

Gold as an Investment Option –A Study on Investment Pattern of Investors in Kerala

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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 occasions gold is an inevitable element. The emergence of various jewellery in our country shows that there is tremendous increase in the value of gold. The price of gold is determined by the force of demand and supply. 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, My study tries to focus about different gold investment schemes available in the market and also the investor's attitude towards the investment.

Keywords: Gold investment, return, risk, ETF.

1. INTRODUCTION

Financial system consists of financial institutions, market, services and instruments that are closely related with each other. The role financial institutions, services and markets have tremendous increase in nowadays compared to the past decade; the only reason for this was customers are aware about this. There are so many institutions that are conducting coaching classes for the financial system, for example Tata Institute in Bombay is a leading institute conducting coaching classes for actuarial course in the field of insurance

India has always been known as elephant of the investment world. It moves slowly but surely. 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. Investment involves long term commitment Investment is a commitment of a person's fund to derive future income in the form of dividend, rent, interest...etc. There is a positive relationship between investments and risk. The success of every investment activity depends upon the ability and knowledge of an investor to investment in right scheme at a right time without any loss.

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. Central bank keeps some portions of their securities in the form of gold. Some studies pointed out that US central bank is the largest holder of gold they own 8133 tons of gold it represents 63.8% of American foreign reserves. Gold is a hedging tool against inflation.

There are so many ways to invest in gold such as:

- coins and bars,
- Futures and options,
- Gold Accumulation Plans (GAP)
- Exchange Traded Funds (ETF)
- Gold Funds
- E gold

The investor can select the appropriate ways for their investment during the past few years there is tremendous rise in price of gold in Kerala. In Kerala consumption of gold is high compared to other states. Many studies have been shown that the price of the gold is determined by the supply, demand and investors behaviour

Statement of the Problem:

Investments in gold have number of schemes. Investor's perceptions, expectations, mode of investment are closely related with each other. Commodity market is fully influenced by the attitude and behaviour of the investor. Today gold plays an important role in our society. In the occasion of the marriage it is an inevitable element. Compared to other state, Kerala concentrates more on investment in gold .No studies has done regarding the investors perceptions towards investment in gold in kerala. Hence the study has made an attempt to analyse an investors attitude and behaviour towards gold investment in kerala and also various investment options available to investor

Scope of the Study:

The study on Gold as an investment option is conducted to know the various methods of investment options available in Kerala and also the factors affecting the investment decision of the investor. Today gold are becoming attractive avenue in capital market. The price of the gold is determined by several factors like demand, supply...etc.In this context the perception of investor towards investment in gold is highly significant

Objectives of the Study:

The objectives of the study are :

- To study the factors influencing the choice of investment in gold,
- To study the attitude of investors towards investment in gold,
- To identify the reasons for investment in gold,
- To study about the various options available to investor while investing in gold.

Hypothesis:

Based on the above objectives the following hypotheses were formulated:

- There is no significant differences between the opinion of the investor with regard to the factors affecting the choice of investment in gold.
- Investment decision are not influenced by the attitude of the investor.

2. LITERATURE REVIEW

Large number of studies on the investors' perceptions about investment in gold has been carried out during the past decades. Some of the reviews about investment in gold are summarised below:

Ratner and Klein(2008) in their study examined the value of holding gold to US investors from 1975 – 2005 and concluded that there is some material benefit to investing in gold over the long term.

Dr Jalpa thakkar, sheenamgogia and vatsalia manjunathan in their article "An Empirical study on Gold Investment Range Among Professionals" published in international journal of research and management pointed out that different avenues of gold investment available in the market and also tried to find out the awareness and attitude towards the alternative methods of gold investment among the selected investors in the pune region.

Dr M Nishad Nawaz (June 2013) in his article "Study on various forms of gold investment" He highlighted the need for encouraging investment in new gold alternatives. He ensure that gold becomes tradable and generates revenue rather than lying idle as a dead investment.

Hiller et al (2006) in his article he analysed the roles of gold, silver and platinum in the capital market and also found that portfolios which contain precious metals perform better than standard equity portfolio.

Mohdsaleem and; Matloobullahkhan(2013) in their article "The overview of gold ETFs and its various positive features" Published in the International Journal of Marketing, Financial services and Management Research they tries to explain comparative study of Gold ETFs v/s Physical gold and it also give focus on Gold ETFs as a strong and attractive investment option for the investor. Gold ETFs gives extra leverage to its users in terms of the profit.

Ms k Sudhai, Ms. R. Buvaneswari, Ms. P. V. Pothigaimalai, Ms. N. Subasri (2014) in their research paper "A Study on Investment Pattern Investors of Jewellery at Pattukkottai Town" Published in the International Journal of Engineering research, 2014, Observed the investment pattern of investors in jewellery and the investment decisions are driven by number of factors such as income of the family, economic conditions, tax considerations..etc. the study concluded that the investors are ready to invest in the long term and less risky product because they are aware about consequences of short term investment plan

Rakhi Arora and Rajni Sofat (2008) 48 says risk and return are the two inseparable parts of an investment strategy. They have direct relationship between them: higher the risks, higher are the returns and vice versa. The very basic consideration of an investor while investing the money should be how to maximize the returns and what are the risks involved in investing in a particular instrument.

Literature reviewed have shown that while investing in gold there are so many options available to investors for their investment. Investors have the right to decide the pattern of investment whether long term or shortterm. By investing in gold the investors can diversify their risk.

3. RESEARCH METHODOLOGY

Research Design:

The methods used in this study are both descriptive and analytical in nature

Source of Data:

Both primary data and secondary data will be used for this study

Sampling Design:

There are fourteen districts in Kerala, For the purpose of this study these districts in Kerala is divided in to three different regions, North Kerala region, south Kerala region and central Kerala region. The north Kerala region includes four districts namely kasargod, kannur, wayanad, Kozhikode and malappuram. The central Kerala region consists of three districts palakkad, trissur and Ernakulum. The south Kerala region includes six districts Thriuvananthapuram, Kollam, Alappuzha, Pathanamthitta, Kottayam and Idukki. One district from each region has been selected this study. Thriuvananthapuram from south Kerala region, kannur from north Kerala region and Ernakulum from central Kerala region has been selected for this study. The method of sampling used for this study is stratified random sampling. There are two stages for collecting data from samples. In first stage selected samples from each region should be divided in to different strata's depending upon their income. The sample from the first stage should again classified on the basis of their investment schemes. Total samples used for this study will be 600. A sample of 200 investors from selected region of sample districts in Kerala will be selected for this study.

Primary data are collected through questionnaire survey. The questionnaire consists of two parts. First part of the questionnaire consists of personal details. Second part of the questionnaire consist of various variables like factors related to investment in gold, investment options available to investor, profitability, problems faced by the investor while investing in gold and investors attitude towards investment.

Secondary data are collected from magazines, journals, Articles, Newspapers, Website, Research papers, booklets.

4. TOOL OF ANALYSIS

Statistical tools like percentages, averages, Rank correlation, chi-square test were used for this analysis

Operational Definitions and Concepts:

Investment	It is the commitment of the funds in the financial assets or real assets
Investor	An investor is a person or entity that purchases assets with the objective of receiving a financial return
Gold	A yellow precious metal used in Jewellery
Financial market	It is a place where financial securities are traded
Financial services	Financial services comprise of various functions and services that are provided by financial institutions
Commodity market	Buying and selling of securities for future delivery

Analysis and Interpretations:

The studies shows that the most of the investors in Thiruvanthapuram and Ernakulam are prefer to invest in gold because in these district dowry system exist. For the purpose of the marriage they are ready to invest in gold

5. FINDINGS

- Compared to other metals investors prefer to invest in gold
- Depends upon the market price investors are ready to invest in gold
- Family and friends are the important factor that influences investors decision
- Majority of the respondent are men

6. CONCLUSION

Through this research we can understand about the attitude of the investors towards gold and also there are different ways to invest in gold

7. LIMITATIONS

The study is subjected with the following limitations:

- The scope of the study is limited to only three different regions in kerala.It will affect the size of sample
- Some respondents may be biased it would affect the accuracy of result
- Shortage of time

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