

# A Study on Factors Influencing Gold Jewelry Investment Intention of Individual Investors in Erode District

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**Abstract**—The purpose of this study is to examine the investment intention of individual investors in gold jewelry. The study considered 100 investors in Erode district. Simple random sampling is used to select sample; descriptive research is adopted. The study seeks solution for investor motivation in gold, factors influencing gold investment intention and preference on gold. The Friedman chi-square test is utilized to assess the intensity of investor preference in gold jewelry. The null hypothesis states that the rank of customer preference variables does not differ significantly from the expected value. Factor analysis reveals multiple factors that collectively account for a significant portion of the variance in investment intention. These factors shed light on the underlying drivers behind investors' decisions in this domain. The chi-square test provides insights into the intensity of investor preferences for gold jewelry investment. It is concluded that factors other than those considered in the analysis may play a more substantial role in shaping investors' decisions. The findings can assist policymakers, market participants, and researchers in developing targeted strategies and gaining insights into investor behavior in this specific investment avenue.

**Index Terms**—Gold Jewelry, Investment Intention, Individual Investors, Preference, Motivation

## I. INTRODUCTION

Gold has been valued throughout history for its beauty, rarity, and as a store of wealth. In today's financial landscape, gold continues to be an attractive investment option for individuals seeking to diversify their portfolios and hedge against economic uncertainties. Understanding the factors that influence the gold investment intentions of individual investors is crucial for financial analysts, policymakers, and market participants alike. This introduction sets the stage for exploring the various factors that shape

individual investors' decisions to invest in gold. While analyzing these factors, one can gain valuable insights into the motivations and behaviors of individuals who choose to allocate their resources to gold, enabling us to make informed predictions and develop effective strategies for gold market participants. Gold holds a unique position among investment options due to its perceived intrinsic value and status as a safe haven asset. The metal has historically demonstrated a tendency to retain its worth during times of economic volatility, making it an attractive choice for risk-averse investors. As such, the investment intention of individual investors towards gold is influenced by a multitude of factors that can be broadly categorized into psychological, economic, and market-related considerations.

Psychological factors play a significant role in shaping individual investors' intentions to invest in gold. These factors encompass emotions, perceptions, and beliefs that influence individuals' risk appetite and investment decision-making processes. Psychological factors such as fear, uncertainty, and the desire for financial security can drive investors towards gold as a perceived safe haven asset during times of economic turmoil. Additionally, cultural beliefs, personal experiences, and social influence can shape investors' perceptions of gold as a store of value and further influence their investment intentions. Economic factors also exert a strong influence on the investment intention of individual investors towards gold. These factors include macroeconomic indicators, such as inflation rates, interest rates, and currency fluctuations, as well as geopolitical events and market volatilities. When investors anticipate or experience economic downturns, high inflation, or currency devaluations, they may turn to gold as a means to protect their wealth and preserve purchasing power.

Furthermore, market-related factors play a pivotal role in influencing individual investors' gold investment intentions. These factors include gold price trends, market liquidity, accessibility to gold investment vehicles, and regulatory frameworks governing the gold market. Fluctuations in gold prices and perceived investment opportunities can significantly impact investors' perceptions of the metal's attractiveness and influence their investment intentions. Understanding the factors that influence the gold investment intentions of individual investors is vital for market participants, as it allows them to tailor their investment products, services, and marketing strategies to meet investors' needs. Financial analysts and policymakers can also benefit from this knowledge to formulate effective policies, regulations, and market interventions that foster a stable and transparent gold market environment. The study aimed to delve into the multifaceted factors that influence individual investors' gold investment intentions. By examining a range of psychological, economic, and market-related variables, it will contribute to the existing body of knowledge and provide valuable insights into the decision-making processes of individual investors in the gold market. These findings will have practical implications for investors, financial institutions, and policymakers seeking to enhance their understanding of gold as an investment option and develop effective strategies to cater to the needs of individual investors.

## II. STATEMENT OF THE PROBLEM

Understanding the factors that influence the gold investment intention of individual investors is of great importance in today's financial landscape. While gold has long been recognized as a valuable asset and a safe haven during economic uncertainties, the specific motivations and decision-making processes of individual investors regarding gold investment remain complex and multifaceted. Despite the considerable attention given to gold as an investment option, there is a lack of comprehensive understanding regarding the specific factors that drive individual investors' intentions to invest in gold. While some studies have examined individual investors' attitudes towards gold and their risk perceptions, there is a need for a holistic approach that considers a wider range of factors influencing investment intentions. Psychological factors play a crucial role in shaping investment

decisions, and understanding how emotions, beliefs, and perceptions impact individual investors' intentions to invest in gold is essential. Furthermore, economic factors such as inflation rates, interest rates, and geopolitical events are known to affect investment decisions, but their specific influence on gold investment intentions requires further investigation. Additionally, market-related factors, including gold price trends, market accessibility, and regulatory frameworks, need to be examined to assess their impact on individual investors' gold investment intentions. The study aims to provide a comprehensive understanding of the factors influencing the gold investment intention of individual investors. The insights gained from this research will facilitate the formulation of effective policies and regulatory frameworks that promote a transparent and stable gold market environment, benefiting both individual investors and the overall financial ecosystem.

## III. REVIEW OF LITERATURE

Several studies have explored the factors that influence the gold investment intentions of individual investors, shedding light on various aspects of gold investments. Gold has been a popular investment choice for individuals seeking to diversify their portfolios and protect their wealth (Shah and Patel, 2023). The role of psychological factors in influencing individual investors' intentions to invest in gold. Emotions such as fear and uncertainty, particularly during times of economic downturns, significantly increased investors' inclination towards gold as a safe haven asset (Misra et al., 2021). Additionally, cultural beliefs and social influence were identified as important determinants of gold investment intentions, highlighting the significance of psychological factors in shaping investor behavior (Verghese and Chin, 2022). Economic factors have also been widely studied in relation to gold investment intentions. The impact of macroeconomic indicators on individual investors' intentions to invest in gold. Factors such as inflation rates, interest rates, and currency fluctuations influenced investors' perceptions of gold as a hedge against inflation and a store of value (Chitradevi, 2017).

Gold jewelry is not only regarded as an integral part of the culture but also symbolizes the accumulation of wealth. The significance of ornamental gold in Indian

culture cannot be understated, as parents often give gold to their children as a testament to their marriage. Moreover, geopolitical events and market volatilities were identified as significant economic factors that impacted investors' gold investment intentions (Thapa and Shah, 2020). The influence of gold price trends on individual investors' intentions to invest in gold. The investors perceived an upward trend in gold prices, their intentions to invest in gold increased, reflecting the role of price expectations in shaping investment decisions (Shoba, 2017). Additionally, the accessibility to various gold investment vehicles, such as physical gold, gold ETFs, and gold mining stocks, was found to influence investors' preferences and choices in the gold market (Bahadur et al., 2019). The role of investor demographics, risk tolerance, and investment experience could provide a more comprehensive understanding of individual investors' motivations and behaviors in the gold market (Tantia et al., 2017).

IV. RESEARCH OBJECTIVES

The following are the research objectives:

1. To examine the socio-economic profile of individual investors and their motivation in gold in Erode district.
2. To investigate the factors influencing gold investment intention of individual investors.
3. To measure the investors preference on investing in gold.

V. RESEARCH METHODOLOGY

The present study commenced by selecting a sample of 100 investors who are making investments in gold. The study considers investments in gold coin, biscuits and ornaments in the Erode District of Tamil Nadu. The sample was chosen using a simple random

sampling method. The investors were randomly selected from those who were seeking to buy gold at various jewelry showrooms in Erode. A structured and non-disguised questionnaire was distributed to collect data from these gold investing investors. The questionnaire consisted of three parts: the first part gathered information about their socio-economic profile; the second part focused on factors influencing gold investments and the third part explored the investors preference on investing in gold. To ensure reliable and relevant results, the survey instrument was pre-tested with 20 investors to identify and address any issues associated with gold investments. This study utilized a descriptive research design and relied on primary data. Socio-economic profile of investors is analyzed using simple percentage analysis and chi-square test. Factor analysis is employed to explore the various factors that influenced investment intention. Descriptive statistics is used to measure the investors preference on gold.

VI. RESULTS AND DISCUSSION

6.1. Analysis of Socio-Economic Profile

The primary motivation behind investing gold jewelry is to cater to their needs, making it the most popular form of investment. Consequently, investors from different segments display a strong motivation in gold jewelry. To explore this relationship further, a chi-square test was conducted to examine the connection between socio-economic profiles and their motivation in gold. Five-point scaling such as strongly, agree, agree, neutral, disagree and strongly disagree is used for measuring motivation of investors. The null hypothesis (H<sub>0</sub>) proposes that there is no significant association between socio-economic profile of investors and their motivation in gold jewelry investments. The outcome of the analysis is presented in table 1.

Table-1: Customer Interest on Gold Jewelry

Socio-Economic Profile	Variables	Score					%	χ <sup>2</sup>	Sig
		SA	A	N	DA	SDA			
Gender	Male	14	10	11	5	0	40	0.412	0.269
	Female	22	17	15	5	1	60		
Age	Below 30 years	8	8	3	3	1	27	1.679	0.325
	30 – 50 years	17	14	15	5	0	51		
	Above 50 years	11	5	4	2	0	22		
Marital Status	Married	24	18	12	8	1	63	0.572	0.243

	Unmarried	12	10	12	3	0	37		
Monthly Income	Less than Rs.30,000	10	8	5	2	0	25	2.102	0.297
	Rs.30,000-50,000	11	7	7	2	0	27		
	More than Rs.50,000	15	12	14	6	1	48		
Academic Standard	Up to HSC	11	7	6	4	1	29	2.343	0.244
	Under graduate	15	12	16	4	0	47		
	Post graduate	10	8	4	2	0	24		
Occupation	Business	14	16	12	6	1	49	2.332	0.249
	Self-employed	11	7	9	2	0	29		
	Agriculture/Others	11	6	3	2	0	22		

Source: Primary data

Table-1 reveals that gender consists of 40% male investors and 60% female investors. Age shows that 27% of investors are in below 30 years, 51% of investors are in 30 – 50 years, 22% of investors are in above 50 years. Marital status reveals that 63% are married investors and 37% are unmarried investors. Monthly income confirms that 25% of investors are in less than Rs.30,000, 27% of investors are in Rs.30,000-50,000, and 48% of investors are in more than Rs.50,000. Academic standard discloses that 29% of investors are educated up to HSC, 47% of investors have qualification of under graduation, and 24% of investors have qualification of post-graduation. Occupation confirms that 49% of investors are

engaged in business, 29% are self-employed and 22% are agriculturist, housewife and retired persons. The computed chi-square value for socio-economic profile with regard to motivation to invest in gold jewelry is not significant. It accepts null hypothesis, therefore, there is no significant association between socio-economic profile of investors and their motivation in gold jewelry investments.

### 6.2. Factors Influencing Gold Investment Intention

The different factors influencing gold investment intention among individual investors has been examined using rotated component matrix, the results are provided in table 2.

Table-2: Rotated Component Matrix

Labels	Variables	Quality	Worth	Durability	Growth	Support
INV09	Quality of ornaments available	.833	.154	.053	.235	.144
INV17	Pricing practice of gold jewelry	.828	.093	.107	.134	.258
INV25	Wastage cost fixed on jewelry	.817	.021	.143	.127	.193
INV06	Different types of jewel collections	.806	.132	.098	.088	.074
INV20	Durability of jewel designs	.798	.094	.193	.098	.043
INV23	Sales promotion of sellers	.756	.091	.088	.117	.086
INV22	Promotional activities	.155	.854	.079	.086	.112
INV11	Reliability of shop and jewel	.186	.822	.158	.042	-.184
INV08	Purity level of gold and weight	.044	.835	.051	.136	.086
INV03	Discount offered for ornaments	.142	.811	.043	.109	.115
INV24	Luxurious look of jewel	.071	.789	.152	.041	.188
INV16	Shop reputation	.132	.753	.056	.308	.064
INV21	Flexible hours of jewel shop	.135	.757	.242	.145	.047
INV10	Recognition to buyers	.221	.746	.144	.131	.113
INV01	Service quality standard offered	.181	.163	.824	.168	.067
INV14	Responsibility of employees	.065	.132	.772	.136	.042
INV18	Attractive package	.084	.142	.716	.156	.087

INV19	Freebies offered	.092	.283	.731	.074	.176
INV07	Word of mouth about showroom	.047	.097	.148	.756	.058
INV02	Care on billing and delivery	.067	.085	.211	.768	.223
INV12	Rise in gold price	.095	.171	.283	.716	.189
INV13	Auspicious occasions	.095	.189	.113	.732	.057
INV15	Care on customer requests	.088	.114	.053	.112	.821
INV05	Support of economic factors	.099	.079	.077	.167	.803
INV04	Supply of gold	.055	.174	.036	.241	.732
Eigen values		6.575	4.799	2.345	1.881	1.200
% Variance		18.532	14.256	11.684	9.632	7.564
Cumulative % Variance		18.532	32.788	44.472	54.104	61.668
Cronbach's $\alpha$		0.823	0.855	0.816	0.863	0.845

Source: Primary data

Table 2 displays the factor loadings from the rotated component matrix, emphasizing the significant variables associated with each factor through bold highlighting. The factor loadings are considered significant if they surpass the predetermined threshold of 0.5. The findings from the exploratory factor analysis indicate that the factors collectively contribute to explaining 61.668% of the cumulative variance in the data and their impact on investment intention. The Cronbach's alpha values for the factors identified have good reliability values i.e.,  $\alpha > 0.5$ . Afterwards, the factors are identified and named as influence of quality worth, durability, growth and support provided in the jewel shop. Quality factor is the main factor, which is observed with the explained variance of 18.532%. It is loaded with six factors like quality of ornaments available, pricing practice of gold jewelry, wastage cost fixed on jewelry, different types of jewel collections, durability of jewel designs, and sales promotion of sellers. It makes high level of influence on investment intention. Gold worth has been believed as significant factor with explained variance of 14.256%. It includes promotional activities, reliability of shop and jewel, purity level of gold and weight, discount offered for ornaments, luxurious look of jewel, shop reputation, flexible hours of jewel shop, and recognition to buyers. Durability of gold jewelry explain 11.684% of variance in data; it is loaded with four factors like, service quality standard offered, responsibility of employees, attractive package, and freebies offered. Furthermore, growth aspects are loaded with word of mouth about

showroom, care on billing and delivery, rise in gold price, and auspicious occasions which accounts for 9.632% variance in data. Ultimately, support factors are loaded with three variables such as, care on customer requests, support of economic factors, and supply of gold, which together explains 7.564% variance in data. It is proved that these factors have strong influence on forming investment intention among individual investors.

### 6.3. Investor Preference

The investor preference in investing gold jewelry was evaluated using the Friedman chi-square test. To determine the strength of investor preference, a null hypothesis was formulated stating that the rank of customer preference variables is not significantly different from the expected value at a 5% level of significance. When the chi-square test value is higher, it indicates a greater difference between the rank sums of each variable and their expected values, assuming a constant sample size. The calculated chi-square value for these rankings is 129.27, with degrees of freedom equal to the number of variables minus 1. The asymptotic significance suggests that the probabilities of achieving these factors are not significantly different. Therefore, considering the 10 degrees of freedom, it is unlikely that the observed chi-square result occurred by chance. Consequently, it can be concluded that the 100 respondents were not influenced by these variables.

Table-3: Descriptive Statistics

Investors Preference	Mean Rank	Mean Score	Std. Deviation	Chi-Square
Creative design and value	10.79	2.744	1.453	129.27 Sig. 0.000*
Individual motive on a design	8.89	2.473	1.342	
Reliability of gold	8.53	2.624	1.421	
Superiority of work and style	9.33	2.125	1.574	
Price discount	7.65	3.427	1.235	
Obtainability of traditional designs	7.88	2.719	1.375	
Low wastage cost charged	7.69	3.121	1.453	
Design accessibility as per budget	8.02	3.293	1.274	
Low making charge	8.09	3.357	1.268	
Worth for price sacrificed	7.27	3.136	1.358	

Source: Primary data Significant at 1% level

Table 3 reveals that the investor preference on gold, the test has been administered and the results are presented accordingly. It could be found that among the various factors, creative design and value (10.79) is ranked first. It is followed by superiority of work and style (9.52), individual motive on a design (8.89), are ranked as second, and third respectively. Moreover, reliability of gold (8.53), low making charge (8.09), design accessibility as per budget (8.02) are ranked as fourth, fifth, and sixth respectively. Subsequently, obtainability of traditional designs (7.88), low wastage cost charged (7.69), and price discount (7.65) are ranked. Creative design and value, superiority of work and style, individual motive on a design are the main reason to bring investor preference. Null hypothesis is accepted and it can be concluded that all investor preference variables do not differ from the expected value on 1% level of significance.

### VII. CONCLUSION

As per the results of the study, several key findings can be highlighted. Through exploratory factor analysis, it was determined that multiple factors contribute to investment intention in gold jewelry. These factors collectively explain 61.668% of the cumulative variance in the data, indicating their significance in influencing investors' decisions. The Friedman chi-square test was employed to assess investor preferences in gold jewelry investment. The null hypothesis stated that the rank of customer preference variables does not differ significantly from the expected value at a 5% level of significance. The calculated chi-square value of 129.27, with 10 degrees of freedom, suggests a substantial difference between

the rank sums of variables and their expected values. This indicates that investor preferences in gold jewelry investment vary significantly from the expected values. It can be concluded that the 100 respondents' investment intention in gold jewelry is not significantly impacted by the variables considered in the study. This implies that factors other than those examined in the analysis play a more substantial role in shaping investors' decisions. In conclusion, this study provides insights into the factors influencing investment intention in gold jewelry among individual investors. The analysis reveals a significant difference between observed preferences and expected values, suggesting that investors' decisions are influenced by factors beyond those investigated. These findings contribute to the understanding of investor behavior and can aid in the development of targeted strategies for gold jewelry investment.

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