

An Analytical Study On Investors' Behaviour Towards Gold: With Special Reference To Uttarakhand

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ABSTRACT - This research work is an attempt to study investors' behaviour towards gold . Gold is rare metal and we cannot deny the importance of gold in national and international market. The demand and supply dynamics of gold brings out its importance as one of the investment avenues. This empirical study seeks the objective to determine the psycho-social and economic reasons behind investing in gold. The study finds out the behavioral aspects of individual investors towards the gold investment and it also studies the factors that influence investors' behaviour. The present study was conducted in the all districts of Uttarakhand to find out the preferences of individual investors towards gold as financial avenues available in financial market. It finds out the significant relationship of socio economic factors with investment preferences towards gold. The analysis was conducted on 600 respondents across the state it consists of detailed analysis socio-economic factors such as Gender, Marital status and occupation affecting the investors' behavior towards investment in gold. Few significant factors were identified from the emerged themes which affect the investors' behavior.. It is found that Psychological factors such as safety and herd behaviour also determine the investment preferences.

The study can be extended in future to determine psychological factors that affect investors' preference towards gold investment and other form of gold investment in Uttarakhand.

Key words: Gold investment, Investor, socio-economic factors, preferences, behaviour

I. INTRODUCTION

Gold is rare metal and we cannot deny the importance of gold in national and international market. The demand and supply dynamics of gold brings out its importance as one of the investment avenues . Gold is an extraordinary metal and the importance of gold in national an international market is noteworthy . The demand and supply of gold exhibits its importance as one of the investment avenues . This empirical study seeks to determine the socio-economic factors affecting gold investments. The objective of the study is to find out the behavioral aspects of individual investors, towards their fund selection behavior and it also studies the factors that influence behaviour . Various studies have found that the value of gold is expected to be appreciated and gold is feasible to raise loans at the times of crisis.

Socio-economic factors such as age, gender, marital status income and occupation of the individual investors affect

their preferences towards various financial avenues. Traditional finance theory found out that investors are rational in thinking and therefore make mindful decisions which are based on careful assessment or by using economic models that might reduce risks. However studies also revealed that the Herd behavior in investors is often considered as a noteworthy threat for the financial markets.

Dempster (2006) recognized India as the world's foremost gold consumer in tonnage terms for many years. He further states that Gold is also viewed as a secure and easily accessible savings vehicle by the rural community, where around 70% of the population lives.

According to (Lawrence 2003). Gold has certain attributes that set it apart from other commodities these are firstly, homogeneous; secondly, indestructible and fungible; and thirdly, the inventory of above ground stocks is large relative to changes in flow demand . (Dempster, 2006).

The studies reveal that India is the second largest consumer of gold and considered to be the holder of the largest stock of gold, but it is also found that its gold policies are not aligned to the needs of the industry. Over the last five years, there have been constant advocacy to develop the a broad gold policy so that it become a mainstream financial asset and also a part of the organised sector of the Indian economy. Consequently, 2018 marked a significant shift in

government policy. India’s Finance Minister indicated the government’s commitment to redefine gold policies that would launch gold as an asset class, along with the creation of a gold exchange.

Hence NITI Aayog, released a gold policy report with 84 recommendations to transform the gold market over the coming years

Factors affecting Indian gold demand

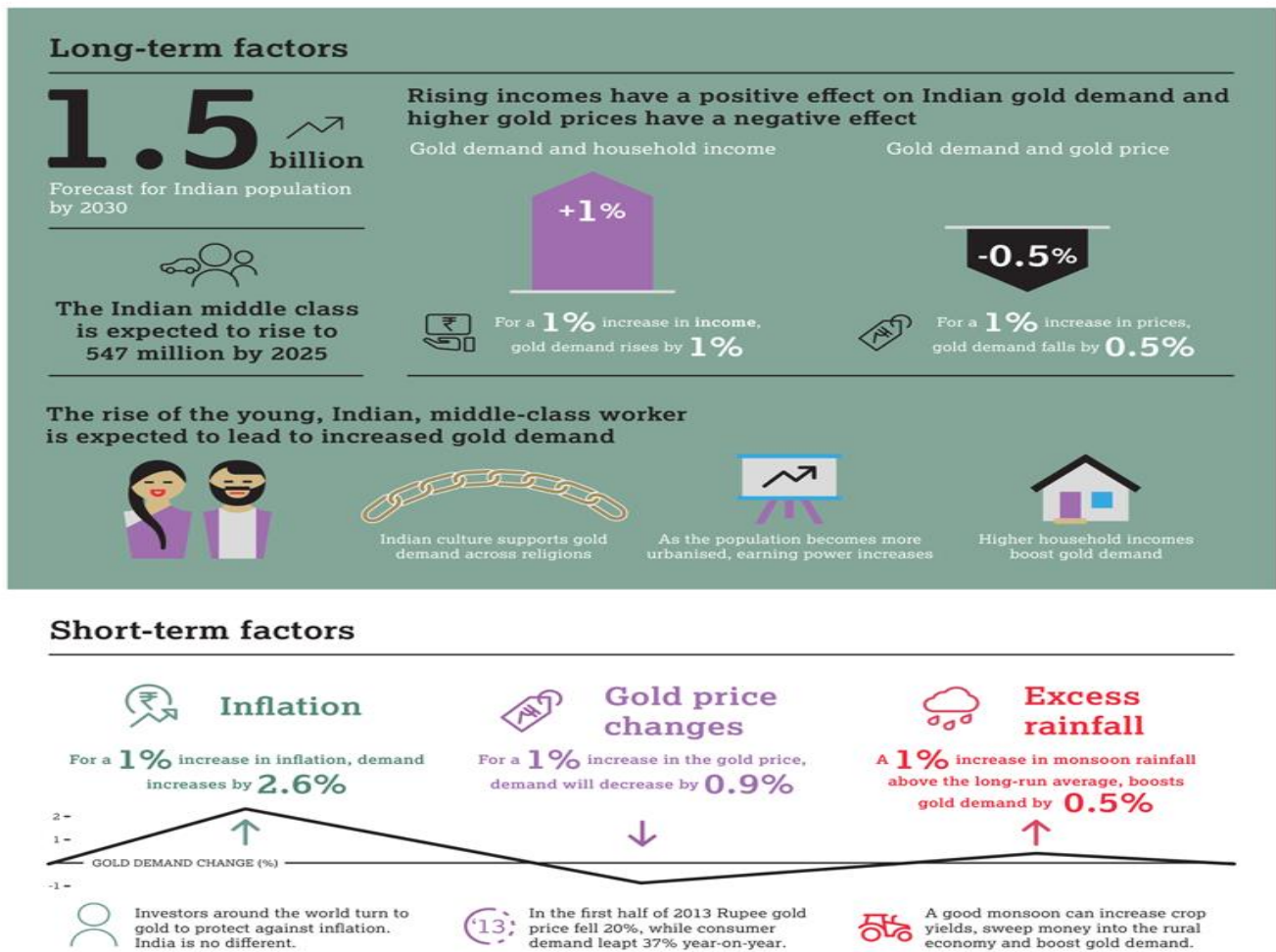


Figure 1: Factors affecting gold demand Source: <https://www.gold.org/goldhub/research/india-gold-market>

II. THE SCOPE OF THE STUDY IN UTTARAKHAND

The Present study aims at finding out the factors that affect the investors preferences in Uttarakhand and also studies financial awareness among the investors. As per RBI report (2006) there is geographical disparity and feasibility constraint in most of the part of Uttarakhand because of which individual do not access banking facility but in last few years it the state of Uttarakhand has been emerging as one of the most attractive industrial destinations in India. This has brought changes in the saving behavior of the

individuals. With the accessibility of various investment options in the state, preferences of investors have changed with the changing scenario. They have been investing more of their savings in various investment avenues. There are number of investment option such as Fixed Deposit, Mutual Fund, Public Provident Fund, Insurance, Equity Market and Small Saving Schemes, gold and silver, real estate are available.

The study finds out the preferences of the investors towards gold investment and market. The present study has not been conducted in uttarakhand to the best of the researcher's

knowledge and information,. Therefore, it is quite useful not only for the individual investors but also to the policy makers to introduce policies that are conducive to gold market in the state that caters to the need of the individual investors and suppliers in Uttarakhand. it brings out level of awareness of investors towards gold. The study will also bring out the effect of fluctuations of gold market on investors.it will throw light on trends of gold in India

III. LITERATURE REVIEW

Gnana Desigan. C et.al. (2006) in their study found out that the The found out that the women investors prefer to invest in bank deposits and jewels influenced by safety and liquidity.

Narayana. D.L (2007) did his study in Chittoor District .The study reveals that the Investment in farm assets fall when the education level increased, at the same time the investment in durable asset increased. The study revealed that the gold is the most preferred investment preference to the most of the investors apart from Bank deposits PPF.

C. KrishnaMoorthy (2007) in his study identified 13 investment avenues and all the investors recognized bank deposits followed by insurance products which were known to 81 per cent of the sample investors. Equal number of investors recognized Provident Fund and PPF investments, 63 per cent of the investors were familiar with postal savings and deposits. 42 per cent of investors were aware of Gold and Jewellery investment.

Hundal . B.S.et.al., (2013) study the factors influencing purchase behavior of retail investors towards gold with the help of Factor Analysis. He found out that the preferences of an investor vary with respect to alternative investment avenues, assets and segments present in the market. The sample size included 183 respondents from different cities of Punjab.

Bisht D.S. (2006) throws light on the socio economic condition of Uttarakhand and gives us a detailed picture of the people of Uttarakhand hill region strived for a living from a very difficult terrain and maintained self sufficient economy. The study would benefit to modify plan strategy and draw short term and long term perspective development plans for the new state of Uttaranchal.

Alagu Pandian (2013) examines investors preference towards various investments avenues in Dehradun district. He discusses about various investment avenues available and states that the investor need to make the decision of how much to invest and where to invest. According to his study the major factors of an investment are safety, liquidity, income stability, appreciation and easy transferability.

Lutter (2008) brought out that gold is a long term stable backbone of any Investment Portfolio.

Sujatha &Kumarasan (2013)in their research work proved that Gender is a considerable factor that influences the gold buying behaviour of investors.

Kaynak and Kara (2002) in his study recommended that lifestyle patterns affect individuals to determine their investment behaviour.

Mary Honey O J (2013) CPPR- Centre for Comparative Studies Working Paaper Series

Gold and Consumer Behaviour- A Comparative study of Cochin and Delhi suggests that there is no low demand for gold in India though there is constant increase in the prices of gold.

Objectives of study

The proposed study has following Objectives:

1. To identify the reasons for gold preferences by the investors.
2. To identify the factors on which investors behaviour towards gold depends.
3. To find out the relationship of socio- economic factors i.e gender, marital status and occupation variables with investors preferences for gold.
4. To suggest the remedial measures for the improvement in performance of financial market.

Hypothesis

- H₁ There is a significant relationship between gender and gold preference.
- H₂ There is a significant association between marital status of an individual investor and gold preferences.
- H₃ There is a significant association between occupation of an individual investor and gold preferences.

3.3 RESEARCH METHODOLOGY

Random sampling method is used to collect the primary data through which research result is formulated with the further processes of the research.The study was conducted in Uttarakhand. This included all the districts of Uttarakhand.

The Primary data has been obtained through a structured questionnaire. The total numbers of 600 participants were selected for the sample size on random basis to cover all districts of Uttarakhand namely- Dehradun, Haridwar, PauriGarhwal,TehriGarhwal, Pithoragarh, Nainital .The data is collected from the both the male and female participants from the districts mentioned Secondary data is collected from all the sources available such as authentic Websites, magazines, standard text books, and journals The variable in the study is the investment preferences and socio- economic variable gender, marital status and occupation that affect the investment preferences.

Chi-Square test is used to test the hypothesis the significance relationships between the two variables to test. The test has been conducted to study the association of the socio- economic variables gender, marital status and occupation on investment preferences.. Frequency analysis was used to identify percentage of responses to all the questions in the survey, by counting mean median and other central tendency. Percentage Analysis is used in calculating percentage wise data distribution. Frequency tables and

descriptive statistics were constructed to display results with respect to each of the research questions.

3.4 DISCUSSION AND ANALYSIS

Chi square test is used to test the association of investment preferences with the marital status towards gold . The study conducted shows that there is a significant relationship between gold preferences and gender , gold preferences and marital status and gold preferences towards occupation.

1. OCCUPATION AND GOLD PREFERENCE

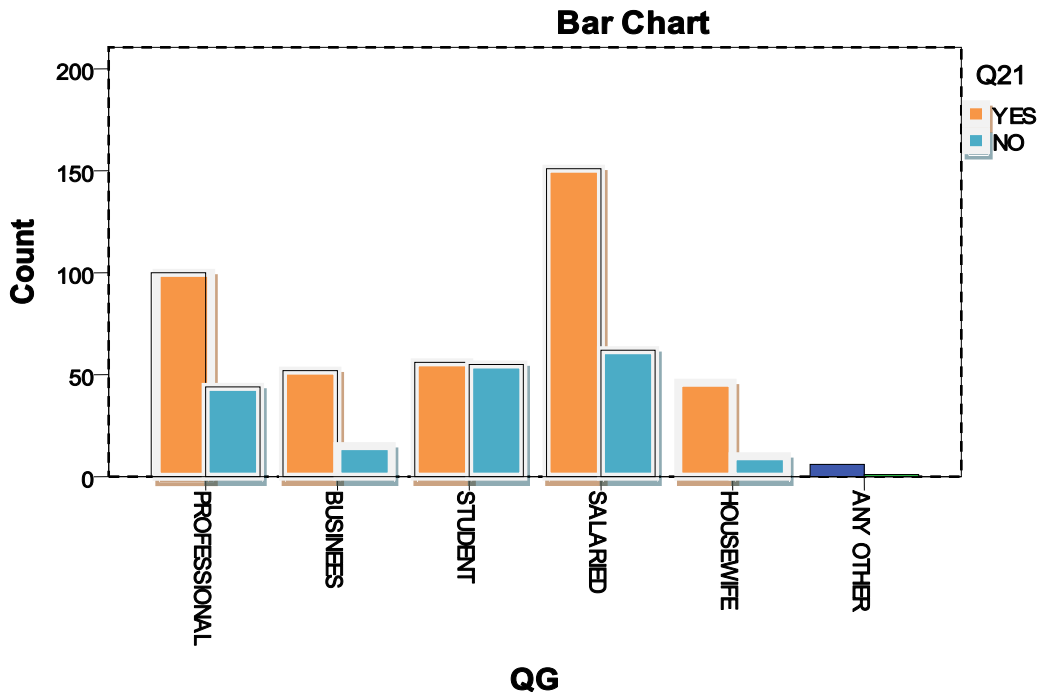


Fig figure: 2. Association between Occupation with Gold preference

The study revealed that occupation has a significant relationship with preferences for Gold. The research work brought that occupation affect the gold preferences towards investment. Salaried class prefer for investment in Gold. Since gold is considered to be safe and traditional method of investment, it is highly preferred by salaried class in Uttarakhand. The testing of the statistical significance of association between Occupation and Gold preference is done at 5% level of significance, the Asymptotic (2 sided) Significance is 0.000, it is found less than level of 0.05.

2. Marital Status and Gold preferences

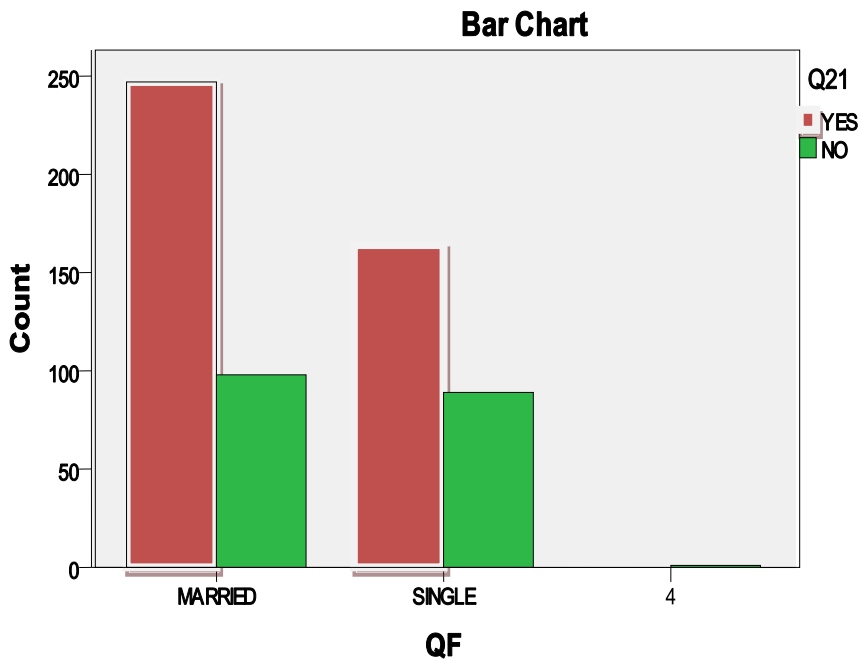


Figure 3. Association of participants based on Marital Status with gold preferences.

The study represents that there is no significant relationship between marital status with investment preferences in gold. The research found out that marital status does not affect investment preferences. Both Married and single prefer investment in gold. The study revealed that gold is one of the most preferred investment avenue for married and singles in Uttarakhand. The statistical significance of association between Marital Status of the Respondent and preference for gold is 0.071, which is above than the critical level of 0.05.

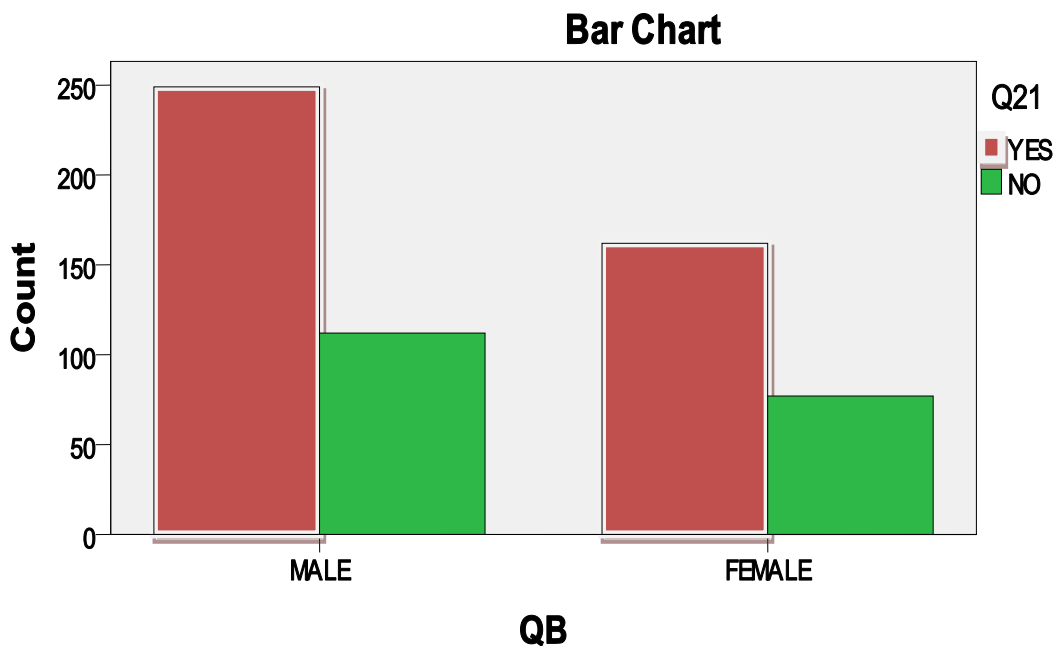


Fig: 4 Association of Gender with Gold preferences

The figure 4 states that there is no significant relationship between gender and gold preferences. Therefore, gender

does not affect preferences for investment in Gold. Both male and female contribute in investing in gold. The

statistical significance of association between Gender of the Respondent and preference for gold is 0.788, which is above than the critical level of 0.05. It was found through the study that Gold is preferred by both gender. .

In the previous chapters comprehensive study of research methodology and analysis of data and testing of hypothesis is done. Based on analysis and results, the conclusions have been drawn and thereafter suggestions are given at the end. The study brings out the preferences of the individual investors in Uttarakhand. It also brings out the factors and thereasons for preferring particular financial avenues. Through this study financial awareness among the individual is also found out.

IV. CONCLUSION

This evident that income of people in Uttarakhand has risen in last few years because of creation of employment opportunities. SIDCUL and other initiatives by government have contributed in increasing the income of people. Education level of people is enhanced . this helped to create financial awareness and encouraged people also to go for these investment options. Hence for increasing the pace of development in Uttarakhand and in nation the pace of financial literacy among investors of Uttarakhand should be increased so that they should invest at right place where both the state and nation and also investor should get maximum advantage.

The detailed study has been conducted using literature review and survey of 600 respondents across Uttarakhand. For this, demographic and economic variables are considered. Therefore, three socio- economic profile are selected to association between the variables.

The present study is analysed in two sections:

The first section dealt with socio- economic profile of the individual investors i.e gender marital status and occupation.

The second section dealt with analyzing and testing of hypothesis framed. Chi Square Test of association was used for the study.

Status of Sociodemographic and Economic Factors

The study was conducted on 600 respondents across the districts of Uttarakhand. It was found 57.3 % of the total sample were married whereas the percentage of single was 42.2%. Out of 600 respondents, the data represents 35.5% the total sample were of salaried class followed by professionals 24%. This also reveals that maximum number of investors are salaried class.

V. HYPOTHESIS TESTING AND ACCEPTANCE

Based on objectives significant association of socio economic factors and investment preferences is analysed. Therefore, three research hypotheses were framed and Chi-

Square is used to analyse the significant association of two variables.

Following are conclusion of hypothesis tests and all the five research hypothesis are accepted.

- **Gender has significant association with investment preferences.**
- **Marital status share significant relationship with investment preferences**
- **Occupation has asignificant relationship with investment preferences.**

This research paper entails the detailed report and description of all the steps taken in carrying out the present research. The participants of this study were 600 individual investors across the state. The data was collected mainly through structured questionnaire and electronically developed questionnaire through google doc along with self-report surveys and document materials. An overall positive response was found in the individual investors experience and preferences towards financial avenues.

- The study concluded that socio economic factors such as gender, marital status and occupation were associated with the investment preferences .it is found that that the males, married and salaried class are more positive towards the investment.
- The study indicates that government small savings schemes and bank fixed deposits are quite popular in Uttarakhand, this also indicate that investors prefer safe avenue to park their money, further analysis throws light on the reason to select particular avenues and study reveal that people also get affected by friends and relatives. this shows herd behavior of the investors towards preferring particular avenue.
- The study reveals that the Factor that Influences the Investor Most While Selecting A Particular Investment Option is Electronic/Print media that constitute 30.2 % and Friend/Relatives 31% which is closely followed by Self awareness 27.7% towards the investment option. The percentage distribution of total sample of Investors that seeks advice of SHG agent or Financial broker is.7 and 10.4 % respectively. Psychological factors such as Herd behavior are also evident through the study in the respondents as they get influenced by the friends and relatives. Out of 600, It constitute 42% whereas very few are experienced. The level of awareness is found Moderate who are comfortable with savings and invest in chit funds LIC, PO Savings, PPF, Gold.

VI. SUGGESTIONS

This chapter is the culmination of the comprehensive study done to find out investors preferences for investment in

financial market. The researcher had collected information from various sources about the research work including in-depth study of secondary data sources. Following suggestions are drawn from the conclusion and results:

- **Females Participation is encouraged**

Since women are not much financially independent, they are not inclined to save also. Women should be motivated to become financially independent especially housewives to come forward and promote savings and investment. This will help in enhancing the lifestyle of women living in remote and hilly areas.

- **Encouraging financial awareness among investors**

The study reveals that the investors are risk averse, perception regarding high risk involved in stock market is due to lack of awareness among the investors. Financial literacy can be achieved only through various Investor Education Programs which must be promoted to increase financial awareness and impart knowledge about various investment problems and financial products. Women should be encouraged to learn and be aware. Investors should be given warnings about unethical practices in stock market.

- **Special concessions or tax benefits**

It is suggested to provide special concessions and tax benefits to the investors living in remote areas; this should be given to women investors too.

- **To meet the requirements of specific segment of population**

The finding that is brought out from both the literature on saving and present study is that there are specific segments of the population: young working class aged 25-30 years, females, and single should park their money in one or the other way. Hence these groups must be targeted and programs and products should be structured that are better tailored to meet their requirements considering the socio-demographic, psychological and economic factors.

- **Provision to broadcast information**

Proper channel of communication should be implemented. The information about different financial instruments should be given time to time to investors & advisors so that financial advisors can guide and investors can make investment, according to their objectives. The study finds that individual investors in Uttarakhand rely on print/electronic media. Information regarding various financial avenues should be available frequently in print/electronic media.

- **Too much Dependence And Herd Behavior should be avoided**

Rather than anchoring on friends and relatives, the investors should depend on financial advisors. The study reveals that friends/relatives influence the preferences of

investors which are often poorly estimated compared to those that follow from a systematic process.

- **Developing more alternatives of Financial instruments as per the needs of diversified Investors**

Financial institutions should analyse and bring more options for the investment as per the preferences of the investors which caters to the diversified need of every investor.

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