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EXPLORING INVESTOR ATTITUDES TOWARDS GOLD AS AN INVESTMENT AVENUE ACROSS DIVERSE MARKET CONDITIONS

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Abstract

Gold has long been a popular investment option in India due to its cultural significance, liquidity, and role as a hedge against inflation and currency fluctuations. Here are some key aspects of investing in gold in India.The perception about gold in India has come an extended way from the days when its foremost function was to merely adorn and act as a status symbol. The emotional investment in the metal was so huge that parting with it seemed unthinkable. People use gold for coins, jewellery, ornaments, and many industrial purposes. Now, however, it is becoming clear that an increasing number of Indians are realizing that gold deserves a place not just in the cupboard at home or the bank locker, but also in their investment portfolio. Until recently, gold reserves formed the basis of world monetary systems. Gold plays an important role in providing the best possible protection against the fluctuations of both political and economic scenario, mainly in India. The main theme of this research work is to understand the preferences and attitude of investors towards gold as an Investment Avenue. The present study aims to understand gold as a preferred investment option among the investors, analyse the reasons for gold as an investment avenue and to determine the various investment options of gold available in India.

Key Words: Gold, Investment, Investment Avenue, Investor's Preferences

1. INTRODUCTION

Investing in gold became a viable alternative in the late 20th century when institutional investors and investment banks started promoting it as part of a diversified portfolio. Also, since the time it is no longer a fixed component of the IMF's Special Drawing Rights, which was established in 1969, its relevance has increased, particularly in times of uncertainty and crisis. Long-term declining performance saw gold's role being relegated as a mere metal valued for ornamental purposes post-war. The world has since seen years of economic and political instability over the 20th century and the centuries of time have made gold regain an invitation to take on a primary reserve asset status.

1.1 OBJECTIVES OF THE STUDY

- To explore the various choices, open to investors for investing in gold.
- To find out factors influencing the decision to investment in gold among the Investors.

1.2 STATEMENT PROBLEM

Gold has historically been viewed as a reliable store of value and a hedge against economic uncertainties. However, investor attitudes toward gold as an investment avenue can vary significantly across diverse market conditions, such as periods of economic stability, financial crises, or inflationary pressures. Understanding these attitudes is crucial for financial planners, policy-makers, and investment institutions to tailor strategies, products, and advice that align with investor preferences and market behavior. This study aims to explore these dynamics by analyzing investor preferences, motivations, and perceptions of gold under varying economic and market conditions. By doing so, it seeks to contribute valuable insights to both academic research and practical investment strategies.

1.3 SCOPE OF THE STUDY

The research presented in this paper aims to delve into the multifaceted perspectives of investors on gold as a financial asset. This comprehensive study explores a wide range of factors, including the characteristics of investors, their motivations for investing in gold, their risk perceptions, return expectations, information sources, decision-making processes, comparisons to other investment options, and the impact of geographical location.Through an in-depth investigation of these elements, this study offers a deeper understanding of how investors think, act and prefer gold as a choice for investment.

1.4 LIMITATIONS OF THE STUDY

- The Sample size of the study is 150. The sample size may not adequately represent the entire population.
- Some of the respondents were resistant to share their Investment details.
- The study is completely based on the attitude and perception of the respondents in Chennai.

2. REVIEW OF LITERATURE

Menon, Akshay (2020) argues that gold as an investment option is a good hedge when compared to other asset classes. It has the ability to protect investor's wealth even in times when all other assets impact the investors' wealth adversely. During the pandemic, investors started investing in gold ETFs in a big way and these can be considered as a good investment in comparison to physical gold possession. However, lack of awareness has led people to invest in physical gold during black swan events like Covid. Gold is considered as a long term investment option and not as a short term investment opportunity. This shows the risk averse attitude of investors where they want to protect themselves from risk during times of strife like COVID. The study found that investors are attracted towards gold due to its purity and assurance of returns.

Bahadur et al (2019)in their study conducted in Nepal found that equal preference was given by both men and women to gold jewellery when considering it as an investment alternative. They also concluded that advertising for gold had little effect on consumers when it comes to gold. A majority of the respondents of the study was female and they purchased gold for their own consumption. Also, family played a significant role when it comes to decision making relating to gold purchase.

Monga et al (2016) explored the different forms of gold investment and concluded with the help of their sample that people predominantly invest in gold jewellery. However, investment in gold bullion, coins, ETF, certificates and bars is seeing a rise. Lack of awareness about the different forms of investment in gold is the primary reason for investment predominantly in jewellery. The rationale for buying jewellery is due to the cultural ethos of the Indian society where gold is considered as a great asset for the purpose of dowry and also can be used during times of hardship.

Santhi, M. (2013)states that gold is an unproductive commodity and Warren Buffet, the investing icon does not have gold in his portfolio. Gold has seen a fall in prices and still its attraction as an investment has not waned. It is a counter cyclical asset and it should be replaced with other assets in a person's portfolio. It does not provide any revenue return like dividend and should not be considered as a person only stores it and does not reap any revenue benefit from its purchase.

Hunda (2013) concur that gold is considered a good investment option as it gives high returns in the long run and is independent of cyclical fluctuations. Tax aversion, future prospects and time value of money were a few factors that spurred investors to invest in gold heavily. Other reasons why investors prefer gold when compared to other assets is the high liquidity and good resale value. Gold can also be bought in small quantities and the fact that it is a safe investment also impacts investor decision making.

3. CONCEPTUAL FRAMEWORK

Gold has been known since ancient times, and the fascination with the yellow metal is largely due to the properties that it possesses. Gold is the sole ingredient that is not destroyed, consumed or disintegrated. The shiny yellow luster has led many cultures to believe that gold is endowed with eternal qualities. It has been used as a beautifying agent for jewellery and for the manufacture of religious artefacts, icons, crowns and temple carvings. Over the last two centuries, gold's possession of inherent value has ceased and has rather been regarded as an ingredient that serves as an alternative to the worth of paper currency. In the dynamic landscape of global financial markets, the role of gold as an investment asset has long been a topic of keen interest for investors, financial analysts and policymakers. Researchers have sought to re-evaluate the potential benefits of incorporating gold into institutional investment portfolios, with a particular focus on understanding its performance characteristics and the role it may play in diversifying risk across varying market environments (Panagiotou, 2021) (Bredin et al., 2015)(Garg, 2021) (Emmrich & McGroarty, 2013).

Studies have highlighted the shifting perceptions towards gold as an investment instrument, with data from the 2000s and beyond suggesting a stronger case for including a strategic allocation to gold in investment portfolios (Emmrich & McGroarty, 2013). Specifically, the time-varying nature of the linkages between gold and other asset classes such as stocks, bonds, and real estate has been a key area of investigation, with researchers looking into whether gold could act as a protective or secure investment during times of increased market instability.

Additionally, the influence of macroeconomic factors, geopolitical events and investor sentiment on the gold market has been a central focus, as investors seek to gain a deeper understanding of the drivers behind gold's performance and its potential role in portfolio risk management.This research paper aims to contribute to the ongoing discourse by conducting a comprehensive analysis of investor attitudes towards gold as an investment avenue across diverse market conditions.

3.1 VARIOUS FORMS OF INVSTMENT IN GOLD

- **PHYSICAL GOLD**:
  - **Jewelery**: The most traditional form, though it involves high making charges and GST (Goods and Services Tax). Its value is often sentimental but not ideal for investment purposes due to these additional costs.
  - **Gold Coins/Bars**: These are purer and have lower associated costs compared to jewelery, making them a better option for investment. They can be purchased from banks, post offices, or jewelers.
- **GOLD ETFS (EXCHANGE-TRADED FUNDS)**: Gold ETFs are traded on stock exchanges and represent ownership in gold without needing to physically hold it. They are liquid, secure and involve lower costs compared to physical gold.
- **SOVEREIGN GOLD BONDS (SGBS)**: Issued by the Government of India, SGBs offer an annual interest of 2.5% on the invested amount. They are considered a safe investment, with the added benefit of capital appreciation as they track the price of gold.
- **DIGITAL GOLD**: Offered by fintech platforms, digital gold allows to buy small quantities of gold online, which can be converted into physical gold later. However, it lacks regulatory oversight.
- **GOLD MUTUAL FUNDS**: These funds invest in gold mining companies or other gold-related businesses. They are riskier as they depend on the performance of these companies rather than the price of gold alone.

3.2 ADVANTAGES OF INVESTING IN GOLD

- **Hedge Against Inflation**: Gold retains its value over time and can serve as a safeguard during periods of high inflation, when currency value depreciates.
- **Liquidity**: Gold is highly liquid; it can be easily bought or sold almost anywhere in the world.
- **Safe Haven**: During times of economic instability or stock market volatility, gold often performs well, making it a reliable asset in times of uncertainty.
- **Portfolio Diversification**: Gold's low correlation with equities and bonds makes it a good option for diversifying an investment portfolio.

3.3 CHALLENGES OF INVESTING IN GOLD

- **No Regular Income**: Unlike stocks or bonds, gold does not provide dividends or interest (except for Sovereign Gold Bonds).
- **Storage and Security**: Physical gold requires secure storage, and there are associated risks like theft.
- **Price Volatility**: Gold prices can fluctuate based on global economic conditions, geopolitical tensions, and currency movements, making short-term investments riskier.

3.4 TAX IMPLICATIONS

- **Capital Gains**: Long-term capital gains tax (LTCG) applies if gold is held for more than three years, with an indexation benefit. Short-term capital gains (STCG) are taxed according to the investor's income slab.
- **GST**: A 3% GST is applied to the purchase of physical gold, which impacts its overall cost.

3.5 INVESTMENT STRATEGY

- **Long-Term Investment**: Gold is generally better as a long-term investment and should form about 5-10% of a diversified portfolio.
- **Timing**: Buying gold during price dips or in smaller amounts through options like digital gold or SGBs can help average the purchase price.Gold remains a reliable investment option in India, especially for risk-averse investors and those looking to hedge against inflation or economic instability. Diversifying into gold can help balance risks in a broader investment portfolio.

4. ANALYSIS AND INTERPRETATION

Factor Analysis

Table 4.1

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.755
Bartlett's Test of Sphericity	Approx. Chi-Square	1964.001
	df	120
	Sig.	0.000

Source: Primary Data

INTERPRETATION:

Meyer-Olkin Kaiser Calculate an index that defines the adequacy of the sampling. The KMO test result, which is 0.755, or 0.5, is regarded as quite valid and appropriate for using in the reduction process. A researcher can determine whether the findings of a factor analysis are worthwhile considering and whether to carry out further study of the research project by using the Bartlett's test sphericity. The results of the Bartlett's test of sphericity significant level of significance, which is less than 0.000, indicate a strong degree of correlation between the variables, making factor analysis appropriate.

Table 4.2

Rotated Component Matrix[a]				
	Component			
Variables	1	2	3	4
Factor 15 (Discounts)	0.903			
Factor 16(After sale service such as SMS gold price alert)	0.884			
Factor 14 (The convenience and fastness of the buyback procedure)	0.866			
Factor 11 (Wastage and making charges)	0.825			
Factor 13 (Buying/selling via the internet)		0.870		
Factor 6 (Political stability)		0.784		
Factor7 (The reliability of the gold shops/companies)	0.507	0.754		

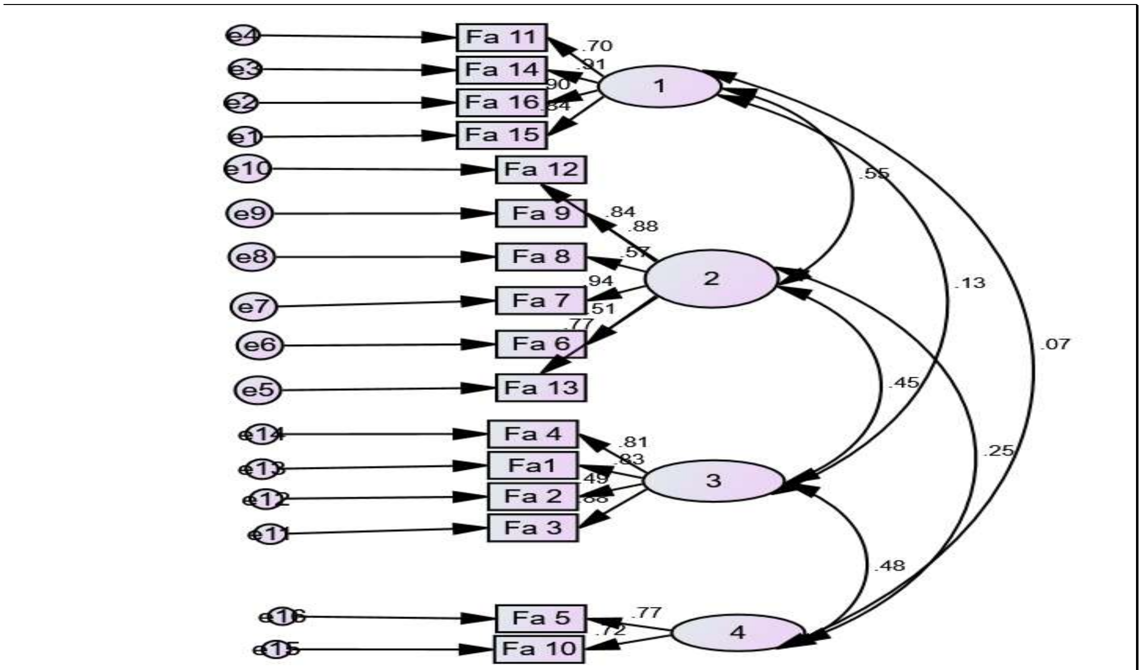
Factor 8 (Speed and accuracy in providing information such as the notice of gold price)		0.747		0.427
Factor 9 (The brand)	0.453	0.710		
Factor 12 (Payment condition such as paying by credit card option)	0.537	0.688		
Factor3 (Yielding higher return rate than saving/investment in other types of Assets)			0.890	
Factor 2 (An ornament for its own value regardless of the changes in the world situation)			0.745	
Factor1 (High liquidity for easy conversion into cash)			0.740	
Factor 4 (Low risk involved in investing)			0.733	
Factor 10 (Fluctuating gold price)				0.857
Factor 5 (Inflation rate)				0.835
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 7 iterations.				

Source: Primary Data

Since the values in the preceding table are less than 0.4, it is likely best to exclude the variables from the analysis of the rotting component matrix, whose greatest value is 0.903 and lowest is 0.453, since they do not match well with the influence solution.

FACTOR ANALYSIS THROUGH SEM (ROTATED COMPONENT MATRIX)

Table 4.3



Source: Primary Data

Standardized Regression Weights:

Factor Influencing variables			Estimate
Fa 15 (Discounts)	<---------------------	1	0.841
Factor 15 (Discounts)	<---------------------	1	0.901
Factor 16 (After sale service such as SMS gold price alert)	<---------------------	1	0.910
Factor 14 (The convenience and fastness of the buyback procedure)	<---------------------	1	0.705
Factor 11 (Wastage and making charges)	<---------------------	2	0.767
Factor 13 (Buying/selling via the internet)	<---------------------	2	0.512
Factor 6 (Political stability)	<---------------------	2	0.938
Factor7 (The reliability of the gold shops/companies)	<---------------------	2	0.575
Factor 8 (Speed and accuracy in providing information such as the notice of gold price)	<---------------------	2	0.878
Factor 9 (The brand)	<---------------------	2	0.837
Factor 12 (Payment condition such as paying by credit card option)	<---------------------	3	0.881
Factor3 (Yielding higher return rate than saving/investment in other types of Assets)	<---------------------	3	0.493

Factor Influencing variables			Estimate
Factor 2 (An ornament for its own value regardless of the changes in the world situation)	<---------------------	3	0.829
Factor1 (High liquidity for easy conversion into cash)	<---------------------	3	0.808
Factor 4 (Low risk involved in investing)	<---------------------	4	0.724
Factor 10 (Fluctuating gold price)	<---------------------	4	0.771

The structural equation model allows for the conclusion that gold investments and their influencing factors are satisfactory significant. This means that factors 16, 14, 15, and 11 have a significant impact on the attractiveness of gold investments, which include discounts, after-sale services, buyback procedures, and waste charges. Moreover, 13, 6, 7, 8, 9, and 12 are visually appealing. This is the second significant aspect. Online shopping and selling, political stability, and The legitimacy of the gold shops or enterprises, swiftness and accuracy in providing information, such alerts about changes in the price of gold, and brand payment specifications, like accepting credit card payments. The third set of variables are 2, 1, 3, and 4. producing a higher rate of return on investment than alternative investment or saving methods an ornament for its own sake that is unaffected by changes in the global environment Low risk associated with investing and high liquidity for simple conversion into cash. 10 and 5 fluctuating gold prices and the inflation rate have the lowest factor loadings.

Table 4.4

One Way Anova and Post Hoc- Tukey HSD Test

ANOVA						
Variables		Sum of Squares	df	Mean Square	F	Sig.
High Return	Between Groups	0.328	2	0.164	0.313	0.732
	Within Groups	77.172	147	0.525		
	Total	77.500	149			
Prestige and status	Between Groups	0.761	2	0.381	0.566	0.569
	Within Groups	98.812	147	0.672		
	Total	99.573	149			

Ho 1: The purpose of the investment and the high return from gold investments are not significantly different.

Ho 2: The respondents' prestige, status, and investment purpose do not significantly differ from one another.

At the 1% threshold of significance, the high return variable's p value is more than 0.01. Thus, the null hypothesis is agreed upon. The study concludes that the variable and the high return from gold do not differ significantly. At the 5% level of significance, the p Value for the variable prestige and status while investing in gold is greater than 0.05. Accepted is the null hypothesis for the variable. As a result, there is no discernible difference between this variable and the respondents' status and prestige.

Multiple Comparisons							
Tukey HSD							
						95% Confidence Interval	
Dependent Variable	(I) Kind of Investment	(J) Kind of Investment	Mean Difference (I-J)	Std. Error	Sig.	Lower Bound	Upper Bound
High Return	Gold ETF	Physical Gold	-.16200	.24968	0.793	-.7532	.4292
		Both in Physical gold and Gold ETF	-.04444	.33291	0.990	-.8327	.7438
	Physical Gold	Gold ETF	.16200	.24968	0.793	-.4292	.7532
		Both in Physical gold and Gold ETF	.11756	.23771	0.874	-.4453	.6804
	Both in Physical gold and Gold ETF	Gold ETF	.04444	.33291	0.990	-.7438	.8327
		Physical Gold	-.11756	.23771	0.874	-.6804	.4453
Prestige and status	Gold ETF	Physical Gold	.30025	.28252	0.539	-.3687	.9692
		Both in Physical gold and Gold ETF	.26667	.37671	0.759	-.6253	1.1586
	Physical Gold	Gold ETF	-.30025	.28252	0.539	-.9692	.3687
		Both in Physical gold and Gold ETF	-.03359	.26898	0.991	-.6705	.6033
	Both in Physical gold and Gold ETF	Gold ETF	-.26667	.37671	0.759	-1.1586	.6253
		Physical Gold	.03359	.26898	0.991	-.6033	.6705

Based on mean difference, the Post Hoc - Tuckey test indicates that there is no significant difference between the groups. High gold return that affects both physical gold and ETFs. It concludes that physical gold and ETFs are the main reasons to invest in gold. The post hoc Tuckey test is used to determine whether there is a significant difference in the group mean difference. Status and prestige are more important to physical gold and gold exchange funds.

CONCLUSION

Gold has maintained its significance as a preferred investment avenue due to its intrinsic value, historical stability, and ability to act as a hedge against inflation, currency fluctuations, and market uncertainties. The research highlights that while gold offers portfolio diversification and protection in times of economic distress, its returns can be influenced by global economic trends, geopolitical tensions, and interest rate movements. Therefore, investors should view gold not as a sole investment option but as a strategic component within a diversified portfolio. Balancing gold with other asset classes can optimize returns while mitigating risk. In the long term, gold's enduring appeal lies in its dual role as both a commodity and a store of wealth, making it a prudent choice for risk-conscious and long-term investors.
Gold continues to hold a unique position in the investment landscape, revered as a "safe haven" during economic uncertainty and a reliable asset for portfolio diversification. This study highlights the nuanced and dynamic attitudes investors have towards gold, influenced by factors such as market conditions, economic stability, and the emergence of alternative investment options.In periods of market volatility or inflation, gold remains a preferred choice for risk-averse investors, underscoring its role as a hedge against financial instability. However, in stable or bullish markets, its appeal often wanes in favor of higher-yielding assets like equities or real estate. Additionally, demographic and cultural factors significantly shape investor preferences, with younger investors increasingly exploring digital assets, potentially shifting the narrative around traditional investments like gold.
Understanding these trends is essential for financial advisors, policymakers, and investment firms to cater to diverse investor needs and behaviors. As global markets continue to evolve, the role of gold in investment portfolios will likely adapt, maintaining its relevance while coexisting with newer asset classes. Future research should explore the interplay between gold and emerging investments, such as cryptocurrencies, to provide deeper insights into investor decision-making. In conclusion, while gold's enduring value as an investment remains unchallenged, its attractiveness is shaped by the ever-changing economic landscape and evolving investor priorities. Recognizing these dynamics will enable stakeholders to better navigate the complexities of modern financial markets.

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