

A Comparative Study Between Various Investment Avenues

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ABSTRACT

Gold is a precious metal and always considered as one of the investment avenues available with common individual investor. It is a traditional method of investment. It is also valued as a global currency, a commodity and also a symbol of beauty. India is one among the top consumers in the world and the demand for it is always there. **As the importance of gold investment get increased due to unpredictable changes in the financial markets, economic uncertainty and fears that national currencies will lose their value force the investment in gold.** This study will throw light on the different avenues of gold investment available in the market and also examines the performance of the return of Gold ETF, physical gold and Nifty indices. The researcher analysed the data for the period of three financial years between March 2012 and March 2015. A comparative study was carried out based on the secondary data and the results proved that investing in Nifty indices are more profitable than investing in Gold ETF and physical form of gold.

Key words: Investment Avenue, Gold ETF, e-Gold, Nifty, Nifty Junior, Investment, Investor, Commodity Index.

Introduction

Today, investor has abundant investment options to choose and gold happens to be one of the best options to be included in the portfolio for diversifications of risk. Gold is always considered as one of the best investment alternatives with common Indian investor. Gold ETF is an open ended exchange traded funds, which are listed in the stock exchange and are available for trading with an option of investors participating in the bullion market without the necessity of taking physical delivery of gold.

A gold exchange-traded fund popularly known as GETF is an exchange-traded fund (ETF) that aims to track the price of gold.

Gold ETFs are units that represent the physical gold which may be in dematerialized or paper form. These units are being traded on the Exchange similar to stock of any company. Gold ETF's are intended to offer investors a means of participating in the bullion market without the necessity of taking physical delivery of gold, and to buy and sell that participation through the trading of a security on a stock exchange. Given below are the ETF's listed on National Stock Exchange

Table: ETF's listed on National Stock Exchange

Scheme Name	Symbol	Objectives	Managed By
Axis Gold ETF	AXISGOLD	To generate returns that is in line with the performance of gold.	Axis Mutual Fund
Goldman Sachs Gold Exchange Traded Scheme	GOLDBEES	To provide returns that, before expenses, closely corresponds to the returns provided by domestic price of gold through physical gold.	Goldman Sachs Mutual Fund
UTI GOLD Exchange Traded Fund	GOLDSHARE	To endeavor to provide returns that, before expenses, closely track the performance and yield of Gold. However the performance of the scheme may differ from that of the underlying asset due to tracking error. There can be no assurance or guarantee that the investment objective of UTI-Gold ETF will be achieved.	UTI Mutual Fund
HDFC Gold Exchange Traded Fund	HDFCMFGETF	To generate returns that is in line with the performance of gold, subject to tracking errors.	HDFC Mutual Fund
ICICI Prudential Gold Exchange Traded Fund	IPGETF	ICICI Prudential Gold Exchange Traded Fund seeks to provide investment returns that, before expenses, closely track the performance of domestic prices of Gold derived from the LBMA AM fixing prices.	ICICI Prudential Mutual Fund
Kotak Gold Exchange Traded Fund	KOTAKGOLD	To generate returns that is in line with the returns on investment in physical gold, subject to tracking errors.	Kotak Mutual Fund
Quantum Gold Fund (an ETF)	QGOLDHALF	To provide returns that, before expenses, closely corresponds to the returns provided by the domestic price of gold.	Quantum Mutual Fund
Reliance Gold Exchange Traded Fund	RELGOLD	To provide returns that closely correspond to returns provided by price of gold through investment in physical Gold (and Gold related securities as permitted by Regulators from time to time). However, the performance of the scheme may differ from that of the domestic prices of Gold due to expenses and or other related factors.	Reliance Mutual Fund
Religare Gold Exchange Traded	RELIGAREGO	To generate returns that closely corresponds to the returns provided by	Religare

Scheme Name	Symbol	Objectives	Managed By
Fund		investment in physical gold in the domestic market, subject to tracking error.	Mutual Fund
SBI Gold Exchange Traded Scheme	SBIGETS	To seek to provide returns that closely correspond to returns provided by price of gold through investment in physical Gold However, the performance of the scheme may differ from that of the underlying asset due to tracking error.	SBI Mutual Fund
Birla Sun Life Gold ETF	BSLGOLDETF	The investment objective of the Scheme is to generate returns that are in line with the performance of gold, subject to tracking errors.	Birla Sun Life Mutual Fund
IDBI Gold Exchange Traded Fund	IDBIGOLD	To invest in physical gold with the objective to replicate the performance of gold in domestic prices. The ETF will adopt a passive investment strategy and will seek to achieve the investment objective by minimizing the tracking error between the Fund and the underlying asset.	IDBI Mutual Fund
MotilalOswalMOST Shares Gold ETF	MGOLD	The investment objective of the Scheme is to provide return by investing in Gold Bullion.	MotilalOswal Mutual Fund
CanaraRobeco Gold Exchange Traded Fund	CRMFGETF	The investment objective of the Scheme is to generate returns that are in line with the performance of gold, subject to tracking errors.	CanaraRobeco Mutual Fund

Literature Review

JalpaThakkar, SheenamGogia&VatsalaManjunathan (2013) has conducted an empirical study on gold investment rage among the professionals with a comparative analysis of e-Gold, gold ETF and gold funds with an objective to study the most preferred metal for investment from gold, silver and platinum, to know the attitude towards investment in gold and other gold options and also to know the information sources, risk associated and returns in making gold investment. The study was conducted with a sample of 100

investors through online questionnaire. The study concluded that physical gold is most preferred investment by the investors,market information has the first source of information for investment in gold. It was also found that family members and friend play an important role in investment decision and Risk and return perspective of gold ETF is considered as moderate in the ratings as compared to E-Gold and Gold funds.

Narang S. P. & Raman Preet Singh (2012) has studied the casual relationship between Gold Price and Sensex in the Indian context with an objective to investigate the existence

of unidirectional or bidirectional relationship between gold price and Sensex for the period of 10 years between 2002 and 2012. The research was conducted with the secondary data collected from the database on Indian economy maintained by Reserve Bank of India (RBI) and Bombay Bullion Association. The results revealed the direction of movements of gold prices and BSE Sensex was consistent till 2007 and then their movements were inversely related. The correlation between gold price volatility and stock market returns in India is significant. The results of Granger causality test reveals that returns on Sensex index does not lead to increase in gold price and rise in gold price does not lead to increase in Sensex. The results of the analysis revealed that there is no causality between the gold price and Sensex.

Velmurugan P. S., Saravanan A&Ragavendra RH (2013) has undertaken a comparative study on investing in gold related assets with an objective to examine the performance of gold related instruments, namely, Gold ETF, Gold mutual fund and physical gold and also to ascertain the better investment among the return of gold ETFs and Gold Mutual Fund. The researcher has considered the secondary data for the period from April 2007 and September 2012 and carried out ANOVA and LSD tests. The results concluded that there is a significant difference among the Gold ETFs, Gold Mutual Funds and physical gold. The statistics shows that return of Gold ETFs is higher than physical form of gold and also Gold Mutual Funds. It was proved empirically that making investment in Gold related assets namely, Gold ETFs are more profitable compared to investing in Gold Mutual Fund investment.

Venkatachalam G. & Prabhakaran G. (2015) has carried out study titled, "A study

on investors' behaviour towards gold exchange traded funds in Indian stock market with special reference to Tamilnadu", with an objective to study investors' behaviour towards gold exchange traded funds and to study the relationship between socio-economic profile and behaviour of Gold Exchange Traded Funds Investors. The study was carried out in 10 City Corporation of Tamilnadu with a sample of 450 investors. It was found from the factor analysis that investment objectives have the first factor with highest percent of variance followed by investment decision and investment safety. Out of the 30 socio-economic factors, 22 factors has significant association with the investment behaviour. From the cluster analysis, it was also revealed that more than 50 % of the respondents have good behaviour towards Gold Exchange traded funds. It also concluded that investors of gold exchange traded funds have to consider various factors influencing the investments.

Nishad Nawaz M. & Sudindra V. R. (2013) has undertaken a study on various forms of gold investment with an objective to study the awareness level and various options for investors for gold investment, to study the pros and cons of various forms of gold investment and to assist in creating awareness among investors. The study was conducted with a sample of 50 respondents in Bangalore using convenient sampling method with a structured questionnaire. The results revealed that majority of the respondents prefer investing in Jewellery and the awareness is very low in case of egold, gold certificates etc. Respondents invest or purchase in Jewellery due to convenience and constraint being making charges. In case of gold coins, the investors prefers due to easily available and constraint being not safe and storage charges. Also majority of the

respondents feel that mutual funds are professionally managed and give more advantage and profit and also feel it is very risky due to market uncertainty. It also suggested that investors should not enter futures and options without adequate knowledge on trading and risk management strategies.

Objective of the study

1. To analyse the performance on the return on investments between Gold, Gold Exchange traded funds and Nifty indices.

Data Analysis and Interpretation

Secondary data has been collected from the National stock exchange, Commodity stock Exchange and Mutual Fund of India website. The Historical data collected has been analysed and has been tabulated in the tables given below:

Table – 1A Monthly closing values of selected Gold Exchange Traded Fund for the period March 2012 to March 2015.

Month	Axis Gold	Gold Bees	Gold Share	HDFC Gold	ICICI Gold	Kotak Gold	Quantum Gold	Reliance Gold
Mar-12	2751.70	2700.75	2666.60	2752.35	2751.50	2681.15	1347.55	2623.35
Apr-12	2841.60	2787.25	2766.90	2862.10	2844.75	2767.95	1395.45	2686.65
May-12	2862.70	2787.85	2760.70	2850.40	2827.15	2746.10	1393.80	2692.35
Jun-12	2879.45	2809.00	2812.70	2899.50	2849.60	2818.40	1405.50	2734.10
Jul-12	2926.10	2862.75	2839.05	2926.25	2911.00	2866.50	1429.55	2766.40
Aug-12	2991.85	2928.90	2935.25	3005.30	2991.00	2934.10	1470.05	2831.60
Sep-12	3064.30	2994.45	3008.85	3109.65	3082.90	3003.80	1496.05	2928.00
Oct-12	3025.10	2948.15	2967.65	3068.05	3044.30	2963.25	1476.70	2889.75
Nov-12	3078.60	3001.35	3011.95	3116.75	3090.25	3014.20	1500.15	2926.10
Dec-12	2979.75	2903.10	2912.35	3014.90	2999.50	2924.90	1451.80	2842.75
Jan-13	2935.25	2879.90	2891.00	2986.20	2950.60	2886.75	1447.00	2789.25
Feb-13	2869.60	2797.45	2798.75	2863.30	2856.65	2789.95	1396.35	2706.55
Mar-13	2900.15	2806.90	2784.85	2867.25	2850.05	2784.90	1406.50	2706.00
Apr-13	2647.65	2564.20	2575.55	2682.80	2647.65	2547.75	1289.75	2500.10
May-13	2604.35	2576.25	2553.30	2635.10	2611.05	2557.80	1275.55	2483.50
Jun-13	2417.15	2384.30	2379.95	2463.15	2415.45	2364.00	1191.10	2295.55
Jul-13	2721.55	2674.05	2657.95	2744.10	2726.65	2661.05	1346.20	2600.10
Aug-13	2973.65	2911.90	2900.25	3009.05	2998.10	2907.65	1458.65	2851.35
Sep-13	2879.75	2842.30	2825.25	2917.00	2870.10	2849.10	1409.20	2802.95
Oct-13	2966.05	2865.80	2822.00	2955.20	2915.10	2876.90	1438.35	2813.15
Nov-13	2930.85	2876.00	2756.50	2950.60	2939.00	2856.85	1429.50	2789.30
Dec-13	2782.15	2717.50	2501.50	2806.30	2788.20	2713.05	1374.45	2637.75
Jan-14	2803.95	2765.50	2585.40	2843.00	2825.50	2756.40	1379.65	2679.80
Feb-14	2888.40	2850.25	2647.15	2943.75	2939.10	2846.85	1418.35	2774.50

2. To study the correlation between the Nifty, Gold and Gold ETF.

Research Methodology

The present study has been conducted on the basis of the secondary data and descriptive in nature. The required data has been collected through the websites of National stock exchange and Commodity stock exchange. The researcher selected the sectoral index such as Nifty and Nifty Junior Indices. The secondary data has been collected for the period between March 2012 and March 2015.

Month	Axis Gold	Gold Bees	Gold Share	HDFC Gold	ICICI Gold	Kotak Gold	Quantum Gold	Reliance Gold
Mar-14	2777.65	2707.25	2661.45	2796.60	2775.95	2672.70	1339.25	2616.15
Apr-14	2832.35	2785.85	2774.85	2872.75	2844.90	2793.90	1388.90	2713.60
May-14	2587.80	2492.10	2481.60	2576.05	2561.05	2497.95	1257.10	2448.20
Jun-14	2668.35	2606.75	2605.50	2679.70	2663.75	2601.15	1314.75	2525.05
Jul-14	2619.70	2569.15	2572.75	2653.85	2637.00	2569.65	1282.55	2501.95
Aug-14	2621.10	2570.75	2569.30	2657.90	2636.85	2564.45	1302.55	2502.75
Sep-14	2534.30	2469.80	2465.30	2562.70	2555.10	2468.20	1247.25	2401.95
Oct-14	2483.60	2427.00	2434.85	2518.30	2508.75	2443.55	1217.45	2374.05
Nov-14	2457.55	2442.90	2413.10	2497.20	2494.10	2411.95	1231.35	2350.65
Dec-14	2506.20	2464.15	2453.60	2534.90	2530.85	2452.10	1235.05	2390.15
Jan-15	2589.70	2578.80	2554.05	2635.40	2613.40	2553.70	1279.15	2476.35
Feb-15	2488.05	2440.10	2424.10	2517.25	2479.70	2425.90	1240.75	2367.05
Mar-15	2444.30	2398.95	2406.40	2480.10	2470.55	2404.30	1206.35	2340.10

Table – 1B Monthly closing values of selected Gold Exchange Traded Fund, Gold & Nifty for the period March 2012 to March 2015.

Month	Religare Gold	SBI Gold	Birla Sunlife Gold	IDBI Gold	MOST Gold	Gold Price	Nifty	Nifty Junior
Mar-12	2752.90	2791.55	2818.00	2809.50	2848.15	2828.47	5295.55	10450.20
Apr-12	2860.05	2852.95	2889.70	2893.65	2889.90	2913.25	5248.15	10226.25
May-12	2871.20	2884.40	2859.35	2920.00	2923.25	2931.83	4924.25	9563.15
Jun-12	2905.05	2892.15	2915.00	2949.70	2965.70	2970.74	5278.90	10099.55
Jul-12	2935.00	2951.95	2950.00	2989.70	3001.60	3010.94	5229.00	10028.55
Aug-12	3023.20	3006.25	3024.90	3070.00	3096.35	3092.54	5258.50	9892.15
Sep-12	3103.60	3067.65	3100.00	3115.65	3171.00	3137.52	5703.30	11042.75
Oct-12	3055.00	3027.35	3099.35	3063.85	3102.10	3111.98	5619.70	10898.45
Nov-12	3105.35	3078.85	3113.40	3154.10	3155.15	3158.39	5879.85	11790.60
Dec-12	2992.00	2975.70	3049.95	3006.35	3047.50	3080.01	5905.10	12340.05
Jan-13	2955.85	2955.30	2990.25	2985.50	3017.75	3037.88	6034.75	12270.55
Feb-13	2885.85	2862.10	2888.00	2907.80	2917.10	2973.19	5693.05	11457.75
Mar-13	2893.35	2888.85	2875.50	2954.95	2954.55	2969.29	5682.55	11222.80
Apr-13	2651.75	2638.60	2644.95	2716.05	2692.55	2697.86	5930.20	12042.40
May-13	2624.60	2628.60	2670.35	2653.50	2672.55	2718.45	5985.95	12312.05
Jun-13	2427.65	2456.75	2489.35	2511.50	2531.55	2568.81	5842.20	11546.65
Jul-13	2730.25	2733.30	2841.95	2774.45	2784.80	2832.29	5742.00	11161.95
Aug-13	2994.50	2979.90	3042.45	3015.95	3099.50	3294.13	5471.80	10494.40
Sep-13	2886.50	2875.10	2936.65	2922.80	2997.85	3024.39	5735.30	11208.00
Oct-13	2989.95	2924.20	2977.10	2977.15	3005.50	2984.03	6299.15	12209.40
Nov-13	2938.50	2920.70	2969.00	2975.65	2993.30	2979.38	6176.10	12363.40
Dec-13	2775.00	2778.80	2840.90	2844.10	2859.20	2828.72	6304.00	12933.25
Jan-14	2833.00	2815.30	2842.00	2860.00	2874.55	2901.91	6073.70	11993.05
Feb-14	2922.80	2913.25	2950.20	2940.90	2975.30	3015.41	6276.95	12180.00
Mar-14	2774.50	2766.00	2771.95	2757.10	2804.35	2834.85	6704.20	13469.05
Apr-14	2860.00	2842.45	2873.05	2890.55	2912.05	2869.55	6696.40	13587.30
May-14	2531.80	2557.55	2625.00	2588.45	2596.75	2639.96	7229.95	15511.95

Month	Religare Gold	SBI Gold	Birla Sunlife Gold	IDBI Gold	MOST Gold	Gold Price	Nifty	Nifty Junior
Jun-14	2675.00	2658.65	2690.00	2701.55	2677.45	2765.15	7611.35	16486.20
Jul-14	2621.75	2640.95	2672.65	2668.45	2672.95	2791.68	7721.30	16285.70
Aug-14	2629.65	2631.30	2656.40	2673.00	2666.05	2796.22	7954.35	16764.70
Sep-14	2589.00	2522.50	2566.00	2570.05	2565.65	2693.70	7964.80	17003.85
Oct-14	2498.85	2492.00	2539.00	2508.15	2520.00	2614.02	8322.20	17715.65
Nov-14	2510.00	2477.30	2500.00	2507.20	2485.60	2623.50	8588.25	18568.00
Dec-14	2530.00	2511.35	2575.00	2560.35	2532.55	2683.32	8282.70	18677.70
Jan-15	2635.00	2601.25	2653.35	2658.20	2619.05	2764.69	8808.90	19546.45
Feb-15	2515.00	2489.80	2510.00	2541.95	2486.25	2633.99	8901.85	19704.35
Mar-15	2449.70	2473.25	2520.05	2506.00	2452.50	2632.75	8491.00	19441.70

Table -2 Compounded Annual Growth Rate (CAGR) of selected Gold ETF, Gold & Nifty indices for 3 years

Compound Average Growth Rate (CAGR)			
Particulars	3 Years	2 Years	1 Year
Commodity			
Gold Price	-2.36	-5.84	-7.13
Gold ETF			
Axis Gold	-3.87	-8.19	-12.00
Gold Bees	-3.87	-7.55	-11.39
Gold Share	-3.36	-7.04	-9.58
HDFC	-3.41	-7.00	-11.32
ICICI Gold	-3.53	-6.90	-11.00
Kotak Gold	-3.57	-7.08	-10.04
Quantum Gold	-3.62	-7.39	-9.92
Reliance Gold	-3.74	-7.01	-10.55
Religare Gold	-3.81	-7.99	-11.71
SBI Gold	-3.96	-7.47	-10.58
BSL Gold	-3.66	-6.38	-9.09
IDBI Gold	-3.74	-7.91	-9.11
MoST Gold	-4.86	-8.89	-12.55
Stock Market			
Nifty	17.04	22.24	26.65
Nifty Junior	22.99	31.62	44.34

Following can be inferred from the above table-2

- Nifty and Nifty Junior indices have given positive return during the period.
- All other Gold ETF and physical gold has given negative returns in a period of 3 years.
- Nifty has given a return of 17.04% and Nifty Junior 22.99% return for the 3 year period.
- Physical gold as a commodity has given a negative return of 2.36% during the period.

Chart - 1 Compound Average Growth Rate (CAGR) of Stock Indices for 3 years

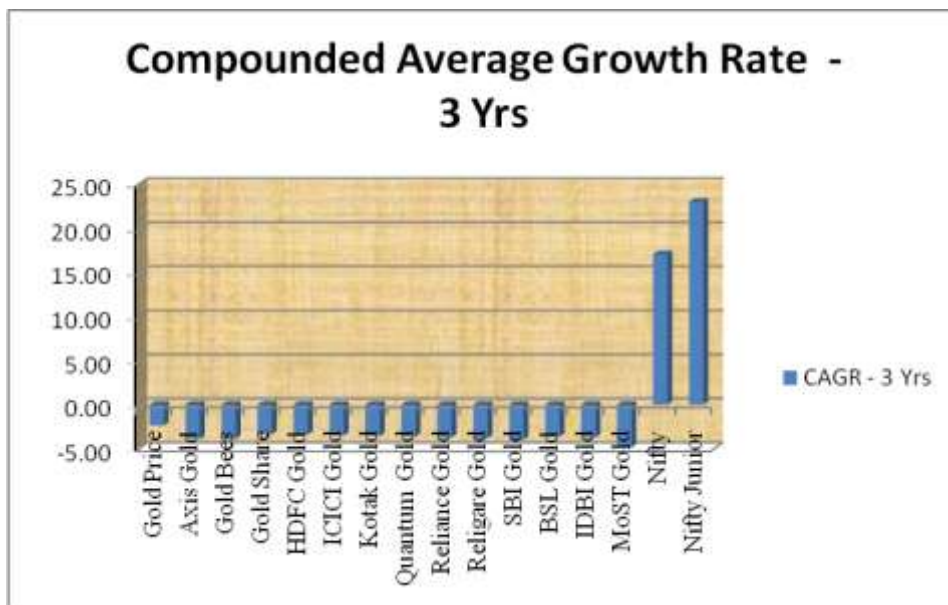


Table - 3 Return and performance comparison of selected Gold ETF, Gold & Nifty for the period March 2012 to March 2015

Absolute Return - Year wise				
Particulars	Year 1	Year 2	Year 3	3 Years absolute
Commodity				
Gold Price	4.98	-4.53	-7.13	-6.92
Gold ETF				
Axis Gold	5.39	-4.22	-12.00	-11.17
Gold Bees	3.93	-3.55	-11.39	-11.17
Gold Share	4.43	-4.43	-9.58	-9.76
HDFC	4.17	-2.46	-11.32	-9.89
ICICI Gold	3.58	-2.60	-11.00	-10.21
Kotak Gold	3.87	-4.03	-10.04	-10.33
Quantum Gold	4.37	-4.78	-9.92	-10.48
Reliance Gold	3.15	-3.32	-10.55	-10.80
Religare Gold	5.10	-4.11	-11.71	-11.01
SBI Gold	3.49	-4.25	-10.58	-11.40
BSL Gold	2.04	-3.60	-9.09	-10.57
IDBI Gold	5.18	-6.70	-9.11	-10.80
MOST Gold	3.74	-5.08	-12.55	-13.89
Stock Market				
Nifty	7.31	17.98	26.65	60.34
Nifty Junior	7.39	20.02	44.34	86.04

Following inferences can be made from the above table - 3

- All the investments have given a positive return during the one year period.
- Nifty and Nifty Junior indices have given positive return for the all the 3 years.
- Nifty has given an absolute return of 60.34% for the 3 years and Nifty Junior has given a maximum return of 86.04% during the 3 year period.
- Physical gold had an absolute negative return of 6.92% over the 3 year period.
- Highest absolute return was 86.04% by Nifty Junior and lowest absolute return of (-)13.38% during the 3 years.
- Gold ETF has given a negative returns ranging between 9.76% and 13.89% during the 3 year period.

Table - 4 Observations of Indices relating to absolute Return

Absolute Return – Observations							
Particulars	No of Years	Negative returns observed	Median Return %	Average Return %	Max Return %	Minimum Return %	Standard Deviation %
Commodity							
Gold Price	3	2	-4.53	-2.23	4.98	-7.13	6.37
Gold ETF							
Axis Gold	3	2	-4.22	-3.61	5.39	-12.00	8.71
Gold Bees	3	2	-3.55	-3.67	3.93	-11.39	7.66
Gold Share	3	2	-4.43	-3.19	4.43	-9.58	7.09
HDFC	3	2	-2.46	-3.20	4.17	-11.32	7.77
IGold	3	2	-2.60	-3.34	3.58	-11.00	7.32
Kotak Gold	3	2	-4.03	-3.40	3.87	-10.04	6.98
Q Gold	3	2	-4.78	-3.44	4.37	-9.92	7.24
Reliance Gold	3	2	-3.32	-3.57	3.15	-10.55	6.85
Religare Gold	3	2	-4.11	-3.57	5.10	-11.71	8.42
SBI Gold	3	2	-4.25	-3.78	3.49	-10.58	7.05
BSL Gold	3	2	-3.60	-3.55	2.04	-9.09	5.56
IDBI Gold	3	2	-6.70	-3.54	5.18	-9.11	7.65
MoST Gold	3	2	-5.08	-4.63	3.74	-12.55	8.15
Stock Market							
Nifty	3	0	17.98	17.31	26.65	7.31	9.69
Nifty Junior	3	0	20.02	23.92	44.34	7.39	18.78

Following are the interpretations from the above table – 4

- Standard Deviation is very high in case of Nifty Junior and it is very low in case of BSL Gold ETF.
- Physical gold has given a positive return only in the first year.
- All the Gold ETF has given negative return for the second and third years and absolute returns were also negative.
- Among the Gold ETF Axis Gold ETF has given the maximum return in any of the year.

Chart - 2 Growth of Nifty & Junior Nifty Indices for the period 3 years from April 2012 to March 2015

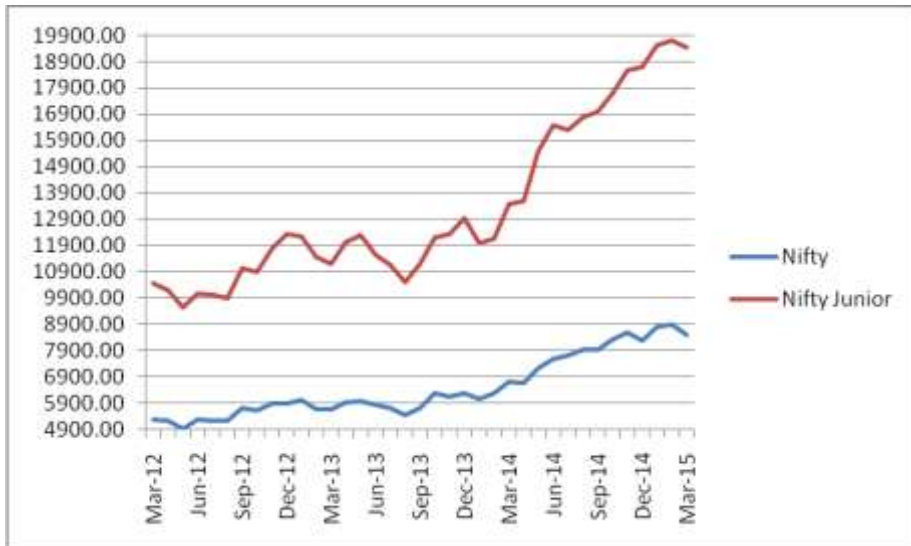


Chart - 3 Growth of selected GETF Indices for the period 3 years from April 2012 to March 2015

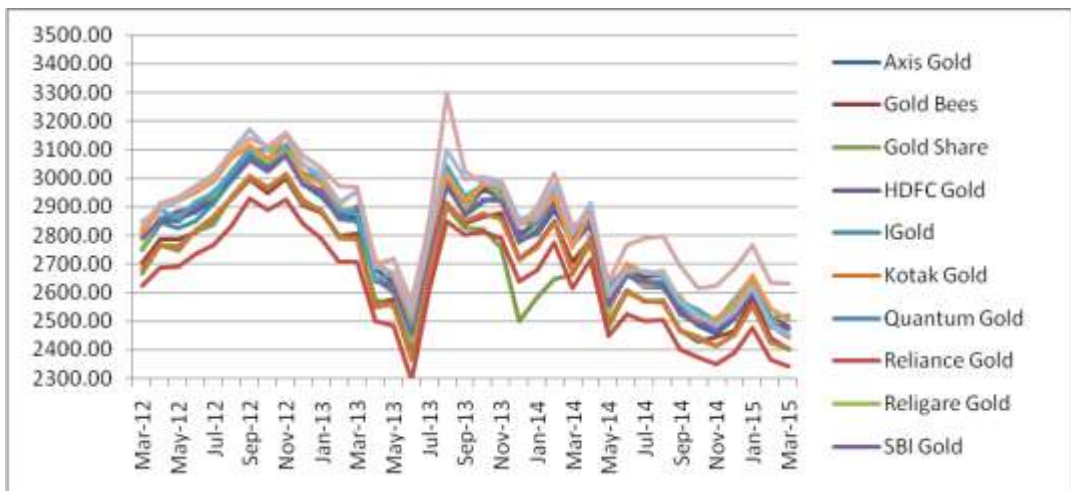


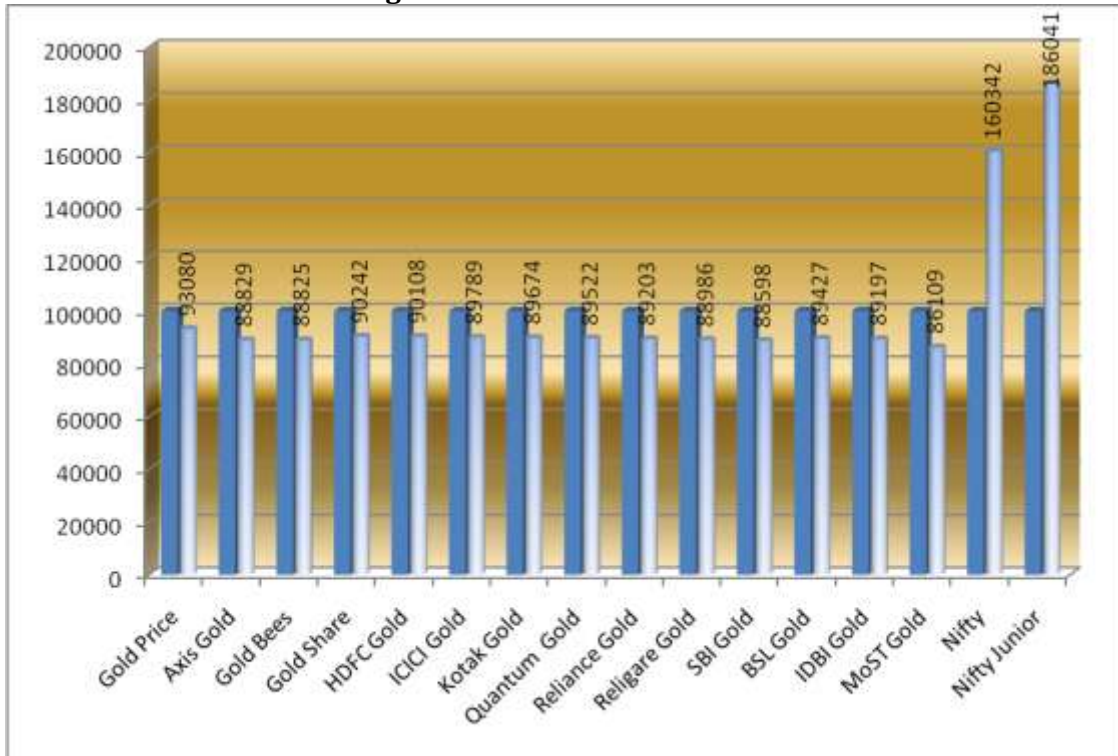
Table - 5 shows the correlation between Nifty and Gold ETF.

Correlation between	Value of r	Remarks
Nifty and Nifty Junior	0.9947	Strong and Positive
Gold Price and Axis Gold ETF	0.9555	Strong and Positive
Gold Price and Nifty	-0.6766	Negative
Gold Price and Nifty Junior	-0.6903	Negative
Nifty and Axis Gold ETF	-0.7601	Negative and strong
Nifty Junior and Axis Gold ETF	-0.7472	Negative and strong

From the above table -5, following details can be inferred:

- There is a positive and strong correlation between the Gold ETFs.
- Positive and strong correlation exists between any of the Gold ETFs and physical gold price.
- Nifty and Nifty Junior has a positive and strong correlation.
- Negative correlation exists between Nifty and any Gold ETFs and also with the physical gold price.
- Stock market and commodity markets prices move in opposite direction and inversely proportional.

Table - 6 shows an amount of Rs.100000 invested in March 2012 on different avenues would have become the following in March 2015



Salient Findings

1. Investments in Stock indices yield better return than the commodity indices.
2. Nifty has given absolute return of 60.34% over the 3 year period from March 2012 to March 2015.
3. All the Gold ETF, physical gold had given positive during the first year and negative returns during the second and third years.
4. Investment in all the Gold ETF had eroded the capital during the period 3 years, least being 9.76% of UTI Gold ETF and highest being 13.89% in MGOLD ETF.
5. All the Gold ETFs have strong and positive correlation between them.
6. Physical gold price has a positive correlation with Gold ETF and Negative correlation with Nifty and Nifty Junior.

Conclusion

Investment in Gold ETF was not a wise investment decision for a short period of 3 years between March 2012 and March 2015. All the investors would have negative returns in these ETFs. Investors of Gold Exchange traded funds (GETF) should consider various parameters such as government policies on

import of gold, Fund house reputation, Net asset value and fund loads. The investors should also monitor their investment in these Funds on regular basis and should withdraw the same, when the fund performance is not profitable. Similarly investment in physical gold should also be avoided to the extent possible since the prices of gold have fallen to a greater extent during the last three years. It is also suggested that the investors should go through the offer documents, scheme objectives and also performance analysis thoroughly before investing in Gold Exchange Traded Funds.

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It is not because things are difficult that we do not dare; it is because we do not dare that things are difficult.

~ Seneca