

CUSTOMER SENTIMENTS ON GOLD PURCHASE DURING COVID-19 PANDEMIC
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Abstract:

Throughout the year, India is a significant gold market, notably during festival and wedding seasons. People purchase gold for a wide range of reasons, which include investment, wedding jewellery, religious offerings to deities, and luxury. The Covid -19 pandemic had a significant impact on all sectors, including the gold market, by 2020. Given the economic scenario during the Covid-19 pandemic, the purpose of this paper is to investigate customer sentiments toward gold purchases in India. The researcher collected primary data for the research study.

Key words: Gold, Covid-19 pandemic



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Introduction:

Conventionally, India perceives saving money as the primary motive of earning money. A significant portion of their periodic income is either saved for a 'rainy day' or planned contingencies forthcoming in the near future. Real estate properties, bank deposits, postal savings and gold are seen as primary sources of investments in general. Few of the investment options for educated elite are equity market, mutual funds, bonds, and gold in physical or digital form. Of all these investment instruments, the most common used by people of all socioeconomic backgrounds would be gold. The reasons for investing in gold may vary from pure investment, family traditions, children's wedding, ritual purchases during auspicious occasions or it can be offerings to deities to fulfil wishes. The underlying reason for people consuming this precious metal is the value in itself, ignoring the various uses of it.

Objective:

- To study customer sentiments on purchase of gold in India, given the economic scenario during the covid-19 pandemic and their belief in gold as an investment.

Literature Review:

As per historical data, the average annual gold price in the year 2001 was Rs 4300 per 10 grams and that in the year 2010 was Rs 18,500 per 10 grams, an increase of more than 4.3 times. The decade thereafter showed a rapid increase in price of gold as is reflected in the following table-

Year	Gold price in Rs (24 karat per 10 grams)
2011	Rs. 25,000
2012	Rs. 32,000
2013	Rs. 33,000
2014	Rs. 30,000
2015	Rs. 26,343.50
2016	Rs. 28,623.50



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2017	Rs. 29,667.50
2018	Rs. 31,438.00
2019	Rs. 35,220.00
2020	Rs. 48,651.00

Irrespective of the increase in gold rate, globally India remains at second position after China in consumption of gold. During the covid-19 pandemic, gold demand in India decreased due to the lockdowns and consecutive economic scenario. As per world gold council report, the demand of gold in India in the peak covid period of September 2020 quarter was 94.6 tonnes as compared to the demand of 139.1 tonnes in the July- September 2021 quarter, an increase of 47 %. India's gold demand fell by 35.34% to 446.4 tonne in 2020. In 2019, the total gold demand was 690.4 tonne, according to the WGC's 2020 Gold Demand Trends report. The advantage of gold over other metals is that gold has store of value and is an asset which gives good returns, is less volatile and is very handy in terms of liquidity. The GoldHub research in September 2019 on "Gold: the most effective commodity investment" says that returns from investment in gold are at par with the stock market over the long run. When there is volatility and uncertainty in the market, people can rely on gold unlike other commodities. Even central banks and governments all over the world, hold high gold reserves in order to be prepared in an untoward event of any economic emergency or instability. In such detrimental situations, gold prices firm up as against equity markets. In the year 2020, when markets crashed due to covid, NIFTY dropped from 12,100 to 7,600 levels. As compared to this, prices of gold and performance of gold ETFs were on an upward trend.

A survey was conducted among a well-informed group of individuals to understand the customer sentiments on purchase of gold. The survey had 76 respondents, all belonging to a educated group- which comprised of 21.1 % in above 56 years age, 56.6% in the age group of 41-55 years, 21.1% from 26-40 years and the remaining below 25 years.

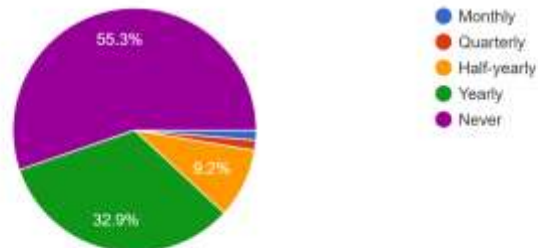
Findings of the survey were as follows:

- Out of the total respondents, 80.3% said that the most preferred metal to buy was gold and 11.8% preferred diamond.
- The top reasons for their purchasing gold were- Investment-44.7%, Wedding-32.9% and Luxury-10.53%
- Out of the people who invested in gold, 36.8% invested in jewellery, 34.2% in gold coins, while other forms of investment like gold ETF, gold mutual funds, and sovereign gold bonds were chosen by very few respondents. 9.2% people responded that they do not invest in gold.
- Prior to covid-19 pandemic, these people used to buy gold monthly (2.6%), quarterly (2.6%), half yearly (13.2%), yearly (32.9%) and 40.8% people bought gold rarely and 7.9% never bought it.
- On response to whether covid-19 pandemic changed their buying pattern of gold in 2020-21, 34.2% were affirmative, 39.5% showed negative effects, while 26.3% opined that the pandemic didn't bring much change in the buying pattern.

Other responses in the survey were as under-

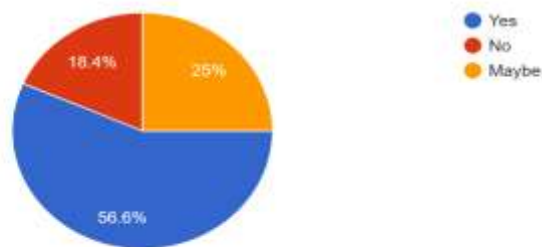
If your buying pattern changed, how often you bought Gold in 2020-2021?

76 responses



Do you still believe in buying gold after Covid 19 pandemic?

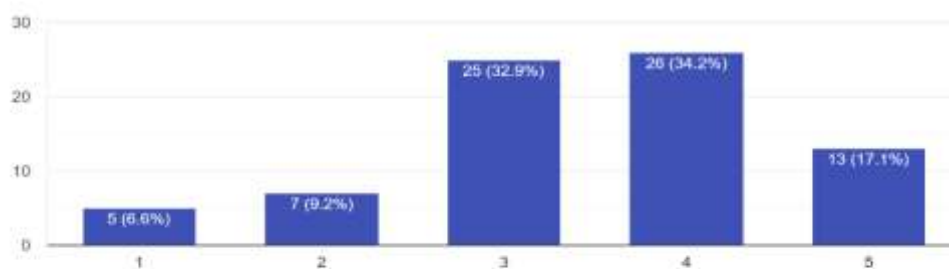
76 responses



On a rating scale of 1 to 5, the response received on the question- 'belief in gold as an investment' was as under-

Rate your belief in gold as an investment.

76 responses



Interpretations:

- Gold is the most preferred metal for personal use as well as for investment purpose.
- The responses received indicate that people still believe in buying gold in physical form rather than in digital form.
- Lack of awareness about digital gold can be one of the reasons for buying physical gold.
- As per old beliefs, people still believe in buying gold during auspicious occasions and look at it as an emergency liquid fund. Only few felt that buying gold is of no use and is not a good form of investment. In their opinion, gold is a dead investment, where one's money is blocked.



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- Frequency of purchasing gold during covid period decreased but the yearly pattern of buying gold didn't change much.
- 84.2% of the respondents have rated 3 or above on a rating scale of 1 to 5. They are positive on the potential of investing in gold.

Conclusion:

Gold is a reliable commodity for uncertainty. During the times when equity markets are not faring well, one can find that gold prices are moving up. Covid-19 pandemic did change the pattern of buying gold due to lockdowns, uncertainty and cash crunch felt by people in India. The demand of gold in the July- September 2021 quarter showed that come what may, people still believe in buying gold for future contingency plans. The uncertainty created by the covid pandemic reinforced this belief. Physical gold is still the most popular form of investment. Percentage of people purchasing gold in digital form is lesser as compared to those opting for physical purchase due to lack of financial awareness. No doubt, investment in gold can help diversify the investment portfolio of small investors, but only financial awareness about digital gold can increase such investments. Whatever may be the ups and downs in the economic scenario, Gold remains a popular form of investment in India, whether by the government/central bank or by the general public.

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