CONSUMERS ATTITUDE TOWARDS GOLD AS AN INVESTMENT OPTION

Sneha Kulaye & Arbaaz Vahora

Student, RUSTOMJEE BUSINESS SCHOOL

ABSTRACT

With the improvements in the technology and exposure of different perspectives it has enabled us to come across many different types of saving instruments and we can come with different options and analyze them so that we make great profits in the future. It has become more of a concern because the market has become highly unpredictable and therefore it's important to analyze that which instrument will be beneficial in the future. Therefore we have undertaken this research to find out that how the Gold has become effective in the low interest rate environment.

INTRODUCTION

Gold is rare among metals. But it can be seen everywhere, from jewellery to technology. Unlike any other metals sometimes gold, the shiny precious yellow metal creates some emotional attachments among people. Gold also plays a huge position in the economy of a country. The year 2013 fired up discussion on ‘Gold’, the yellow metal or rather a costly non-essential item for many in India. Gold’s unique demand and supply dynamics ensures its role as a true diversifier for investors. The gold demand is widely dispersed across the world. East Asia, the Indian sub-continent and the Middle-East accounted for approximately 66 percent of consumer demand in 2012. India, Greater China (China, Hong Kong and Taiwan), U.S. and Turkey are represented well over half of consumer demand.

Financial system consists of financial institutions, market, service and instruments that are closely related with each other. The role financial institutions, service and markets have tremendous increase in nowadays compared to the past decades; the only reason for this was customers aware about this. There are so many institutions that are conducting coaching classes for the financial system. For example Tata institute in Bombay is a leading institute conducting coaching classes for actuarial course in the field of insurance India has always been known as elephant of the investment world. It moves slowly but surely. Investment is a planned method of safely putting ones savings into different outlets to get a good return. The essential quality of an investment is that it involves waiting for a reward. Investment involves long term commitment. Investment is a commitment of a person’s fund to derive future income in the form of dividend, rent, and interest. Etc. there is a positive relationship between investments and risk. The success of every investment activity depends upon the ability and knowledge of an investor to investment in right scheme at a right time without any loss. Gold as an asset plays a very important role in
an investor’s portfolio as it not only provides stability for returns but also gives an opportunity to maximize the wealth of the investors. Investors generally buy gold as a way of diversifying risk. Price of gold is determined by the market force of demand and supply. Central bank keeps some portions of their securities in the form of gold. Some studies pointed out that US central bank is the largest holder of gold they own 8133 tons of gold it represents 63.8% of American foreign reserves. Gold is a hedging tool against inflation. There are so many ways to invest in gold such as:

- Coins and Bars
- Futures and options
- Gold Accumulation Plans(GAP)
- Exchange Traded Funds (ETF)
- Gold Funds
- E Gold

Gold is one of the oldest precious metals known to man and for years it has been valued as a global currency, an investment, a commodity and an object of beauty and India is not an exception to this. India’s love affair with gold is timeless spanning over centuries and millennia. In India, Gold is not just another precious metal but it is a part of our culture, an inseparable part of our belief system and a matter of pride. Gold has always been considered a sacred item in life and is a must in every religious function reason being that Gold is pure having passed thought fire in its process of evolution. Gold has become an inseparable part of almost every household in Indian Society and infused into the blood of an Indian. It’s being seen as symbol of good fortune and prosperity. However of resent there has been a shift in the mindset of the people and they have started looking at gold beyond a status symbol. People have realized its importance as an investment avenue too. The recent global crises in the form of US subprime issue, the euro zone issue, have resulted into changing the attitude of people towards gold.

The goal is to study consumer behaviour regarding investment decisions, compare physical investment gold purchasing to other investment instruments, and to suggest suitable marketing steps for investment gold promotion.
RESEARCH OBJECTIVE

The theoretical research of general consumer behaviour and investment behaviour leaded to the need of finding out more specifically about the local market’s investment behaviour patterns and beliefs in order to reach the goal of this research.

As gold is presumably not as widely used investment in other investment instruments, but it is one option among rows of other instruments, although specific, the empirical research studies the general investment behaviour. The general investment behaviour finds out what triggers people to invest, what are their general beliefs on investing, where they get their information from, how they value different information sources and what influences their decisions. Empirical research also finds out the current knowledge and attitude towards gold as an investment, so that suitable marketing and promotional moves can be suggested to make gold better known and understandable as investment.

Questions in empirical research were directed towards finding out one’s investment behaviour and therefore did not seek to find out specifically what investments any respondent has or has had, but how he or she acts, acted or would act in investment process.

PROPOSED HYPOTHESIS

Hypothesis 1: - H1: More than 40% of the population invests in gold (Test of Proportion)

Hypothesis 2: - H2: Preference of gold as an investment is not independent of gender (Test of independence)

Hypothesis 3: - H3: More than 25% of respondents think gold is a simple investment option (Test of proportion)

Hypothesis 4: - H4: Investment in gold is not independent of occupation (Test of independence)

Hypothesis 5: - H5: The annual return expected by businessmen investing in gold is more than 10% (Test of proportion)

Hypothesis 6: - H6: The proportions of female respondents who are completely satisfied investing in gold is not 30% (Test of proportion)

Hypothesis 7: - H7: The proportions of male respondents who are slightly dissatisfied investing in gold is more than 15% (Test of proportion)

Hypothesis 8: - H8: The no. of respondents who think gold is simple and disciplined investment is less than 10% (Test of proportion)
LITERATURE REVIEW

As Lutter says- The main purpose of review of literature is not only to identify the research gap and also to understand various approaches adopted and followed in various research works in Indian as well as other works. Especially for this research work the researcher has done a comprehensive literature which helped to develop the conceptual framework and ideas in theoretical as well as empirical aspects. The present study needs different dimension of literature review, because the study is related to identification of numerical relations in respect of gold price and the association between the opinions expressed by the respondents and their ornamental gold purchasing pattern. The researcher concentrated on more reviews related to the topic on different dimensions namely:

- Gold demand and Gold price movements
- Fascinating facts about investing in ornamental gold
- Ornamental gold buyers’ behaviour and attitudes are presented below.

I.I. Gold Demand and Gold Price Movement.

In India, the share of gold import in total imports bill rose from 8.1 per cent in 2001-02 to 9.6 per cent in 2010-11. The yearly growth rate of gold imports during the period of 2008-09, 2009-10 and 2010-11 was 23 percent, 38.1 per cent and 18.3 per cent respectively. The overall average growth rate during the periods was 26.8 percent. Such a high levels of gold’s consumption indicate India’s obsession with gold.

Business Economics (2006), reported that gold price in 1970 was as low as Rs.208 per 10 grams and it even further declined to Rs. 195 in just one year. The price in 70’s fluctuated between Rs.200 to Rs.700 but in the next decade it reached four digit price levels. In 1981, the 10 grams gold price was Rs.1740 and again it declined to Rs.1710 in 1982. After these periods, the gold price steadily increased to Rs 5140 in the year 1996. In the year 1997, price again reduced to Rs.4590, followed by Rs.4350 and Rs.4485 in 1998 and 1999 respectively. In 2001, gold price again rose to Rs.5800, but next year it dropped to Rs.5090. During 2004, the ten gram gold price reached Rs. 6,350, but the price increased by three times in 19 2008. The rapid growth of price trend shows that gold is still maintaining its demand among the people.

The Hindu (2009) reported that the Indian total demand foe gold, the world’s largest market for the metal about 84 per cent in tonnage terms in the fourth quarters of 2008, followed by 107 per cent growth in gold jewels demand. According to the World Gold Council (WGC), gold demand trends in internationally, total demand rose to 26 per cent at 1036 tons of $26.6 billion in value terms. When people think of an alternative metal to wear then only the demand for gold will reduce is an observation of researcher.

I.II. Fascinating facts about investing in Gold Ornaments:

The Hindu (2007) stated that the professional investors all over the world are again reinforcing their faith in the yellow metal. Studies in2002 show that since 1999, slowly but surely gold has edged back into being the preferred investment with the money savvy across the world, just goes to show that tradition is rarely wrong. With steadily falling interest rates and unstable share markets, gold is the best. Not only does it increase in value, it is portable, and you also get an
added advantage of looking good. Gold has international credibility and its value does not fluctuate like that of foreign currency. As per the minimum Reserve System the Reserve Bank of India has to have gold coins and bullions worth Rs.115 carries and foreign exchange reserves worth Rs. 85 crores with it to issue currency notes of every denomination except one rupee note. Even in case of foreign exchange reserve gold is preferred to others. This system has been in existence since 1957. Till 1956 the proportional Reserve System was prevalent where gold, bullion for foreign exchange reserves worth 40% of the total assets had to be maintained to 21 issue notes. Such is the economics value of gold. With most Non-banks financial companies were closed in India, hence investment in gold is the best assets appreciations. Researcher pointed out ever the above article that the Indian middle class not willing to invest in securities, because they are risk averse, so investment in gold is safe alternative to them.

I.III. Ornament Gold Buyers” Behaviour and Attitude

Itamar Simonson and Russell S. Winer (1992) 12 identified consumers” purchases which are systematically influenced by the quantity they purchase. For this purpose the researchers hypothesized those consumers” purchase non routine items when they purchased routine item in their shopping occasion practices. For this purpose the author has attempted laboratory experiments also.

Mehta, Belk (1999) reported in their study that gold played a significant position in Indian culture. Because on any good occasion Indian’s want to present gold in any form even not specifically mentioned as an artifact, is also a valued ownership. Price, Linda L., Arnould, Eric J, Curasi, Carolyn Folkman (2000) said that gold is matchless, however, because it is not necessarily an appreciated ownership. Gold is purchased by parents, with the intention that it will be passed on to their children at future date.
RESEARCH METHODOLOGY

Type of research:
The methods used in this study are primary and quantitative in nature.

Source of Data:
The data required for the study are primary in nature. The primary data have been collected by making use of a questionnaire.

Sampling Size and Techniques:
Total samples used for this study will be around 450. The method of sampling used for this study is random sampling. The sample tells us about how the investors view gold as an investment option in a low interest environment.

Mode of data collection:
The data are collected through questionnaire survey.

Analysis Methodology:
The collected data have been analyzed by making use of hypothesis testing.

Charts about the sample profile based on demographic factors are:
1. Gender & age

- **Gender**
  - Male: 71%
  - Female: 29%

- **Age**
  - 25-30: 49%
  - 30-40: 21%
  - 40-50: 17%
  - 50-60: 10%
  - Above 60: 2%

2. Marital status & years of work experience

- **Marital Status**
  - Single: 45%
  - Married: 54%

- **Years of Work Experience**
  - 0-5 Years: 47%
  - 5-10 Years: 20%
  - 10-15 Years: 23%
3. Family type & occupation

**Family Type**
- Joint Family: 43%
- Nuclear: 50%
- Living alone: 5%

**Occupation**
- Salaried: 70%
- Retired: 3%
- Housewife: 4%
- Professionals: 7%
- Business: 15%
- Undergraduate: 17%
- Master: 20%
- Engineer: 14%
- Commerce: 32%

4. Annual income & qualification

**Annual Income**
- Less than 3 lacs: 32%
- 3-5 lacs: 33%
- 5-8 lacs: 18%
- 8-10 lacs: 5%
- More than 10 lacs: 10%

**Qualification**
- Undergraduate: 17%
- Professionals: 15%
- Master: 20%
- Engineer: 14%
- Commerce: 32%

5. No. of children & No. of earnings family members

**No. of children**
- None: 57%
- One: 20%
- Two: 19%
- Three: 3%

**No. of earning family member**
- One: 35%
- Two: 50%
- Three: 11%
- Four: 3%
- More than Five: 1%
DATA ANALYSIS

Hypothesis 1: Test of Proportion

Ho: Less than 40% of the population invests in gold
Ha: More than 40% of the population invests in gold

Ho: \( p < 40\% \)
Ha: \( p > 40\% \)
P-TEST
Right tail
Alpha=10%
Probability=90%
**Critical-value=1.28**
Calculating the observed value
\( p = 40\% \)
\( q = 60\% \)
\( p' = 43\% \)
\( p' - p = 3\% \)
\( p * q = 24.00\% \)
**Observed value= 1.39**
P-value= 0.081512
Alpha= 0.1
Reject the null

**Observation:**
We observed that, more than 40% of the population invests in gold.

**Insight:**
There are very less chances of one making any profit out of gold investments. Unlike a bond, the metal pays no interest. There is no dividend. It may not protect customer against the worst forms of inflation, which are often in health care.
Hypothesis 2: Test of Independence (Chi Square test)

<table>
<thead>
<tr>
<th>Observed</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Row</td>
<td>Female</td>
<td>Male</td>
<td>Grand</td>
<td>Proportion</td>
</tr>
<tr>
<td>Labels</td>
<td></td>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>30</td>
<td>103</td>
<td>133</td>
<td>41%</td>
</tr>
<tr>
<td>Yes</td>
<td>62</td>
<td>129</td>
<td>192</td>
<td>59%</td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>232</td>
<td>325</td>
<td></td>
</tr>
</tbody>
</table>

Chi square test

Right tail test

Alpha= 0.01

Probability= 0.01

Critical value= 9.21

Observed= 3.79

p-value= 0.05

Alpha= 0.01

Accept the null

Observation: We observed that preference of gold as an investment is independent of gender.

Insights:

This means that men are equally involved in buying gold. Therefore jewelry manufacturers and showrooms would need to target gold buying behavior of men and women both.

Typically most jewelry most ads at targeted at women.
Hypothesis 3: Test of Proportion

Ho : Less than 25% of respondents think gold is a simple investment option
Ha : More than 25% of respondents think gold is a simple investment option

Ho : p<25%
Ha : p<25%
P test
Right Tailed Test
Alpha= 0.1
Probability= 0.9
**Critical-value= 1.28**
Calculating the Observed value
p = 25%
q = 75%
p'= 29%
p'-p = 4%
p*q = 18.75%
**Observed value= -1.95**
p-value = 0.03
Alpha =0.1
Reject the null

**Observation:**
We observed that more than 25% of respondents think gold is a simple investment option.

**Insights:**
Gold is one of the oldest investment solutions that have been preferred by all the investors. There is more than one reason why people prefer to go with gold as compare to other investment solutions. The gold market has the record of staying high for a long period of time. Be it any country of the world, the gold markets touches the peak and continues to stay there for a long period of time.
Hypothesis 4: Test of Independence (Chi Square test)

Ho: Investment in gold is independent of occupation
Ha: Investment in gold is not independent of occupation

<table>
<thead>
<tr>
<th></th>
<th>Business</th>
<th>Housewife</th>
<th>Professionals</th>
<th>Retired</th>
<th>Salaried</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>2</td>
<td>12</td>
<td>12</td>
<td>2</td>
<td>62</td>
<td>90</td>
</tr>
<tr>
<td>Male</td>
<td>46</td>
<td>2</td>
<td>12</td>
<td>9</td>
<td>161</td>
<td>230</td>
</tr>
<tr>
<td>Grand</td>
<td>48</td>
<td>14</td>
<td>24</td>
<td>11</td>
<td>223</td>
<td>320</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Business</th>
<th>Housewife</th>
<th>Professionals</th>
<th>Retired</th>
<th>Salaried</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>14</td>
<td>4</td>
<td>7</td>
<td>3</td>
<td>63</td>
<td>90</td>
</tr>
<tr>
<td>Male</td>
<td>35</td>
<td>10</td>
<td>17</td>
<td>8</td>
<td>160</td>
<td>230</td>
</tr>
<tr>
<td>Grand</td>
<td>48</td>
<td>14</td>
<td>24</td>
<td>11</td>
<td>223</td>
<td>320</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Business</th>
<th>Housewife</th>
<th>Professionals</th>
<th>Retired</th>
<th>Salaried</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>10</td>
<td>17</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>90</td>
</tr>
<tr>
<td>Male</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>230</td>
</tr>
<tr>
<td>Grand</td>
<td>48</td>
<td>14</td>
<td>24</td>
<td>11</td>
<td>223</td>
<td>320</td>
</tr>
</tbody>
</table>

Chi squared test
Right Tail test
Alpha=0.1
Probability=0.1
Critical-value= 7.78
Observed-value=43

p-value= 0.00
alpha=0.1
since p-value is less than alpha we reject the null
Therefore investment in gold is not independent of occupation
Hypothesis 5: Test of proportions

Ho: The annual return expected by businessmen investing in gold is less than 10%
Ha: The annual return expected by businessmen investing in gold is more than 10%

Ho: p < 10%
Ha: p > 10%

Test of proportions
Right Tailed Test
Alpha= 0.1
Probability= 0.9
Critical-value= 1.28

Calculating the observed value
x = 66
n = 444
p' = 15%
p = 10%
q = 90%
p' - p = 5%

Observed-value= 3.42
p-value= 0.00
Alpha= 0.1

0.00 < 0.1, since p-value < alpha

Observations:
We reject the null, therefore we can say that the annual return expected by businessmen investing in gold is more than 10%.

Insights:
Businesses in developed markets use gold as a protection against inflation. However, for investors from developing countries like India, it also acts as a protection against currency depreciation. More importantly, this comparable gold return came at significantly low volatility. For example, gold’s annualized standard deviation was only 16.62 as compared to 24.35 of the Sensex.
**Hypothesis 6: Test of proportions**

| Ho: The proportions of female respondents who are completely satisfied investing in gold is 30% |
| Ha: The proportions of female respondents who are completely satisfied investing in gold is not 30% |

- **Ho:** \( p = 30\% \)
- **Ha:** \( p \neq 30\% \)

Test of proportions

Two Tailed Test

Alpha= 0.1

Probability= 0.05, 0.95

**Critical-value= -1.64, 1.64**

Calculating the observed value

- \( x = 44 \)
- \( n = 123 \)
- \( p' = 36\% \)
- \( p = 30\% \)
- \( q = 70\% \)
- \( p' - p = 6\% \)

**Observed-value= 2.64**

**p-value= 0.01**

Alpha= 0.1

0.00 < 0.1, since p-value < alpha

**Observation:**

We reject the null, therefore we can say that the proportions of female respondents who are completely satisfied investing in gold is not 30%.

**Insights:**

Gold has proven its unquestionable worth. First, gold has been, and always will be, the world’s most prized precious metal. It’s been a desired possession since early man figured out how to pry it out of the ground, and our appetite for this shiny metal has not slacked over the centuries.
Hypothesis 7: Test of proportions

**Hypothesis:**

- **Ho:** The proportions of male respondents who are slightly dissatisfied investing in gold is less than 15%
- **Ha:** The proportions of male respondents who are slightly dissatisfied investing in gold is more than 15%

**Observation:**

We reject the null, therefore we can say that the proportions of male respondents who are slightly dissatisfied investing in gold is more than 15%.

**Insights:**

Males think they have to pay very high making charges, especially if you go for exotic designs. The purity of gold is another problem that one encounters in case of jewelry. Most jewelers are ready to exchange the gold sold by them at market rate and very few are willing to pay in cash. Gold investment does not provide any current income like dividend or rental as in Stocks or real estate, where investors can reap the rewards of their investment without having to sell their asset. Storing Gold in large quantities relatively risky and expensive. When you invest in gold, you will need to have all of the cash on hand to make a purchase.
Hypothesis 8: Test of proportions

**Ho:** The no. of respondents who think gold is simple and disciplined investment is more than 10%

**Ha:** The no. of respondents who think gold is simple and disciplined investment is less than 10%

**Observation:**
We reject the null, therefore we can say that the no. of respondents who think gold is simple and disciplined investment is less than 10%

**Insights:**
With gold our wealth / saving will be free from inflation. The price of gold will tend to rise, not because the US$ but because of supply / demand of oil and minerals. Gold Investments are classified as low-risk investment, as gold prices always go up over the long term. Investment in gold is free of cost of manufacture. Investing in gold is more liquid than investments in other forms (easily liquidated into cash when needed).
CONCLUSION

The research has given a much better understanding of consumer behavior regarding investment decisions, overview of the steps consumers go through before making the actual investment purchase and shown where is currently physical gold’s position among other investment instruments by consumers’ minds.

Research shows that the main motive to investing comes from the factor that more money is left over from other expenses and one wants to preserve its worth for the future in the situation where inflation is growing. For the most part investing is not natural way of life, but higher level prerogative, which comes after other needs are met. As more difficult economics period is expected, this means that investment decisions might be put forward.

Investors go through a very long and thorough information search and evaluation period before making the investment decision. The survey shows that potential investors listen to almost all available sources regardless of how big role the source will play in the final decision. The longest period in investment process is spent on understanding options and analyzing the market. This means that consumer is exposed to both positive and negative information. For example if he evaluates gold, he asks about it also from competitors (banks), who are usually not eager to recommend this. Research showed that one of the main issues why consumer decides not to invest is hardly attainable or hardly understandable information.

It distinguished from the results that extensively large trust is put into investment specialists, especially if they are familiar to the investor. As investment is such a specific and yet individually important field, investors naturally trust experts more. Interesting was to see that survey results show quite noticeable trust towards investment seller compared to journalism. Perhaps this can be explained with the belief that investment sellers (banks) are more of experts in that field than journalists, even though journalist should be more objective.

To better promote gold, a suggestion is publishing easily understandable honest information on investment gold. One sector of the information could be oriented to general education on gold as an investment. The other should target the latest developments. For example comments on the price movements. Published information should talk honestly about the risks involved and compare gold to other investment instruments, both in pluses and minuses. The 39 disarms the competitors or other non-favoring voices, but also gives the audience a chance to make their own choices.

One of the issues that could postpone or break the investment process (and also gold purchasing) is sudden price movements. People put investment decision off when the price is shaking. If the price is increasing suddenly, inventors feel as they have missed the right buying time and if it drops suddenly, investors feels as they have missed the right buying time and if it drops are more discouraging than increase for the investors. This is proved by both this research and sales figures. This issue is more than increases for the investors. This is proved by both this research and sales figure. This issue is more distinctive to regular investors and less to experts, who use the mass-investors psychological weaknesses to earn profit. To overcome this problem author suggests for investment gold specialist to communicate with the public - when price decreases, why it does so. Explain the background which regular investors might not know and remind why gold is valuable investment in the long run.
Research showed that gold is already known and valued by the people for its stable nature and long tradition. This is a great advantage during the current uncertain economic times where trust-based investment instruments lose ground. Trust-based investment instruments (like stocks and bonds) are used more for earning profit whereas gold is regarded as long-term stable backbone of the portfolio. All the interview respondents said that they plan to hold gold and buy more if possible. Before the research author believed that one of the biggest threats in owning physical investment gold is that it can be stolen as this is what people mostly point out as gold’s minus in conversations.

When this threat was compared next to trust-based investment instruments risks, it came out that they far exceed goal investor’s biggest fears. This example can be used if the same question came up in the future gold conversation as people usually do not think of physical gold risks next to virtual investment risks. Study has shown that market gold is automatically connected with the company and positive investment qualities. This is a great advantage as any talk about investments gold is general in people’s minds already connected with the company. However, negative information on gold (for example crime related, forgery) is also automatically connected with the company. It came out also that often gold is not regarded as series investment, but rather something with emotional value or exclusive gift. Marketing should send out messages that it is not either one or the other, but investment with additional value.
**LIMITATION OF THE RESEARCH**

The European debts crisis has increased the buzz surrounding gold, but do you know the limitation of investing in gold?

If there is something positive about it makes people want to purchase gold in droves, then there are going to be some negatives that make you think twice, too.

These things are real concerns, through most people agree that the advantage outweigh the negatives and they purchase gold anyway. These limitations are listed below:

1. **High making charges**: You have to pay very high making charges, especially if you go for exotic designs. The making charges vary according to design, but on an average, it will be around Rs 200 per gram. Considering the prevailing price of 22 carat gold that is used in jewellery, this works out to be a 10% mark-up. Note that investors will never be able to recover these costs if they decide to sell the jewellery.

2. **Impurity**: The purity of gold is another problem that one encounters in case of jewellery. Most of the time, it may not be the level that is being claimed. Through this problem has receded due to the widespread use of ‘hallmarking’, it has not been resolved completely. Since the hallmarked services test only a fraction of the gold jewellery submitted for testing, there are concerns with the hallmarked jewellery as well.

3. **Less resale value**: Most jewelers are ready to exchange the gold sold by them at market rate and very few are willing to pay in cash. Most of them deduct 5-10% of the value if you want hard cash. The deduction is higher if you try to sell gold that has been bought from bought from some other jeweler. This is because he will question the gold’s purity, calming it to be spent and pay you less.

4. **No regular income**: Gold investment does not provide any short term income like dividend or rental as in case of stocks or real estate where investors can reap the rewards of their investment without having to sell off their asset.

**Problems in Physical storage**: Lack of investment in gold is the factor of storage / treatment / handling. Storing Gold in large quantities relatively risky and expensive. However, there are possibilities for gold investment in a form of a certificate or an account in which the owner does not held the physical gold but later can represent it. Although there are well established forms of gold investment today, some may still wonder whether such form of gold investment will be still equally reliable in case of a system breakdown. Also, if storage is not good, though wrapped in protective cover, allowing the oxidation and discoloration.

5. **No Financing or Leverage**: When you invest in gold, you will need to have all of the cash on hand to make a purchase. You cannot use leverage, or any type of financing, for this type of investment or purchase. This can severely limit the amount of people that can get involved in the market.

5. **No Tax Advantage**: Investing in gold is not going to provide you with any type of tax advantage in contrast to other tax saving instruments available in market.
8. **Subject to Confiscation:** One of the biggest risks of investing in gold is that it is subject to confiscation. The government could come in and confiscate all of the gold in a warehouse if they deem it necessary. In that case, there is nothing that you can do about it and you will lose your investment.

9. **Actual returns are less than nominal returns:** If gold does go up in value, the gain is nominal rather than an actual increase in buying power. This is because when gold appreciates it typically coincides with devaluation for paper money. Moreover, those gold profits are taxable.

10. **Partially Liquid:** An unfortunate social aspect in most families in India related to liquidity is that gold has sentiments attached and is the last item to leave in case of financial difficulties. This negates the entire purpose of gold as a liquid asset.

**REFERENCES**

Author **JL Lutter** - Consumer Behavior during investment gold purchase in comparison to other investment instrument. (Unpublished doctoral dissertation, Tallinn University)

