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Retail investors awareness towards gold - Exchange traded fund in stock market with special reference to Coimbatore district

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Abstract
Every investor has a different perception regarding the return and risk. There is a general rule of return and risk and that is “higher the risk, higher the return and lower the risk, lower the return”. The return and risk combination depends upon the investors choices and his or her actions. There are so many destinations for investment such as equity shares, bond, debentures, bank deposits, gold, silver and many more, and their “risk & return” relation always differ from each other. But investment should be of such type that may produce high return with minimum risk and that is convenient to do.
At these criteria gold is much attractive and most productive in terms of return in current scenario. India is one of the largest consumers of gold. The most important is that everyone is not able to invest in or purchased the gold. The investors who have small amount of savings or funds to invest will not be able to do this because of the prices and scarcity nature of gold. Gold investment requires a big amount to get adequate growth and return on investments. To make investment in gold possible for such investor, there is a most popular type of investment called “Gold exchange traded Funds”

Key words: E-Gold, gold ETF, gold funds, gold investment, return and risk

Introduction
Investment is the commitment of funds in an asset or financial instruments with the aim of generating future returns in the form of interest, dividend or appreciation in the value of the instrument. Investment is involved in many areas of the economy, such as, business management and finance no matter from households, firms, or Governments.
An investor has numerous investment options to choose from, depending on his risk profile and expectation of returns. Different investment options represent a different risk-reward trade off. Low risk investments are those that offer assured, but lower returns, while high risk investments provide the potential to earn greater returns. Hence, an investor’s risk tolerance plays a key role in choosing the most suitable investment. Various investment options available are Bank Deposits, Commodities like Gold, Silver etc., Post Office Savings Schemes, Public Provident Fund, Company Fixed Deposits and Stock Market options like Bonds and Debentures, Mutual Funds, Equity Shares etc., Of the various types of investment options in the Stock Market, Gold Exchange Traded Funds (Gold ETFs) happens to be one of the best options to be included in the portfolio for diversification of risk.
The idea of Gold ETF was first conceptualized by Benchmark Asset Management Company Private Ltd. in India, when they filed a proposal with the SEBI in May 2002. However, there was no regulatory approval then and later it was launched in March 2007.

Objectives of the study
Primary objectives
To examine the level of awareness towards gold exchange traded fund in stock market with special reference towards Coimbatore city.

Secondary objectives
1. To examine investment information seeking behaviour of gold exchange traded fund investors
2. To ascertain investment behaviour of investors
3. To find out the level of awareness of investors

To suggest suitable measures to enhance the level of awareness and to formulate measures to protect the interest of the investors

Advantages of gold ETFs
- Potentially cheaper to have price exposure to gold price as compared to other available avenues
- Quick and convenient dealing through demat account
- No storage and security issue for investors
- Transparent pricing
- Taxation of Mutual Fund
- Can be traded on stock exchange like buying or selling a stock
- Ideal for retail investor as minimum lot size to trade is one unit on secondary market NAV of a unit will track price of approximately ½ or 1 gram of gold

Disadvantages of Gold ETFs
- Mutual Funds and Securities investments are subject to market risks and there can be no assurance or guarantee that the objective of the scheme will be achieved.
- The Past Performance of the fund house issuing the ETF should not be construed for the future performance of the fund. It might not provide a basis of comparison with other investments.
- The name of the Gold ETF doesn't indicate the quality of the scheme or its future prospects and the returns. Investors should study the terms of offer carefully and consult their investment advisor before investing the scheme.
- ETFs are a new concept in India compared to other parts of the world.
- The sponsor of the mutual fund is not responsible or liable for any loss or shortfall resulting from the operation of the fund beyond the initial contribution made by it of an amount of Rs 1 Lac towards setting up of the Mutual Fund.
- Investors are not offered any guaranteed or assured returns.

Methodology
The data required for the study is primary in nature questionnaire method has been used in the collection of data.

Sampling
Random sampling methods have been followed to choose from the investors list furnished by the share market certified agents as well as the investor forum.

Review of Literature
Alok Goyal and Amit Joshi (2011) in their study on Performance appraisal of gold ETFs in India has analyzed the risk in the emerging security in the stock market i.e Gold ETFs. The study also aimed at the financial performance, variations and analyzes the risk behaviour of the selected Gold ETFs in comparison of NSE index
Dr. P. Vidhyapriya Dr. M. Mohanasundari (2014) in their study on Performance Analysis of Returns of Goldman Sachs Gold Exchange Traded fund has analysed the performance of the fund for the period 2007-2012. The study also identified the performance of returns of domestic price of Gold in comparison to gold ETF.
Prasanta Athma (2011) has stated that Gold ETF is an emerging option of the various investment alternatives available to the investor. The low volatility of gold prices as compared to equity market, weakening of Indian Rupee against US Dollar and growing uncertainty about global economy resulted in the emergence of Gold ETF as a strong asset class. Allocation of a small portion of investment in Gold ETF would diversify.
Dr. P. Vidhyapriya Dr. M. Mohanasundari (2014) has stated that, In India, gold ETFs were launched mainly with objective to increase the liquidity for the better market efficiency. The drawback with gold ETFs is liquidity; some ETFs are illiquid, which impacts their buying and selling flexibility. Hence, investors should consider this as a factor while investing in gold ETFs and should stick to funds that are liquid. Traditionally, Indians love to buy gold and they want to possess it. In fact, they hardly go for ETFs which is just a piece of paper for them. But in India, during the last one year, investment in gold ETFs has risen by Rs. 303 crore. Hence, the study on returns, using sharpe ratio and jenson ratio have been undertaken to identify the growth of gold ETFs in India.

Findings and recommendations
Retail investors awareness level of past 3 months

Table 1: Table Showing the Sharpe's Index and Beta for the month of January

	1	2	3	4	5	6	7	8	9	10	G	RF
RET	-0.002	-0.003	-0.003	0.062	0.014	0.014	-0.004	-0.003	-0.003	0.014	-0.031	0.7
STD	0.803	0.780	0.785	0.797	0.804	0.804	0.775	0.787	0.783	0.803	0.704	
CORR	0.126	0.126	0.148	0.304	0.305	0.126	0.126	0.126	0.305	1.000		
BETA	0.144	0.14	0.165	0.344	0.348	0.143	0.139	0.14	0.339	1.14		
SI	-4.851	-5.008	-4236	-1.994	-4853	-5.046	-4.978	-2.065	-0.599			

From table 01, it's inferred that most of the Gold ETF have positive beta and SI. This indicates they are performing better that the risk free asset.

Table 2: Table Showing the Sharpe's Index and Beta for the month of February

	1	2	3	4	5	6	7	8	9	10	G	RF
RET	-0.205	-0.203	-0.233	-0.207	-0.207	-0.204	-0.205	-0.204	-0.207	-0.025	0.7	
STD	0.0676	0.0672	0.675	0.645	0.665	0.666	0.669	0.678	0.675	0.665	0.522	
CORR	-0.117	-0.114	-0.117	-0.486	0.021	-0.114	-0.114	0.022	0.021			
BETA	-0.152	-0.146	-0.151	-0.601	0.027	-0.146	-0.148	-0.147	0.028			
SI	4.397	4.571	0.929	-25.879	-26.069	4.59	4.512	4.543	-25.555			

From table 02, it's inferred that most of the Gold ETF have positive beta and SI. This indicates they are performing better that the risk free asset

Table 3: Table Showing the Sharpe's Index and Beta for the month of March

	1	2	3	4	5	6	7	8	9	10	G	RF
RET	0.078	0.08	0.077	0.072	0.078	0.077	0.076	0.081	0.078	-0.189	0.70	
STD	0.529	0.557	0.529	0.572	0.530	0.531	0.554	0.561	0.559	0.530	0.576	
CORR	0.289	0.259	0.289	0.371	0.289	0.289	0.258	0.259	0.259	0.290		
BETA	0.266	0.25	0.266	0.369	0.266	0.267	0.248	0.252	0.251	0.266		
SI	-2.549	-2.715	-2.552	-1.822	-2.546	-2.542	-2.738	-2.687	-2.697	-2.543		

From table 3, it's inferred that most of the Gold ETF have positive beta and SI. This indicates they are performing better that the risk free asset.

Table 4: Consolidated - Sharpe's Index and Beta

	1	2	3	4	5	6	7	8	9	10	G	RF
RET	0.017	0.026	0.026	0.019	0.020	0.020	0.024	0.027	0.019	0.017	8.38	
STD	0.834	0.845	0.849	0.855	0.850	0.852	0.829	0.853	0.850	0.852	0.700	
CORR	0.076	0.102	0.332	0.068	0.105	0.096	0.102	0.100	0.102	0.080		
BETA	-91.98	-67.92	-20.76	-101	-65.61	-71.34	-69.16	-68.82	-67.64	-86.41		
SI	-2.749	-2.746	-2.746	-2.749	-2.748	-2.747	-2.746	-2.746	-2.749			

It's inferred that most of the ETF do not outperform the risk free assets in the longer run. They provide better returns at shorter durations.

Statement of the problem

Traditionally, Indians likes to buy gold and they want to possess it. In fact, they hardly go for ETFs. But in India, during the last one year, investment in gold ETFs has risen. India is one of the largest consumers of gold.While conventional investment options like jewellery, gold bars and coins still exist, Gold ETFs are another effective way to invest in the yellow metal. The study aims is mainly give awareness about GOLD ETF's. Hence the study is undertaken fill the research gap with the following objectives.

1. To analyse the returns of gold ETF on daily basis
2. To assist the investor in selection of the best GOLD ETF.

Conclusion

A Gold saving fund offers the option of Systematic investment plans which are suitable for those who wants to invest in disciplined manner on a long term basis. Gold ETF is an emerging option of the various investment alternatives available to the investor. Inspite of the merits of holding Gold ETFs, the investment in the same is low due to the low awareness among the investors and the sentimental attachment of the investors towards holding gold in the physical form. Every investor has a different perception about the risk and return. Some wants to make higher profit and for it they are ready to take risk of any degree and there are such people also who does not want to make aggressive investment but they prefer to make sensible decisions regarding investments.

There are so many reasons behind the growth and emergence of Gold ETFs such as fluctuation equity market, weakening of Indian Rupee against US Dollar and growing uncertainty about global economy. All these factors make Gold ETFs as a strong asset. On the other hand, Gold ETFs provide the opportunities to institutional investors as well as to small investors, to make investment in gold through ETF scheme

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