

An Empirical Study on Supremacy of Behavioral Finance in Gold Exchange Trading Fund Portfolio Investment Pattern- In Chennai

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Abstract

Behavioral finance is an zone which influence the complex sector that is human psychology, the investment is one such arena where traditional theories deals with rational knowledge and other factors they do not actually diversify over emotions of investors, gold exchange trading fund is new form of gold investment in securities market. The study focus on analysis of psychological impact on shifting pattern of materialistic gold investment in to portfolio trends derived from gold exchange trading fund (gold ETF)and also acknowledge the psychological attention constrained to portfolio objectives. The study concludes that behavioral finance having a huge impact over gold ETF investment decision; the generation gap does not make any major reflect over investment trends.

Key words: Behavioral finance, Gold Exchange Trading Fund, Investment Decision, Portfolio Psychology.

INTRODUCTION

Behavioral Finance in Gold Exchange Trade Funds

Behavioral finance is an arena of finance that deals with theories based on human

psychology which describes portfolio market anomalies to what extent emotions plays role in investment decision exclusively with gold exchange trade fund's portfolio. Gold Exchange Trade Funds (ETF) is a financial commodity which represents ownership underlying gold asset, ETF stock in market carry same constrained as any portfolio in stock exchange market trends it is a derivative contracts subsidize by gold. Gold ETF is virtual reality without any fear on theft or attendant cost, the investor does not provided with materialistic gold on any period of time instead the investors be benefited with cash equivalent. The basic principal of the financial product is same as any portfolio in the market which ultimately grail the opportunity to experience the movements of global market price skull with gold, the gold ETF act as one of hedging portfolio relatively to other pattern with easy selling and buying option in stock market which involve the dollar rate exposure, it provide whole new way of looking paper gold, effect of disruptions of political and economic factors with the geographical border is minimum. Experience investors focus gold ETF as hedging against regional risk and momentum of exposure across the geography border.

Issuer	Name	Symbol	Underlying	Launch Date
Axis Mutual Fund	Axis Gold ETF	AXISGOLD	Gold	Nov 2010
Canara Robeco Mutual Fund	Canara Robeco Gold ETF	CANGOLD	Gold	Mar 2012
HDFC Mutual Fund	HDFC Gold Exchange Traded Fund	HDFCFMGETF	Gold	Aug 2010
ICICI Prudential Mutual Fund	ICICI Prudential EFT	IPGETF	Gold	Aug 2010
IDBI AMC	IDBI Gold ETF	IDBIGOLD	Gold	Nov 2011
Kotak Mutal Fund	Kotak Gold Exchange Traded Fund	KOTAKGOLD	Gold	Jul 2007
Quantum Mutual Fund	Quantum Gold Fund (an ETF)	QGOLDHALF	Gold	Feb 2008
Reliance Mutual Fund	Reliance Gold Exchange Traded Fund	RELGOLD	Gold	Nov 2007
Religare Mutual Fund	Religare Gold Exchange Traded Fund	RELIGAREGO	Gold	Mar 2010
SBI Mutual Fund	SBI Gold Exchange Traded Scheme	SBIGETS	Gold	Apr 2009
UTI Mutual Fund	UTI GOLD Exchange Traded Fund	GOLDSHARE	Gold	Mar 2007

Source: Extracted from NSE October 2019

Scheme Name	Plan	Category Name	Crisis Rank	YTD	2018	2017	2016	2015
SBI - ETF SENSEX Index Funds/ETFs	Regular	Index Funds/ETFs	5	9%	8%	29%	3%	-3%
SBI - ETF Nifty 50 Index Funds/ETFs	Regular	Index Funds/ETFs	5	8%	6%	30%	4%	-8%
Nippon India ETF Nifty Bees Index Funds/ETFs	Regular	Index Funds/ETFs	4	8%	6%	30%	4%	-3%
HDFC NIFTY 50 ETF Index Funds/ETFs	Regular	Index Funds/ETFs	4	7%	6%	30%	4%	4%
HDFC Sensex ETF Index Funds/ETFs	Regular	Index Funds/ETFs	4	9%	8%	30%	4%	4%
Kotak Sensex ETF Index Funds/ETFs	Regular	Index Funds/ETFs	4	8%	8%	29%	3%	-4%
UTI NIFTY Exchange Traded Fund Index Funds/ETFs	Regular	Index Funds/ETFs	4	7%	5%	30%	4%	2%
HDFC Index Fund - Nifty 50 Plan Index Funds/ETFs	Regular	Index Funds/ETFs	3	8%	5%	29%	4%	-3%
IDBI Nifty Index Fund - Growth Index Funds/ETFs	Regular	Index Funds/ETFs	3	7%	4%	27%	2%	-4%
Principal Nifty 100 Equal Weight Fund - Growth Index Funds/ETFs	Regular	Index Funds/ETFs	3	0%	-2%	29%	3%	-4%
LIC MF ETF - Nifty 50 Index Funds/ETFs	Regular	Index Funds/ETFs	3	7%	5%	30%	4%	1%
LIC MF ETF - Sensex Index Funds/ETFs	Regular	Index Funds/ETFs	3	8%	8%	30%	3%	0%
MotilalOswal M50 ETF (MOST Shares M50) Index Funds/ETFs	Regular	Index Funds/ETFs	3	7%	5%	28%	3%	-4%

Source: Extracted from money control.com, October 2019

The above table has been framed has shown the performance of gold exchange trading fund over the period of five previous year, with the

reference of above chart the performance of gold elf in portfolio market is highly demandable in the year 2017.

Highly suitable for small investors	Any individual having demat account can buy and sell gold ETF in the portfolio market as any other stock in share market all through the trading day
Dividend treatment	Dividend payout on periodical basis naturally on every quarter of the year
Tax efficiency	Gold ETF is considerably high tax efficient investment over any other mutual fund
Transparency	Transparency market structure helps investor to know the trend on timely basis
Fees and commission	Process with low fees and commission compare with traditional mutual fund

Source: Primary Data – Compiled from various sources by the authors

LITERATURE REVIEW

According to Shobhit Seth(2019) in his research blog published on investopedia updated on Updated Jun 25, 2019 on title “ETFs Characteristics for Short-Term Trading” indicated Exchange-traded funds has been highly populated investment in last decades with benefited features like risk free returns and high liquidity still it is recommended to study the investment as surplus funds are competing the mutual fund market.

According to Dr. J K Raju, Mr. Manjunath B R and Mr. Rehama M(2018)on their research study “A Study on Performance Evaluation of Gold ETFs in India” 2018 stated that gold ETF is strong instrument in mutual fund, since the price of gold is always appreciating value gold ETF helps in hedging and touching new high increase the investors preference over this financial instrument in market.

Dr. Raghu G Anand (2017) stated in his study on title “A Comparative Study on Gold vs. Gold ETF’s and an Analysis of Gold ETF’s as an Effective Investment Tool for Indian Retail Investors” 2017 explained that the Indian security market verify gold as investment tool and retail investors were highly preferring for the gold ETF for their strong and healthy portfolio building as the investment is easy liquidated and handy in Indian security market.

According to Naveen Kumara R (2016)in his paper gold ETFS vs. equity ETFS:

comparative analysis of their performance 2016 has clearly specified as his research conclusion the comparative study of other equity ETFS have made potential return whereas the gold ETF had negative feedback on the factor returns, instead he made definite statement that no ETF performance is superior than one another.

A study conducted by G.Venkatachalam Dr. G. Prabakaran (2015) on the topic “a study on investors’ behavior towards gold exchange traded funds in Indian stock market with special reference to Tamil nadu” stated that the gold ETF is one of investment which impacts the socio economic background of investors, the change of investment frequency helps the investor to overcome decision making on investment.

RESEARCH GAP

The previous study on gold investment has been made in the focus on traditional investment and highly suggested on quantitative measures theories, the need of this is to make study exclusively about behavioral theories and to what extend human emotions plays role in adopting the portfolio investment on gold over preferring the traditional method of precious metal. This study further talked about psychological pattern in decision making on portfolio objectives. Understanding behavioral key had any sought of dependency over the age demography of investors.

RESEARCH METHODOLOGY

Table 4- Research Methods Adopted	
Research Design	Descriptive, qualitative, investigative and expressive research design
Sampling Technique	Convenience sampling
Sampling Unit	Demat gold, GoldExchange Trade Funds
Sample Size	130
Research Instrument	Structured printed questionnaire with scored using a five-point Likert scale
Data Collection	Personal visit to the respondent’s organization and interviews
Statistical Techniques	Explanatory statistics, one way anova test, regression model

RESEARCH OBJECTIVE

The main objective of the study is to focus on the analysis of recently shifted trend of portfolio structural form of gold exclusively the study drafted on gold exchange trading

fund (gold ETF), considerably young form of gold investment in market also research further driven to acknowledge the behavioral trend of the investors over portfolio investment in gold rather than traditional form of the precious yellow metal and how the

factor of emotion plays role in choosing the gold ETFS.

OBJECTIVE

- 1) The research study focuses on shifting pattern of materialistic gold investment in

to portfolio trends derived from gold exchange trading fund (gold ETF)

- 2) The study further extended to acknowledge the psychological attention constrained to portfolio objectives

DATA ANALYSIS

Table 5: Demographic Profile		
GENDER		
Particular	Frequency	Percent
Male	64	49.2
Female	66	50.8
Total	130	100.0
AGE		
Particular	Frequency	Percent
28-34	40	30.77
35-41	30	23.07
42-48	25	19.23
48-54	15	11.53
above 54	20	15.38
Total	130	100.0
QUALIFICATION		
Particular	Frequency	Percent
Below Graduation	8	6.2
Graduation	50	38.5
Post-Graduation	68	52.3
others	4	3.1
Total	130	100.0
OCCUPATION		
Particular	Frequency	Percent
Student	61	46.9
Private Concern	48	36.9
Government	2	1.5
Self Employed	9	6.9
Others	10	7.7
Total	130	100.0
Source: primary data		

Interpretation: From the sample of 130 respondents 49.2% are found out to be male gender and 50.8% are female gender categories. The age factor respondents 30.77% falls under the age group of 28-34 and 23.77 respondents falls between the age group 35-41, and 19.23 respondents are from the category of 42-48, and 11.53 respondents falls under category of 48-54 years and 15.38 falls over age group of 54 and above. The qualification

of respondents taken 6.2% are falls under below graduation category, the 38.5% are falls under graduation and 52.3% respondents are falling under post-graduation category and 3.1% respondents are falls under others whereas the occupation sector 46.9% of respondents were students, 36.9 respondent has been employed in private sector, 1.5 respondents has been working in government sector, 6.9% respondents has been engaged in self-employment and 7.7 were falling under other category.

ONE WAY ANOVA TEST H0: there is no significant relationship between age and shifting pattern of materialistic gold investment in to portfolio trends derived from gold exchange trading fund (gold ETF).

Table: 6ONE WAY ANOVA TEST					
Particulars	Age	Mean	Std. Deviation	f	Sig.
Growth in Demand	28-34	4.21	1.061	.600	.663
	35-41	4.07	1.143		
	42-48	3.50	.707		
	48-54	3.00	.		
	above 54	4.00	.000		
Steady Increase in Price	28-34	3.86	.918	2.885	.025
	35-41	3.17	1.262		
	42-48	3.50	.707		
	48-54	3.00	.		
	above 54	4.00	1.414		
Ability to Insure Against Uncertainty & Instability	28-34	4.01	.893	3.326	.013
	35-41	3.30	1.055		
	42-48	4.00	1.414		
	48-54	4.00			
	above 54	4.00	.000		
Not Linked to Industry, Company's Performance	28-34	3.88	1.245	1.075	.372
	35-41	4.30	1.022		
	42-48	3.00	1.414		
	48-54	4.00			
	above 54	3.50	2.121		
Ability to Diversify Portfolio Risks	28-34	3.56	1.049	.302	.876
	35-41	3.70	1.088		
	42-48	3.00	.000		
	48-54	4.00	.		
	above 54	3.50	.707		
H0 status	Accepted				
Source: primary data					

Interpretation:

From the table it is inferred that the Growth in Demand (f=.600, P=.663), Steady Increase in Price (f=2.885, P=0.25), Ability to Insure against Uncertainty & Instability (f=3.326, P=.013), Not Linked to Industry, Company's Performance (f=1.075, P=.372), Ability to Diversify Portfolio Risks (f=.302, P=.876) are statistically significant at 5% level. This result reflect that the perception of the respondents towards the portfolio trends derived from gold exchange trading fund (gold ETF) over the materialistic gold has no impact on their age, the analysis reveals the age group 28-34 have agreed that the growth in

demand (mean=4.21)Ability to Insure Against Uncertainty & Instability (mean=4.01) influencing them to change their pattern on investment, and age group of 35-41 has impressed with variance of gold ETF performance does not Linked to Industry Company's function (mean=4.30), while age group of 48-54 like the fact gold ETF has ability to diversify portfolio risk (mean= 4.00), and above 54 has opted for the factor steady increase in price (mean=4.00).

Regression test

Multiple regressions was run to determine the presence of any relationship between independent and dependent variable, constrain portfolio objective is transformed sum of 6 items which covers Income Needs, Liquidity, Time Horizon, Safety, Tax Considerations, Investor's Temperament has been summand.

H0- there will be no significant prediction on Constraints of portfolio objectives by Qualification and Occupation

Table 7 Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the estimate	Significant
1	.314 ^a	.099	.085	2.22670	.001 < .05 H_0 rejected
a. Predictors: (Constant), 4. Occupation, 3. Qualification					
b. Dependent variable: Constraints of portfolio objectives					

Source: primary data

Interpretation: The above table value of correlation coefficient (R Square) is .099.

Table: 7.1 ANOVA ^a						
Model		Sum of Sq.	Df	Mean Sq.	F	Significant
1	Regression	69.087	2	34.543	6.967	.001 ^b
	Residual	629.690	127	4.958		
	Total	698.777	129			
a. Dependent Variable: <i>Constraints of portfolio objectives</i>						
b. Predictors: (Constant), 4. Occupation, 3. Qualification						

Source: primary data

Interpretation:

The above table shows that the multiple independent variable occupation and qualification statistically predicts the

dependent variable which is constrains of portfolio objectives $f = 6.967$, $P < .05$. Since significance of the value is .001 which is less than .01 it implies that the regression model is good fit of the data.

Table: 7.2 Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.771	.784		21.405	.000
	3. Qualification	1.128	.306	.320	3.683	.000
	4. Occupation	-.253	.168	-.131	-1.509	.134
a. Dependent Variable: <i>Constraints of portfolio objectives</i>						

The table 7.2 can be equated as:

Qualification $Y = 16.771 + 1.128$ (<i>Constraints of portfolio objectives</i>)
Occupation $Y = 16.771 - .253$ (<i>Constraints of portfolio objectives</i>)

Interpretation:

The coefficient table provides us necessary information which predicted that qualification have the effect on constraints of portfolio objective with standardized coefficient (beta .320), while another factor occupation standardized coefficient (beta -.131) have negative effect in impact on portfolio objective.

preference to shift from traditional materialistic gold to paper form of gold. The research has concluded with regression test that the psychological impact on constrains of portfolio objective have relationship with the qualification of the individual, which is educational qualification of investors plays the role on their behavior thinking to invest in gold on portfolio market. The study concludes that the effect on occupation of an individual have no relationship with the analysis reason behind choosing gold extend trading fund over traditional gold.

FINDINGS

The study reveals that the current trends of investing pattern of gold in to Demat format gold exchange trading fund (gold ETF) which is portfolio trends, the shifted form the physical precious yellow metal has no references with the age or generation of an investors, which implies that irrespective of age factor most individual

CONCLUSION

Thus it can be concluded that behavioral finance is most emerging aspect of investment pattern investor’s psychology differs from person to person depending upon the way of their recognition and understanding on hedging with the help of questionnaire this study. The gold extended trading fund is most acknowledged

criteria on portfolio investment of middle income group who interested in to shifting their investment pattern to modern investment, irrespective of age of an individual or the generation gap everyone prefer to try their hands on new format of gold investment due to various reasons depending on their mechanism of analyzing. The age factor is not making any impact on the decision making sector. In spite availability of various financial models in traditional analysis to suggest about investor decision pattern the actual practice insist highly on the psychological behavior of an individual, qualification of an individual proven to have one factor in behavior of individual had relationship with constrain of portfolio objective rather than physical gold, the choice of portfolio investment is dependent on the academic qualification of an investors, while the occupation does not play any positive effect in choosing the gold ETF which implies people in any occupation irrespective of their sectors of working prefer the gold ETF for various reasons.

SUGGESTIONS

Behavioral finance is one such factor which deals with emotions biases on decision making, the investment decisions binding with cognitive thinking of few key factors like return value, hedging rate on gold investment, the age which is not playing reflect on decision making pattern implies the generation gap doesn't make reflection on choice of investment, but qualification of an investor have biases effect behavioral thinking which directly affect the skull of investment structure, the gold ETF theories should have much clarity factors over risk and return analysis helps the retailers to make much deep analysis of the financial structure to make sound decision of the gold investment and providence with strong grounds to make investment.

SCOPE OF FUTURE STUDY

The study has focused on gold extended trading fund it can be further enlarge in to remaining products on gold investment available in the market. The comparative study can be made with gold portfolio investment with other mutual funds to derive most clarified conclusion on performance. The research can be perform to

study about government bonds issued and compare analysis with private bonds.

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