

FACTORS INFLUENCING THE GOLD INVESTORS AND THEIR PROBLEMS – AN EMPIRICAL STUDY

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ABSTRACT

In the current market scenario, there are numerous options are available for investment. In this present study, it is mainly focused on to examine the factors influencing the gold investors to choose gold and problems faced by them. For the purpose of study the primary data and Secondary data has been collected. Primary data consists of questionnaire and secondary data through website, research papers and magazines. Around 110 gold investors have been selected in this research randomly. Their opinion were collected through a prepared well-structured questionnaire and the collected details are subduced into tables with the help of MS-Excel and SPSS 22.0. Kendall's W Test and Henry Garrett Ranking Technique has been used for this research. Based on the research it is found that the gold investors are highly influenced by the factor safety to choose gold as an investment option and they face the problem in storing the physical gold.

Keywords : Factors Influence, Gold Investment, Gold Investors, Problems in Gold Investment

INTRODUCTION

In India savings and investment are ultimate aim of earning sector. Various forms of investments like investment in shares, mutual funds, bank deposits, gold, silver platinum etc. Gold is one of the most favoured form of investment in India. The important reasons to choose gold as an investment option are Safety, liquidity, returns and so on. Investing in gold is worthwhile because it is an inflation-beating investment. Over a period of time, the return on gold investment has been in line with the rate of inflation. Gold has an inverse relationship with equity investments. Investment in gold by two ways - paper and physical. Physical form of gold investments are jewellery, coins, and gold bars and paper gold like gold exchange traded funds (ETFs) and sovereign gold bonds (SGBs). Then there are gold mutual funds (fund of funds) which further invest in gold ETFs. There are gold MFs (fund of funds) which invest in the shares of international gold mining companies. Even though, gold is glitter investment, there are some problems

faced by gold investors such as problems in physical storage, flexible government policies, price fluctuation, less returns etc.

REVIEW OF LITERATURE

According to Arulmurugan. P, et al. (2013) made an attempt to investigate the investment behavior of professors towards gold investment. They collected data from 101 professors and analysed by using chi-square test, reliability analysis, factor analysis and Kolmogorov – Smirnov test. Result of their study indicated that professors give more inclination to safety, security, high returns and status. This study also found that professors' first choice goes to ornaments, gold coins, bars and ETF. The two authors Kirti Arekar and Swati S. Godbole (2014) conducted a study on the factors influencing gold investment of retail customers in Mumbai city. The study found that six important factors affect the investment buying behavior ie. Motives, risk and returns, opinions, market information, benefits and security. The study also concluded that the age and gender primarily decides the risk taking capacity of the investors. Sudha K. et al. (2014) identified that the investment decisions are driven by the income of the family, economic conditions, different risk, return and tax consideration. Also the investors are to invest in long term and less risk products, much interested to earn good return on the investment. They have used percentage analysis and chi-square analysis.

Venkatachalam G and Prabakaran G¹¹ (2015) explored the investors' behaviour towards gold exchange traded funds in Indian stock markets. They used both primary and secondary data and used statistical tools namely chi-square test, factor analysis and cluster analysis. They concluded that the factors like government policies, opportunity for wealth creation, funds reputation and different choice of schemes. They select suitable investment scheme with regard to their annual income, monthly savings and time of investment. Kamila Fathima A and Hamil A¹² (2016) conducted a study on investment in gold among working people. They have selected 100 respondents in Palayamkottai. Their study indicated that there is no big difference between the investment behavior in gold among working people in different jobs. Also various gold investment schemes stimulate the investment habit among people.

STATEMENT OF THE PROBLEM

In India, different types of investment modes are available. From the safety point of view, liquidity point of view and the like investments can be categorized. One of such investment mode is investment in gold. Earlier people used to invest their money in banks. Now things have been changed. There are tremendous changes happening in the financial sector. Securities with innovative features are available for making investment. Investment in gold is a new trend existing in our economy. Most of the people prefer

investments in gold. But there is another mode of investment which is more liquid and safer than investment in gold. Investment in gold is such an investment option. But unfortunately, majority of the investors are unaware about the benefits offered by gold investments. So, the present study is an attempt to analyze the factors influencing the gold investment among the investors. Various problems faced by gold investors also forms part of the study.

OBJECTIVES OF THE STUDY

1. To study the factors influencing the investors to prefer gold investment.
2. To study the problems faced by the investors in gold investment.

METHODOLOGY

The research is basically descriptive research. For examining the factors influencing the gold investment of the investors and their problems while investing in gold, the researcher has prepared a well-structured questionnaire and collect their opinion about the core research. In this research, both primary and secondary data were used. For selecting the gold investors, the researcher has selected two organized gold retail showroom viz., Tanishq and Sree Kumaran Thanga Maligai. Required primary data will be collected by using Random sampling technique. Around 110 sample respondents were selected and their opinion has subduced into tables with the help of MS-Excel and SPSS 22.0. The statistical tools Kendall's W Test and Henry Garrett Ranking Technique have been used. Required secondary data will be collected from various Reports, Journals, Books, Newspapers and Websites.

RESULTS AND DISCUSSION

FACTORS INFLUENCING THE INVESTORS - KENDALL'S CO-EFFICIENT OF CONCORDANCES

To identify the factors influencing the investors, it is decided to use Kendall's Co-efficient of Concordances. Kendall's Co-efficient of Concordances also known as Kendall's W. It is a non-parametric statistic. It is a normalization of the statistic of the Friedman test and can be used for assessing agreement among raters. Kendall's Co-efficient of Concordance has been applied to find whether there is any similarity among the respondents in assigning the ranks to the given factors. Kendall's W ranges from 0 (no agreement) to 1 (complete agreement). Higher the value of Kendall's W more will be the similarity among the investors in assigning the ranks whereas lower the value of Kendall's W less will be the similarity among the respondents in assigning the ranks. Mean ranks have been calculated for the factors influencing the investors to prefer the

gold investment. Lower mean shows higher performance of the respective item. Details of the calculations are shown in Table 1.

TABLE 1
FACTORS INFLUENCING THE INVESTORS : KENDALL'S CO-EFFICIENT OF CONCORDANCES

Factors	Mean Rank
Profitability	4.90
Safety	3.94
Time Value of Money	4.59
Traditional Value	5.38
Future prospects	5.24
Risk Management	7.16
Trustworthiness	7.66
Liquidity	7.46
Market dynamic	8.15
Sentiments	8.19
Assured return	7.92
Mortgageable instrument	7.40

Kendall's Co-efficient of Concordance

Kendall's <i>W</i>	0.187
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Table 1 shows the factors influencing the investors to prefer the gold investment. The Kendall's *W* is calculated for the above factors which is found to be 0.187. It shows that there is less similarity among the respondents in assigning the ranks to the factors influencing investors to prefer the gold investment. Looking at the mean ranks, it is understood that the highest preference has been given to safety (lower the rank and higher the priority) constituting the mean rank 3.94 and the lowest preference is given to risk management, mortgageable instrument, liquidity, trustworthiness, assured return, market dynamic and sentiments. The moderate preferences have been given to time value of money, profitability, future prospects and traditional value.

PROBLEMS FACED BY GOLD INVESTORS - GARRETT'S RANKING TECHNIQUE

By using the Garrett Table and formula, ranks assigned by investors have been converted into score. Accordingly, Table 2 has been prepared.

TABLE 2 : PROBLEMS FACED BY GOLD INVESTORS : GARRETT'S RANKING TECHNIQUE

Factors	RANK	1	2	3	4	5	6	7	8	9	10	Mean Score	Rank
	X	82	70	63	58	52	48	42	37	30	18		
Less Return	f	74	113	95	121	66	53	27	73	43	85	52.82	III
	fx	6068	7910	5985	7018	3432	2544	1134	2701	1290	1530		
Problems in physical storage	f	111	123	83	66	46	62	38	139	52	30	54.63	I
	fx	9102	8610	5229	3828	2392	2976	1596	5143	1560	540		
Partially liquid	f	86	37	77	67	90	95	60	87	95	56	49.62	VII
	fx	7052	2590	4851	3886	4680	4560	2520	3219	2850	1008		
Changing Government Policy	f	64	71	74	83	71	81	89	112	45	60	50.11	VI
	fx	5248	4970	4662	4814	3692	3888	3738	4144	1350	1080		
Price Fluctuation	f	74	97	104	70	83	65	105	52	46	54	52.79	IV
	fx	6068	6790	6552	4060	4316	3120	4410	1924	1380	972		
Loss of value	f	113	109	89	46	78	70	39	67	79	60	53.54	II
	fx	9266	7630	5607	2668	4056	3360	1638	2479	2370	1080		
High Risk in Futures & Options	f	26	50	54	80	74	55	120	67	114	110	44.11	X
	fx	2132	3500	3402	4640	3848	2640	5040	2479	3420	1980		
High making charges of Jewelry	f	93	71	49	42	90	111	107	67	29	91	50.14	V
	fx	7626	4970	3087	2436	4680	5328	4494	2479	870	1638		
Less Tax Benefit	f	51	39	66	89	78	85	62	40	155	85	46.18	IX
	fx	4182	2730	4158	5162	4056	4080	2604	1480	4650	1530		
Transaction Cost	f	58	48	66	96	74	73	95	46	78	116	47.09	VIII
	fx	4756	3360	4158	5568	3848	3504	3990	1702	2340	2088		

From the Table 2, it is observed that the main factor felt by the respondents is the problems in physical storage as indicated by its highest mean score of 54.63, this is followed by loss of value, less return, price fluctuation, high making charges of jewellery, changing government policy, partially liquid, transaction cost, less tax benefit and high risk in futures and options.

FINDINGS

- The factor Safety has been ranked as first which got the mean rank is 3.94.
- Sentiments has been ranked as last which got the mean rank is 8.19.
- Physical storage has got highest mean score of 54.63 out of ten problems.
- The problem high risk in futures and options has got lowest mean score of 44.11.

SUGGESTIONS AND CONCLUSION

There are various factors influenced the gold investment decision of gold investors. Safety is the highly influenced factor in gold investment decision and Sentiment is the influenced factor. It is found that the first priority has been given to safety by the gold investors while choosing gold as an investment option and the lowest preference is given to risk management, mortgageable instrument, liquidity, trustworthiness, assured return, market dynamic and sentiments. The moderate preferences have been given to time value of money, profitability, future prospects and traditional value. Gold investors face many problem while investing in gold. Ten problems has been analyzed in this study. From the analysis, it is concluded that physical storage of gold is a major problem in investing gold.

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