



A STUDY ON CUSTOMER PREFERENCE TO GOLD AS AN INVESTMENT: EVIDENCE FROM COIMBATORE CITY

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Abstract:

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 Governments and Central banks. The demand for gold has an effect on exchange of Indian Currency. However in the year 2013, the price of gold has been very volatile and has shown both increasing and decreasing trend. In this current situation, this study is made to ascertain "if gold is still a preferred investment by the investors"

Key Words: Investors, Profitability, Purchasing Power & Indian Currency

Introduction:

An individual who purchases the goods or services produced by a business. The customer is the end goal of business, since it is the customer who pays for supply and creates demand. Preference refers to the set of assumptions related to ordering some alternatives, based on the degree of happiness, satisfaction, gratification, enjoyment, or utility they provide, a process which results in an optimal choice. However, it does not mean that a preference is necessarily stable over time. An asset or item that is purchased with the hope that it will generate income or appreciate in the future. 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.

Areas of Investment:

Bank Deposit: Traditionally, the most favoured investment avenue in India, bank deposits continue to hold for even today. The total fixed deposits with banks in India amount to a whopping Rs. 35,68,435 crores as per RBI data. The bank deposit primarily serves us to preserve capital. Banks now-a-days have added a lot of additional benefits. Retired people could make the best use of this avenue for securing a fixed and steady income.

Real Estate: Real estate investing involves the purchase, ownership, management, rental and/or sale of real estate for profit. Improvement of realty property as part of a real-estate investment strategy is generally considered to be a sub-specialty of real estate investing called real estate development. Real estate is an asset form with limited liquidity relative to other investments; it is also capital-intensive (although capital may be gained through mortgage leverage) and is highly cash flow dependent.

Securities: A financial instrument that represents an ownership position in a publicly-traded corporation (stock), a creditor relationship with governmental body or a corporation (bond), or rights to ownership as represented by an option. A security is a fungible, negotiable financial instrument that represents some type of financial value. The company or entity that issues the security is known as the issuer. Securities are typically divided into debt securities and equities. A debt security is a type of security that represents money that is borrowed that must be repaid, with terms that define the amount borrowed, interest rate and maturity/renewal date.

Mutual Funds: An open ended fund operated by an investment company which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives. Mutual funds raise money by selling shares of the fund to the public, much like any other type of company can sell stock in itself to the public. Mutual funds then take the money they receive from the sale of their shares (along with any money made from previous investments) and use it purchase various investment vehicles, such as stocks, bonds and money market instruments. In return for the money they give to the fund when purchasing shares, shareholders receive equity position in the fund and in effect, in each of its underlying securities.

Review of Literature:

Dubai Chamber of Commerce and Industry (2011), A study based on the Dubai Multi-Commodities Centre (DMCC) stated that India and China are two countries where the demand for gold is driving up the gold prices. It was stated that gold is used for reserve, hedge against inflation, manufacturing jewellery, in order to make profits.

Mrs. Shweta B H (2010) states different view about 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. It also helps to save countries purchasing power and is not much affected by countries economic condition. They recommended to have 10-20per cent gold in investment portfolio.

Mike Caggese(2008) of Money Morning an online investment guide suggested various ways of investing in gold. Some are gold coins, gold ETF, gold mining companies gold futures, bullion gold but the most popular is gold jewellery in Indian market.

Rohna O' Connel (2006) states that gold has an emotional feeling in Indian context, as it is called as "Streedhan". The Indian bride wealth which she takes with her when she marries and which remains hers. This helps to give gold an important role in empowering women.

Dampster Natalie (2006) states that gold is an ultimate love object to Indians. It has tendency to pass away from one generation to another. Lawrence (2003) examined the relationship between economic variables, financial assets in the U.S and gold from January 1975 to December 2001. He concluded that correlation between returns on gold and returns on other commodities, which confirms that gold is effective in a portfolio.

Research Methodology:

Research methodology constitutes the blue print for the data collection, measurement and analysis of data. In order to make "A study on Customer preference with reference to gold as an investment" 100 respondents were selected. The respondents include Housewives, Doctors, Engineers, Lawyers, Professors, Professionals, etc. Before collecting the relevant data from the respondents on interview schedule (Questionnaire) consisting of 28 questions were constructed involving personal factors and study factors. The study period was from June to September 2019. The sample size constitutes of 100 respondents. The selection process is called as sampling technique. The sampling technique used in this study is Random technique.

Analysis & Discussion:

Table 1: Purchasing Pattern of the Respondents

S.No	Pattern of Gold	Number of Respondents	Percentage
1	At least once a Year	32	39.02
2	During Diwali	30	36.59
3	Special Occasion	7	8.54
4	AkshayaTritiya	6	7.32
5	AkshayaTritiya and Special Occasion	7	8.53
	Total	82	100

From the above table that 39.02 percent of the respondents buy gold at least once in a year; 36.59 percent of the respondents buy gold during Diwali; 8.54 percent of the respondents buy gold during special occasions; 7.32 of the respondents buy gold during akshayatrithiya; 8.53 percent of the respondents buy gold Akshayatrithiya and during special occasion. It is revealed that most of the respondents purchase gold at least once a year (39.02 percent)

Table 2: Respondent's Preference on Non-Physical Gold

S.No	Preference of Non-Physical Gold	Number of Respondents	Percentage
1	Gold Stocks	3	18.75
2	Gold Accounts	4	25.00
3	Gold Exchange trade funds	1	6.25
4	Others	1	6.25
5	Gold Accounts and Gold ETF'S	7	43.75
	Total	16	100

From the above table that 18.75 percent of the respondents prefers gold stocks; 25 percent of the respondents prefers Gold accounts; 6.25 percent of the respondents prefers gold exchange trade funds; 6.25 percent of the respondents prefers others type of investment in non-physical gold. 43.75 percent of the respondents prefer gold Accounts and gold ETF'S. It is revealed that most of the respondents prefer Gold Accounts and Gold ETF'S of non physical gold (43.75 percent).

Gender and Respondent's Belief That Gold Investment is a Better Investment and Would Generate a Good Return:

Chi-Square Analysis:

Chi-Square test has been applied to identify the influence of gender and Respondent's belief that gold investment is a better investment and would generate a good return.

Hypothesis:

There is no significant relationship between gender and Respondent's belief that gold investment is a better investment and would generate a good return.

Crosstab:

		Respondent's Belief that Gold Investment is a Better Investment and Would Generate a Good Return				Total
		Disagree	Neutral	Agree	Strongly Agree	
Gender	Male	1	10	25	9	45
	Female	0	5	20	18	43
Total		1	15	45	27	88

Table 3: Chi-Square Tests

	Value	DF	Asymp. Sig.(2 – sided)
Pearson Chi - Square	6.180	3	0.103

The above table shows that the calculated value (0.103) is greater than the table value (0.05) at 5per cent level of significance. Hence the hypothesis is accepted. Therefore it is inferred that there is no significant relationship between gender and Respondent's belief that gold investment is a better investment and would generate a good return. Hence the null hypothesis is accepted.

Age and Respondent's Belief that Gold Investment is a Better Investment and Would Generate a Good Return:

Hypothesis:

There is no significant relationship between age and respondent's belief that gold investment is a better investment and would generate a good return.

Crosstab:

Age Group	Respondent's Belief that Gold Investment is a Better Investment and Would Generate a Good Return				Total
	Disagree	Neutral	Agree	Strongly Agree	
Between 21 – 30 Years	1	2	12	10	25
31 – 40 Years	0	3	10	5	18
41 – 50 Years	0	5	11	8	24
Above 51	0	5	12	4	21
Total	1	15	45	27	88

Table 4: Chi-Square Tests

	Value	DF	Asymp.sig.(2 – sided)
Pearson Chi - Square	6.623	9	0.676

The above table shows that the calculated value (0.676) is greater than the table value (0.05) at 5per cent level of significance. Hence the hypothesis is accepted. Therefore it is inferred that there is no significant relationship between age and Respondent's belief that gold investment is a better investment and would generate a good return. Hence the null hypothesis is accepted.

Conclusion:

There are various investment options available to the investors namely Securities, Real Estate, Bank Deposits, Commodity Exchange and mutual funds. Savings of individuals are transformed into investment. Gold has been considered as the most preferred investments besides Real Estate, Bank Deposits and Commodities Exchange 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. India already occupies a unique position in the world gold market. That Indians are buying up gold for its virtues as an investment, rather than for adornment, is clear from the way demand has behaved relative to prices. Gold is highly liquid in nature as it can be converted into cash by selling or pledging. 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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