

Investment Pattern towards Gold Futures in Bangalore – Comparative analysis of Gender Specific Decisions

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ABSTRACT: Savings and Investment is another area where the incorporation of gender difference in behavior may be important. Investment is the employment of funds on asset with the aim of earning income or capital appreciation by considering two attributes risk and return. The present study emphasizes on factors that influence investment behavior towards gold futures of men and women and also to perceive is there difference in their investment objective, the level of risk taking capacity etc., the motive of the study is to determine if gender can really affect the financial decisions in commodity market. The method employed was quantitative in nature and sample sizes of 100 employees were chosen from Bangalore for the study. Several factors were considered while framing a questionnaire such as Reasons for Investment, Proportion- Frequency-Period of Investments, Savings Objective, and Risk bearing capacity of investors. The findings were measure using Chi-square test and Frequency distribution method; results were analyzed using SPSSV20 software.

Key Words: Capital Appreciation, Chi-Square, Frequency Distribution, Risk Bearing

1. INTRODUCTION:

Derivative is a financial contract whose payoff structure is determined by the value of an underlying **commodity, security, interest rate, share price, index, exchange rate** and the like. Thus a derivative instrument derives its value from some underlying variable/asset.

An exchange provides buyers and sellers of futures and options contracts the infrastructure they need to trade. In the outcry system of trading, the exchange has a trading pit, in which the exchange members and their representatives assemble during a fixed trading period and execute transactions. In the online trading system, the exchange provides its members with real-time access to information online and also allows them to execute their orders. Financial Derivative exchanges: BSE (Equity derivatives), NSE (Equity and interest rate derivatives), Commodity derivative exchanges: **MCX** Mumbai, **NCDEX** Mumbai, **NMCEIL** Ahmedabad, **Indian Commodity Exchange Ltd** New Delhi and **Ace Derivatives and Commodity Exchange Ltd** Mumbai. Among these MCX is the biggest commodity exchange in India.

The issue of delivery may not arise in index futures and options, which are cash settled contracts, but it would arise in stock futures and options, commodity futures and options and interest rate futures and options. In the absence of a proper custodial or warehouse mechanism, the delivery of financial assets and commodities will be a cumbersome task and the futures prices will not reflect the equilibrium price for the convergence of the cash price and the futures price on maturity.

A gold future is simply a deal to trade gold at terms prices decided **now**, but with a **settlement day in the future**. That means you don't have to pay up just yet (at least not in full) and the seller doesn't need to deliver you any gold just yet either. It's as easy as that.

The **settlement day** is the day when the actual exchange takes place - i.e. when the buyer pays, and the seller delivers the gold. It's usually up to 3 months ahead.

Most futures traders use the delay to enable them to speculate - both ways. Their intention is to sell anything they have bought, or to buy back anything they have sold, **before reaching the settlement day**. Then they will only have to settle their gains and losses. In this way they can trade in much larger amounts, and take bigger risks for bigger rewards, than they would be able to if they had to settle their trades as soon as dealt.

To deal gold futures you need to find yourself a futures broker. The futures broker will be a member of a futures exchange. The broker will manage your relationship with the market, and contact you on behalf of the central clearer to - for example - collect margin from you.

Your broker will require you to sign a detailed document explaining that you accept the significant risks of futures trading. Account set-up will take a few days, as the broker checks out your identity and creditworthiness

2. REVIEW OF LITERATURE:

Rama Krishna Reddy (2005), found that most of the Indian investors are influenced by their family members while taking decisions on investments and most commonly used areas for their investment is in Bank deposits and securities. Working women in India were contributing one fifth of their earnings as savings. Jawaharlal (1995), due to the impact of information technology, the investor can able to get timely information i.e., right quantity of accurate data at the right time for making sound investment decision which is motivating them and improving the confidence levels themselves. Financial Literacy is not uniform; it is different with different group of investors, most of the investors are saving money to meet their future expenses in the areas like children education, marriage and other welfare expenses. Alagu Pandia et., al (2013), investors most preferred areas for investment is in bank deposits and followed by gold investments. B.B.S Parihar et., al (2012), salaried employees prefer to invest in the areas which provides return, safety, liquidity, convenience and affordability and even for tax benefits but when it comes to potential investors, they prefer to invest in shares and expects to earn the returns in the form of dividends, capital appreciation etc., Ugo Rigoni et., al (2012), examined is it important that investors should have financial education before going for investments and it is concluded that it is very important in many ways like in designing their diversified portfolios, financial literacy has very high positive correlation with risk level of individual investors. They also suggested that to motivate large group of investors to come forward for investment, the government has to take initiation and start conducting financial educational programs for providing proper awareness to the individuals for investments, this has very high impact on the growth of Indian economy. Jasmin Y. (2011), Demographic factors like wealth and age has very high impact on investment preference.

3. RESEARCH METHODOLOGY

Statement of the Problem - To know is there any impact of gender towards the investments into gold futures and are they confident enough or lacking in their investments due to lack of knowledge on derivative markets.

Need for the Study - To understand whether responds irrespective of gender should be consider as an investor and based on view of investor perceptible the decision towards the investments will impact or physiological behavior of men and women plays a major role towards the investments.

Objectives of the study

- To know the investment behavior of men and women towards gold futures
- To determine the investors objective of investments in gold futures
- To find out which income group prefers this market for investments

Limitations of the study

- The study is confined to a small sample of 100 investors who invests or have a knowledge on derivative markets
- Samples are selected based on convenience of the researcher
- The study takes into considerations only working population.

Type of research - Analytical research.

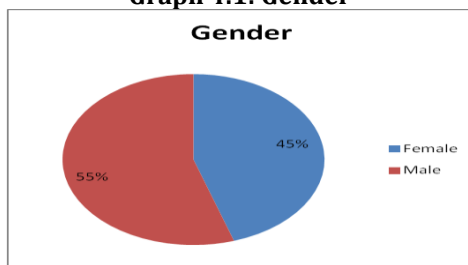
Type of data

Primary Data: It is nothing but first hand information, which is collected for the first time by the researcher. Using the questionnaire method responses from the selected investors has been collected. The data is collected from various age groups, educational background, occupation, income range, in order to avoid bias.

Secondary Data: The name itself specifies that the data is already available and collected by someone else and we are using it for the analysis. The secondary data for the current study has been collected from various journals, company websites & published reports.

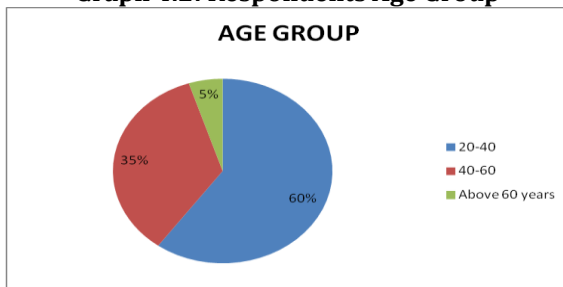
4. DATA ANALYSIS AND INTERPRETATION

Graph 4.1: Gender



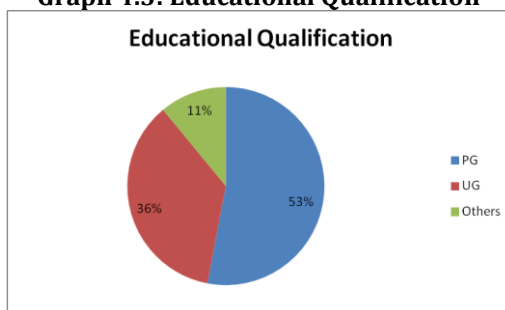
From the above graph it is been concluded that majority of the respondents in the research are Male i.e., 55% were male respondents and the remaining 45% were female respondents. It can be interpreted that male are more into gold futures investments.

Graph 4.2: Respondents Age Group



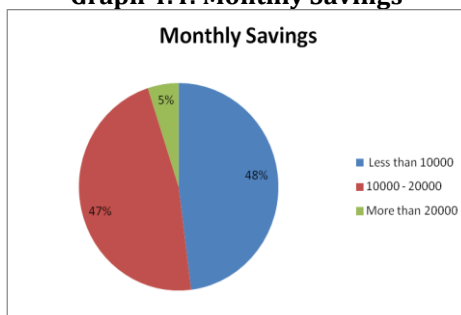
It is been interpreted that 60% of respondents in the analysis are in the age group of 20-40, 35% respondents are age group of 40-60 and the remaining 5% are under the age group of above 60 years. So it is said that youngsters are showing more interest towards gold futures investments followed by the 40-60.

Graph 4.3: Educational Qualification



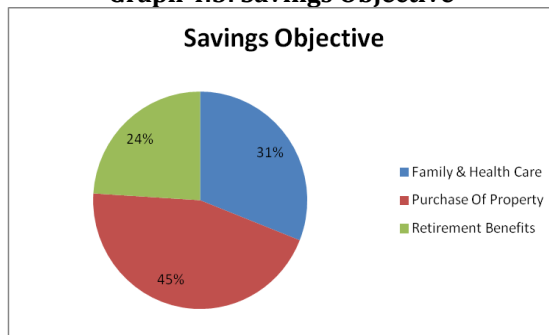
This graph interprets the qualification of the respondents, 53% of respondents have completed their post graduation followed by 36% of respondents are undergraduates. Thus it is interpreted that most of the investors in gold futures are qualified and well educated.

Graph 4.4: Monthly Savings



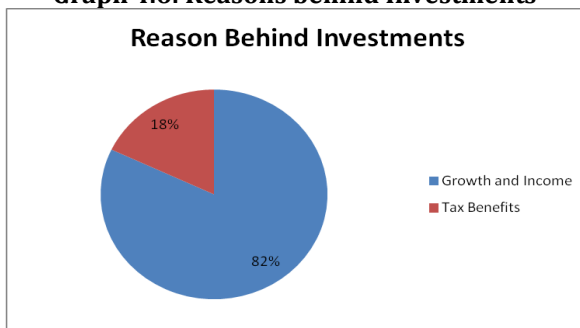
Majority of the respondents monthly savings are in the bracket of 10-20 thousands followed by less than 10 thousands. It means high income level group are investing money in derivative instruments that to especially into gold futures.

Graph 4.5: Savings Objective



45% of the repondents are showing interest into investments with an objective of purchasing property followed by Health care and the remaining 24% respondents objective is for retirement benefits.

Graph 4.6: Reasons behind Investments



82% of the respondents said that they select financial instruments belongs to growth and income schemes for investments and remaining said that they consider financial instruments for investments which provide tax benefits.

4.7 Chi-Square Test:

Null Hypothesis: There is no association/relationship between gender and behaviour of investment pattern (both are statistically independent of each other)

Alternative Hypothesis: There is no association/relationship between gender and behaviour of investment pattern. They are statistically dependent.

Table 4.1: Chi-Square Analysis with respect to Gender

Chi-Square Tests - Investments into GF		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.29	0.323
Chi-Square Tests - consideration of GF in Portfolio		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.254	0.2
Chi-Square Tests - Type of Investment Plan into GF		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.108	0.12
Chi-Square Tests - Percentage of Investments into GF		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.361	0.705
Chi-Square Tests - Frequency of Investments into GF		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.16	0.127
Chi-Square Tests - Factors influencing investments into GF		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.327	0.325
Chi-Square Tests - Reason of Investments into GF		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.49	0.724
Chi-Square Tests - Risk Bearing Capacity		
	Value	Asymp. Sig. (2-sided)

Pearson Chi-Square	9.176	0.415
Chi-Square Tests - Period of Buying GF		
	Value	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.662	0.324

From the above analysis it is evident that gender doesn't influence the reason behind the selection of scheme, type of investments, percentage of investment, frequency of investments, acceptance of risk etc., towards the investments into gold futures. The difference is insignificant because without knowledge on operation of derivative market, no one will come forward for the investments. The people who are investing in futures definitely know the operations of the market well before their investments. No doubt those people we can consider as investors who does the operations frequently. The investor's major objective is realizing benefit from the transactions with minimum loss. Due to this in the current analysis, gender play very insignificant role on investments towards gold futures.

5. CONCLUSION:

This research presented a detailed analysis on the selection factors in investment criteria towards gold futures considered by the male and female respondents in Bangalore. From the analysis it is evident that irrespective of the gender, those who have efficient knowledge on the operation of derivative market they are coming forward for the investments into gold futures or any other financial instruments traded in derivative markets. The major objective of investments is for capital appreciation and it is also observed only educated people are trading derivative instruments and that to into commodity markets; here gender plays insignificant role on selection and investments towards gold futures.

Finally, this research was only based on working people residing in Bangalore. The sample taken might not be a true representative of all. There is a scope to conduct more research in different cities and the Business segment can also be researched. The information regarding the respondents at the urban and rural background can also be investigated which might lead to interesting findings.

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