



A Study on the Association between Awareness of Investors and Demographic Factors towards Gold ETFs, Gold Bonds, and Gold Deposits

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Abstract— Gold is one of the valuable metals and an important asset class for investors. People in India are emotionally attached to gold. Thousands of tonnes of idle gold are lying with Indian temples, trusts, and individuals. Investors consider capital appreciation; interest income and safety are major factors that influence buying of gold [1][4][7]. India is one of the biggest importers of gold every year. The government of India has introduced a few gold-related schemes to reduce gold imports. Sovereign gold bond [2] scheme and Re-vamped gold deposit scheme are introduced in the year 2015 under the Swarna Bharath initiative [9]. The present study is an attempt to find the association between awareness of investors and demographic factors towards gold ETFs, gold bonds, and gold deposits. The results reveal that there is a significant association at a 5% significance level between awareness of investors and all demographic factors used in the study except the gender of the respondent.

Index Terms— Gold ETFs, Gold Bonds, Gold Deposits, Awareness, Swarna Bharat.

1 INTRODUCTION

Awareness is the state of knowingness of a particular thing. Awareness of investors represents the relative information that an investor has towards a particular investment avenue. Three investment avenues of gold are used in the present study to find the association between awareness of investors and demographic factors viz. gold ETFs, gold bonds, and gold deposits

ETFs are securities that track the prices of underlying benchmark indices [8], industries, or any other commodities. Gold ETFs track the prices of physical gold. Gold ETFs are created in the primary markets by Authorised Participants through Asset Management Companies. Further, the units of ETFs are listed in the stock markets [11] for retail investors to trade. The mechanism of trading ETF units is similar to equity shares. Investors can buy gold ETF units on margin and can be sold on short.

Gold bonds are a paper form of gold investments. Gold bonds are introduced to convert physical gold investors into paper gold investors. Reserve Bank of India, on behalf of the Government of India, sells gold bonds periodically. Unlike physical gold, a gold bond provides an additional interest [5] of 2.5% to the investors apart from the capital appreciation. The tenure of a gold bond is eight years with exit options starting from the fifth year. There are no transaction costs on gold bonds. The prices of gold bonds are fixed with the prevailing market price of gold as published by the India Bullion and Jewellery Association (IBJA) [10].

The revamped Gold Deposit Scheme(R-GDS) is launched by the Government of India in the year 2015 to reduce gold imports and make use of idle gold lying in the country with temples, trusts, and individuals. Under the scheme, the resident Indians can deposit their gold and get an interest of up to 2.5%. Unlike physical gold, the gold deposited under the scheme has no locker charges, no storage, and holding issues [3]. The scheme is similar to the fixed deposit of gold into a bank and earning interest income on the value of gold deposited. Premature withdrawal of gold is possible with an additional penalty. There are three schemes [6] available under the Re-vamped Gold Deposit Scheme; Long-Term Government Deposit scheme (LTGD), Medium-Term Government Deposit Scheme (MTGD), and Short-Term Bank Deposit Scheme (STBD). The following tables provide Interest rates and tenures of different gold deposit schemes.

Table. 1 Interest rates and tenures of different gold deposit schemes

Factor	LTGD	MTGD	STBD
Tenure	(12-15) years	(5-7) years	(1-3) years
Interest rate	2.5%	2.25%	0.5%-0.6%

2 REVIEW OF LITERATURE

Soniya Garg (2020) in her paper, 'A study of factors influencing investor behavior towards gold as an investment avenue with factor analysis' described that the investors' behavior is affected by three factors namely, higher returns expected, security, and traditional value of gold towards the purchase of gold.

Sudindra vr, Gajendra Naidu Jatty (2019) in their paper 'Is sovereign gold bond is better than other gold investment?' Explained that sovereign gold bonds are better than other forms of gold investment, but they may not be suitable for all types of investors. Individuals can invest a portion of their portfolio for diversification. Gold bond's purchase value, holding period return, regular return, purity of gold, safety, capital gain, collateral to avail loan, exit option, and storage costs are compared with other gold investments and concludes its superiority over gold ETF, Gold Jewellery, and gold coin.

Charan Singh, Amrutha Das, Chaitanya Kansal, Pallavi Kamath, Rinusha K Rajan. (2017) in their paper 'How to Make the

Gold Monetisation Scheme Successful' suggested a pilot study in select regions to test different models for implementing the scheme and make CPTC customer friendly. The study also reveals the importance of a market campaign for a gold monetization scheme to enhance financial literacy.

Ajai Krishnan G, Dr. M. Nandhini (2017) in their paper 'a study on the factors which leading customers to purchase gold jewelry with special reference to working women' conducted a study on factors leading investors to buy gold with the variables namely brand name, advertisement, variety, price, word of mouth, purity, and quality. The study concluded that purity is the leading influencing factor to purchase gold jewelry.

Dr. Hem Shweta Rathore (2017) in his/her research paper, 'Investor's Attitude towards Physical Gold and Sovereign Gold Bonds' observes that 45% of the respondents buy gold in the form of ornaments. It is also observed that nuclear families with good educational qualifications prefer sovereign gold bonds due to price transparency and tax benefits. The study also reveals that the investors consider sovereign gold bonds as a more efficient form of investment, and it is a low-risk venture but its awareness among the investors is still moderate.

P. Hemavathy S. Gurusamy (2016) in their paper 'Spotlight on Awareness of Gold Monetization Scheme (GMS): A Kaleidoscopic Investigation' conducted research with 9 statements on the Gold Monetization Scheme to measure the perception of working women and concluded that the respondents possess moderate awareness about Gold Monetisation Scheme. It is suggested to the government initiate necessary efforts to increase the awareness levels among working women.

Swati S Godbole, Kirti A Arekar (2016) in their paper 'Factors influencing gold buying behavior of retail consumers in India with respect to individuals' determinants' concluded that the investors' reason to invest in gold is that the gold provides financial security, it is mortgagable and safe heaven instrument. Investors consider gold as an investment avenue. Though people give preference to the opinions of friends and family they will look at market-related information for investment in gold.

G.Venkatachalam, Dr. G. Prabakaran (2015) in their paper 'a study on investors' behavior towards gold exchange-traded funds in Indian stock market with special reference to Tamilnadu published a paper to find investors' behavior towards Gold ETFs. The study uses 12 variables to estimate the behavior of investors and factor analysis generated a three-factor solution namely, investment objectives, investment decision, and investment safety.

Deepak Kumar Adhana (2015) in his paper 'an introduction of gold schemes, 2015 in India' explains the objective, features, advantages, disadvantages, and challenges of gold schemes launched by the government of India in the year 2015. It is estimated that Indians import 300 tonnes of gold only for investment purposes. So for, a gold monetization scheme is a better choice. For paper gold investors, a sovereign gold bond scheme is a better alternative.

G. Radhika (2013) in her thesis 'a study on investors' perception, preference and derived satisfaction towards gold exchange-traded funds' described that awareness is the first and foremost step that measures the investors' exposure and knowledge towards investments. The investors' awareness is shaped by external sources like friends and relatives, brokers, spouses, or parents and through media which provides them a platform for their investments. Investors should have a good balance between awareness and their factors as it would motivate them to invest more.

3 RESEARCH METHODOLOGY

Descriptive research has been used in the study by using primary data and secondary data. A structured questionnaire is administered to collect primary data from the investors. Secondary data has been collected from NSE, India Bullion and Jewellery Association, and World Gold Council websites. The convenience sampling technique is used to get the responses. Pearson's Chi-square test of association is applied to find the association between awareness of investors on gold ETFs, gold bonds, gold deposits, and Demographic factors.

4 ANALYSIS OF DATA

Hypothesis H1: There is an association between place of residence and awareness of investors on gold ETFs, gold bonds, and gold deposits. The following table provides information on the association between awareness of investors and place of residence towards gold ETFs, gold bonds, and gold deposits.

Table. 2 Association between Awareness of investors and place of residence towards gold ETFs, gold bonds, and gold deposits

Level of awareness on	Chi-square value	P-Value	Significant/insignificant
Gold ETFs	17.94	0.022	Significant
Gold Bonds	22.52	0.004	Significant
Gold Deposits	25.27	0.001	Significant

Result: There is a significant association at a 5% significance level between the place of residence and the level of awareness of investors on gold ETFs, gold bonds, and gold deposits. With the help of cross tabs in SPSS, it is observed that the investors from urban areas are more aware than rural and semi-urban investors

Hypothesis H2: There is an association between age and level of awareness of investors on gold ETFs, gold bonds, and gold deposits.

The following table provides information on the association between awareness of investors and age towards gold ETFs, gold bonds, and gold deposits.

Table. 3 Association between awareness of investors and age towards gold ETFs, gold bonds, and gold deposits

Level of awareness on	Chi-square value	P-Value	Significant/insignificant
Gold ETFs	52.6	0.000	Significant
Gold Bonds	30.7	0.002	Significant
Gold Deposits	24.3	0.018	Significant

Result: There is a significant association at a 5% significance level between age and level of awareness of investors on gold ETFs, gold bonds, and gold deposits. 51.2% of the respondents' age group is between 31 years to 40 years and is significantly associated with the level of awareness of investors on gold ETFs, gold bonds, and gold deposits.

Hypothesis H3: There is an association between gender and level of awareness of investors on gold ETFs, gold bonds, and gold deposits. The following table provides information on the association between awareness of investors and gender towards gold ETFs, gold bonds, and gold deposits.

Table. 4 Association between awareness of investors and gender towards gold ETFs, gold bonds, and gold deposits

Level of awareness on	Chi-square value	P-Value	Significant/insignificant
Gold ETFs	6.002	0.199	Insignificant
Gold Bonds	4.476	0.345	Insignificant
Gold Deposits	1.476	0.831	Insignificant

Result: There is an insignificant association at a 5% significance level between gender and level of awareness of investors on gold ETFs, gold bonds, and gold deposits. With the help of the cross tabs tool in SPSS, it is observed that the respondents of the male gender are more aware of gold ETFs, gold bonds, and gold deposits than females.

Hypothesis H4: There is an association between education and the level of awareness of investors on gold ETFs, gold bonds, and gold deposits.

The following table provides information on the association between awareness of investors and education towards gold ETFs, gold bonds, and gold deposits.

Table. 5 Association between awareness of investors and education towards gold ETFs, gold bonds, and gold deposits

Level of awareness on	Chi-square value	P-Value	Significant/insignificant
Gold ETFs	40.1	0.000	Significant
Gold Bonds	54.2	0.000	Significant
Gold Deposits	62.3	0.000	Significant

Result: There is a significant association at a 5% significance level between education and level of awareness of investors on gold ETFs, gold bonds, and gold deposits. Postgraduates are more aware of gold ETFs, gold bonds, and gold deposits.

Hypothesis H5: There is an association between employment category and level of awareness of investors on gold ETFs, gold bonds, and gold deposits.

The following table provides information on the association between awareness of investors and employment category towards gold ETFs, gold bonds, and gold deposits.

Table. 6 Association between awareness of investors and employment category towards gold ETFs, gold bonds, and gold deposits

Level of awareness on	Chi-square value	P-Value	Significant/insignificant
Gold ETFs	15.4	0.004	Significant
Gold Bonds	33.1	0.000	Significant
Gold Deposits	1.8	0.001	Significant

Result: There is a significant association at a 5% significance level between employment category and level of awareness of investors on gold ETFs, gold bonds, and gold deposits.

Hypothesis H6: There is an association between monthly income and the level of awareness of investors on gold ETFs, gold bonds, and gold deposits.

The following table provides information on the association between awareness of investors and monthly income towards gold ETFs, gold bonds, and gold deposits.

Table.7 Association between awareness of investors and monthly income towards gold ETFs, gold bonds, and gold deposits

Level of awareness on	Chi-square value	P-Value	Significant/insignificant
Gold ETFs	40.1	0.001	Significant
Gold Bonds	35.4	0.003	Significant
Gold Deposits	55.0	0.000	Significant

Result: There is a significant association at a 5% significance level between monthly income and level of awareness of investors on gold ETFs, gold bonds, and gold deposits.

5 CONCLUSIONS

With the help of data analysis, it can be concluded that the demographic factors of respondents are significantly associated with the awareness of investors towards gold ETFs, gold bonds, and gold deposits. In particular, place of residence, age, education, employment category, and monthly income are significantly associated with investors' awareness but gender is not significantly associated with awareness of investors towards gold ETFs, gold bonds, and gold deposits.

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ETHICS STATEMENT

This study did not involve human or animal subjects and, therefore, did not require ethical approval.

STATEMENT OF CONFLICT OF INTERESTS

The authors declare no conflicts of interest related to this study.

LICENSING

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