



COMPARATIVE STUDY ON INVESTING IN GOLD RELATED ASSETS (With special reference to Akola-Maharashtra)

Dr. Archana Pramod Khandelwal
Associate Professor & Head

Department of Accounts & Statistics

Shankarlal Khandelwal Arts, Science & Commerce College, Akola

Abstract

Gold is a safe investment, which means that investors will put their money in gold during times of extreme uncertainty such as war, terrorist attacks or financial uncertainty such as a sell-off in the stock market or during times of high inflation. Factors need to be considered while investing in Gold is discussed. Jewellery, Gold Coins, Gold Certification, ETF, Gold Mutual Funds. The present study creates awareness among investors in investing in various forms of gold investment. For gathering the data on how the research has been done by different researcher in the related topic, review of literature has been done. Review of some related research paper has been stated in Review of Literature.

On the basis of research paper it is found that many investor still prefer jewellery, gold coins and gold bullion bars forms of investment and prefer to invest in ETF and Futures and options which gives more profit and easy form of investment. Most of the investors are not aware about different form of investment in Gold other than Jewellery and gold coins which are available in market.

Introduction

Gold is a precious metal that has functioned as a currency and served as a long-standing investment since the early days of civilization.

Few of the reasons why people buy gold is because Gold is considered an equivalent for liquid cash, Gold has great religious significance, great ornamental value etc. You have to keep watch on the values of gold before deciding to buy. Various political issues, changes in economic conditions, government policies can impact the price of Gold in India. For example, due to the outbreak of Covid-19, and the war between Ukraine and Russia may result in the price of gold rising. You can purchase gold when the price is down and sell it when its value goes up.

Gold is generally purchased so that you can take care of yourself in case you are facing a severe financial crunch. Gold is considered by many, to be the best investment you can make to protect yourself during stock market declines and inflation. In fact, history shows that the performance of gold goes up in times of high inflation. However, the price of gold also has its highs and lows and you could just as easily lose money investing in gold as with any other investment.

Gold is a safe investment, which means that investors will put their money in gold during times of extreme uncertainty such as war, terrorist attacks or financial uncertainty such as a sell-off in the stock market or during times of high inflation. Across the world, gold is seen largely as an investment product where the investors, both retail and non-retail, are investing in it for pure economic reasons. In contrast, gold is a majorly consumer product in India. We buy gold for consumption, typically in the form of jewellery and they have a special significance for gold in the culture in a variety of contexts ranging from a form of adornment to a status symbol to an investment for the tough times.

Factors that need to be considered while investing in gold:

- (i) **Forms of buying gold:** The investor has to be aware of the different forms of buying gold. Jewellery, the most traditional and the dominant form of buying gold in India and Bank coins, bullion bars, gold exchange trades, etc. are other forms of investment.
- (ii) **Current income:** Gold in any form does not give any current income. The only exception is the dividend option in the gold ETFs. If held in the physical form, there is an only outflow of cash for the maintenance of lockers.
- (iii) **Capital appreciation:** Gold is a very strong bet compared to shares that are highly volatile. The idea of gold investment will be to use it at times when the markets are falling and when inflation is very high.
- (iv) **Risk:** Gold does not carry financial risk. We hardly see deflation in the real sense. Risk of theft and wear and tear is always associated with it. Or we have to give rent of locker for their maintenance which we have taken facility from bank. If gold is kept at home then in case of theft the risk of losing gold is increasing.
- (v) **Liquidity:** Gold scores the highest in terms of liquidity, compared to all other investments. At any time of the day and any day gold can literally be converted to cash. Banks and other financial institutions give you Gold Loan against your Gold.
- (vi) **Tax treatment:** Gold suffers capital gains tax as per the IT Act. So it is better to ask your jeweler for the bill. Gold does not have any other tax benefits.
- (vii) **Convenience:** Gold scores very high here. But with the per gram price rising, the smallest single investment is becoming higher.

1.1 Various forms of investment in gold:

- I. **Jewellery :** Representing the largest consumption of gold each year, jewelry is a major method of savings in developing economies. This is the most favourite investment option for the investors in India.
- II. **Bullions Bars:** These are larger pieces of gold that are generally not kept in the physical possession of the investor, and are usually purchased by larger companies and organizations as opposed to individuals. There are several variations of smaller-sized bars that are kept in by individuals in their possession.
- III. **Gold coins :** Gold coins are minted in several different one-ounce forms ranging from 1/10 oz. to 1 kilo; though one-ounce coins are by far the most popular amongst small companies and individual investors. Coins are kept either in possession of the investor or in depositories. In India in festival time such as on Gurupushamrut, Dhan tares number of people are interested in purchasing Gold Coins.
- IV. **Gold certifications or deposit scheme:** A certificate that represents ownership of gold bullion held by a financial institution for convenient and safe storage. There is a fee for storage and insurance.
- V. **ETF:** Gold ETFs (Exchanged Traded Funds) is similar to buying physical gold but the only difference is you don't actually buy the physical gold You don't have to go through the hassles of storing the physical Gold, instead, the gold bought is stored in Demat (paper) format, On the other hand, gold funds deal with investing in gold mining companies.
- VI. **Gold Mutual Funds :** When you buy or invest in a gold mutual fund, the fund managers invest your money in gold. Typically, when prices of gold increase, the gold mutual fund performs well. The exact performance and the returns you get depend on how the fund managers manage your money, when do they buy and/or sell, etc. they charged a small fee called entry load, typically around 2.5% at the time when you invest. Just like any other mutual fund, by investing in a gold mutual fund, an investor buy units of that mutual fund. The price of one unit is called NAV or Net asset value. When the mutual fund makes profit, the NAV increases. If it makes loss the NAV decreases and so on. If the investors want to invest more, he can buy more units. If the investors want to get part or whole of cash he invested back, he can sell some or all of the mutual fund units you have. The NAV can also be used to compare the performance of different gold mutual funds.

This is a relatively safe method of buying and owning gold stocks allows the owner to diversify among many stocks and allows the investing decisions to be made by a professional. Investment methods vary among funds and provide many different styles of portfolio management for an investor to choose from.

VII. **Futures & options.:** A futures contract traded on one of the futures exchanges, such as the COMEX in New York. This method is generally leveraged and options price movement much more than that of gold itself. It can be used to sell short and can be used to benefit from a drop in the price of gold. Gold mining stocks Stock ownership of a company involved in gold mining is traded on one of the exchanges. The price movement is dependent not only upon the price of gold but also upon the future of the corporation and management. Its price movement is almost always more than the movement of gold itself. Market Vectors Gold Miners ETF (GDX) is one way to invest in stocks. This study examines the performance of the return of Gold ETFs, Gold mutual funds, and physical Gold. Using the data collected from MCX, NSE and SMC Trade Online for the period from April 2007 to September 2012, adopting descriptive statistics, ANOVA and LSD test.

Review of literature:

For gathering the data on how the research has been done by different researcher in the related topic, review of literature has been done. Review of some related research paper has been stated as under :-

- a) A Study On Innovative Products For Investment In India research paper published in Journal of The Asiatic Society of Mumbai, Vol. Xcvi, No.3, 2022 by Dr. J. Lalitha, Dr. R.Vijayalakshmi, Ramapuram, Bharathi Salai, The Objective of this paper was to Study the Innovative Products for Investment in India.

According to the researchers most investors want to make investments in such a way that they get sky-high returns as quickly as possible without the risk of losing principal money. This is the reason why many are always on the lookout for top investment plans where they can double their money in few months or years with little or no risk.

As stated by the researchers that a high-return, low-risk combination in an investment product, unfortunately, does not exist. I think these type of products are exist but investors are not much more aware about these types of products. In reality, risk and returns are directly related, they go hand-in-hand, i.e., the higher the returns, the higher the risk and vice versa.

Direct Equity, Equity Mutual Funds, Debt Mutual Funds Debt, Equity Mutual Funds. National Pension System (NPS) Public Provident Fund (PPF) these funds are analyzed by the researcher.

According to researchers innovation is driven by economic and institutional pressures, and that such innovation can create value in terms of social sustainability. Development of modern economy in the context of globalization and business integration, competition stiffening in virtually all sectors of the national economy, makes it impossible to develop large enterprises without significant investment infusions. Innovations and investment and hints towards permanent productivity effects of temporary demand shocks.

In this paper, researcher has studied only the theoretical aspect of innovative investment products. Investors behaviour for investment in these products are not studied.

- b) Indian Journal of Economics and Business Vol. 20 No. 2 (July-December, 2021) Kamal Pant 1st & Barun Srivastava published a research paper on Gender Diversity in Factors Influencing Investment Decisions towards Less-Risky Instruments. Due to the Covid-19 pandemic, investors are unsure about the equity-market return because this is directly linked with the high risk. For this purpose, a gender-based study is performed to explore the factors for those investors who invest their maximum savings in less-risky instruments. The study extracted three factors: family member opinion, future security, and return. The Mann-Whitney test shows significant gender differences for two factors, i.e., family member opinion and future security on investing their maximum amount of savings in less-risky instruments. The study shows that their family member's opinions influenced the investment decisions of males towards less-risky instruments. The present study is helpful for banking/financial industry (dealing in less-risky instruments) to expand their outlay and contribute to the development of the economy.

Objectives of the study are, to recognize the factors contributing to investment decisions towards less-risky instruments (fixed deposits, debentures, bonds, and the debt category of mutual funds). To find out the difference in the factors affecting the investment decisions towards less-risky instruments based on gender. And

to recognize the most and least dominant factors that affect investment decisions towards less risky instruments on a gender basis.

The study concludes that different factors influence an investor's decisions on investing the maximum amount of savings in less-risky instruments such as bonds/debentures, fixed deposits, debt mutual funds, sovereign gold bonds, etc.

- c) Kaushal & Kinjal Bhatt (2012) conducted a structured questionnaire-based study to investigate the preferences of the different classes of investors towards their investment avenues and their risk capacity. The study found that maximum investors prefer fixed deposits as an investment avenue because of the lesser risk involved. They also revealed that investors having less income prefer insurance as well because it is easy to understand.
- d) In the Research paper on Investor's Attitude towards Physical Gold and Sovereign Gold Bonds by Dr. Hem Shweta Rathore stated the objectives of paper was to study the influence of different factors while investing in physical gold and sovereign gold bonds, to study the investor's preference between physical gold and sovereign gold bonds and to study liquidity feature of various forms of gold available for investment . The structured questionnaire was sent to investors who invested in physical gold and / or sovereign gold bonds. The researcher has concluded that demographic factors like gender, educational status and family income play an important role in investment decision at the time of investment in gold. Safety, purity and liquidity are the major factors to which investors give more weights. In present era, investment in sovereign gold bond is the more efficient form rather than investment in physical gold on account of various reasons such as high liquidity, security assurance from the regulator, etc. According to the researcher the awareness level about investment in sovereign gold bonds was still very moderate. Various steps are required to aware people about investment in Sovereign Gold Bonds . How to do it, what formalities are required and also how to redeem it when liquid is needed. So that general public will invest in this bonds.
- He has suggested that, necessary steps are required to be taken to educate the investors about benefits of investment in sovereign gold bonds, which will help to strengthen financial sector of our country and will bring more benefits to the investors.

The objective of Study: Problem statement: In India, most investors invest in gold in the form of jewellery which involves various constraints; including high making charges, loss of value, safety issues, and storage/locker charges. The present study creates awareness among investors in investing in various forms of gold investment.

Objectives of the study:

- ❖ To study the various options available for investors in gold investment.
- ❖ To study the investor's awareness of various forms of gold investment.
- ❖ To study the pros and cons of various forms of gold investment.
- ❖ To assist in creating awareness among investors on various gold investments.

Research Methodology: The present study is a descriptive study in nature. In this study, my objective is to study various options available for investors in gold investment and to create awareness of various forms of gold investment. Data has been collected Primary and Secondary sources. Primary data has been collected by issuing questionnaire in online and offline modes to the respondents. Secondary data consists of online and offline information sourced through various websites, research articles. For the purpose of the study, data has been collected from 50 respondents in Akola and convenience sampling method has been used.

The information collected from the questionnaire is coded and decoded in the form of tables for analysing the data. Following tables has been prepared from the data received.

Table No. 1**Demographic Profile of Investors**

Category	below 30	Below 40	Below 50	Above 50
Male	4	13	15	18
Female	6	15	14	15
Any other	-	-	-	-

From the above graph it shows that 18 respondents are from male category having age group of above 50. And from Female category 15 from below 40 and 15 from above 50

Table 2**Preferred investment option**

Category	No. of Respondents	Percentage
Gold	28	56
Silver	16	32
Platinum	4	8
Diamond	2	4

Based on the above graph 56% of investors prefer to invest on Gold, 32% of the respondents prefer to invest in Silver and minimum 4% investors are interested to invest in Diamond. This is because it requires higher amount as compare to silver and Gold.

Table 3**Willing to invest in gold**

Category	Yes	No
Male	26 %	74 %
Female	74 %	26 %
Any other	-	-

74% respondents from the category of female are interested to invest in gold & 26 % male says yes to invest in gold. This is because females are not aware about different investment avenues and are not ready to take risk at all.

Table 4**Preferred form of investment**

Form of investment	Male %	Female %
Jewellery	10	54
Gold bullion bars	23	13
Gold coins	21	15
Gold certificate/deposit scheme	15	5
ETF	13	7
Gold mutual fund	10	4
E-gold	3	1
Futures and options	5	1

23 % respondents from Male category are preferred to invest in Gold bullions bars and 21 % in Gold Coins, Minimum 5% and 3 % in E-Gold

54% respondents from Female category are preferred to invest in Jewellery, 15 % in Gold Coins. This is also true considering Indian Culture too. Females are more interested to buy gold jewellery instead of investing in other types of gold investment options.

Table 5
Pros and cons of investment in different form of gold

a) Jewellery

Pros	Number (%)	Cons	Number (%)
Convenience	25	Making Charges	62
Fashionable	32	Loss of value	57
Usage Purpose	29	Safety issues	25

Pros of investment in jewellery is convenience, fashionable and usage purpose and cons are making charges, loss of value and safety issues.

32% of the respondents have given responses to as it is fashionable to invest in gold jewellery 29% respondents are prefer it for usage purpose.

From the above table it shows that 62% of the respondents are feel that its making charges are very high.

57% respondents feels that loss of value as cons of investment in Gold Jewellery.

b) Bullion bars

Pros	Number (%)	Cons	Number (%)
Easy form	35	Safety	45
Purity	38	Storage charges	42
Accessibility	56	Demonetization	56

Easy form , guarantee of purity and accessibility is the pros of investment in billion bars. Whereas safety, storage charges and demonetization when liquid is required are the cons of investing in Bullion Bars.

56% respondents recorded against accessibility and the same responses' has been recorded for the demonetization.

Minimum 35 % responses has been recorded for pure form.

This all is because the investment in Gold is very much easy and popular among public against other form of investment in Gold.

c) Gold Coins

Pros	Number (%)	Cons	Number (%)
Easy form	59	Safety	67
Moderate loss value	59	Storage charges	70
Demonetization	60	Making Charges	23

Investment in Gold Coins have easy form, moderate loss value are the pros and safety, storage charges and making charges are cons for the investment in Gold Coins.

70 % respondents feel that it requires storage charges and 67% respondents feel that it is safety to keep money in this form. This is because it is liquidate immediately when there is need of money.

59 to 60 % responses are recorded for easy form a, moderate loss value and demonetization.

d) Certificate/ deposit scheme

Pros	Number (%)	Cons	Number (%)
Safety	70	Amount of investment	24
Purity	78	-----	--

78% responses has been recorded for purity of investment Certificate Deposit Scheme.70% responses has been recorded for safety of the investment.

e) ETF

Pros	Number (%)	Cons	Number (%)
Easy	80	Knowledge	29
Purity	72	Delivery	21
Less transaction cost	65	-----	
Safety	68	-----	

72% to 80 % responses has been Recorded for easy and purity of the investment in gold ETF.20 % to 30% responses has been recorded for cons of investment in gold for knowledge and delivery.

f) Gold mutual funds

Pros	Number (%)	Cons	Number (%)
Easy	29	Risk	67
Professional management	39	No Control	49
Less transaction cost	40	-----	

Easy, professional management and less transaction cost are the pros in investment in Gold Mutual Funds and risk and no control are the cons in investment in Gold Mutual Funds.

Maximum 40% responses has been recorded for less transaction cost.

67% responses has been recorded for risk as cons of investment in Gold Mutual Funds.

g) Gold future & options

Pros	Number (%)	Cons	Number (%)
Easy	27	High risk	44
High exposure	24	Over trading	49
Less transaction cost	20	Wrong calls	75

Maximum responses 45 to 75 % has been recorded for cons of high risk , over trading and wrong calls for the investment in Gold Future & Options.

Conclusion:

From the above study following conclusions are drawn:

1. Based on the above study 56% of investors prefer to invest on Gold, 32% of the respondents prefer to invest in Silver and minimum 4% investors are interested to invest in Diamond. **(Table No.2)**
2. 74% respondents from the category of female are interested to invest in gold & 74 % male says No to invest in gold. This is the condition because they know various other options to invest in and to earn handsome money. **(Table No. 3)**
3. 54% respondents from Female category are preferred to invest in Jewellery , 15 % in Gold Coins. 23 % respondents from Male category are preferred to invest in Gold bullions bars and 21 % in Gold Coins. **(Table No. 4)**
4. From the **table No.5** (a to g) it reveals that most preferable investment is ETF because it is easy and purity. Knowledge of E-Gold and safety of Gold Jewellery and storages charges are the cons of investment in different form of Gold.

On the basis of above research it is found that many investor still prefer jewellery, gold coins and gold bullion bars forms of investment and prefer to invest in ETF and Futures and options which gives more profit and easy form of investment. Most of the investors are not aware about different form of investment in Gold other than Jewellery and gold coins which are available in market.

Suggestions:

1. Add on courses or Certificate Courses should be included in all faculties curriculum so that peoples are aware about the various options available for investment earlier and accordingly they do their financial planning.
2. Group Discussion, Online Seminars, leaflet of information should be circulated among public so that they get knowledge about it.
3. Various awareness programme should be undertaken for awareness investors to do their investment in different form of Gold Investments other than Physical gold Jewellery, Gold Coins.
4. Training programs should be introduced for giving knowledge about Gold Mutual Funds, and Sovereign Fund investment and how to do it in collaboration with the issuing authorities.
5. Advertisements should be given on the most popular channels, on TV Shows and on Social Media about the Sovereign Gold Bonds including its detailed procedure how to apply for it and how to redeem it when there is a need of liquid.

Bibliography:-

Mr. P. Arulmurugan, Dr. K.Balanagaguruthan, "A Study on Investment Behavior of Professors Towards Gold with Special Reference to Tamilnadu State", Vol 2, Issue 2, Feb 2013.

"About Gold-ETF". nsegold.com.

"Gold: A commodity like no other", World Gold Council. Gold.org

Tiddie.com, An Introduction To Gold As An Investment, 26th May 2013

Sudindra V.R. and J. Gajendra Naidu (2019), Is Sovereign Gold Bond is Better than other Gold Investment?, International Journal of Management Studies.

Gupta Rishabh (2018), Sovereign Gold Bond – A Financial Innovation in India, SSRG International Journal of Economics and Management Studies (SSRG – IJEMS), Vol. 5 Issue (8).

Amar G. Satijani, Jaspal, Gidwani, and Avinash Sahu (2018), Gold Saving Scheme: An Unusual Way of Investing in Gold thrust on Sovereign Gold Bond Scheme (SGBs), Journal of Emerging Technologies and Innovative Research (JETIR), Vol. 5, Issue 1.

Richa Devgun and J.S. Bhatnagar (2019), A Review of Government Policies and Schemes of Gems & Jewellery Industry, IOSR Journal of Business and Management (IOSR-JBM), Vol. 21, Issue 3.

Websites

- RBI official website [[https:// www.rbi.org.in](https://www.rbi.org.in)]
- NSE–National Stock Exchange of India Ltd. Official website [<https://www.nseindia.com>]
- Sovereign gold bonds: Meaning, Features and How to buy? [scripbox.com]
- India Inflation rate, 1998-2020. [[https://knoema.com/atlas/ India/Inflation-rate](https://knoema.com/atlas/India/Inflation-rate)]
- Inflation rate in India 1984-2024.

Statista.com • [<https://www.statista.com/statistics/271322/inflation-ratein-india/>]

http://gold.approximity.com/gold_FAQ.html.