The Impact Of Gold Price Sensitivity On Consumer Choice Of Investment With Special Reference To Coimbatore City

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ABSTRACT: This study examines how gold price sensitivity influences consumer investment choices in Coimbatore City. Gold remains a preferred investment, especially during inflation and economic uncertainty. The research focuses on consumer behaviour, risk perception, and how price fluctuations affect investment decisions. The findings aim to offer insights for investors and financial planners in understanding local investment trends.

Keywords: *Gold, Price Sensitivity, choice of investment, Coimbatore.*

INTRODUCTION:

Gold has long been regarded as one of the most trusted forms of investment across the globe, particularly in India, where it holds deep cultural, religious, and economic significance. The tradition of investing in gold is not only a symbol of wealth but also a form of financial security, passed down through generations. For centuries, gold has been used as a hedge against inflation, a store of value, and a symbol of social status. In the Indian context, gold is often seen as a necessity, not just an asset, with people investing in it during auspicious occasions, festivals, or as a means of securing wealth for future generations.

The investment behaviour of consumers is often influenced by various economic factors, among which gold price sensitivity plays a significant role, especially in culturally rich regions like Coimbatore City. As gold is traditionally seen as a safe and asset, fluctuations in its price can significantly impact consumer decisions regarding investment choices. This study aims to explore how changes in gold prices affect consumer preferences and investment patterns in Coimbatore, providing insights into their sensitivity and response to market dynamics.

OBJECTIVE OF THE STUDY

1. To analyse the demographics profiles.
2. To assess the level of gold price sensitivity among investors in Coimbatore City**.**
3. To analyse the impact of gold price volatility on the overall investment behavior of Consumers.
4. To identify the preferred investment options among gold investors in Coimbatore City and how these preferences are influenced by gold price sensitivity.
5. To examine the relationship between gold price sensitivity and the choice of investment options.

SCOPE OF THE STUDY:

The study will focus on the impact of gold price fluctuations on consumer investment choices in Coimbatore city, specifically examining the preferences between gold and other investment avenues such as real estate, equities, and fixed deposits. The research will explore demographic variables like age, income, and education to analyze how these factors influence consumer behaviour towards gold investments. The study will also examine whether economic factors, such as inflation and interest rates, play a role in shaping these choices.

LIMITATION OF STUDY:

1. This study confined to 120 individuals; thus, findings may have limited applications
2. The data collected from the customer are qualitative in nature i.e., views, perceptions,
3. Satisfaction, opinion, etc. may change from time to time.
4. A reasonable study with other areas could not be shown due to time constraint.

STATEMENT OF THE PROBLEM:

The price of gold has fluctuated considerably in recent years, affecting its role as a preferred Investment option for consumers. Despite the historical significance of gold as a safe haven asset, The recent volatility in its pricing raises questions about consumer behavior in Coimbatore city, a Region where gold investment is deeply rooted in cultural practices. This research seeks to Explore how variations in gold prices influence the investment decisions of consumers and Whether it affects their preference for other investment avenues like real estate, stocks, or fixed Deposits.

REVIEW OF LITERATURE:

1. **Baur, D.G., & Lucey, B.M. (2010)**

In their landmark study "Is Gold a Hedge or a Safe Haven?", Baur and Lucey examined the role of gold in global financial markets. They argued that gold functions both as a hedge against general market downturns and as a safe haven during periods of intense financial turmoil. Using data from several international markets, they found that gold often appreciates or maintains its value when other assets—especially equities—decline, thereby attracting investors seeking stability. Their regression analysis confirmed a significant negative correlation between gold and stock returns in times of crisis. This pattern is particularly visible during episodes like the 2008 global financial crisis, where gold prices surged amid market uncertainty. The authors emphasized that gold is perceived as a low-risk, inflation-resistant asset that offers psychological comfort to risk-averse investors. Their findings are especially relevant in the Indian context, where gold is traditionally viewed as a reliable store of value. In regions like Coimbatore, where cultural affinity towards gold is strong, price sensitivity intensifies during periods of market instability. Consumers tend to monitor gold prices more closely and adjust their investment decisions based on market sentiment. This study provides a foundational understanding of how macroeconomic instability influences gold investment behavior and supports the notion that price sensitivity is heightened during economic distress.

2. **Capie, F., Mills, T.C., & Wood, G. (2005)**

Capie, Mills, and Wood explored the intricate relationship between gold prices, inflation, and exchange rate fluctuations in their study, emphasizing how macroeconomic variables influence consumer investment behavior. They argued that gold is often used as a hedge against inflation and currency depreciation, especially when confidence in fiat currencies declines. Using historical data from multiple economies, the study demonstrated that gold prices tend to rise in response to increasing inflation and weakening currency values. The authors suggested that during such periods, consumers perceive gold as a safer and more stable asset. Their findings are particularly important for economies like India, where gold has both economic and emotional significance. In Coimbatore, for example, consumers are highly responsive to these macroeconomic changes, often reallocating investments from volatile instruments to gold when inflation is high. The study highlighted that increased awareness of inflation trends leads to greater sensitivity to gold price movements. The researchers also noted that investors with limited access to diversified financial instruments often turn to gold as a default inflation hedge. In essence, their research shows that gold price sensitivity among consumers is not just based on market speculation but also deeply rooted in responses to real economic indicators, making this study a valuable reference for understanding regional gold investment patterns.

OVERVIEW OF STUDY

The dynamic interplay between gold prices and consumer investment decisions is a complex tapestry woven from economic, psychological, and cultural threads. At its core, the sensitivity of consumers to gold price fluctuations stems from the metal's unique position as both a tangible commodity and a symbolic store of value. When economic uncertainties loom, such as rising inflation, geopolitical instability, or market volatility, gold's perceived "safe haven" status becomes paramount. Consumers, both individual investors and institutional players, are driven by a desire to preserve capital and mitigate risk. This surge in demand naturally propels gold prices upward, creating a self-reinforcing cycle. As prices climb, the allure of potential gains further fuels investor interest, leading to increased trading activity and speculation. However, this sensitivity is not uniform across all consumer demographics. Sophisticated investors, armed with financial expertise and access to real-time market data, often engage in strategic trading, capitalizing on short-term price swings. They meticulously analyze macroeconomic indicators, central bank policies, and global events to predict price movements and adjust their portfolios accordingly. Conversely, retail investors, often driven by emotional impulses and anecdotal evidence, may exhibit a more reactive approach, buying high and selling low, potentially exacerbating market volatility.
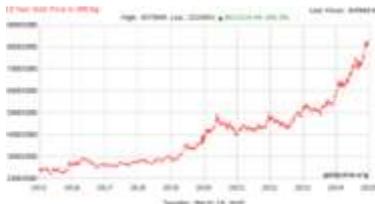
RESEARCH METHODOLOGY: -

Research in common refers to a search for knowledge. Research methodology is a way to systematically solve the research problem. The research design indicates the steps that have been taken in the sequence they occurred.

RESEARCH DESIGN

Research design is the arrangement of conditions analyses of data in a systematic manner that aims to combine relevance to research purpose. The research study applied here is convenience sampling.

SAMPLING TECHNIQUE:

The sampling technique used in this study is 'convenience sampling'. Respondents from Coimbatore were selected on the basis of convenience and comfort of the researcher to the information for this study.

SAMPLE SIZE:

The sample size is certified to its nature of data collection. Data collection is based on the primary data. 120 respondents are selected from Coimbatore district for the purpose of the study. Direct questionnaires are used to survey the respondents.

SOURCES OF DATA:

The data is collected in two ways;

PRIMARY DATA: Surveys and interviews with graduates who are either planning or have already started a business.

SECONDARY DATA: Review of existing literature on startup trends, reports on entrepreneurship in India, and related studies.

TOOLS AND TECHNIQUES

The tools used under for the study are

- Simple percentage method
- Chi square

SIMPLE PERCENTAGE METHOD

A percentage analysis is used to interpret the data by the researcher for analysis and interpretation. Through the use of percentages, the data are reduced in the standard from with base equal to 105 which fact facilitates relative comparisons. In the percentage analysis, Percentage is calculated by multiplying the number of respondents into hundred and it is divided by the same size.

FORMULA:

PERCENTAGE = $\dfrac{\text{NO OF RESPONDENTS}}{\text{TOTAL RESPONDENTS}} * 100$

CHI – SQUARE:

The chi-squared test is done to check if there is any difference between the observed value and expected value.

Formula:
Chi square formula $\chi^2 = \sum(O_i - E_i)^2/E$

DATA ANALYSIS AND INTERPRETATION

TABLE NO: 1

THE TABLE SHOWING AGE CATEGORY OF RESPONDENTS

S.NO	AGE	NO OF RESPONDENTS	PERCENTAGE
1	BELOW 20 TO 30	54	45%
2	30 TO 40	22	18.3%
3	40 TO 50	39	32.5%
4	50 ABOVE	5	4.2%
5	**TOTAL**	**120**	**100**

SOURCE: PRIMARY DATA

INTERPRETATION:

From the above table, it shows that 45% of the respondents are below 20 to 30 years of age, 18.3% of the respondents are between 30 to 40 years of age, 32.3% of the respondents are between 40 to 50 years of age, 4.2% of the respondents are between above 50 years of age.

Hence, Majority 45% of respondents are between 20-50 years of age.

CHART NO: 1
THE CHART SHOWING AGE OF THE RESPONDENTS
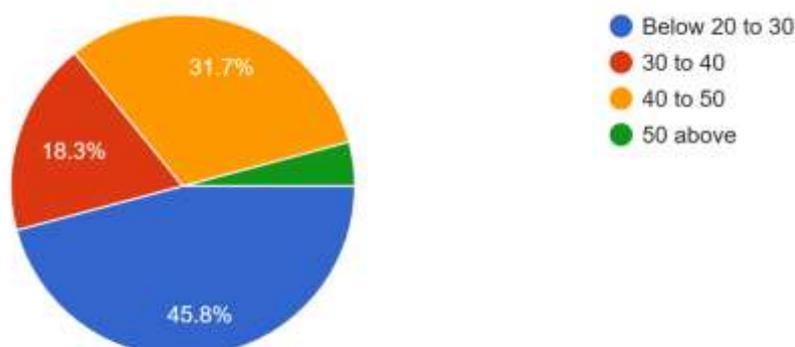

2.Age
120 responses

TABLE NO: 2

THE TABLE SHOWING GENDER OF THE RESPONDENT

S.NO	GENDER	NO OF RESPONDENTS	PERCENTAGE
1	MALE	59	49.2%
2	FEMALE	61	50.8%
3	**TOTAL**	**120**	**100**

SOURCE: PRIMARY DATA

ITERPRETATION:

From the above table, it shows that 49.2% of the respondents are male, 50.8% of the respondents are female.
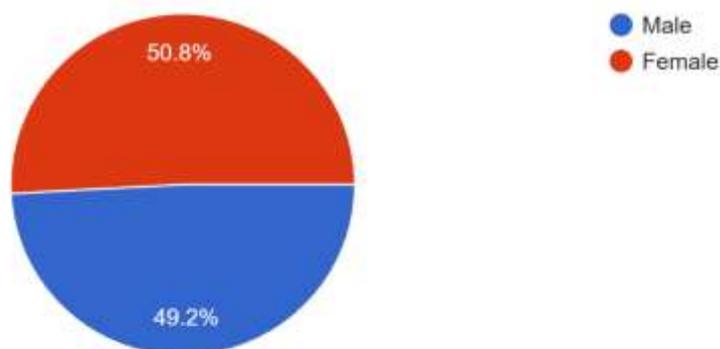
Hence, Majority 50.8% of respondents are female.

CHART NO: 2

THE CHART SHOWING GENDER OF THE RESPONDENTS

3. Gender

120 responses

CHI SQUARE

CHI-SQUARE TEST

A Chi-square test is a statistical method used to compare the observed value with the expected value.

$\chi 2 = \Sigma (Oi - Ei)2 / Ei$

H0 (Null hypothesis) = There is no significant relationship between the dependent and the independent variables.

H1(Alternative hypothesis) = There is a relationship between the dependent and the

independent variables.

TABLE 3
RELATIONSHIP BETWEEN INCOME AND TOTAL INVESTMENT PORTFOLIO ALLOCATED TO GOLD

INCOME	Less than 10%	10-25%	25-50%	More than 50%	Total
Rs.30001 to Rs.40001	8	19	6	1	34
Rs.20001 to Rs.30001	9	10	11	3	33
Rs.30001 to Rs.40001	4	17	15	6	42
Rs.40001 above	0	6	4	1	11
Total	21	52	36	11	120

TABLE 3 CHI SQUARE TEST

O	E	O-E	(O-E) ^2	(O-E) ^2/E
8	5.95	2.05	4.2025	0.71
9	5.775	3.225	10.400625	1.80
4	7.35	-3.35	11.2225	1.53
0	1.925	-1.925	3.705625	1.93
19	14.73333333	4.26666667	18.20444447	1.24
10	14.3	-4.3	18.49	1.29
17	18.2	-1.2	1.44	0.08
6	4.766666667	1.233333333	1.52111111	0.32
6	10.2	-4.2	17.64	1.73
11	9.9	1.1	1.21	0.12
15	12.6	2.4	5.76	0.46
4	3.3	0.7	0.49	0.15
1	3.116666667	-2.11	4.480	1.44
3	3.025	-0.02	0.000625	0.00
6	3.85	2.15	4.6225	1.20
1	1.008333333	-0.00	0.00	0.00
120	120	0.00	103.3902778	13.98

SOURCE: PRIMARY DATA

Significant level= 0.05

INTERPRETATION:

The calculated value of chi-square test is (13.98) which is lesser than the table value (16.919). Hence, it accepted null hypothesis (H0), and it rejects Alternative hypothesis(H1). So, there is no

relationship between the Income and the Schemes that are currently invested in.

TABLE 4
PRIMARY REASONS FOR INVEST IN GOLD

Age	Hedge against inflation	Portfolio diversification	Safe haven assets	Other	Total
Below 20 to 30 years	11	17	19	7	54
30- 40 years	1	9	13	0	23
40- 50 years	5	20	10	3	38
50 and above	1	1	2	1	5
Total	18	47	44	11	120

TABLE 4 CHI SQUARE TEST

O	E	O-E	(O-E) ^2	(O-E) ^2/E
11	8.1	2.9	8.41	1.04
1	3.45	-2.45	6.0025	1.74
5	5.7	-0.7	0.49	0.09
1	0.75	0.25	0.0625	0.08
17	21.15	-4.15	17.2225	0.81
9	9.01	-0.01	0.00	0.00
20	14.88	5.12	26.18	1.76
1	1.96	-0.96	0.92	0.47
19	19.80	-0.80	0.64	0.03
13	8.43	4.57	20.85	2.47
10	13.93	-3.93	15.47	1.11
2	1.83	0.17	0.03	0.02
7	4.95	2.05	4.20	0.85
0	2.11	-2.11	4.45	2.11
3	3.48	-0.48	0.23	0.07
1	0.46	0.54	0.29	0.64
120	120.00	0.00	105.45	13.28

SOURCE: PRIMARY DATA

Significant level=0.05

INTERPRETATION:

The calculated value of chi-square test is (13.28) which is lesser than the table value (16.919). Hence, it is accepted null hypothesis (H0), and it rejects Alternative hypothesis(H1). So, there is no relationship between the age and primary source for invest in gold.

FINDINGS

1. Maximum (45%) of respondents are between 20-50 years.
2. Majority (50.8%) of respondents are female.
3. Maximum (28.3%) of the respondents are rs.20001 to 30001 of monthly income.
4. Maximum (33.3%) of the respondents Postgraduate.
5. Maximum (34.2%) it shows of the respondents are Student.
6. Majority (66.7%) of the respondents are unmarried.
7. Maximum (39.2%) of the respondents are Gold ETF/mutual bond.

8. Rank the Following Gold Investment
- Maximum (48.3%) of the respondents are Rank 1.
- Maximum (37.5%) of the respondents are Rank 2.
- Maximum (29.16%) of the respondents are Rank 2.
- Maximum (25.83%) of the respondents are Rank 4.

9. Maximum (31.7%) of the respondents are RS.500000 to RS.1000000.
10. Majority (51.7%) of the respondents are medium term.
11. Maximum (41.7%) of the respondents are 10-25%.
12. Maximum (35.8%) of the respondents are Safe heaven assets.
13. Maximum (36.7%) of the respondents are Weekly.
14. Maximum (40.8%) of the respondents are I hold onto my gold regardless of price fluctuations.
15. Majority (68.3%) of the respondents are yes.
16. Maximum (40.8 %) it shows of the respondents are Increase.
17. Maximum (43.3%) of the respondents are Return on investment.
18. Maximum (31.7%) it shows of the respondents are Extremely important.
19. Maximum (38.3%) of the respondents are Always.
20. Maximum (40.8%) of the respondents are Reputation.
21. Maximum (40.8%) of the respondents are Somewhat concerned.
22. Maximum (33.3%) of the respondents are Moderate influence.
23. Maximum (36.7%) of the respondents are Wait for further decline buying.
24. Maximum (37.5%) of the respondents are Gold ETFs.
25. Maximum (33.3%) of the respondents are Aura India's savings app.
26. Majority (54.2%) of the respondents are Price volatility of gold.
27. Maximum (46.7%) of the respondents are medium term.

SUGGESTIONS:

The survey reveals that most respondents are young, educated females with moderate income, favouring Gold ETFs and medium-term investments. They view gold as a safe haven, value returns and reputation and often invest weekly. Price volatility is a key concern, but many still hold gold long-term or wait for price drops to buy. Your project should focus on promoting Gold ETFs, addressing price concerns, and highlighting trusted platforms like Aura India's savings app.

CONCLUSION:

The study titled "The Impact of Gold Price Sensitivity on Consumer Choice of Investment with Special Reference to Coimbatore City" reveals that consumer investment choices in gold are significantly influenced by price sensitivity. Most respondents, particularly young and educated individuals, show a strong preference for modern investment options like Gold ETFs and mutual funds. While price volatility is a major concern, consumers continue to view gold as a safe haven and a reliable source of return on investment. Many adopt a cautious approach, opting to wait for price declines before purchasing. Reputation, trust, and return potential are key factors driving their investment decisions. The findings suggest that despite fluctuations in gold prices, gold remains a popular and stable investment choice among Coimbatore's consumers, with digital platforms and financial awareness playing a growing role in shaping their preferences.

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3. PersonalFN (personalfn.com): Indian financial planning site offering articles on investment options, including the impact of gold price volatility.
4. Business Standard (business-standard.com): Indian business news covering gold market movements and related economic factors.