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PREDICTING GOLD INVESTMENT BEHAVIOR THROUGH PSYCHOGRAPHIC VARIABLES

Prof. Shivali Shah
Assistant Professor, R.B.Institute of Management Studies, Ahmedabad

Professor (Dr.) Naresh K. Patel
Dean, Faculty of Management & Information science, Dharamsinh Desai University, Nadiad

Abstract
In recent years, the average income of Indians has increased significantly. Although it is well established that rising income drives up gold demand, the relationship between gold purchase and income in India is more complex. Many factors influence the gold investment decision, and psychological variables are among them. The primary goal of this research paper was to determine impact of psychological variables on the intention to engage in gold investment. Financial knowledge, future time perspective, financial risk tolerances and goal clarity are the four psychological variables examined in this study. 325 retail investors were selected through judgmental sampling techniques. According to the findings, financial risk tolerance and goal clarity are statistically significant and have a significant impact on gold investment intention.
Key words: Gold Investment, Financial knowledge, Future times perspective, Goal clarity, Risk tolerance

Introduction
Much of the investment picture across countries has been influenced by global economic and political volatility, particularly those holding riskier assets. These poor market and economic conditions may be terrifying for investors with little resources and cash. They want safer investments with lesser returns. This cautious method might reduce capital loss. During these uncertain times, many people have reviewed their portfolios and shifted to much safer and less risky investments such as bonds or precious metals. Gold, among precious metals, has been known to rise during economic downturns and market downturns. It can also keep its worth over time, unlike paper cash, coins, or other assets (Hundal et al. 2013). Gold can withstand the test of time, and its contribution in difficult economic times is particularly encouraging. Individual investors believe that having gold in their investing portfolio will protect them from market risk. For the same reason, countries retain gold as financial assets. Many nations, like China and India, have purchased tonnes of gold in order to hedge against dollar risk (Agarwal et al. 2014). In accordance with this, Pati and Shome (2011) claimed that families choose safer avenues of investment rather than hazardous channels of savings. A conservative portfolio has low expected risks as a result of risk diversification across different classes of assets with varying levels of expected return in the portfolio. Hence, as a safe investment, the investment-mix may include gold in several different forms.

Also talking about financial planning for investment, effective financial planning can quickly realize the appreciation of individual assets with a good economic environment, and minimize the loss in the event of financial crises. However, the ordinary financial consumers were usually inexperienced investors. Their decision-making errors were caused by lack of risk awareness, vague behavior and attitude. In addition, Theory of Planned Behavior pointed out that the most direct factor affecting individual behavior is behavioral intention, which is usually influenced by behavioral attitude, subjective norms and perceived behavior.

The financial decision-making behavior for gold as an investment options was very rare, and the actual decision-making process of investors belonged to the scope of TPB, so the papers based on TPB incorporated variables such as financial knowledge, social factors, risk tolerance, risk perception, investment intention and financial investment decision behavior into the unified framework to build investors' financial investment decision behavior model. Focusing on the Gold investors, accepting the psychological measurement paradigm to develop a questionnaire, use of structural equation model to test the hypothesis, revealing the internal mechanism of each variable and financial investment decision-making behavior, and doing the path analysis of investors' decision-making behavior is need of the time.

Literature Review

Existing studies have shown that individual investment decisions are related to financial knowledge, Future Time Perceptive, Financial risk tolerance and Goal Clarity.

Financial Knowledge

A requirement for investing is meant to be related financial expertise or comprehension. According to a study on investing knowledge, persons with great financial understanding prefer to invest more in investments recommended by investment professionals (Hilgert et al. 2003). Individuals who were informed about investing received high ratings on the investment management index. As a result, they came to the conclusion that investing expertise had a considerable influence on the quality of investment decisions. Individuals who are financially knowledgeable make wiser judgments for their family members and are in a better position to do so in terms of financial sustainability (Lee et al. 2019). Financial literacy provides educated judgement and smart investment decision-making. Financial literacy not only helps investors develop a consistent method of thinking about their investing decisions, but it also gives them the confidence to make sensible and well-calculated judgments (Raut, 2020.)

Future Time Perspective

According to Hershey and Mowen (2000), future time perspective is positively linked with self-reported financial preparation for retirement among persons aged 35–88 years. According to Lusardi (1999), pre-retirees with a limited planning horizon not only have a lower average net worth, but they also expect to get less income from personal resources in retirement. Similarly, one's level of patience (i.e., readiness to postpone spending in order to save) is associated to one's proclivity to save for retirement (Bernheim, Skinner & Weinberg, 1997; Burtless, 1999). Taken together, these studies demonstrate strongly that one's future orientation has a major influence on saving behavior.

Financial Risk tolerance

Much of an individual's investment behavior was influenced by their risk tolerance. Investors with a low risk tolerance have a tendency to invest in products without first comprehending the financial risks involved (Atkinson et al. 2006). Investors with a higher risk tolerance are also more likely to trade in higher-value equities (Clark-Murphy and Soutar 2004; Durand et al. 2008; Keller and Siergist 2006; Wood and Zaichkowsky 2004). These previous investigations revealed a link between risk tolerance and hazardous investments. Previous research has established the safe haven nature of gold investing, therefore risk tolerance is likely to have a negative impact on gold investment participation.

Goal Clarity

Goals are important in people's financial planning practices, according to researchers (Glass & Kilpatrick, 1998; Neukam & Hershey, 2003). Goals are end objectives that "provide the person significant direction, a sense of coherence, and meaning," according to Winnell (1987). (p. 271). Goals influence task performance by directing attention and activity, organising efforts, enhancing tenacity, and devising strategies, according to studies (Locke, Shaw, Saari, & Latham, 1981). Strategy formation is a cognitive process that has an indirect influence on task performance (Locke, Shaw, Saari, & Latham, 1981). Individuals who create goals are more likely than those who do not set goals to use appropriate learning techniques in a variety of situations (Terborg, 1976); they also commonly reframe the task in a way that allows them to achieve the objective (Bavelas & Lee, 1978).

Hypothesis on the basis of the discussed literature are as below:
H1: Financial Knowledge has the positive impact on the Gold Investment behavior.
H1: Future time perspective has the positive impact on the Gold Investment behavior
H1: Financial Risk tolerance has the positive impact on the Gold Investment behavior
H1: Goal clarity has the positive impact on the Gold Investment behavior

Research methodology

A total of 325retail gold investors took part in the research. This study has taken more than double the minimum sample size. The study's sample unit is investors who reside in Gujarat's major cities. Non Probability judgment sampling methods were used for the analysis because samples were chosen based on the researchers' judgment; this was deemed appropriate for this kind of study. The information was gathered from a variety of malls and retail outlets. Respondents were given a structured questionnaire to fill. The research instrument was divided into three sections: Section A reported the respondents' demographic information, Section B measured psychological aspect of gold investment behavior, and Section C measured gold investment behavior. The gold investment intention was measured through 4 items recorded on 5 point Likert scale. Items related to gold investment intentions were framed based on existing literature. Three items of Financial knowledge was adopted from Hershey, Henkens & Van Dalen, (2010). Future time perspective scale was adopted from Koposko & Hershey (2014). Three items of financial risk tolerances were adopted from Jacobs-Lawson & Hershey

(2005). Scale of goal clarity was adopted from Stawski, Hershey, & Jacobs-Lawson (2007). All the items were measured on the five point Likert scale.

Data analysis

Demographic profile of the respondents

Table 1 Demographic Profile

	Frequency	Percent
Age		
18-25	66	20.3
26-35	105	32.3
36-45	72	22.2
46-55	50	15.4
>55	32	9.8
Gender		
Male	169	52.0
Female	156	48.0
Education		
Under Graduate	79	24.3
Graduate	89	27.4
Post Graduate	122	37.5
Professional	25	7.7
Others	10	3.1
Marital Status		
Unmarried	82	25.2
Married	213	65.5
Others	30	9.2
Occupation		
Housewife	52	16.0
Salaried	142	43.7
Business	109	33.5
Professional	22	6.8
Income level		
0-300000	41	12.6
300001-500000	110	33.8
500001-800000	119	36.6
80000 and above	55	16.9

32.3% respondents were between the ages of 26 and 35 years, 22.2% were between the ages of 36 and 45 years, 20.3% were between 18 and 25 years of age, 15.4% were between 46 and 55 year and 9.8% were above 55 years of age. 52% of the survey respondents are men and 48% are women. 65.5%% respondents were married. 37.5% respondents had a postgraduate degree,

27,4% had graduation degree, 24.3% had completed their HSC studies, and 7.7% had received the professional degree; a further 3.1% fell into the 'miscellaneous' or 'other' category. 43.7% respondents were salaried individuals, 37.4% belonged to the industry community, 16% were housewife, and 6.8% fell into the professional category. 36.6% respondents were in the yearly income bracket of INR 5,00,001 to 8,00,000, 33.8% respondents were in the yearly income bracket of INR 3,00,001 to 5,00,000, 16.9% respondents were in the yearly income above 8,00,000 and 12.6% respondents were in the yearly income of INR 3,00,000 and below.

Multiple Regression Analysis

In multiple regression analysis, Total score of the gold investment behavior has been added as the dependent variables and total score of financial knowledge, total score of future time perspective, total score of financial risk tolerance and total score of goal clarity were added as the independent variable.

Table 2 provides the summary of model. Co-efficient of correlation of the model was 0.768 and co-efficient of determination was 0.590 with the standard error of the estimate of 1.29.

Table 2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.768[a]	.590	.585	1.29003

a. Predictors: (Constant), Goal Clarity, Financial Knowledge, Financial Risk Tolerance, Future Time Perspective

R^2 of the model is 0.59 which indicate that approximately 59 percent of variance in the gold investment behavior can be explained through independent variable namely Goal Clarity, Financial Knowledge, Financial Risk Tolerance, Future Time Perspective.

Table 3 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	767.475	4	191.869	115.293	.000[b]
	Residual	532.538	320	1.664		
	Total	1300.012	324			

a. Dependent Variable: Gold_Investment

b. Predictors: (Constant), Goal Clarity, Financial Knowledge, Financial Risk Tolerance, Future Time Perspective

Table 3 provides the ANOVA test for the model. ANOVA test has the p value of 0.000 with F value of 115.293. Hence it can be concluded that proposed model is statistically significant at 5% of level of significant.

Table 4 Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.973	.201		59.555	.000

	Financial Knowledge	.031	.068	.054	.459	.647
	Future Time Perspective	-.028	.065	-.054	-.427	.669
	Financial Risk Tolerance	.160	.066	.287	2.420	.016
	Goal Clarity	.269	.068	.519	3.937	.000

Financial knowledge has the positive impact on the gold investment behavior but impact of the financial knowledge is not statistically significant hence it can be concluded that H1 is not supported *(β = 0.054, t = 0.459, p = 0.647)*. Future time perspective has the negative impact on the gold investment behavior with the beta weight of -0.54, but impact of the future time perspective is not statistically significant with p value of 0.669 hence it can be said that H2 is also not supported. Financial Risk Tolerance has the positive impact on the gold investment behavior and impact of the Financial Risk Tolerance on gold investment behavior is statistically significant so it can be concluded that H3 is supported *(β = 0.287, t = 2.420, p = 0.016)*. Goal Clarity has the negative impact on the gold investment behavior with the beta weight of 0.519, and impact of the Goal Clarity on gold investment behavior is statistically significant with p value of 0.000 hence it can be said that H4 is also supported.

Findings and conclusion of the study

This study's key objective was to predict the gold investment behavior through the psychological variables. This study tried to find out the impact of the four psychological variables namely, financial knowledge, future time perspective, financial risk tolerance level and goal clarity. Regression analysis concluded that influence level of the future time perspective and financial knowledge did not have the significant impact on the gold investment behavior. Goal clarity and financial risk tolerance has the positive and significant impact on the gold investment behavior. This study indicates that person with short and long time perspective behave equally in their gold investment behavior. Furthermore, financial knowledge also remains unaffected as person with the low financial knowledge also behave almost manner as person who possess the high financial knowledge. Person with clear goal mind set has the more inclination towards the gold investment. Person with clear objectives and gold do well in their investment activity and they also incorporate precious metal in their portfolio to make it more diversified. Generally gold prices are depended on the international market and influenced by the various aspects which make it more vulnerable. There chrematistics of the gold attracts the risk taker. Individual who has the high score on the financial risk tolerance scale, can also achieve the more score on the gold investment behavior. This study indicates that financial risk tolerance is most important psychological factors which can predict the gold investment behavior accurately.

Limitations and future scope of the study

This study has some limitations that need to be considered when undertaking future research on the subject. This study was carried out in the Major cities of Gujarat and it would be difficult to generalize its results to other cities of India. This study has considered four psychological

variables to predict the gold investment intention of retail investors. Future studies could consider other psychological variables such as the investment anxiety and financial emotions etc., Future studies could also explore the influence of demographic variables on the gold investment intention of retail investors along with their psychological variables.

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