

Consumer Behaviour for Purchasing Gold as an Investment Avenue

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ABSTRACT

Purpose: This paper aims to understand consumer behaviour for purchasing gold as an investment avenue.

Design/methodology/approach: The Mixed method research quantitative and qualitative method have applied for the data analysis. The cross-sectional survey has carried out for 100 respondent - the sampling technique used for the purposive sampling for the consumers of the gold. The data have collected with the help of social media like Facebook, LinkedIn Twitter and WhatsApp.

Findings: The respondents consider that gold is the most secure option. The customer considers investing in the gold with an objective of wealth creation. Most of the respondent do not have Financial advisor for suggesting them as an investment option. The main priority of the respondents is to invest in the gold is for child educations.

Research limitation/ Implication: The limitation is of sample size and scope of the study.

Policy implication: The stock in gold in the bank is critical for India to transform it is economy into manufacturing. By understanding, consumer behaviour for the purchasing gold wit gives better insight into the formation of the policy.

Originality/value: The results produced by the analysis of the researcher and the mixed method of research used to explain the objective. This kind of paper is not available in the academic domain.

Keywords: Consumer behavior; Gold; Investment.

1.0 Introduction

Gold is a metal highest in demand in the Indian metal commodity market. This feature of gold in the domestic market has made gold is one of the highest imported commodity in India. India ranked second in the overall ranking in the index of the importer in gold after China for many years. India has 10th largest gold reserve in the world, reserves in the worlds narrate World council data in Business Today. World Gold Council's (WGC) is an independent agency tracking and analysing gold trade globally at the wholesale level revel data. According to (WGC) latest report, India has 618.2 tonnes of the yellow metal as a holding, which is 6.9 percent of share held in the gold in total foreign reserve. United States (US) has the prime holding with 8133.5 tonnes, charted by Germany with 3366 tonnes and the International Monetary fund (IMF) with 2814 tonnes. Other countries having more gold holdings than India is Italy with 2451.8 tonnes, France with 2436 tonnes, Russian Federation with 2241.9 tonnes, China with 1948.3 tones, Switzerland with 1040 tonnes and Japan with 765.2 tonnes (Jayakumar, 2019). Gold reserve in the central bank is less than the import of the gold is a satire that India is the second-largest importer of the gold and still, India's rank is not in top five economies in terms of reserves. In another way, it proves that buying behaviour of the consumer for gold is towards as an investment avenue. This paper is an attempt to predict the purchasing pattern of the gold as an investment option and to understand customer preference for purchasing gold and author suggests strategies in order to expand the gold investment market. The author also addresses policy and managerial implication on purchasing gold as an investment option.

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The author illustrates that the consumer considers gold as the most secure investment option. It explains in analysis customer prefer to invest in gold mine and gold certificate more than in gold in physical form. The research has used mixed method of the research for the investigation of the research objective.

2.0 Objective

1. To study consumer behaviour in purchasing gold as an investment option.
2. To study the customer preference for purchasing investment options.
3. Suggest strategies in order to expand the gold investment market

3.0 Literature Review

(Ibrahim, 2012)The authors analyse the relation among the gold return and stock market return and whether its relation shifts in times of consecutive negative market returns for an emerging market, Malaysia. The authors apply the autoregressive distributed model. To connect gold returns to stock returns with TGARCH/EGARCH error specification using regular statistics since August 1, 2001, to March 31, 2010, an aggregate of 2,261 observations. The author illustrates a significant positive but low correlation between gold and once-lagged stock returns. The author explained that consecutive negative market returns do not seem to strengthen the co-movement among the gold and stock markets. As usually documented among national stock markets in times of financial turbulences. The author narrates, there is some evidence that the gold market surges when faced with consecutive market declines.(Wei Fan, 2014)The author evaluates the impact of the Micro factors on the wall prizes. The author uses the EGARCH model to test the volatility. The VAR model is used to validate the idea of decomposing gold's value, into three parts, according to its features. The author proved that three Micro factors have an impact on gold's price. The USDX index is negatively associated with the gold price, while the CRB index and the US Treasury CDS spreads positively correlate with the gold price. In particular, it found that the one-legged CR Bindex, one-legged USDX index and two-legged US Treasury CDS spreads have a significant impact on the gold price.(Arfaoui & Rejeb, 2017)The author examines, from a global perspective, the oil, gold, US dollar and stock prices interdependencies. The author also identifies instantaneously direct and indirect linkages among them. Author analysis methodology uses simultaneous equations system use to identify direct and indirect associations for the period 1995-2015. The authors try initially to find theoretical answers to the central question of the study by discussing causal bilateral relationships while focusing on multilateral interactions. Simultaneous equations system use to identify direct and indirect linkages for the period 1995-2015. The authors try initially to find theoretical answers to the central question of the study by discussing causal bilateral relationships while focusing on multilateral interactions. The author illustrates. The results show significant interactions between all markets. The authors found a negative relationship between oil and stock prices, but the oil price is significantly and positively affected by gold and USD. Oil price is also affected by oil futures prices and by Chinese oil gross imports. Gold rate concern about changes in oil, USD and stock markets. The US dollar is negatively affected by the stock market and significantly by oil and gold price. Indirect effects always exist which confirm the presence of global interdependencies. It involves the financialisation process of commodity markets.(Pan, 2014)The author discusses the role of oil and gold prices roles in the economic development of a country. The author uses the historical data of oil and gold prices as research data, and uses the historical price tendency charts of oil and gold, as well as cluster analysis, to discuss the correlation between the historical data of oil and gold prices. By referring to the technical index equation of stocks, the technical indices of oil and gold prices calculate as the independent variable and the closing price as the dependent variable of the forecasting model. The author proved that there

is no apparent correlation between the price tendencies of oil and gold. According to five evaluating indicators, the MFOAGRNN forecast model has better forecast ability than the other three forecasting models (Wei Jiang, 2014). The Author analyses the price of gold futures based on heterogeneous investors' overconfidence. The Author divides the traders of gold futures market into two kinds. The speculators and arbitrageurs. Then constructs a market balance model of futures pricing to analysing the behaviours of the two kinds of traders with overconfidence. After receiving the decision-making function, the market balance futures price attain on the condition of market clearing. The author also analyses the overconfidence impacts on futures price, the unpredictability of the price of gold futures and the effects on individual utility. The author illustrates that under different market conditions, the overconfidence psychological impacts of the varied investor on the price and volatility of futures are different, sometimes opposite. (Christian Simoni, 2010) The author examines current patterns of international marketing activities of Italian gold firms with a special emphasis on the US market and to contrast them with those adopted by Indian gold firms. A sample of small- and medium-sized enterprises (SMEs) from Italy and India helped as the study setting. Data collected via depth interviews from the owners/managers of four Italian and three Indian firms the Author illustrates the competitive behaviour of Italian SMEs is primarily reactive. In contrast, Indian companies strategically focus on the expanding Indian immigrant community. (Smriti Verma, October 2014 - March 2015) The author illustrates both males and females investing in gold assuming that both view it as a product for usage as well as investment. The author narrates the inclination of individuals having children of marriageable age were investing. The author explains the quantum of investment. Individuals are having children of marriageable age invest around 25-50% of their savings in gold as compared to individuals not having children of marriageable age who invest only up to 25% of their savings in gold.

4.0 Research Methodology

Researchers have used mainly on primary data and analysis; also, the researcher reviews literature as secondary data to highlight Gold. Research reports, journals and newspaper articles from eminent writers have reviewed.

A structured questionnaire with a demographic profile and attributes related to objectives is to use. The sample size is 100. The sampling technique is purposive sampling. Qualitative and Multivariate Quantitative technique has used. The data have collected with the with google form, survey monkey with the help of social media like Facebook, LinkedIn, twitter and WhatsApp and direct contact with the respondent.

The researcher are used NVIVO, SPSS, MS Excel and Tableau software used for the data analysis.

4.1 Data analysis

Figure 1: Have Consumer Invest in Gold

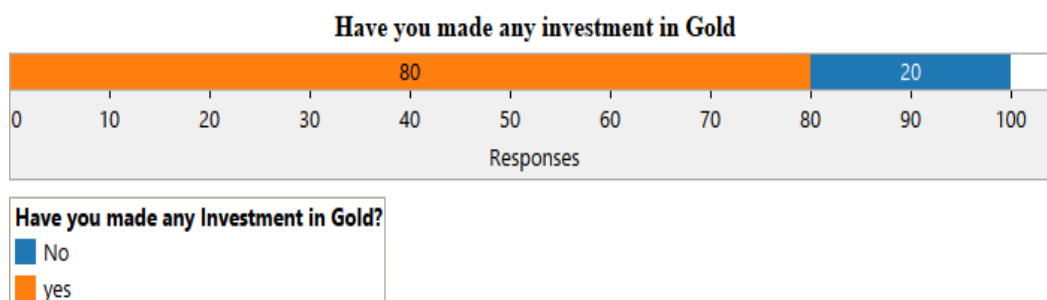
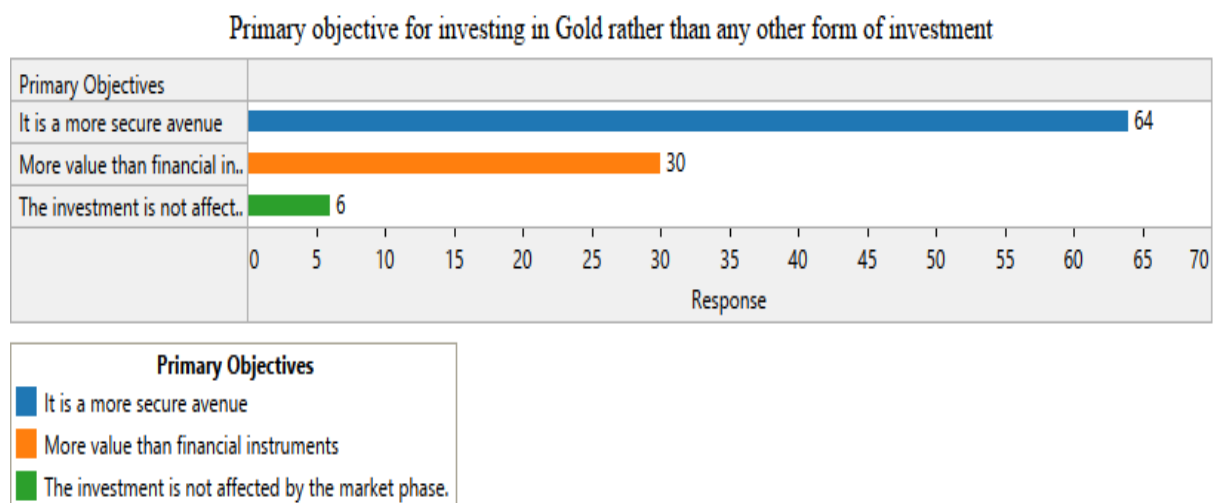
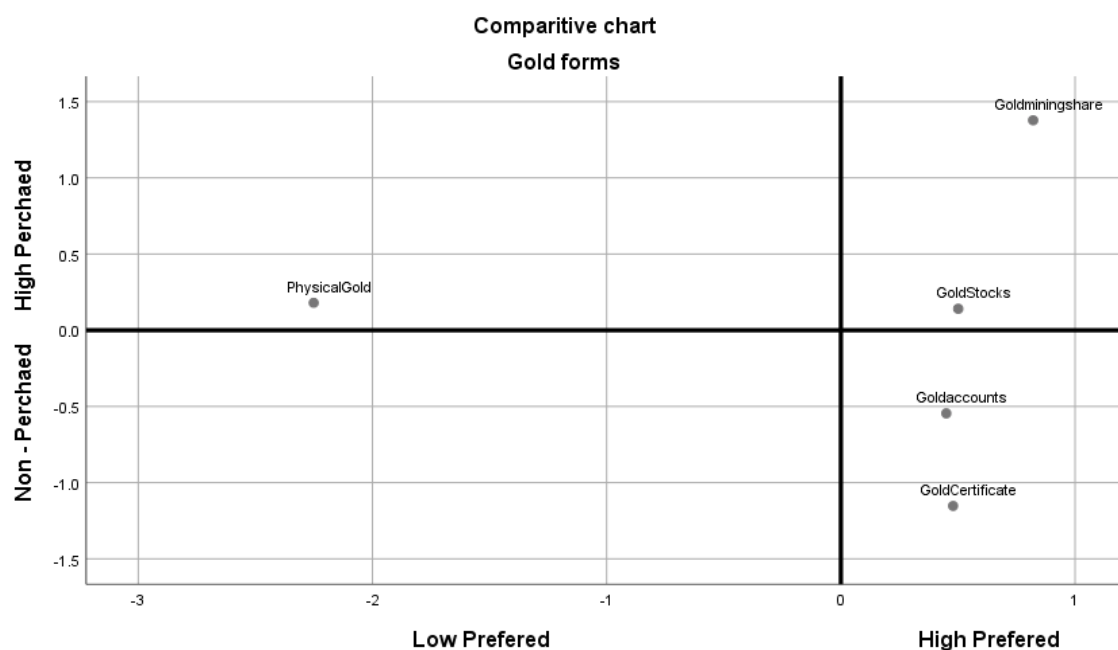


Figure 2: Primary Objective for Investing in Gold**Figure 3: Multi Dimension Scale of Competitive Position of Gold****Table 1: Descriptive Statistics of Figure 2**

Descriptive Statistics				
	N	Sum	Mean	Std. Deviation
Gold accounts	100	271	2.71	1.008
Gold Certificate	100	276	2.76	1.296
Gold Stocks	100	279	2.79	.880
Physical Gold	100	304	3.04	2.010
Gold mining share	100	370	3.70	1.382
Valid N (listwise)	100			

Figure 4: Word Cloud on Factor Influence for Gold



Figure 5: Word Tree of the Word security

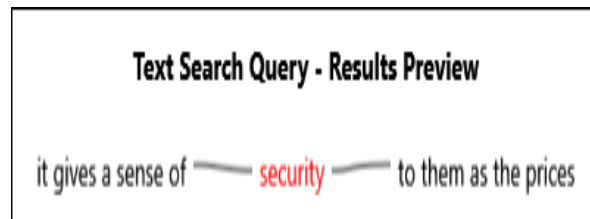


Figure 6: Factors for Investment in Gold



Figure 7: Word Tree of Gold

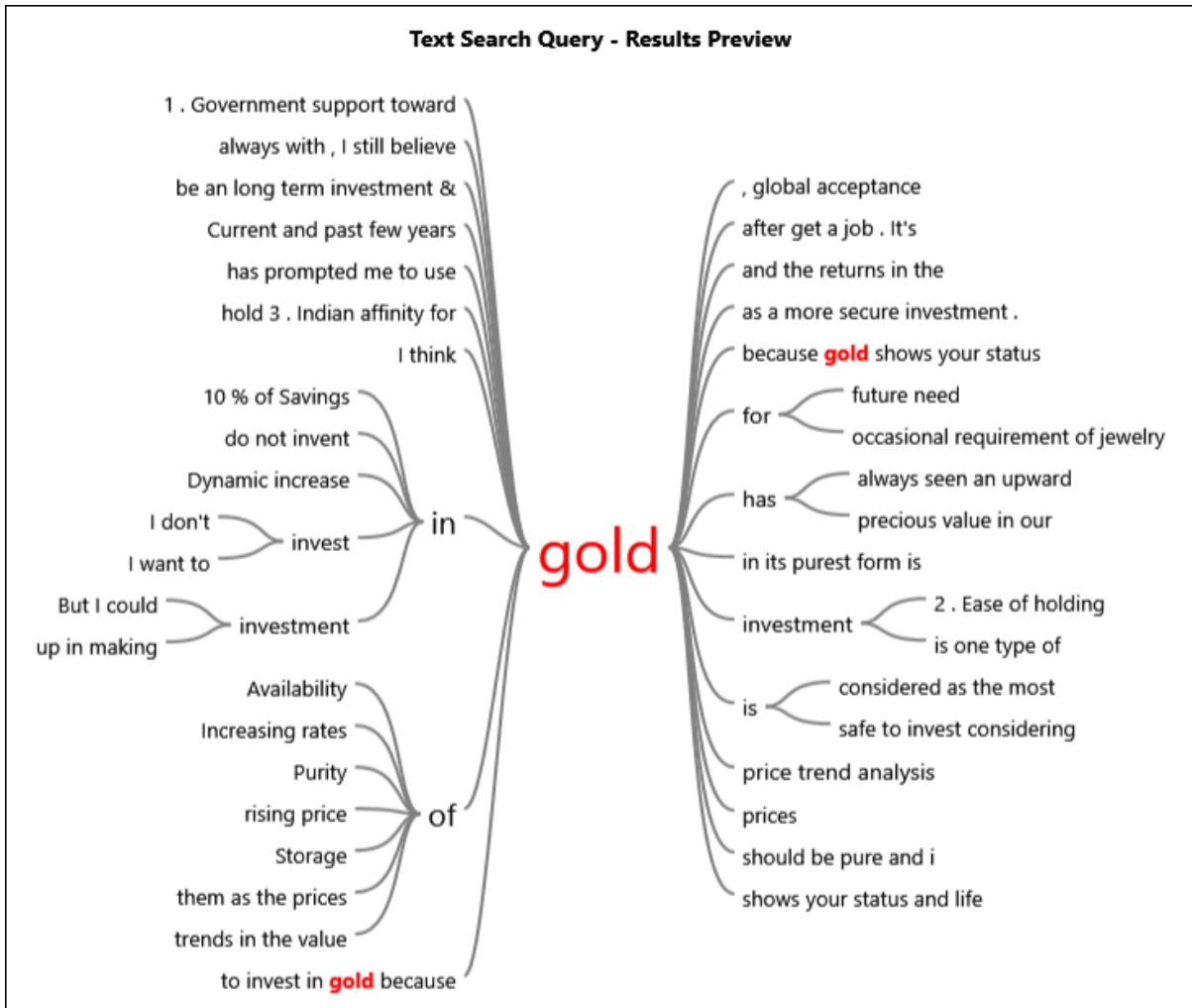


Figure 8: Factor Stop to Invest in Gold



Figure 9: Word Tree of Gold

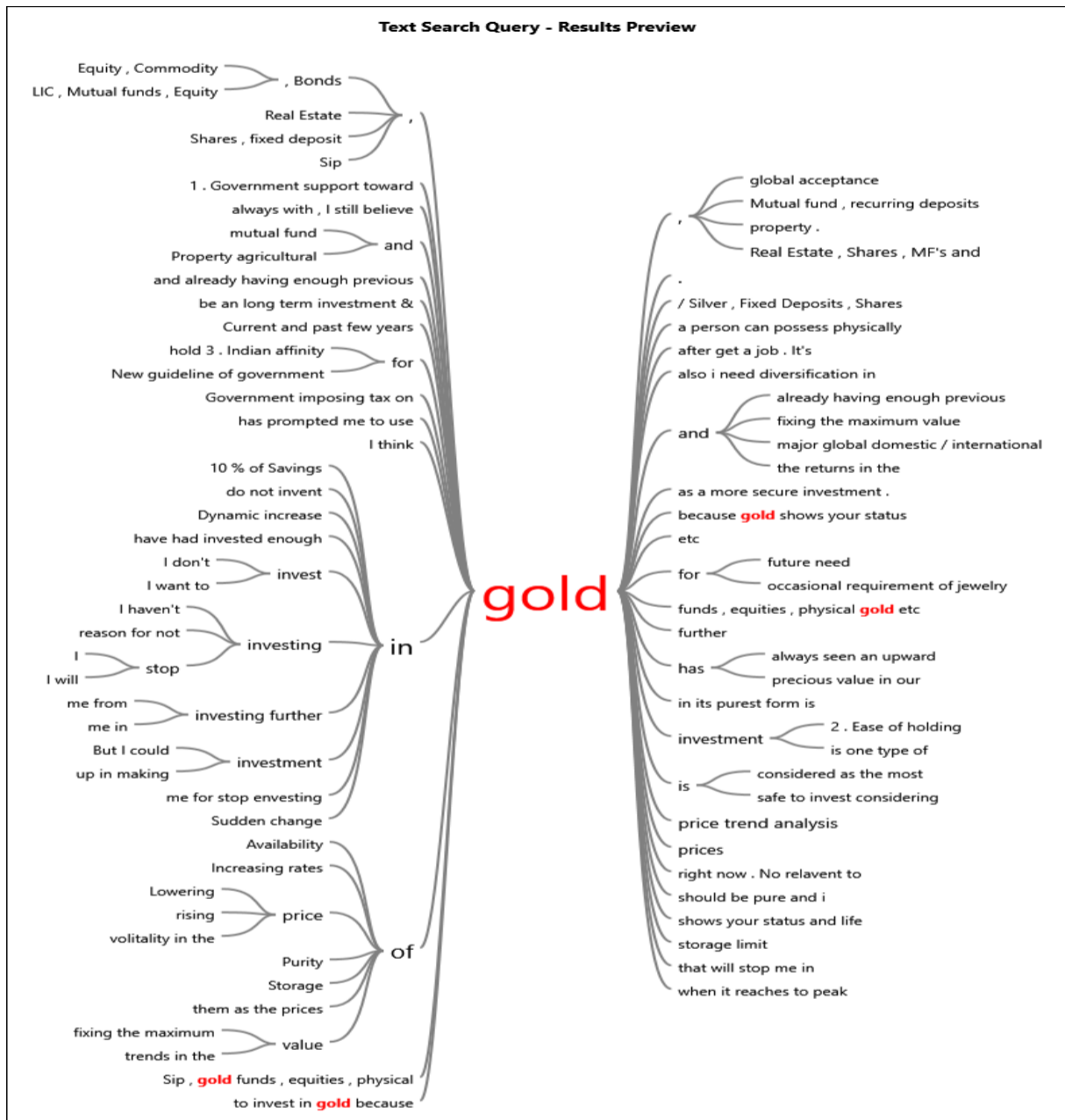


Figure 10: Financial Advisor

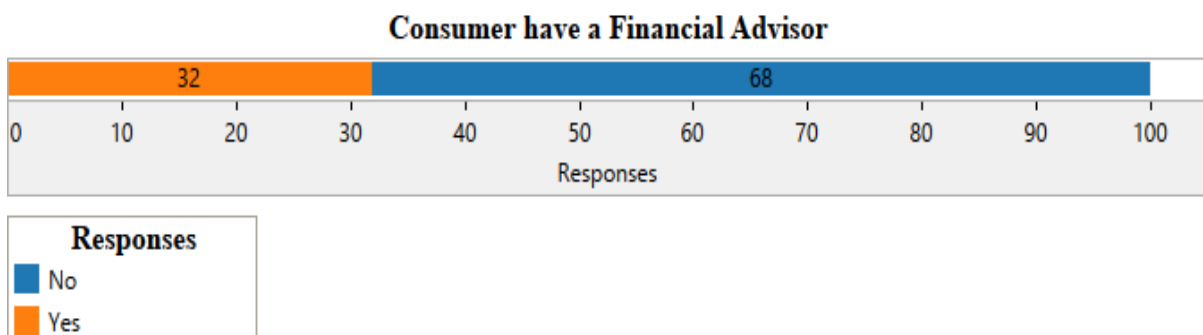
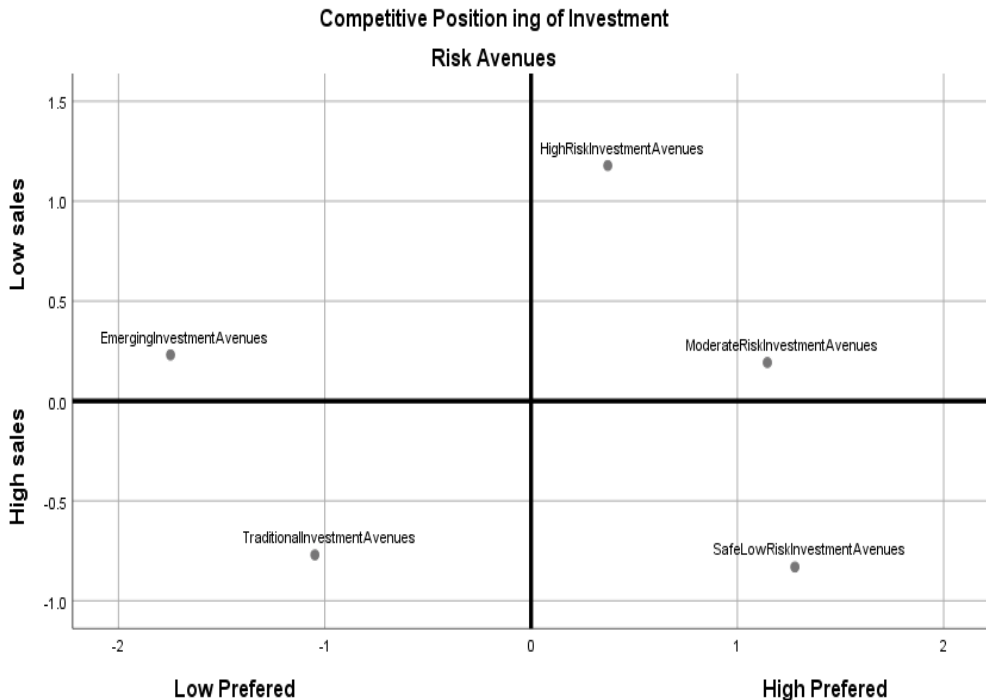


Figure 11: Multi Dimension Scale on the Investing Options

**Table 2: Descriptive Statistics of Figure 11**

Descriptive Statistics				
	N	Sum	Mean	Std. Deviation
Safe/Low-Risk Investment Avenues	100	210	2.10	1.159
Moderate Risk Investment Avenues	100	264	2.64	1.177
High-Risk Investment Avenues	100	309	3.09	1.334
Traditional Investment Avenues	100	333	3.33	1.319
Emerging Investment Avenues	100	384	3.84	1.441
Valid N (listwise)	100			

Figure 12: World Cloud Reason for Investing in a Gold



Figure 15: Word Tree of Returns

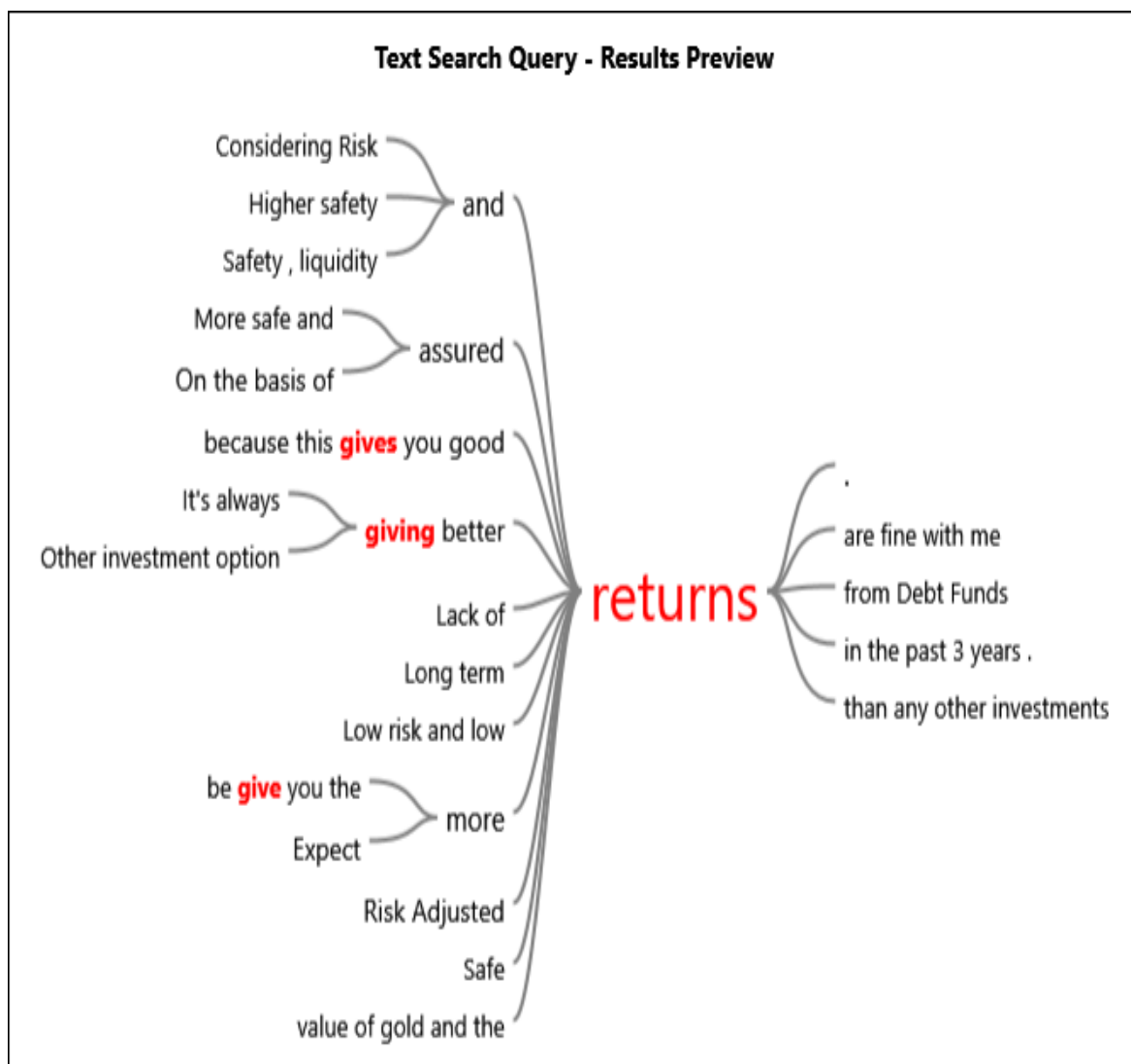


Figure 16: Sectors of Investments

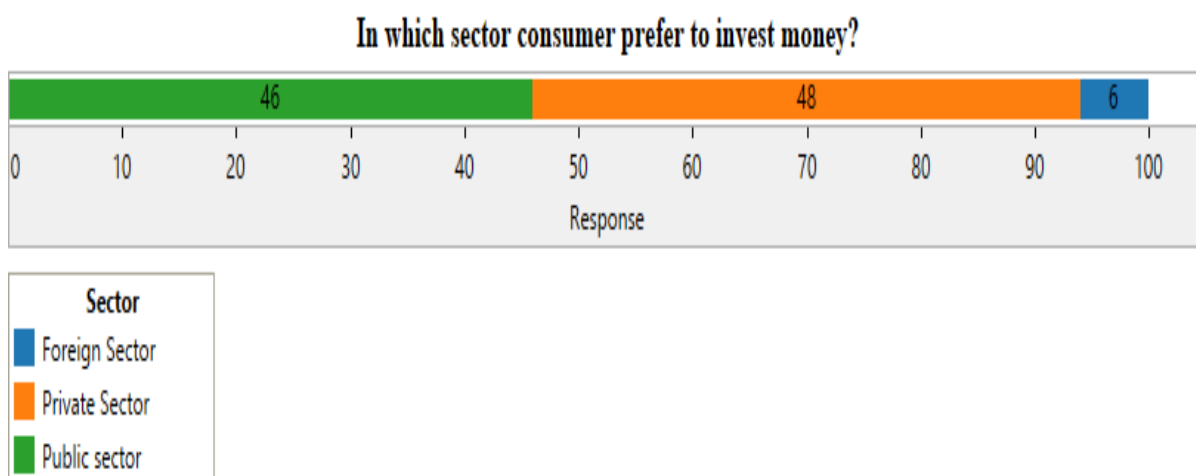


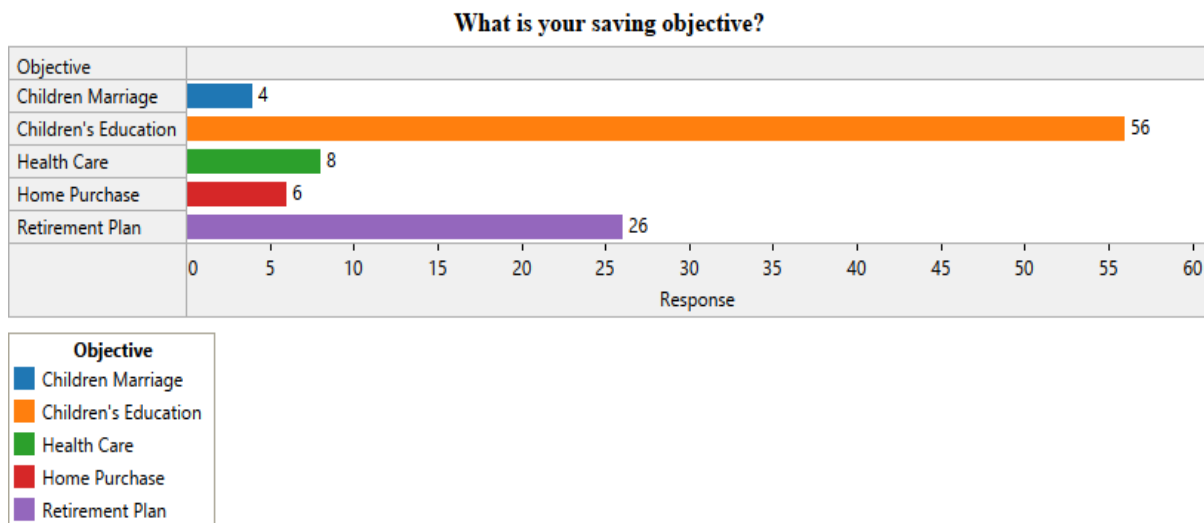
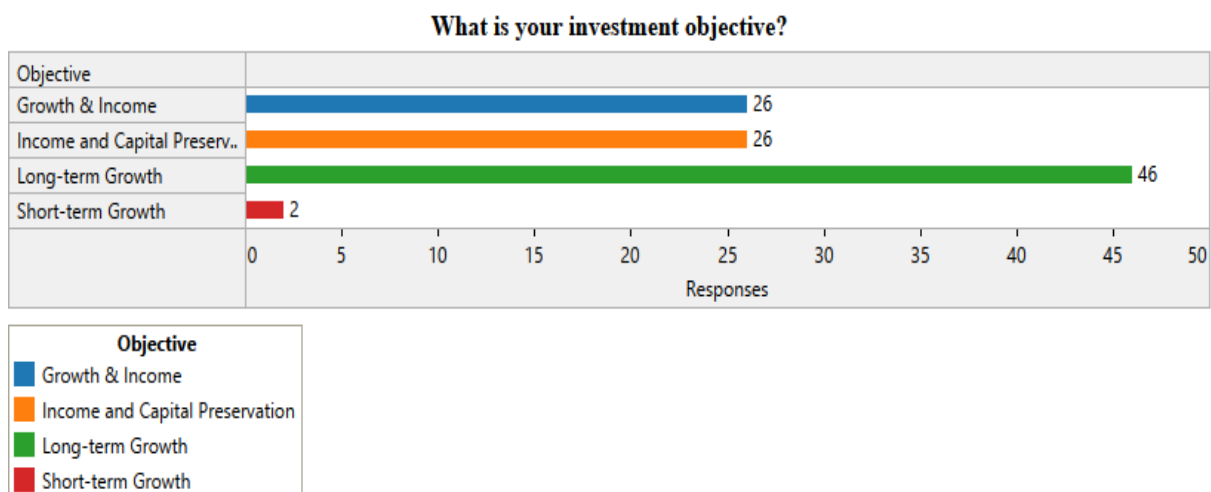
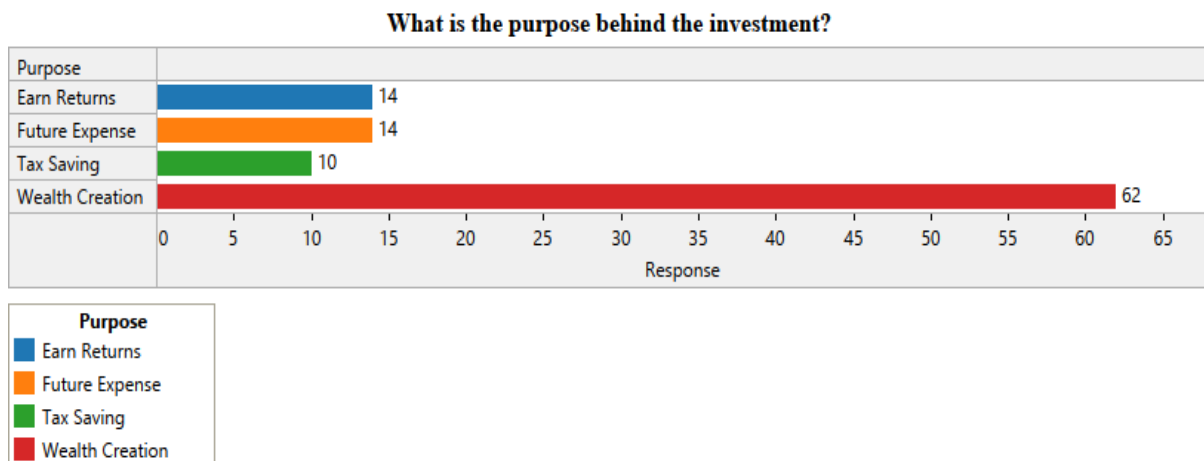
Figure 19: Saving Objectives**Figure 20: Investment Objective****Figure 21: Purpose behind the Investments**

Figure 22: Share Market (through a DEMAT A/c)

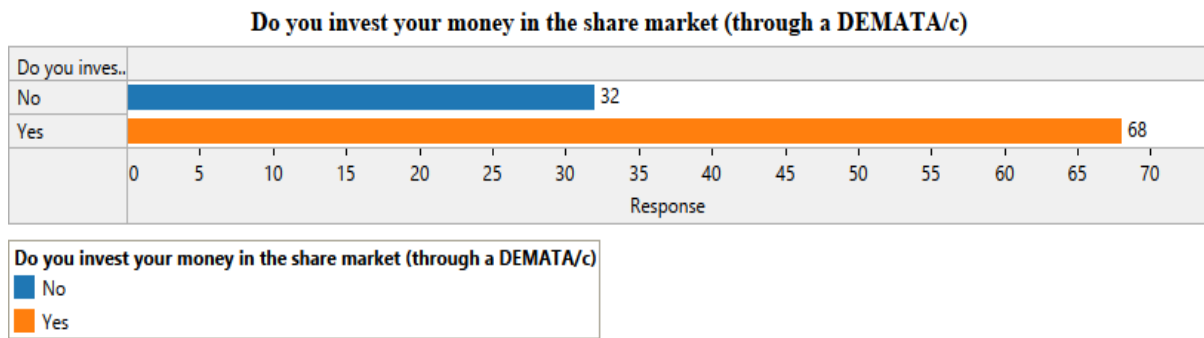


Figure 23: Monitor Investment

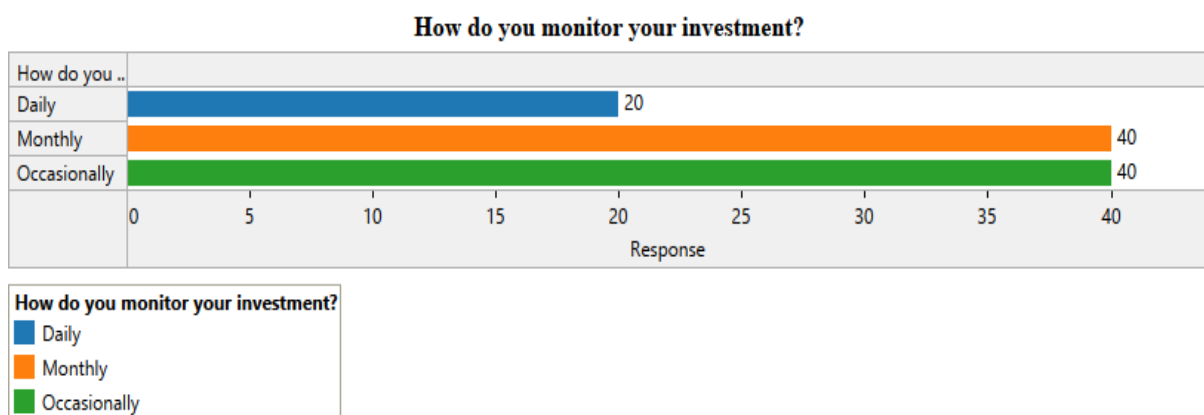


Figure 24: Funds for Children Marriage

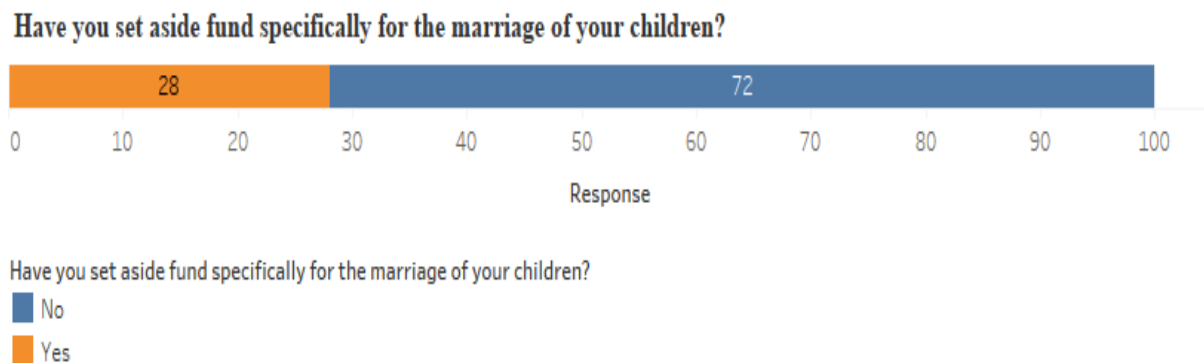


Figure 25: Formal Budget for Family Expenditure

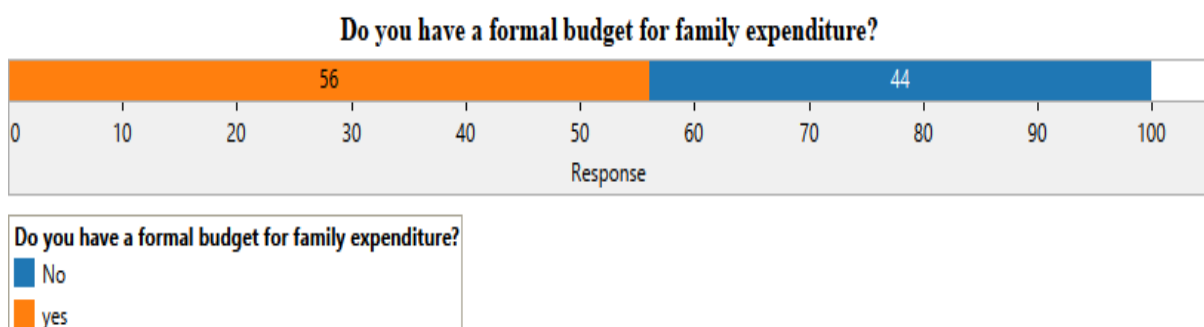


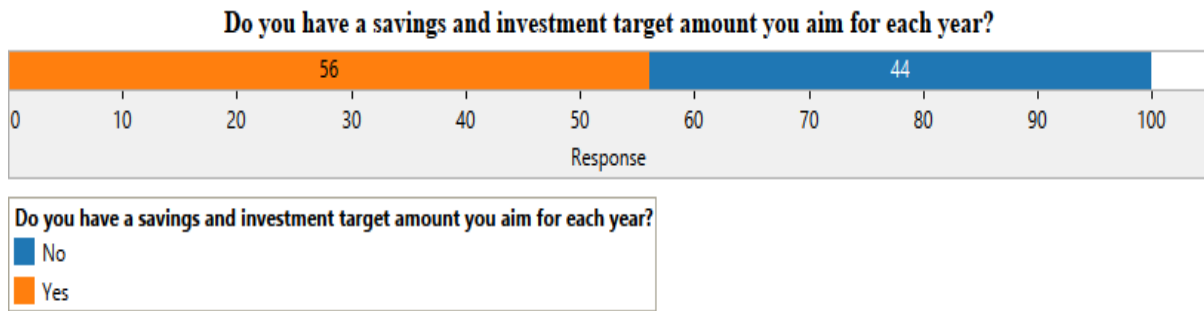
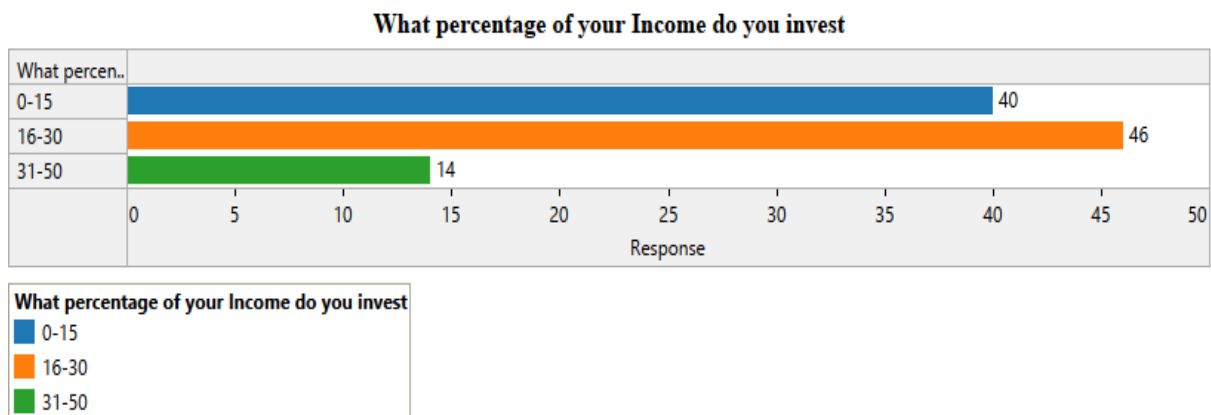
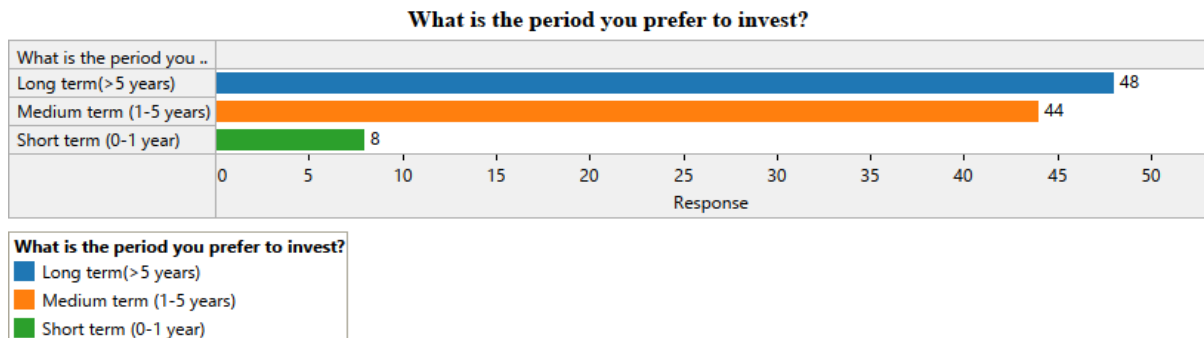
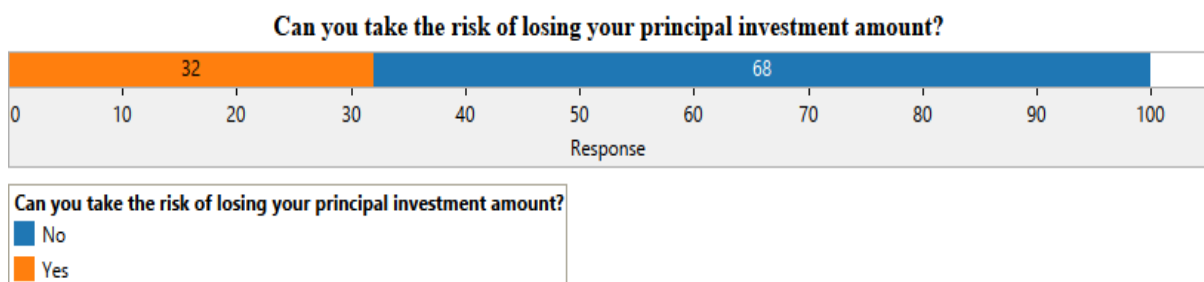
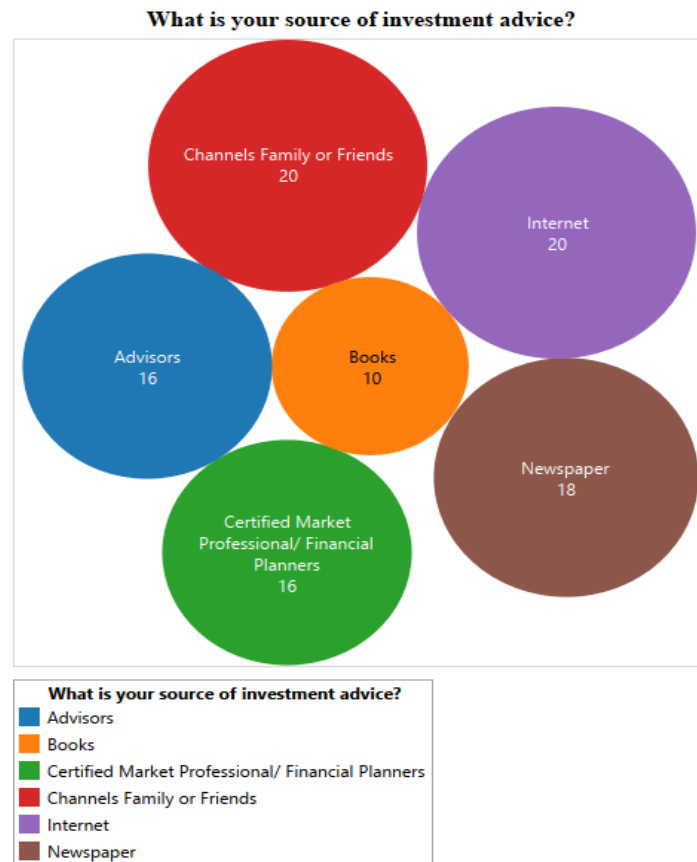
Figure 26: Target Amount of Saving and Investment**Figure 27: Percentage of Income Invest****Figure 28: Prefer a Period of Invest****Figure 29: Risk of Losing Principal Investment Amount**

Figure 30: Source of Investment Advice

5.0 Discussion

During the thematic analysis of the data following for main criteria has emerged

Criteria: An investment decision on Gold are primary made on the emotional criteria. The other criteria are price and purity of the Gold. Risk of investment is also an essential criterion for Investments. Consumers are more interested in investing in a secure option for investment. Gold satisfies all the criteria; therefore, it is an attractive avenue for the investment.

Deposit: The consumer considers investment option saving in bank accounts, fixed Deposits, Postal Recurring Deposits, LIC, Mutual funds, gold and property. All these investment avenues give a sense of security, safety on the consumers hard earn money Consumers expects better liquidity, a better return than other investment option. The decision primarily bases on the knowledge of the financial sector.

Gold: Global acceptance is the most critical factor for the consumer to invest in the gold. The consumer can sell & purchase gold anywhere in the world. Government has supported anywhere the investment in gold. Gold has always had an upward price trend in the long-run — investment in gold shows status in society & life. Ease of holding Gold is a factor that causes the consumer to store it limitlessly. The consumer feels that an investment in gold is the most secure Avenu. Gold protected against downfall in price is an important criterion. The increasing price and purity are the second criteria. The volatility in the price of gold makes it a primary global avenue of investment.

Investment: Government support towards gold investment compared to equity & other popular options Consumer consider fixed investment for the next generation in a given period. The consumer considers long term investment option in gold.

6.0 Conclusion

“The desire for gold is the most universal and deeply rooted commercial instinct of the human race”----- Gerald M. Loeb

The data analysis proved that Most of the respondents are investing in the Gold. Respondents invest in gold because respondents consider investment in gold is a secure option. Most of the customers prefer to invest in the Gold Mining and Gold Stocks. The respondents more purchase Physical form of gold but consumer preferred to invest in Gold Certificates and Gold accounts. The sixty-eight per cent of the respondent does not have the Financial Advisor. The respondent priority is to invest in safe/Low- Risk Investment Avenues (Saving Account, Fixed Deposits, Public provident funds, National saving certificate, post office savings, Government Securities.). The second option of the responding is to invest in Moderate Risk investment Avenues (Mutual Funds, Life Insurance, Debenture bonds). The respondent has the least preference to invest in Traditional investment Avenues (Real Estate (property), Gold/Silver, Chit Fund) still consumer invest more in this option. Respondent prefers to invest in Public sector than Private and Foreign sector. The children education is a prime objective of the saving followed by the retirement plan to the respondent. Customer prefers to invest for the longer term. The respondent prime objective is wealth creation. Most of the respondents sixty-eight invest in share market (through a DEMAT A/c), consumer invest for the longer duration for an increase in return. The respondent monitor investment monthly and occasionally not daily. Twenty-eight per cent of consumer set aside funding specifically for the marriage of children. Fifty-six per cent of the consumer have a formal budget for family expenditure. Fifty-six per cent of the consumer has saved, and investment target amount aims for each year. The respondent has expected to have 15-30 per cent to grow their investment and forth per cent expect to grow their family income to grow 0-15 per cent.

Most of the respondent prefer to invest for a more extended period. Most of the respondent consumers do not prefer the risk of losing the principal investment amount. The most preferred source of investment advice for consumers is Channels Family or Friends and internet.

7.0 Policy Implication

Public policy: The government should increase the interest rate on fixed deposit min to 9%. Gold accounts and the gold certificate should be globally accepted. The government should take active steps for monetisation of gold.

Managerial policy: Internet should use for the promotion of Investment option. Financial Advisor should be work proactively.

Acknowledgement: Researchers are grateful to the Indian Institute of Management – Ahmedabad (IIM-A) library officials for providing access to library resources. Researchers are grateful to all previous researchers who have carried out significant work and concrete foundation for this research work.

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