

Gold as Asset and Identity: Financial and Sociocultural Insights from Delhi-NCR

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Abstract

Since time immemorial Gold has been used as an investment avenue and has been projected as a status symbol by the human race. In current investment environment role of Gold as an investment option is not only limited to personal upliftment but it has played its role in world economy and played its role in exchange rate determination. As an investment avenue as well role of Gold has undergone many changes, earlier gold was only used to be accumulated as a legacy for future generations, today it has been used by investors to diversify their portfolio and with advancement in technology and availability of Gold ETF has resulted in active usage of Gold for investment and hedging purpose. The present study intends to study the factors that affect the investment decisions pertaining to Gold.

Introduction

Savings are considered very important from the view point of economy. Investments and the savings are considered two powerful factors which help in managing poverty. Allocation of savings into different asset classes refers to the entire exercise of investment. Investment avenues can be divided into two classes Equity oriented assets and Commodity or Debt oriented assets. Gold is one such asset which can be described as having presence in both the categories. Gold is still considered to be a safe asset which can be used in the crisis situation, can be used to procure loans and also can be used to make financial gains by investing in Gold ETF. Hedging role of Gold cannot be overlooked as it stabilizes the situation during turbulent phases like COVID, recession etc. (Hundal et al. 2013). Gold has withstood the onslaught of various recessionary events.

Not only individuals even countries rely on the gold during the turbulent situations and this can be understood by the behavior of central banks of China and India, they purchased gold as a hedge to counter adverse economic conditions during COVID. Besides this people now-a-days prefer or like to invest in Gold by purchasing Gold bars, gold coins, necklaces and rings (Napompech, 2010).

But with time techniques and ways to invest has also undergone sea change and in India Gold ETFs were launched and due to this people have taken interest in Gold from trading point of view as well, and in way Gold derivatives have opened a new vista for gold lovers to invest in it (Coulson, 2005). But gold is not a full proof investment avenue and it is also affected by oil price movements and dollar movements but long term trajectory of the gold price has always been northwards. In Indian context many religious aspects are associated with Gold, it is viewed as the status symbol and symbol of opulence and of late emergence of new generation of investors, ideology of investors regarding gold has changed they not only purchase for storing it but for making quick gains as well (Garg, 2021). Even Govt. of India has also come forward to push investors towards digital investing in gold and has launched schemes like Sovereign Gold Bond and there are various Gold ETFs for retail investors.

This study is an attempt to study those factors which influence retail investors' mind while investing in Gold and to ascertain impact of those over investment decisions.

Review of Literature

Various behavioral biases have also been associated with gold buying behavior and it has been found that mental accounting and locus of control tend to affect the investment decisions of the small investors in relation to the gold (Jain and Prakash, 2015). Intention of making investment in Gold has also been considered very important and given weightage by investors and researchers too while studying the topic and it has been found that theory of planned behavior found to be making contributions to the motives behind Gold buying (Husaniyah and Fauzi, 2018). In today's scenario various online platforms have emerged to simplify the procedure of buying Gold and people have these platforms in a great way and it has been concluded that attitude and behavioral controls significantly affects motives or intention (Tamara and Seto, 2021). On the other hand investment knowledge, financial risk tolerance acts as a predictor towards gold buying behavior of small investors (Fauzi and Husaniya, 2017). Liquidity of the Gold as an investment avenue is quite high in comparison to other investment avenues which contributes to the enhanced popularity of the Gold as an investment (Agarwal, 2022).

Demographic factors have always played an important role in the selection and investment in any investment avenue and monthly income and monthly savings have significantly affected the decisions of investors in relation to gold (Muralidharan, 2020), (A.Amitabh, 2019). (Dasgupta and Ponnathpur, 2021) suggested that role of low-income households in gold purchase is equally affected by financial and non-financial motives and during COVID most of the respondents have used Gold to overcome the financial stress. Demographic variables have been found to be leaving an imprint on the psyche of investors when it comes to the purchase of Gold as an investment (Praveen Kumar, 2019), (Shobha, 2017). But gold prices are affected by various external factors such as oil prices, international business conditions and political scenario in the world (P Baber, R Baber, 2013), (Soni and Nandan, 2023), (Chen and Sun, 2020), (N.Sadana, 2017), (Arafoui and Yousaf, 2023) .

But there are some other conditions for individuals which acts as influencers to purchase gold ornaments in emerging economies namely, disposable income and perceived benefits associated with gold (J Liu, 2016), Gold as an investment avenue has an acceptability cutting across all the

categories in terms of demographic variables (Bagra and Khinvasara, 2015). No-a-days research has revealed that Govt. backed program for pushing investors to diversify their holding by nudging them to invest in Gold has been found to be fruitful (Juisin and Amin, 2020). Studies have also revealed that gender has no bearing on the intention or willingness to invest in the Gold (Bhatnagar and Yadav, 2015), but some of the researches have also concluded especially females prefer to invest in the Gold (Selvaraj and Sudha, 2021), (Warke and Warke, 2020), (Krishnan and Nandhini, 2017) researches have also examined the lukewarm responses to the digitization of the gold as an investment avenue and cited trust as the biggest reason behind cold response to the digital gold initiative in Indonesia but also pointed out that people from nuclear family background are more receptive to digital gold initiatives (Putri and Yuliati, 2022), (Kusumavati and Rinaldi, 2020), (Rathore, 2017), lack of awareness about the Sovereign Gold Bond Scheme and there is need to spread awareness among investors (Gurbaxni and Thakker, 2023) in addition some of the researches have pointed out that Gold ETF has performed better than physical Gold in terms of returns (Kumar and Raj, 2019), (Esampally and Arthi, 2015). Motives behind investing money in the gold has also been studied by the researchers and found that for meeting temporary money requirements investors use gold to procure loans as it is a win-win situation for both the company and borrowers (Tandon and Mistry, 2022), (Lakshmi and Manmadhan, 2022), many other researches have concluded that hedge against risk and inflation worked as the propelling factors behind investment in gold (Sandu and Kaur, 2010), (Hasan and Maniar, 2021), (Mubeen, 2017), (Shahbaz and Tahir, 2014), (Baur and McDermott, 2012), (Baur and McDermott, 2016) where as some other studies point towards inability of Gold to act as a bulwark against inflation (Ghazli and Ussdek, 2021), (Johan, 2020)

Objectives of the Study

- To explore the people's perception about gold in modern day scenario,
- To analyze the qualitative and quantitative ben of mind of investors while making investment in Gold.

Methodology of the Study

By analyzing the literature in public domain, questionnaire was developed to collect data from respondents and it was divided into two parts. First part was carrying questions regarding the socio-economic profile of the respondents and second part had questions regarding quantitative aspects and qualitative aspects related to the gold investment. Questions were designed with the help of a 5 point Likert Scale.

The study involved a sample size of 100 respondents primarily residing in Delhi-NCR area as by virtue of the capital city of India, Delhi hosts a range of leading financial institutions and they are leading players in financial and non-financial securities like gold, in addition to this investors in Delhi are very much aware about the intricacies of the financial market. Data collection took place with the help of Google Form.

Data Analysis and Hypotheses Development

Data analysis in the present study was conducted with the help of SPSS software by employing Multiple Regression Analysis. As the key variable to be studied in the study were identified early on in the study, we have to study their relation with investment decisions with a fresh perspective in mind, every factor was observed in isolation with other factors to understand clearly its impact on the dependent factors.

Following Hypotheses were formed for the simplification of the research process:

H1: Financial aspects associated with the Gold significantly influence the Investment Decision Making of the Investors.

H2: Non-Financial aspects associated with the Gold influence the Investment Decision Making of the Investors.

Demographic Profile of the Respondents

Variables	Category	Frequency	%
Gender	Male	58	58
	Female	42	42
Age	18-30	65	65
	31-45	33	33
	46-60	2	2
Marital Status	Unmarried	42	42
	Married	58	58
Education	School Education	7	7
	Graduation	37	37
	Post-Graduation	46	46
	Others	10	10
Occupation	Private Employees	53	53
	Public Employees	4	4
	Business	7	7
	Others	36	36
Income	<5 Lakhs	65	65
	5-10 Lakhs	26	26
	>10 Lakhs	9	9

Reliability

To estimate the reliability of the constructs involved in the study, Cronbach Alpha was used to express the reliability numerically, as it is considered to be the most credible method to evaluate the reliability. Cronbach Alpha values are accepted when the value of construct is equal to or more than threshold value of 0.70. Each construct in the present study has measured has more than the threshold value of 0.70. In order to assess convergent validity Average Variance Extracted (AVE) of respective constructs are evaluated against the prescribed benchmarks, in case of AVE a construct has to be more than or equal to 0.50, in the present study all the constructs have measured more than 0.50 indicating towards good level of convergent validity.

Construct	No. of Items	Alpha (α)	AVE
Non-Financial Aspects	9	0.81	0.5075
Financial Aspects	5	0.90	0.70
Investment Decisions	5	0.91	0.72

Fornell and Larcker Discriminant Validity

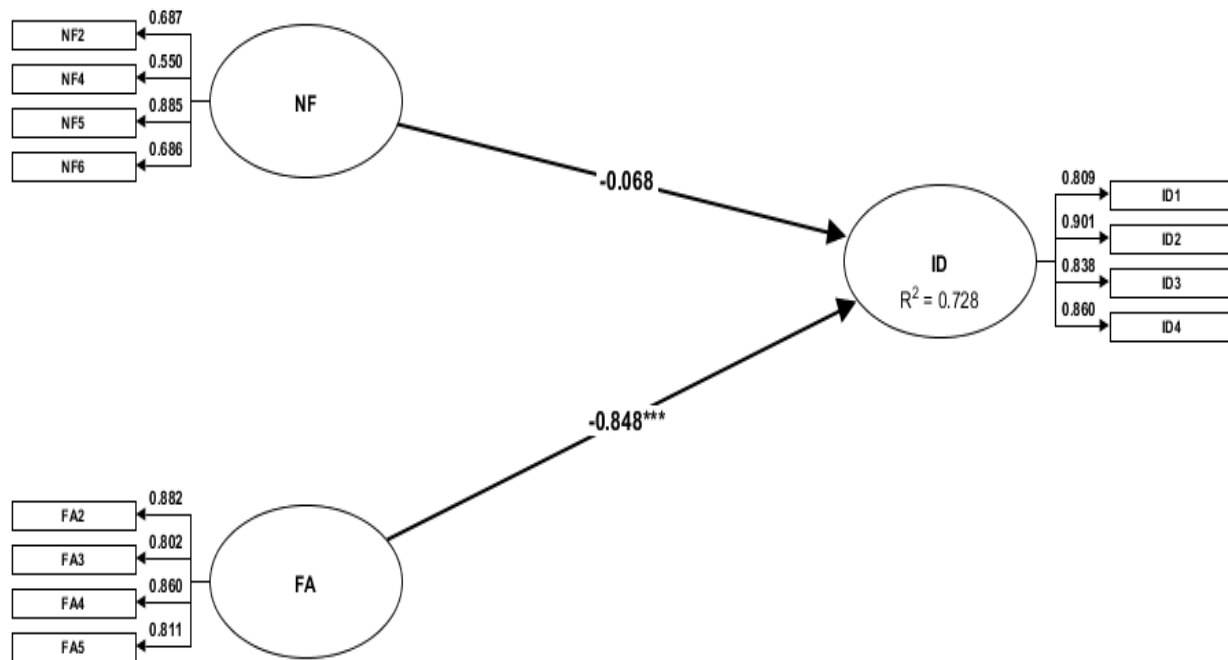
Construct	NF	FA	ID	
NF	0.5075			
FA	0.0008	0.7049		
ID	0.0084	0.6814	0.7271	
Squared correlations; AVE in the diagonal.				

Heterotrait-Monotrait (HTMT)

Construct	NF	FA	ID
NF			
FA	0.0407		
ID	0.0851	0.8301	

Indicator	NF	FA	ID
NF2	0.6874		
NF4	0.5505		
NF5	0.8854		
NF6	0.6860		
FA2		0.8823	
FA3		0.8017	
FA4		0.8602	
FA5		0.8115	
ID1			0.8089
ID2			0.9013
ID3			0.8379
ID4			0.8601

ADANCO Analysis



Direct Effects Inference

Effect	Original coefficient	Standard bootstrap results				
		Mean value	Standard error	t-value	p-value (2-sided)	p-value (1-sided)
NF -> ID	-0.0676	-0.0751	0.0906	-0.7466	0.4555	0.2277
FA -> ID	-0.8485	-0.8505	0.0666	12.7351	0.0000	0.0000

The independent variables in the present study has significantly influenced the dependent variable $(2, 57) = 53.028, p < 0.0$, it points towards the efficacy of the model in predicting the situation. The model under consideration is able to interpret the changes in the dependent model due to the involvement of independent model.

To assess the individual factors and the impact on the dependent factors, coefficients table reflects the respective situation in relation to the individual factors and the results pointed that both Non-Financial Aspects and Financial Aspects share a significant relation with the dependent variable, on the basis of this Hypothesis 1 which studied the impact of Financial Aspects on investment decisions in relation to Gold ($\beta = .213, t = 2.124, p = 0.038$) and therefore the Hypothesis is accepted. On the other hand Hypothesis 2 studies the impact of non-financial aspects on investment decisions in relation to Gold ($\beta = .657, t = 6.557, p = 0.000$) and as a result of this Hypothesis 2 is also accepted.

Discussion and Conclusion

The study is focusing on the consumer's priorities during shopping for gold and they also influence their decisions while purchasing gold. Their basic priorities in the present study are identified as Non-Financial Aspects and Financial Aspects. The consumer targeted in this study belonged to Delhi-NCR area. As the results of the present study is concerned Non-Financial Aspects related to investment in gold is not significantly affecting investment decisions of retail investors as can be judged by the p value of 0.45, whereas on the other hand financial aspects are significantly affecting investment decisions as the p value is 0.00 which is pointing towards a change of mindset among Indians towards Gold as earlier Indians only used to park money in Gold to be passed off as a legacy to the future generations and no financial motives were involved.

Whereas, with the passage of time new Indian consumers are not obsessed about the ornamental value of gold as non-financial aspects are insignificantly associated with investment decisions and hence indicating towards a trend where gold is losing its place as the metal only used for aesthetic purposes only. There are many other options for consumers to explore in the form of Platinum, Diamond and both these metals don't have much investment related framework as it is in the case of gold like ETFs and Mutual Funds dedicated to gold.

Limitations of the Study/Future Scope of the Study

The present study involves small sample size which is a hindrance in drawing credible results, similar studies needed to be conducted in other parts of India so that a credible overall picture can be drawn, as thought process and beliefs vary according to the region. While collecting data biasness on the part of investors while answering the questions, which created artificial responses not reflecting true positions of the respondents.

Findings of the study can also be helpful for the Securities and Exchange Board of India, as it will give them insight into using the love of ordinary people for Gold by adding some more features which makes it even more attractive for investment purpose.

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