

**A STUDY ON “GOLD AS A SAFER INVESTMENT ALTERNATIVE  
AMONG THE SMALL AND MEDIUM INVESTORS WITH  
SPECIAL REFERENCE TO KOZHIKODE DISTRICT**

**MINOR PROJECT REPORT**

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## EXECUTIVE SUMMARY

If there was ever an indicator of wealth and prosperity it is 'GOLD'. Often, investors view gold as an 'Asset' to hold when risk is high and to sell when the economy booms. But economic growth has a positive effect on gold consumer demand - the lion's share of annual demand. Studies show that investors rely on gold during periods of market uncertainty; pushing demand up when inflation spikes or when the stock market tumbles. This generally influences gold prices in the short- and medium-term. However, one of the most important long-run drivers of gold is positive income growth. An expanding global middle class has created a source of positive momentum for gold demand.

.How can we say an investment is safe? Safety of an investment is measured in terms of its 'Risk'. The study analyses 'Gold as a safer investment alternative' by studying its risk and return in terms of other investment alternatives like stock and bond. The risk analysis of an asset class is better studied with its volatility measurement. The present study is based on the daily prices of Gold, stock (Nifty 50), and Bond for a period from 1st quarter of January 2012 to 1<sup>st</sup> quarter of January 2017. There are various measures of volatility. To measure the volatility of time series, Generalized Autoregressive Conditional Heteroskedasticity (GARCH) process is used. It is an econometric model developed in 1982 by Robert F. Engle, to describe an approach to estimate volatility in financial markets. Since the study aims to measure the volatility of gold prices, stock index and bond yield, the data is used in terms of log difference to form a model of mean equation and variance equation. . The findings shows that risk in terms of volatility of gold prices is 0.970124(<1) when compared to daily volatility of stock index which is 0.956541(<1) and that of daily bond yield is 1.003183(>1). This means that risk is less in the case of gold investment when compared to stock and bond as daily volatility is less in gold prices than the daily volatility of stock and bond. The results also shows that the risk of bond yield (the risk free investment) is 1.003183 which means there is an increase volatility in the daily bond yield when compared to daily gold prices and daily stock index. Thus the hypothesis that gold is a safer investment among other alternative (stock index, bond yield) is accepted.

Behavioural biases have always found to affect investors differently based on their demographical characteristics. The study analyses the demographical factors influencing investor's decision to invest in gold or not. This investigation is based on the primary data collected through a structured questionnaire distributed to a selected sample of 100. Statistical tool Chi-Square is used to find how independent are the variables in deciding whether to invest in gold or not. The results shows that all the variable under study( Age, Gender , Employment, Income level, Marital status) dictated the investors in the decision to invest in gold or not except educational qualification. The chi-square value on the analysis of educational qualification and investment showed a 'p' value of 0.8308 , greater than the 0.5% significance level, which means educational qualification as a variable is not significant to investors while taking decisions to invest in gold or not.

People invest their savings to get a profitable return. Demographical factors have shown differences in selecting various forms of a specific investment alternative among investors. Therefore the study also investigates the demographical differences while investing in various gold alternatives. The variables selected for this analysis include education, marital status, occupation and income level. These four variables were only selected as it is considered to have a greater influence in deciding the kind of gold investment that investor will make. This objective was also analysed using a Chi-Square test. The results showed that the variables under study such as Educational level, Employment, Marital status, Income level showed a 'p' value less than 0.5% level of significance which says that all the four variables dictate in the decision of the investors while selecting different forms of gold investment alternatives.