

A STUDY ON VARIOUS FORMS OF INVESTMENT IN GOLD

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ABSTRACT: *In the current market scenario of high volatile, rapidly changing market place there are various alternatives available for investment in gold. The present study "A study on various forms of investment in gold" is to understand the various investment options for investors, factors needs to be aware of and know-how of investing in gold, pros and cons of various forms of investments and to assist investors in creating awareness about various gold investment options. For the purpose of study the primary data and Secondary data has been collected. Primary data consists of questionnaire and secondary data through website, research papers and magazines. Based on the research it is found that many investor still prefer jewellery, gold coins and gold bullion bars forms of investment.*

KEY WORDS: *Gold, Investment, pros and cons*

INTRODUCTION

1.1 Introduction to Gold:

Gold is a precious metal and malleable in nature. Historically, it has been a very valuable metal due to its precious nature and used as a medium of exchange or as currency. "Gold is a chemical element with the symbol Au and an atomic number of 79. Gold is a dense, soft, shiny metal and the most malleable and ductile metal known."

1.1 Gold as an investment:

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.

Factors need to be considering while investing in Gold:

- (i) **Forms of buying gold:** Any 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 only outflow of cash for the maintenance of lockers.
- (iii) **Capital appreciation:** The idea for gold investment will be to use it at times when the markets are falling and when the inflation is very high.
- (iv) **Risk:** Gold does not carry much risk at least in India, as we hardly see deflation in the real sense.
- (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.
- (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:

- a. Jewellery
- b. Gold bullion bars
- c. Gold coins
- d. Gold certifications or deposit scheme
- e. ETF
- f. Gold mutual funds
- g. E-Gold.
- h. Futures & options.

STATEMENT OF THE PROBLEM

In India most of the investors invest in gold in the form of jewellery which involves various constraints; includes high making charges, loss of value, safety issue 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 investors awareness on 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 investment.

METHODOLOGY

The information was gathered from the Primary and Secondary sources. Primary data consists of questionnaire and secondary data consists of information sourced through various websites, research articles. For the purpose of study data has been collected from 50 respondents and the convenience sampling has been used.

Data Analysis and Interpretation

Table 1-Table showing respondent on the basis of gender

Gender	Number of respondents	Percentage
Male	27	54
Female	23	46

Inference: Above table shows 54 per cent respondents are males and 46 per cent are females.

Table 1.1 -Table showing most preferred investment options among 4 metals

Metal	Number of respondents	Percentage
Gold	21	42
Silver	16	32
Platinum	09	18
Diamond	04	8

Inference: Based on above table 42 per cent of investors prefer to invest in gold than silver platinum and diamond and the second preferred investment is silver.

Table 1.2-showing willingness to invest in gold

Willingness	Number of respondents	Percentage
Yes	44	88
No	06	12

Inference: 44 respondents i.e. 88 per cent of investors willingness to invest in gold and only 12 per cent respondents not willing to invest in gold.

Table 1.3-Table showing most preferred form of Investing in Gold

Preferred form of Investment	Number of respondents	Percentage
Jewellery	18	36
Gold bullion bars	08	16
Gold coins	10	20
Gold certificate/deposit scheme	01	02
ETF	05	10
Gold mutual fund	04	08
E-gold	03	06
Futures and options	01	02

Inference: Based on above table 36 per cent of investors preferred option of investing in gold is jewellery, 16 per cent and 20 per cent in gold bullions and gold coins, only 2 per cent investors are aware of gold certificate and futures and options

Table 1.4-Table showing pros and cons over gold jewellery investment

Pros	Number of respondents
Convenience	26
Fashionable	14
Usage purpose	10
Cons	
Making charges	44
Loss of value	05
Safety issues	01

Inference: Based on above table 26 respondents invest or purchase in jewellery due to convenience and prefer constraints in investing in gold is making charges.

Table 1.5-Table showing pros and cons over gold bullion bars

Pros	Number of respondents
Easy form	05
Purity	40
Accessibility	05
Cons	
Safety	05
Storage charges	05
Denomination	40

Inference: Based on above table 80 per cent of respondent preference to invest in gold bullion due to purity of gold and 80 per cent feels the gold bullion bars will be available with 10 gm and above which may not suitable for all types of investors.

Table 1.6-Table showing pros and cons over gold coins

Pros	Number of respondents
Easy form	30
Moderate loss value	10
Denomination	10
Cons	
Safety	22
Storage charges	14
Making charges	14

Inference: 60 per cent of respondents prefer to invest in gold coin due to easily available and 20 per cent feels moderate loss value and available in lesser denomination. 44 per cent feels gold coins are not safe involves some making charges and storage charges.

Table 1.7 Showing pros and cons over certificate/deposit scheme

Pros	Number of respondents
Safety	48
Purity	02
Cons	
Less return	28
Amount of investment	22

Inference: From the above graph it is observed that 96per cent of investors prefer to invest in gold certificates due to safety and feels that it gives less return and the amount of investment required is not affordable.

Table 1.8 Showing pros and cons over ETF

Pros	Number of respondents
Easy	48
Purity	02

Less transaction cost	00
Safety	00
Cons	
Knowledge	42
Delivery	08

Inference: Based on above graph 94 per cent of investors feels that investment in ETF is very easy form of investment as it does not require physical form and require proper knowledge to gain access to the market.

Table 1.9 Showing pros and cons over gold mutual funds

Pros	Number of respondents
Easy	10
Professional management	30
Less transaction cost	10
Cons	
Risk	45
No control	05

Inference: 60 per cent of respondents feel that mutual funds are professionally managed and give more advantage and profit and also feel it is very risky due to market uncertainty.

Table 1.10 Showing pros and cons over E gold

Pros	Number of respondents
Easy	25
Purity	10
Less transaction cost	05
Safety	10
Cons	
Knowledge	10
Delivery	40

Inference: Based on above graph 50 per cent of respondents feels that it is very easy form of investment and constraints is there is no physical delivery and the delivery charges are high.

FINDINGS OF THE STUDY

The data were analyzed using statistical tests that have been described earlier and the results drawn based on these tests are given below:

- 36 per cent of investors preferred option of investing in gold is jewellery
- ❖ 26 respondents invest or purchase in jewellery due to convenience
- ❖ 80 per cent of respondent preference to invest in gold bullion due to purity of gold
- ❖ 60 per cent of respondents prefer to invest in gold coin due to easily available
- ❖ 94 per cent of investors feel that investment in ETF is very easy form of investment as it does not require physical form and require proper knowledge to gain access to the market.
- ❖ 60 per cent of respondents feel that mutual funds are professionally managed and give more advantage and profit and also feel it is very risky due to market uncertainty.

Suggestions:

- ❖ It is suggested for investors to purchase gold jewellery with the known jewellery makers or the standard retail outlets where making charges are comparatively lower.
- ❖ It is suggested for investors not to purchase gold coins or gold bullions for shorter period. Holding gold coins or gold bullions for longer period is suggestible.
- ❖ It is suggestible for investors to invest in gold ETF where possibilities of losses or limited. ETF's are available at easy and it does not need high knowledge, as it is very easy trading mechanism.
- ❖ It is suggestible for investors to go through offer documents, scheme objectives, performance analysis through experts before investing in mutual funds.

CONCLUSION

Based on the 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.

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