with the objective of the research study.

➤ Sources of Data:

- Primary data source: The primary data were derived from the answers given by the respondents which are generated through a well-structured questionnaire.
- Secondary data source: The secondary data, on the other hand, were derived from the findings stated on websites, published documents, journals, and literature related factors influencing investors behaviour towards investment in gold.

➤ Sampling Area:

The study on factors influencing investors behaviour towards investment in gold has limited the respondents located in Chennai city only.

➤ Sampling Size:

- The samples for the study were the general people.
- The questionnaire was administered by 50 respondents.

➤ Sampling Techniques:

In this research convenience sampling method is used. A convenience sample is one of the main types of non-probability sampling methods. A convenience sample is made up of people who are easy to reach.

VI. DATA ANALYSIS AND INTERPRETATION:

Table 1 AGE * RISK CROSS TABULATION

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.032 ^a	9	.066
Likelihood Ratio	18.754	9	.027
Linear-by-Linear Association	3.541	1	.060
N of Valid Cases	50		
a. 12 cells (75.0%) have expected count less than 5. The minimum expected count is .40.			

➤ INTERPRETATION:

From the above table the P value is .066 which is greater than 0.05, so the hypothesis has no significant association between Age and Risk in gold investment. Hence the hypothesis is accepted.

Table 2 ANOVA GENDER * FACTORS OF GOLD INVESTMENT.

ANOVA GENDER * FACTORS OF GOLD INVESTMENT.						
		Sum of Squares	df	Mean Square	F	Sig.
Purity	Between Groups	.386	1	.386	.676	.415
	Within Groups	27.394	48	.571		
	Total	27.780	49			
Return	Between Groups	.107	1	.107	.175	.677
	Within Groups	29.413	48	.613		
	Total	29.520	49			
Inflation hedge	Between Groups	.321	1	.321	.505	.481
	Within Groups	30.499	48	.635		
	Total	30.820	49			
Tax benefit	Between Groups	4.057	1	4.057	6.003	.018
	Within Groups	32.443	48	.676		
	Total	36.500	49			
Liquidity	Between Groups	.000	1	.000	.000	.994
	Within Groups	33.380	48	.695		
	Total	33.380	49			
Price volatility	Between Groups	1.846	1	1.846	2.810	.100
	Within Groups	31.534	48	.657		
	Total	33.380	49			
Recent price movements	Between Groups	.564	1	.564	.810	.373
	Within Groups	33.436	48	.697		
	Total	34.000	49			
Tangible assets	Between Groups	1.461	1	1.461	1.918	.173
	Within Groups	36.559	48	.762		
	Total	38.020	49			
Geo political factors	Between Groups	.825	1	.825	1.164	.286
	Within Groups	33.995	48	.708		
	Total	34.820	49			
Socialstatus	Between Groups	4.337	1	4.337	6.093	.017
	Within Groups	34.163	48	.712		
	Total	38.500	49			

➤ INTERPRETATION:

The results in the above table shows that there is a significant difference among the Factors in Gold Investments with respect to Gender of the respondents. Since the P value 0.018,0.017 (Tax benefit and Social status) are lesser than 0.05.

From the above table it is concluded that there is no significant difference between Factors of Gold investments with respect to gender of the respondents. Since P value 0.415, 0.677, 0.481, 0.994, 0.100, 0.373, 0.173, 0.286 (Purity, Return, Inflation hedge, Liquidity, Price volatility, Recent price movements, Tangible assets and Geo political factors) are greater than 0.05.

VII. FINDINGS

- From the above table, it reveals that out of 50 respondents majority of respondents belong to the category of female as compared to male 78% of the respondents are female followed by 22% of the respondents are male.
- From the above table, it reveals that out of 50 respondents majority of the respondents belong to the category of age 41 – 50 years and it has 36% than others, and next to that

31 – 40 years and it has 28%, and followed by that 21 – 30 years has 26%.

- From the above table, it reveals that out of 50 respondents majority of respondents are married and they are of 76% and 24% of them are not married.
- From the above table, it reveals that out of 50 respondents majority of respondents earn 40000 – 80000 that is 22% next to that 12% of them earns 20000 – 40000 and 9% of them earns less than 20000 and above 80000 are of 7%.
- From the above table, it reveals that out of 50 respondents majority of respondents have said that 22% of them will invest in the gold upto 5% - 10% from their income, and 18% of them will invest in gold less than 5%, and to the least 4% of them will invest more than 15%.
- From the above table, it reveals that out of 50 respondents majority of respondents have said that wealth

maximization is the most important reason for investing in gold that is 32%, and the next reason is that Girls marriage, 12% of them have said this reason. And 4% of them invest gold for the social status and 2% of them invest gold for the Economic hedge.

- From the 50 respondents most of them have said that issue of storage is the major challenge in gold investment that is 44% and next to that lack of awareness is 42% and security concern on purity is also considered as a challenge for gold investment which is 40% and also limited availability of information is 30% and at last no steady income is 20%.
- From the 50 respondents price fluctuations is considered as a major risk involved in gold investment that is 48%, next to that theft is 30%, then issue of storage is 14% and at last no steady income is 8%.

VIII. SUGGESTIONS

- The study suggests that the majority of respondents prefer to buy gold jewellery, so it is advised to buy gold jewellery from well-known jewellers or from conventional retail locations where production costs are comparably cheaper.
- The majority of the participants in this study desired to own physical gold, and many of them did not favour the non-physical form of gold. This indicates that many people are unaware of paper gold, thus awareness should be raised about it.
- Most of the customers use factors for future prospects and profitability with no awareness of gold purity and standard. It is suggested that jewellery shops should provide adequate awareness programmes to their customers.
- Many respondents felt that quality of gold should be improved. The influencing factors for the purchase of gold by customers are quality and purity of gold and this makes customers to compare it different jewellery shops.

IX. CONCLUSION

In recent times, there has been a shift in the mindset of people in India. It is a known truth that gold is regarded by Indians as a status symbol. That being said, it is also regarded as a wise investment choice. The study's findings indicate that investors of all ages are drawn to gold as a means of safeguarding their finances. In the event of a financial emergency, gold may be borrowed against or sold, and gold can be mortgaged to banks. Customers, however, believe that in order for consumers to make informed decisions about gold purchases, the marketing departments of branded jewellery stores should carry out the necessary education campaigns regarding quality, purity, Bureau of Indian Standards (BIS), and 916 gold, which is defined as 18 carat, 20 carat, 22 carat, 24 carat, etc. Customers' purchasing decisions are determined by all of these elements.

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