



A STUDY ON INVESTOR PREFERENCE ON GOLD AMONG WORKING WOMEN REFERENCE TO SAMPANGIRAMANAGAR BANGALORE

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Abstract

The paper analyzes whether the investors are interested more in physical gold or digital gold. The basic motive is to understand the reason for the investor preference on the type of gold. The type of gold that leads to higher returns and other factors that make physical gold or digital gold a preferable investment opportunity is analyzed in this study. The hypothesis that is made with the motive to understand this brings success to the study.

Key Words: Physical Gold, Digital Gold, Price Fluctuations Etc.

Introduction

Gold investments have been a cornerstone of financial strategies for centuries, prized for their stability and intrinsic value. At its core, investing in gold involves acquiring the precious metal either in physical form, like bars or coins, or through financial instruments such as ETFs, futures contracts, or mining stocks. Historically, gold has served as a hedge against inflation, currency devaluation, and economic uncertainty, making it a popular choice for investors seeking to diversify their portfolios and mitigate risk.

One key appeal of gold investments is their perceived stability compared to other assets. Gold has maintained its value over time, serving as a store of wealth in times of economic turmoil or geopolitical instability. Unlike fiat currencies, which can be devalued by government policies or inflation, gold's value tends to hold steady or even appreciate during periods of financial stress. This stability can provide investors with a sense of security and help preserve wealth over the long term.

History of gold in India

The story of India's gold obsession is one that has been told, retold, and told again. An obsession, a treasure, and a symbol of prosperity and purity, the age-old relationship between man and metal is etched in the filigree of gold. This is the story of how Gold became an essential ingredient in almost every Indian's investment portfolio.

Part 1: The ancient tale of gold obsession

In the depths of antiquity, India stood at the forefront of gold consumption. As far back as 3000 BCE, gold-adorned temples, cascaded in the form of intricately crafted jewellery and became a medium of exchange in bustling marketplaces, a symbol of prosperity.

The ancients, it seemed, knew the secret—gold was a tangible investment that stood the test of time. However, it wasn't until the Gupta era (circa 4th–6th century CE) that gold began to glimmer as an investment tool. The introduction of the coinage system brought 'mohurs' and 'dinars' to the forefront. And these coins weren't just pieces of gold; they were a currency of power, status, and opulence. Hoarding these golden marvels became a favourite pastime of Kings, nobles, and the well-heeled.



As history sauntered on, and coinage became common-speak, the concept of gold investing underwent a transformation. During the Mughal dynasty (16th–18th century CE), gold became a financial secret weapon! By introducing ‘zabt’ through the land revenue systems, and by levying trade taxes, the empire leveraged its golden ties to Iran and the Ottoman Empire, transforming gold investment into a dazzling dance of bullion markets, mint organizations, and fiscal measures.

Part 2: The world sets the stage for India

Fast forward to the 19th century, when the British Raj held sway over the Indian subcontinent. Gold investing took a more formal turn, making its way into the world of banking. Legacy institutions like the State Bank of India (then Imperial Bank of India), issued Gold Deposit Certificates, allowing individuals to deposit their gold with banks, ensuring both safety of the asset and value appreciation. Gold had donned a three-piece suit and walked with panache into the banking sector!

Part 3: Gold trust with India's destiny

Independent India's gold had a destiny of her own. From strict restrictions to conditional transparency, the journey is one for the history books. But for the sake of simplicity, let's divide the journey into five phases that bring us to where we stand today - at 800 tonnes of annual gold imports and as the second-largest consumer of gold in the world.

Advantages of gold investment

It's natural and even prudent for an investor to wonder if a particular asset is a good investment or not. That's especially true for gold, since it's an inert metal and doesn't earn any interest. Gold continues to be a popular investment for ages. It has been respected all over the world for its value and rich history. People have wanted to hold gold for various reasons. With various innovations, trading has evolved from physical gold to virtual trading. However, all forms of gold are equally attractive for investments. There are various reasons why people, especially Indians, invest in Gold.

Reasons to invest in gold

1. Hedge against inflation: Gold has historically been a reliable hedge against inflation, as its value tends to increase when the purchasing power of traditional currencies decreases.
2. Diversification: Investing in gold can help diversify your investment portfolio and reduce overall risk. Gold often has a low correlation with other assets, such as stocks and bonds, making it an effective way to spread risk.
3. Financial crisis protection: Gold is considered a safe haven asset, as it tends to retain its value or even increase in times of economic uncertainty or market volatility.
4. Tangible asset: Unlike stocks and bonds, gold is a physical asset that you can hold in your possession, making it a valuable and tangible asset to have in your investment portfolio.
5. Liquidity: Gold is a highly liquid asset, meaning it can be easily bought or sold in various forms, such as physical gold, gold ETFs, or gold futures.
6. Potential for capital appreciation: The price of gold has shown a tendency to increase over the long term, offering the potential for capital appreciation and long-term wealth preservation.
7. Global demand: Gold is a coveted precious metal with high demand worldwide, particularly in emerging markets like China and India. This global demand can help support the value of gold as an investment.
8. Store of value: Gold maintains its value over time and can be a stable store of wealth in uncertain economic times.



9. Limited supply: The limited supply of gold makes it a scarce resource, which can contribute to its value.
10. Safe haven: Gold is often considered a safe haven asset, as it is less volatile than stocks and bonds during times of economic or political instability.
11. Demand: The demand for gold is driven by both investment and industrial uses, which can help support its price.
12. Long-term value: Gold has a long history of maintaining its value over centuries, making it a reliable long-term investment.
13. Physical gold ownership: Investing in physical gold allows you to take possession of a tangible asset, which can provide a sense of security
14. Gold jewelry: While not as pure as investment-grade gold, gold jewelry can also be a form of investment, as the value of the gold can exceed the value of the jewelry itself.
15. Financial privacy: Gold investment can provide a degree of financial privacy, as it does not require disclosure of personal financial information, unlike traditional investment accounts.

Review of Literature and Research Design

1. A Ajeesh (2023)

In the book **Gold investment: A study on different dimensions** the author has said that gold was one of the most valuable metals on the planet. Since its discovery, it has been regarded as a source of pride for its owners as well as the best form of investment for the general public. It was used as ornament and a means of exchange from the time of the Vedas.

During international trade, the majority of advanced and emerging economies used gold as a medium of exchange. In India, a large percentage of investors picked gold as their major investment asset. One of the key reasons for this might be linked to the Indians' fascination with gold. For the Indians, gold has both monetary and social value. This has been covered by the author in book to provide valuable insights for gold investment.

2. James Rickards (2016)

In the book **the new case for gold** the author has provided a compelling exploration of gold's historical and contemporary role in the global monetary system. Rickards has argued fervently for a return to a gold-backed currency, and criticized fiat currencies for their susceptibility to inflation and geopolitical manipulation. He has highlighted gold's enduring value as a hedge against economic instability and proposes reforms to enhance financial stability globally. While lauded for its insights into monetary policy and the gold market, the book has also faced critique for its feasibility and potential limitations in complex economic landscape. Overall, Rickards has presented a thought-provoking case for reconsideration of gold's significance in modern finance, engaging readers in a contentious debate on monetary reform and financial security.

3. Mariusz Skonieczny (2015)

In this book **Gold production from beginning to end** the author said gold mining is arguably one of the most misunderstood industries in the field of investing. Many investors lacked a basic understanding of the way gold would be produced and have unrealistic expectations about how long it actually takes. His book has covered the safer ways to invest in gold and the importance of investment in gold. The author mentioned the reason for economic breakdown was ignorance of gold investment. So it would be very important for the investors to invest in gold because it provides economic safety to the residents at the time of economic crisis.



4. John Katz and Frank Holmes (2008) In the remarkably clear book, *The Gold watcher: Demystifying gold investing* authors John Katz and Frank Holmes explained everything the independent investor needs to know in order to invest like a professional. The author demystified the gold price by tracing its history and placing it in the current context of twenty-first century economic realities, and explained when to buy gold and when gold prices do or don't make sense. The author offered an insightful analysis of gold's role in an evolving global economy. Holmes has provided an insider's vantage point to examine the many opportunities and challenges facing gold investors. The author has given complete guide to make gold investment in developed and developing economies.

5. ABC of gold investing: How to Protect and Build Your Wealth with Gold by Kosares, Michael J (2005) *The ABCs of Gold Investing* is a solid resource for investors who wish to understand the benefits of private gold ownership. In this reader-friendly book, author Michael J. Kosares has addressed the rapid changes in both the American and world economies and has explained why gold is important to an investor. The author has given tips to make investment in gold in safe and economical manner. The author has also mentioned the ways to use price behaviour of gold to maximum economic benefit and the ways to purchase gold coins and store them. The profitable gold investment tactics are given in this book.

Research Gap: After review of literature is made, it is understood that gold investment is profitable source of investment. The authors have covered the importance of making gold investment. But the type of gold in which the investment can be made is not covered by the authors. The type of gold like physical gold or digital gold in which investors would get maximum returns is not explored by the authors. Hence research can be made in this direction. The research gap is type of gold that would maximize returns.

Statement of the problem

There is a widespread awareness that investing in gold is immensely profitable to the investors and the investors are recognizing the need to invest in gold to earn maximum returns. But the fact that the investors are more prudent about the type of gold investment to be made to earn maximum returns. The concern of this study is to uncover the type of gold investment that fetches maximum returns to the investors as well as the types of gold investment that the majority of the gold investors are indulging in to be profitable. This is the concern of the study being made to bring more clarity about the investor's preferences about gold.

Objectives of the study

- To understand the obsession of investors in gold.
- To analyse the type of gold investment that the investors would like to make.
- To know the factors influencing the decision to invest in physical gold

Hypothesis

Hypothesis – 1

Null Hypothesis (Ho) : There is no relationship between the price fluctuations and investor preference on physical gold.

Alternative Hypothesis (H1) : There is a relationship between the price fluctuations and investor preference on physical gold.



Scope of the study

The importance of gold investment that remain as a profitable investment avenue for the investors is studied in this research. This comparative study will be made to analyse the type of gold investment whether physical gold or digital gold is preferred more by the investors will be taken into consideration. The study will dig deeper into the factors such as gold rates, policies related to gold and interest rates on digital gold that will have major impact on investor's decisions.

Ultimately the study highlights the need for understanding what encourages more of gold investment decisions of the investors. Hence, the 100 individuals who are residents of Bengaluru will be surveyed in this study.

Research Methodology

Research methodology refers to the systematic process of planning, executing, and analysing a research study. It involves selecting appropriate research methods, collecting, and analysing data, and drawing meaningful conclusions. The methodology provides a framework for ensuring the validity, reliability, and generalizability of the research findings.

Type of Research: This study employs a descriptive research methodology to offer an elaborated and precise depiction of investors preferences for physical gold versus digital gold. As descriptive research, it focuses in its entirety as it throws open the doors for the all-round analysis of investors preferences that shape the national policies as well as the gold rates.

Source of Data: To enhance the research primary data is gathered first-hand, ensuring its accuracy and relevance. By collecting and analyzing this primary data skillfully, the researcher gains valuable insights into the subject under study. This approach allows to draw meaningful 8 conclusions and make suggestions based on the primary data obtained.

Primary Research details

Sample Size: The number of observations collected from the population for this research in 100.

Sample Units: The sampling units of this research are employed women of Bengaluru city who invest both in physical gold and digital gold.

Sampling Technique: The research employs convenience sampling to gather information on investors preferences for physical gold versus digital gold which allows to selection of the participants based on their accessibility and willingness to participate. Additionally, snowball sampling, where initial participants were asked to recommend other potential participants who fit the criteria and help the researcher in expanding the sample size in order to capture diversified perspectives are considered.

Data Collection mode: For comprehensive data collection, the research will employ both structured and unstructured questionnaires, ensuring a holistic understanding of the subject matter. The questionnaires will be sent to gold investors of different fields who are investing in both physical gold and digital gold

Statistical tool: SPSS will be used to unravel the data patterns as it is one of the apt statistical tools that empowers the research in shedding light on true opinions just like a skilled captain steering through the turbulent seas of data



Data Analysis: Power BI, Tableau, Excel and MS Word are being used to analyse data and create compelling reports and dashboards.

Limitations of the study

- The scope of the study is restricted to Bengaluru.
- It is assumed that the data provided by the respondents is accurate and trustworthy, forming the basis of the study.
- The study will involve a sample size of 100 respondents, limiting the only analysis to this specific group.

Data analysis and interpretation

Table No. 1, Table showing the occupation of the respondents:

Sl.No	Occupation	Respondents	Percentage
1	Private employee	69	55%
2	Government employee	16	13%
3	Entrepreneur	15	12%
4	Professional	25	20%
	Total	125	100%

Table no.2, Table showing monthly income of the respondents:

Sl. No	Monthly income	No of respondents	Percentage
1	Below ₹20,000	3	2%
2	₹20,000 - ₹ 40,000	5	4%
3	₹40,000 - ₹60,000	30	24%
4	₹60,000 - ₹ 80,000	27	21.6%
5	₹80,000 - ₹1,00,000	36	29.6%
6	Above ₹1,00,000	24	19.2%
	Total	125	100%

Table no.3, Table showing the respondents who prefer to invest in gold

Sl.No	Preference to invest	No of respondents	Percentage
1	Yes	102	82%
2	No	23	18%
	Total	125	100%

Table no.4, Table showing the type of physical gold the respondents are interested to invest in.

Sl. No	Type of physical gold	No of respondents	Percentage
1	Jewellery	102	82%
2	Gold coins	3	2%
3	Gold biscuits	6	5%
4	Gold bars	4	3%
5	None of the above	10	8%
	Total	125	100%



Table no.5, Table showing Factors influencing the decision to invest in physical gold:

Sl. No	Influencing Factors	Strongly agree	%	Agree	%	Neutral	%	Disagree	%	Strongly disagree	%
1	High returns	43	34.4	47	37.6	15	12	18	14.4	2	1.6
2	Investment	34	27.2	40	32	20	16	25	20	6	4.8
3	Prestige	60	48	36	28.8	12	9.6	10	8	7	5.6
4	For children's wedding	58	46.4	48	38.4	7	5.6	10	8	2	1.6
5	Beautification	30	24	70	56	4	3.2	15	12	6	4.8
6	Mortgage	25	20	56	44.8	8	6.4	28	22.4	8	6.4
7	Liquidity	36	28.8	68	54.4	2	1.6	10	8	9	7.2
8	Price volatility	57	45.6	48	38.4	1	0.8	9	7.2	10	8
9	Long term gains	46	36.8	56	44.8	9	7.2	8	6.4	6	4.8
10	Protect against inflation	49	39.2	44	35.2	7	5.6	22	17.6	3	2.4

From the table no.5 the analysis of the factors influencing the decision to invest in physical gold is as follows:

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High returns

The percentage of respondents who strongly agree that investment in gold yields higher returns is 34.4%. Whereas the respondents who agree with this is 37.6%. 12% are neutral and 14.4% disagree with this and 1.6% of the respondents strongly disagree with the high returns nature of gold investment.

Investment

The percentage of respondents who strongly agree that gold is purchased for investment purpose 27.2%. Whereas the respondents who agree with this is 32%. 16% are neutral and 20% of the respondents disagree with this and 4.8% of the respondents strongly disagree with the statement that gold is purchased for investment purpose.

Prestige / Status

The percentage of respondents who strongly agree that investment in gold is prestige or status oriented is 48%. Whereas the respondents who agree with this is 28.8%. 9.6% are neutral and 8% disagree with this and 5.6% of the respondents strongly disagree with the prestige-oriented motive of gold investment.

For children's wedding

The percentage of respondents who strongly agree that investment in gold is required for children's



wedding is 46.4%. Whereas the respondents who agree with this is 38.4%. 5.6% are neutral and 8% disagree with this and 1.6% of the respondents strongly disagree with this purpose of gold investment.

Beautification

The percentage of respondents who strongly agree that investment in gold is done for beautification is 24%. Whereas the respondents who agree with this is 56%. 3.2% are neutral and 12% disagree with this and 4.8% of the respondents strongly disagree with the beautification purpose of gold investment.

Mortgage

The percentage of respondents who strongly agree that investment in gold is done for mortgage purpose is 20%. Whereas the respondents who agree with this is 44.8%. 6.4% are neutral and 22.4% disagree with this and 6.4% of the respondents strongly disagree with mortgage related purpose of gold investment.

Liquidity

The percentage of respondents who strongly agree that investment in gold provides liquidity is 28.8%. Whereas the respondents who agree with this is 54.4%. 1.6% are neutral and 8% disagree with this and 7.2% of the respondents strongly disagree with liquidity related advantage of gold investment.

Price volatility

The percentage of respondents who strongly agree that investment in gold gives the advantage of price volatility is 45.6%. Whereas the respondents who agree with this is 38.4%. 0.8% are neutral and 7.2% disagree with this and 8% of the respondents strongly disagree with the statement that price volatility of gold provides any advantage to them.

Long term gains

The percentage of respondents who strongly agree that investment in gold provides long term gains is 36.8%. Whereas the respondents who agree with this is 44.8%. 7.2% are neutral and 6.4% disagree with this and 4.8% of the respondents strongly disagree this factor influencing their decision to make gold investment.

Protect against inflation

The percentage of respondents who strongly agree that investment in gold protects against inflation is 39.2%. Whereas the respondents who agree with this is 35.2%. 5.6% are neutral and 17.6 disagree with this and 2.4% of the respondents disagree with this factor influencing their decision to invest in gold.

Hypothesis

Hypothesis – 1

(Null Hypothesis) Ho : There is no relationship between the price fluctuations and investor preference on physical gold.

(Alternative Hypothesis) H1 : There is a relationship between the price fluctuations and investor preference on physical gold.



Table showing correlation between price fluctuations and investment in physical gold

		Price	Physical gold investors
Price	Pearson Correlation	1	.955
	Sig (2-tailed)		
	N		.000
		10	10
Physical gold investors	Pearson Correlation	.955	1
	Sig (2-tailed)		
	N	.000	
		10	10

Correlation is significant at 0.01 level (2 – tailed)

From the above Correlation table, it is clear that there is positive relationship between the price and physical gold investment. Even if there is an increase in price, there is no decline in the number of investors investing in physical gold.

This is because many investors believe that even if there are increase in prices, the respondents are interested to invest in physical gold because it is ever profitable investment avenue.

Apart from price, even if we consider other influencing factors, there will be an increase in the number of investors investing in physical gold.

The idea of investing in gold is thought to bring returns in the form of capital appreciation or any other sort of advantage in the form of meeting the emergency requirements whenever it is considered to be required.

This is because the investment in physical gold is always profitable enough to benefit the investors. Hence, the alternative hypothesis is accepted that there is a relationship between price fluctuations and investment in physical gold.

Null hypothesis is rejected in this case.

This also verified the fact that majority of the respondents prefer to invest in physical gold. Because in addition to price fluctuations, it also gives the added advantage of beautification and prestige or Status related advantages.

So considering all the additional advantages that come with physical gold investment, one could find sufficient number of factors that would make physical gold investment, a desirable investment avenue.

Considering the acceptance of alternative hypothesis, it can be concluded that there is a relationship between price fluctuations and the number of investors investing in physical gold.

There are various occasions that also promote the investment in physical gold in addition to these factors that encourage the investment in physical gold.

The above analysis also helps to arrive at a conclusion that the investment in physical gold does not only depend only on price but also other factors. And the profitable nature of gold investment always



makes investors to look at gold as a favourable investment opportunity.

So it could be considered that there is always some sort of influencing factors to make investment especially on physical gold.

Findings of the study

- Majority (69%) of the respondents are private employees.
- Majority (29.6%) of the employees earn between ₹80,000 to ₹1,00,000.
- Majority (82%) of the respondents invest in physical gold.
- Majority (82%) of the respondents prefer jewellery as most important form of physical gold.
- Majority (83.2%) of the respondents do not prefer to invest in digital gold.
- Majority (37.6%) of the respondents agree that investment in physical gold gives high returns.
- Majority (32%) of the respondents agree that investment in physical gold is done for investment purpose.
- Majority (48%) of the respondents strongly agree that investment in physical gold is done for prestige purpose.
- Majority (46.4%) of the respondents strongly agree that investment in physical gold is done for children's wedding.
- Majority (56%) of the respondents agree that investment in physical gold is done for beautification purpose.
- Majority (44.8%) of the respondents agree that investment in physical gold is done for mortgage purpose.
- Majority (54.4%) of the respondents agree that investment in physical gold is done for liquidity purpose.
- Majority (45.6%) of the respondents strongly agree that investment in physical gold is done for price fluctuations purposes.
- Majority (44.8%) of the respondents agree that investment in physical gold is done for long term gains.
- Majority (39.2%) of the respondents strongly agree that investment in physical gold protects against inflation.
- There is a relationship between price fluctuations and the decision to invest in physical gold.

Suggestions

Investing in gold can be a strategic move to diversify your portfolio and hedge against inflation or economic uncertainty. Here are some key suggestions for investors considering gold:

1. Understand Different Forms: Gold investments come in various forms, including physical gold (bullion bars and coins), gold ETFs (Exchange-Traded Funds), gold mining stocks, and gold mutual funds. Each has its own risk and return profile.
2. Diversity: Don't put all your money into gold. It should be a part of a diversified portfolio to spread risk. Typically, gold might make up 5-10% of your investment portfolio.



3. Assess Storage and Security: If investing in physical gold, consider the costs and logistics of storing it securely. This includes safes or storage facilities and insurance.
4. Understand Market Factors: Gold prices can be influenced by a variety of factors including inflation rates, geopolitical events, and changes in interest rates. Stay informed about these factors and how they might impact gold prices.
5. Long-Term vs. Short-Term: Gold can be volatile in the short term, so it's often best suited for long-term holding. Avoid making investment decisions based solely on short-term price fluctuations.

Conclusion

Gold investment has long been viewed as a strategic choice for diversifying portfolios and hedging against economic and financial uncertainties. Its intrinsic value and historical role as a store of wealth make it a compelling option, particularly during times of economic instability or inflation. Unlike paper assets, gold maintains its value over time and provides a tangible asset that investors can physically hold, which adds to its appeal as a safe haven.

One of the primary advantages of investing in gold is its ability to act as a hedge against inflation. As the value of currencies declines, gold often retains its purchasing power, thereby protecting the value of investments. This characteristic makes gold an attractive option during periods of high inflation or economic downturns, when other assets might be more vulnerable to devaluation.

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