



CONSUMER'S PERSPECTIVE TOWARDS GOLD IN CHANGING MARKET CONDITION

Dr. Manjusha Sudhir Thakre
Research Scholar ,
Shri Shivaji Arts & commerce College Amravati.

ABSTRACT :

Demand for Gold as an investment commodity has been always seen by the investor's, as a most preferred investment since centuries. Gold industry has a significant position in the economic as well as cultural scenario of almost all the states of India. The focus of investment amongst the consumers have changed recently and they are investing into Gold not for the sake of hoarding the commodity as traditionally been observed, but also as the part of the risk mitigation strategy in their investment portfolio. In this light, the research paper provides an analytical perspective from the consumer's point of view. The focus of the study is to identify the various factors which influence the consumer behavior in gold investment. What is the impact on the Gold within the various inflationary conditions is also shown with an analytical perspective.

The analysis specially focuses on factors that shows customer behavior towards gold investment, the influence of aspects like liquidity/diversification of portfolio, Gold traditionally has been a good hedge against inflation, safe heaven asset, and monetary asset with intrinsic value. The study indicates that consumers have a significant positive inclination towards the gold investment as compared to other investments. The influence of the price of gold on the consumers is subjective and is dependent on their occupation and income. The overall attitude of customers towards gold investment is positive.

KEYWORDS : Gold Investment, India, Scenario, Investment Portfolio, Risk Mitigation, Intrinsic Value.

INTRODUCTION

But history is the evidence that in spite of the various obstacles and impediments put in the path of India is a land of different cultures and sub-cultures, customs, religions, food and ethnic dress preferences. With culture and tradition, a deep affection for gold and a thrust for accumulating it have the traces back in the history of the nation from many centuries. It is the only commodity which is universal across the length and breadth of the country. It is observed (WGC 2010) that every class of the Indian society, whether its urban or rural investor, would prefer to possess it or make savings to purchase it in their life span. The obvious reason for this is that possessing gold for Indians is more to do with the sign of purity, prosperity and good luck in their lives.



Earning money, savings and investing it wisely are part and parcel of human life, how rich or poor they may be. As a result we always see people looking out for different investment avenues. Each individual has their own life goals which in turn define their investment goals. Gone are the days when they had very few options for investment, today we see a plethora of avenues open for investments. One may select stock, options, derivatives or may not, but the basic aim

behind investing remains the same i.e. Positive returns resulting into wealth creation.

Gold is one of the oldest precious metals known to man & for years it has been valued as a global currency, an investment, a commodity and an object of beauty and India is not an exception to this. India's love affair with gold is timeless spanning over centuries and millennia. In India, Gold is not just another precious metal but it is a part of our culture, an inseparable part of our belief system and a matter of pride.

Gold has always been considered a sacred item in life and is a must in every religious function-reason being that Gold is pure having passed through fire in its process of evolution. Gold has become an inseparable part of almost every household in Indian Society and infused into the blood of an Indian. It's being seen as symbol of good fortune and prosperity.

However of recent there has been a shift in the mindset of the people and they have started looking at gold beyond a status symbol. People have realized its importance as an investment avenue too. The recent global crises in the form of US subprime issue, the euro zone issue, have resulted into changing the attitude of people towards gold.

Alternative Economic Market Conditions & Performance of Gold

In this section we would try to analyze the performance of Gold in comparison to various other asset classes such as stocks, bonds, cash and housing prices. The basis of our analysis is the secondary data in terms of a recent report published by the World Gold Council (WGC) with the collaboration of Oxford Economics (2012), as part of the analysis, market conditions in the economy which impact the consumer investment decision have been analyzed. The market reactions in terms of various asset classes and their performance have been observed as part of this research paper.

Current Gold Market Scenario in India

India has long been the world's largest gold consumer market. India is also the world's largest jewellery market. India is a country with stock of gold of over 25,000 MT. Most of it is with individuals. This stock is 12-15 per cent of the above-ground world's gold stocks. Gold jewellery buying is associated with a number of festivals and weddings. Over half of the demand comes from rural areas, where the demand is largely traditional. Although the poor have very little by way of assets, whatever little they have, they must keep in their possession at all times. In times of crisis, gold can be mortgaged or sold.

The various available gold products presently available in India are

Gold ETF - This is at an infancy stage and is a product designed to service the small investor.

Gold Deposit Scheme - This scheme has the State Bank of India as the only player. This product, however, has not yet been aggressively marketed across India.

Gold Accumulation Plan (GAP) - This is not in the organized sector. In a crude form GAP is being run by most jewellers.

Gold Paper Product: This product is also in an infancy stage.

Gold Futures: This is fairly active on the local commodity exchanges - MCX and NCDEX.

Gold Forwards: This is also fairly active in the banking sector with some restrictions.

Gold Options: This instrument is almost absent.

Literature review

1. Dr.M.Jayanthi, T. Poongothai, R. Preethi (April 2014), in their paper on "An Investor's Investment in Gold: Physical Vs Paper" observed that for Indian's Gold is an important form of investment and it is more than just an asset. The concluded the study by stating that for traditional and prestigious value people prefers physical gold over paper gold.
2. Chua et al.(1990) and Jaffe (1989) analyzed benefits of investment diversification in gold. Jaffe (1989) also concluded that gold gives an advantage in investment diversification.
3. By conducting an empirical test BahramAdrangi et al (2003) studied the relationship between real gold returns and inflation. The main object of the study was to establish whether Gold acts a reliable hedge

against inflation or not. To study the hypothesis the authors covered a period starting from January 1968 to December 1999 and concluded that there exist a positive relationship between expected inflation and real gold returns.

4. Mr.P.Arulmurugan, Dr.K.Balanagaguruthan and Ms.Mirudhubashini (Feb 2013), in their paper on Investment behaviour of professor towards Gold stated that Gold acts as a natural hedge against Two important macro-economic factors namely Inflation (Internal) and other currencies (External), however for the common man more than these factors the sheer value, the yellow metal is associated with, is mainly responsible. They examined the behaviours of professors from Tamil Nadu district by collecting Primary data based on questionnaire and concluded that demographic factors (age, gender, marital status etc) and family characteristics (stage of family life cycle, monthly family income etc.) as well as factors like safety, liquidity, traditional value, risk and returns determines the investment behaviour of the professors.

Research Methodology

Descriptive research methodology is adopted for preparing this paper. Secondary data is collected from different websites and reports of Indian government regarding welfare schemes.

Sample size: -The sample size of population for the present study is 100.

NATURE OF THE DATA:- The nature of the data is purely primary and secondary. The primary data were collected from the respondents in selected area for the study period. The secondary data were collected through information gathered from books, journals, magazine and website related to gold and silver.

Data analysis: -

The collected data was analyzed by graphical presentation.

OBJECTIVES OF THE STUDY

Objective of the research was to gain brief insight into aspects of behavior of consumers in purchase of Gold.

- 1) To evaluate the demand of precious metal in changing market condition.
- 2) Purchase of Gold and Silver is observed as an asset investment.
- 3) To examine which of these factors i.e. Risk and return, liquidity, Market information, Motives, Security, and Benefits, have significant impact on the buying behavior of gold.

Hypothesis:-

Hypothesis tested in this study were as follows: -

- 1) The demand for Gold and Silver has no adverse effect of increasing prices.
- 2) Purchase of Gold and Silver is observed as an asset investment.

Data analysis: -

The collected data was analyzed by graphical presentation.

1) Respondents purchase Gold on influencing factors

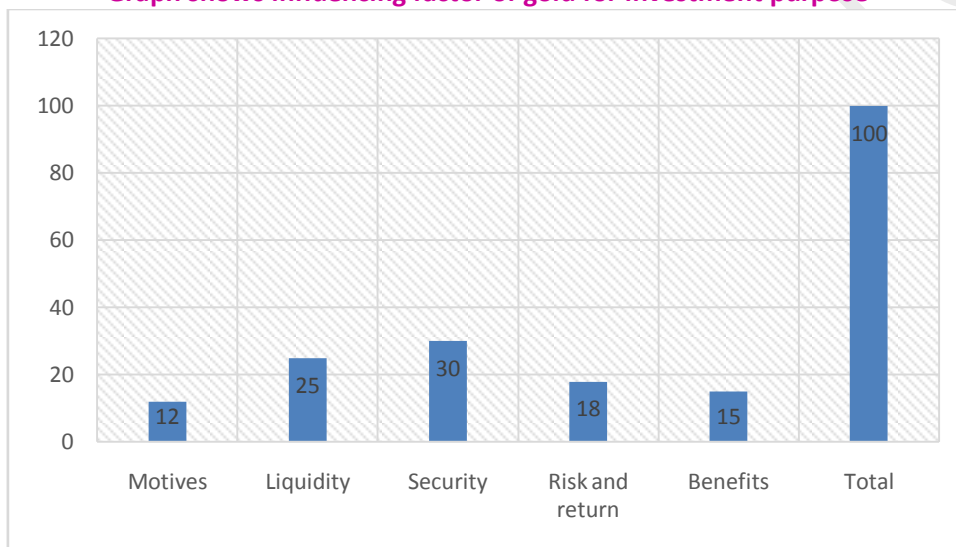
To know the preference given by the respondent, researcher asked them a question related to the factors and following table shows their responses.

Table shows influencing factor of gold for investment purpose

Factors	No. of Respondents
Motives	12
Liquidity	25
Security	30
Risk and return	18
Benefits	15
Total	100

Source: Compiled by researcher on the basis of Primary Data.

Graph shows influencing factor of gold for investment purpose



Interpretation – From the above table it shows that out of 100 respondents, maximum respondents i.e. 30 respondents influenced by security factor, 12 respondents influenced by motives, 25 respondents influenced by liquidity, 18 by risk and return, and 15 respondents influenced by benefits. From the above interpretation it is concluded that maximum respondent purchase gold for investment purpose but for security purpose.

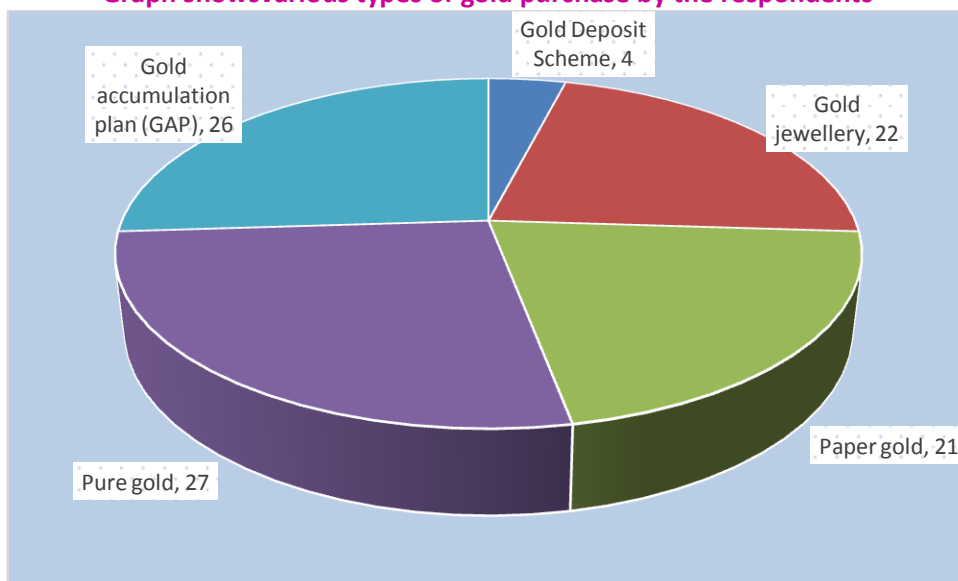
2) Respondents purchase various types of Gold for investment purpose

To know which type of Gold the respondents prefer, researcher asked them a question related to this and following table shows their responses.

Table shows various types of gold purchase by the respondents

Types of Gold & silver	No. of Respondents
Gold Deposit Scheme	04
Gold jewellery	22
Paper gold	21
Pure gold	27
Gold accumulation plan (GAP)	26
Total	100

Graph shows various types of gold purchase by the respondents



Interpretation – From the above table it shows that out of 100 respondents, maximum respondents i.e. 27 like to purchase pure gold, 26 respondents like to purchase gold accumulation plan, 4 respondents purchase gold deposit scheme, 22 respondents like to purchase gold jewellery and 21 respondents like to purchase paper gold

From the above interpretation it is concluded that maximum respondent purchase pure gold for investment point of view.

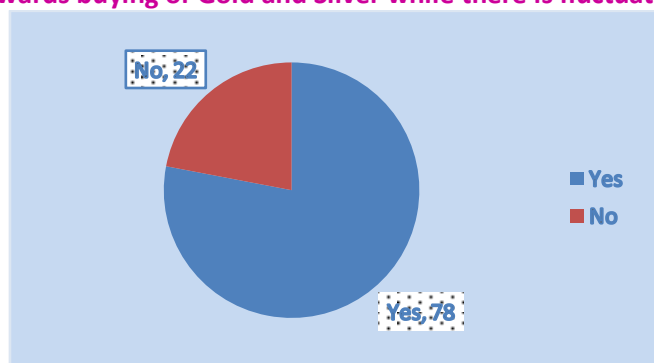
3) Respondents response towards buying of Gold and Silver while there is fluctuation in prices

To know the opinion of respondent about the purchase of Gold and Silver in price fluctuation respondent have been asked, 'If there is fluctuations in prices of Gold & Silver would you like to buy Gold & Silver?' Their response was as follows.

Opinion	Respondents	Percentage
Yes	78	78.00%
No	22	22.00%
Total	100	

Source: Compiled by researcher on the basis of Primary Data.

Respondents response towards buying of Gold and Silver while there is fluctuation in prices



Interpretation – From the above table it shows that out of 100 respondents, 78 respondents agree to purchase gold & silver in fluctuating rates and 22 respondents do not agree to purchase gold & silver in fluctuating rates.

Customers are definitely investing more in bullion due to the rising trend in gold and silver prices. Investing in gold and silver has always been a good idea for wealth protection to Indians, and now it is seeing that they buy more coins and bars than they used to. Coins and bars are mainly purchased either in wedding season or during the Diwali festival. They purchase gold and silver coins in every Diwali – 10 grams, 20 grams, or any amount.

Another factor is that India has experienced many monsoons over the last some years, and the farmers are tending to invest their savings in gold and silver. This is a major factor for the increase in demand for Gold and Silver.

4) Respondents purchase Gold versus other assets

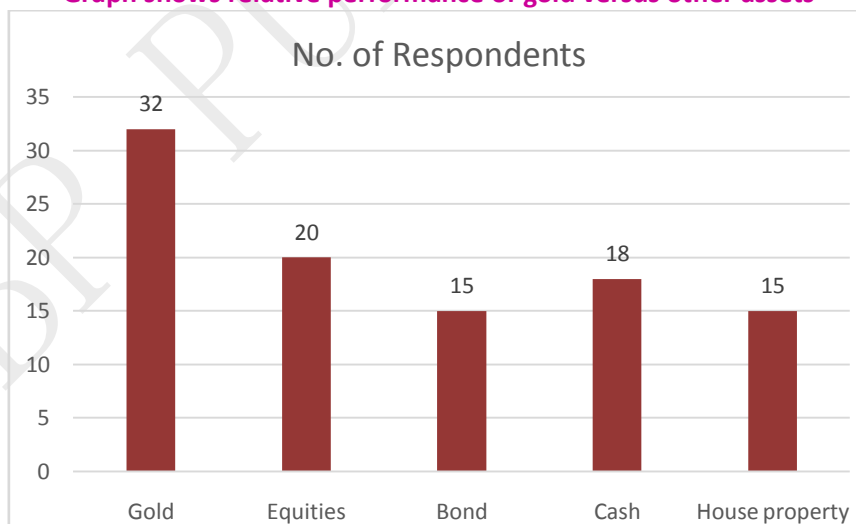
To know the preference given by the respondent, researcher asked them a question related to the other assets and following table shows their responses

Table shows relative performance of gold versus other assets

Assets	No. of Respondents
Gold	32
Equities	20
Bond	15
Cash	18
House property	15
Total	100

Source: Compiled by researcher on the basis of Primary Data.

Graph shows relative performance of gold versus other assets



Interpretation – From the above table it shows that out of 100 respondents, maximum respondents i.e. 32 gave the first preference to purchase gold than other assets, 20 respondents like to purchase equities, 15 respondents purchase bonds, 18 respondents gave their preference to cash than any other asset and 15 respondents like to purchase house property for investment.

From the above interpretation it is concluded that due to the high inflation, it has positive impact on gold. The study finds that the performance of gold is boosted. As a global economy shifts towards recession in this scenario, gold also receives a big push due to the rise in financial stress.

CONCLUSION:-

The Indian consumers have different perception towards investments. This research has focused on understanding the behavior of customers towards investment in gold. This study was focused to identify the reasons, factors that drive customers to invest in gold. If their investment patterns are analyzed, majority of the customers prefers long term investments and low risk-moderate return options.

It could be further concluded that, Gold's optimal share as part of sound investment in the portfolio rises in a more inflationary case in order to mitigate the risk and ill effects of the returns on the investment into alternative assets. The study finds that consumer's with higher risk tolerance are more inclined to allocate and invest into riskier assets such as equities, whereas, the low risk investor's allocate and invest more into so called 'safe' assets such as cash and bonds.

Our research study also finds that the spur in the investment and demand into commodity such as Gold has been recently on rise due the rapid growth and development been observed in the Asian developing economics, especially in India. Gold has not remained just a status symbol but is being looked at as an investment avenue. From the study it can be concluded that people are interested in investing in gold because it gives financial security. It was also observed that even though people discuss or give preference to the opinions of their friends and family but they also look out for market conditions before making investment decisions. The intention of this study is to give an insight of the investor's decision making, beliefs, to the financial managers which will help them in constructing their financial portfolio and marketing strategy.

REFERENCES:-

1. Dr.M.Jayanthi, T. Poongothai, R. Preethi (April 2014), "An Investor's Investment in Gold: Physical Vs Paper", The International Journal of Business & Management, Volume 2, Issue 4, 79-81.
2. Chua et al.(1990), "Diversifying with gold stocks", Financial Analysts Journal, July-August issue, 76-79
3. BahramAdrangi et al. (Fall 2003), "Economic Activity, Inflation and Hedging: The case of Gold and Silver Investments", The Journal of Wealth Management, 60-77.
4. Mr. P. Arulmurugan, Dr.K.Balanagaguruthan, Ms.Mirudhubashini (Feb 2013), "A study on Investment behaviour of Professors towards Gold with special reference to Tamilnadu State", International Journal of Scientific research, Volume 2, Issue 2, 233-237.
5. WGC (2011), New research suggests higher allocations to gold could benefit portfolios in both inflationary and deflationary scenarios, World Gold Council and Oxford Economics, 11th July, 2011, London.
6. WGC (2010), India: heart of Gold Strategic Outlook, World Gold Council, November, 2010, New York.