

## **Contrarian Investment on Paper Gold in Digital Economy Platform – A Behavioral Study on Indian Market amidst COVID-19 Pandemic**

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### **Abstract**

*Contrarian investment behavior on paper or Demat gold by private investors, India as a country cherishes the status of holding a large number of private investors in gold. Gold as a common term usually takes to the picture of multiple shaped ornaments made up of shiny yellow metal carrying huge value in society since ages to explore the search bit wider gives the option of Gold available in paper or Demat format. The concept of paper gold which has value without physical existence is quite a new concept to the current existing trend. The study focuses on such contrarian investment and their behavioral science on financial investment in the Indian Market amidst COVID-19 Pandemic. The objective of the study is to identify independent factors influence on contrarian investment on paper gold and investor's psychological behavior on decision making when rejecting the current trends over new instrument or investment pattern. This paper also identifies the role of gender in gold investment pattern and knowledge on gold being private investors who care higher rate of risk. The study has been conducted with the sample of 110 individuals through structured questionnaire and with the help of statistical tools "two way anova and correlation" has been carried. The study concluded how the contrarian investment was not based on the age of a private investor but qualification makes much difference on their behavior in the Indian Market amidst COVID-19 Pandemic and the same type of influence on gender over preference of gold is limited.*

**Key Words:** *Behavior, Contrarian investment, Gold, Paper gold, Private investors.*

### **Introduction**

Investment on digital economy, investor's opinion on investment differs from each individual based on their environment and surrounding. The majority line of Indian investors is still not open to modern financial investment though India is considered as an attractive investment

market around the world with promising future (FCA Pratibha Chaurasia 2017). The journey of financial instruments over physical assets is in low key profile, the diversification of financial instruments in the digital economy need to be an appreciating step in the fluctuating inflation. The element gold is the heart of saving in middle income and low income households in India which make the gold a strong saving pattern from ages in many parts of the world (Anli Suresh 2011). The gold when holding emotional and traditional attachment in Indian households makes the investment irrational and sentimental thus clearly cut the idea of being emotional attachment towards the investment makes the peculiar hindrance when it comes to rotation in the financial market. A report released by the World Gold Council (WGC) on recently indicated that the pandemic has disrupted the conventional Jewellery trade model. It said that in spite of online gold sales escalation and an ever-increasing aspiration among certain sections of the populace to access gold through online channels, online sales account for a petite proportion of total sales. Barriers that put off prospective buyers from buying gold Jewellery online include a want to hold or feel the product right away, returns policy worries, price concerns and be short of awareness and accepting about internet investment gold (IIG), said the report(Sutanuka Ghosal, ET Bureau, July 2020).

The investment in the financial market was an ideology which revolved around the environment for ages when the trend to join hands with computer technology gave birth to the new era Digital economy. The digital economy based on theories proposed by Japanese professor in 1990(source: Wikipedia digital economy) was a drastic improvement over the short span of period in every sector around the world. E-Commerce being a direct descendant of the digital economy changed every string attached to it around the globe financial investment is not exclusion to the common rule. The change of investment in electronic form easily took the step into the market managing million transactions around the globe every minute. The most famous and ancient investment on gold also joined the family of digitalization taking the form of paper gold. The country like India which believe gold as cultural value, status symbol over thousands of year (Ghazali, MohdFahmiLean, HooiHooiBahari, Zakaria (2020)) tend to believe investing money in material gold in form of Jewellery, coins are considered part of tradition in such scenario contrarian investment on electronic gold and heuristic behavioral strategy on the Demat form of gold which cannot be touch and feel is not less challenging in the Indian market. The online gold market in India accounts for presently 1-2% in general gold sales by price in the country, but its share is

estimated to grow subsequent to the Covid-19 outbreak as it is witnessing a huge drive from both digital players who see it as an opening and large jewelers who see it as a required add-on to their bricks-and-mortar model (Sutanuka Ghosal, ET Bureau, July 2020).

### **Investment Options available in Digital Gold in India**

Paper gold or Demat gold is a gold valued paper instrument available in primary or secondary market, being private investors in Indian market most of the time gold is direct synonym of natural element carries Au symbol and part of savings dedicated to purchase of same in many of middle income or low income households which explains the status of ignorance on remaining options to explore in the market. Here below are certain options available under digital platforms.

**E-Gold:** - E-gold was introduced by National Spot Exchange Limited in the year 2010; it is an electronic form of gold which can be bought with any minimal denomination unlike physical gold. The investor can buy and sell at any moment via the Internet on national spot exchange. The E-gold gives options to investors to convert into physical gold if they are interested.

**Gold exchange traded funds (ETF):-** Gold ETF is a very similar concept of mutual fund and most cost effective way of owning paper gold using gold as an underlying asset in stock exchanges. By holding demat account and trading account with stock broker buying and selling over any denomination at once or by regular interval through systematic investment plan (SIP) is possible.

**Sovereign Gold Bonds (SGB):-** The bond introduced by government of India through their own website which have issued in equal period of interval and portal open for particular period, also available in secondary market. The bonds have a lock in period of 8 years with no tax benefits and timely interest by the government.

**Digital gold:** - Digital gold offered on mobile wallet platform PAYTM.

**Gold rush:** - Gold rush is digital way of investing gold with minimum investment starting with Rs100 and can be multiplied with any digit and can be withdrawn on full or as part at any point of time as physical gold. Gold rush is in custody assured by the Stock Holding and joint venture

company namely Metals and Minerals Trading Corporation of India-Produits Artistiques Métaux Précieux, Switzerland MMTC-PAMP SA jointly. (Source: Sunil Dhawan 2019).

These are some paper gold investments available in the market currently having compromising favorable attributes such as safety, no risk of theft, saving storage space and no attachment on the investment which restrict the transaction for the same. The behavioral cause of investors treat gold as a cultural practice made trend have strong foundation in the market as current trend remains the same in the gold investment market. Contrarian to the following trend and investing in the paper gold which possess monetary value equivalent to 99.9% purity gold (source: Sunildhawan 2019) but doesn't hold any cultural value, study concentrated on such contrarian investment on paper gold and behavioral journey to stand out in a crowd by investing against current practice trend. Paper gold is some of ready access instrument which transaction to be held through internet technology by staying home, in current Covid-19 pandemic situation where is economy trend is not very much sustainable gold act as one of stable and growing investment sector on which paper gold is most easy accessing profitable investment to be accessed in financial market.

### **Literature review**

**Jimmy Patel (2020)** in his article featured in financial express said the pandemic situation requires gold investment which negatively correlates with related other investments as the gold ETF and other demat forms act typically well during risk off periods like Covid 19 pandemic. **Kaur, P., & Singh, J. (2020)** performed the study to analyze the gold exchange traded fund over the spots and future market. The gold ETF can be offered in any quantity even in the smallest of small which helps individuals to be familiar with the spot and future market and gain exposure on the same. The Gold ETF helps to reduce the unwanted lust over possession of physical gold and also use of black money in order to tax evasion. The paper also clarified how the awareness was very limited over electronic gold even the restriction was strict by the government on purchase of solid gold. **Samuel, Shwetha S (2020)** discussed the gold ETF instrument and its effectiveness over the culture and society, the Gold ETF is an instrument with 99.5% purity, easy and affordable as compared to material gold. The gold ETF will put the gold into some productive unlike solid gold which is kept in a safe vault. The emotional attachment will be seen less in E-Format of gold

which makes the business movement easier on the market over the selling and buying process. According to **Ghazali, MohdFahmiLean, HooiHooiBahari, Zakaria (2020)** placed a clear country role in purchase of gold being china and India being largest private investors in gold. India is practicing the gold investment over thousands of years as part of the cultural practice back of 2016 the country also found out to be largest household investment on gold over 24000 tones by private investors. **Sathish Kumar. B and Ram Raj G. (2019)** conducted the comparative study over the gold material and demat gold to exactly verify the performance of the both, the study has concluded that performance of both gold texture are same when gold ETF holds the factor of less risk over material gold which constrain space. The multiple private sectors offering services of Gold ETF have provided better dividend in the market in recent periods. **S Prachee Jain, Stella Mary (2018)** performed the study on performance of Gold ETF in Indian stock exchange reviewed that Gold ETF is predominant option in the market with inclusive of storage risk and security, with the reference of past performance on the gold ETF on Indian market is not at its best make the investors to stick with traditional way of gold investment material gold. **Anli Suresh (2011)** the research conducted over Indian investors' hunt on gold portfolio explained the role of gold in the society was not limited to the investment but also the foundation of the wealth and savings pattern for most middle and low income groups. The gold is seen as an asset that comes handy in risk rather than the commodity adorned. The rise in price increases the demand subsequently with the hope of sustaining stability in investment over the risk on share market performance.

### Research Gap

The literature review express the studies conducted on the research topic contrarian investment on paper gold on digital economy platform with keen focus on paper gold and its preference, strategies and behavioral ideas among Indian investors (Kaur, P., & Singh, J. 2020 ; Samuel, Shwetha S 2020; Sathish Kumar. B and Ram Raj G. 2019) the impact of gold as investment on Indian private investors (Ghazali, MohdFahmiLean, HooiHooiBahari, Zakaria 2020; Anli Suresh 2011) the scope of most collected research reviews are gold investment and its performance on the market, there are limited or nil studies on the behavioral impact on decision making skills while rejecting common idea in material gold and engaging in paper gold to polarize the investment. The study aims at analyzing contrarian investment on paper gold and investor's

psychological behavior on decision making when rejecting the current trends over new instruments or investment patterns in the Indian Market amidst COVID-19 Pandemic.

<b>Table 1- study plan</b>	
<b>Research Design</b>	Descriptive, qualitative, investigative and expressive research design
<b>Sampling Process</b>	Convenience Sampling
<b>Sampling Unit</b>	Behavioral characteristic, Contrarian Investment, Paper Gold
<b>Respondents</b>	110
<b>Research Instrument</b>	Electronic format of questionnaire with scored using a five-point Likert scale
<b>Response Collected</b>	Digital mode approach to through mail and other form of texting communication
<b>Analytical Study</b>	Explanatory statistics, Two- way anova and Correlation
<b>Source: Compiled by the authors</b>	

Table 1 consists of the study plan taken in course of research inclusive of design of the research, method of sampling and units taken for sample along with quantity of respondents, instruments used to collect sample, tools and techniques used in the study.

### **Hypotheses of the study**

H<sub>1</sub>: there is noteworthy difference between ages; qualification and inclination towards contrarian investment.

H<sub>2</sub>: there is no noteworthy difference between gender and knowledge on gold investment being private investors.

### **Research objective**

The objective of the paper is to analyze the irrational decision making on investment which is contrarian to trend followed in paper gold. The contrarian investment in demat or portfolio format of gold in the digital economy era and impact over the gold investments in the market. This study focuses on the behavioral ideology of the investors on contrarian investment narrowing down to paper gold in the Indian Market amidst COVID-19 Pandemic.

### Objectives of the Study

- 1) The research study performed to identify independent factors influence on contrarian investment on paper gold and investor's psychological behavior on decision making when rejecting the current trends over new instrument or investment pattern in the Indian Market amidst COVID-19 Pandemic.
- 2) The research paper also identifies the role of gender in gold investment patterns and knowledge on gold being private investors who care for a higher rate of risk in the Indian Market amidst COVID-19 Pandemic.

### Results and Discussion

#### Demographic Profile

Table 2- Age		
Particulars	frequency	percentage
18-25	36	32.7
26-33	28	25.4
33-40	23	20.9
48-55	13	11.8
above 55	10	9.0
total	110	100.0
Source: Primary data		

**Interpretation:** The above table 2 in demographic profile brief about the age group of sample which consist 39.6% of 18-25 years of age, 30.8% of 26-33 years of age, with 25.3% of 33-40 years of age, 14.3% of 48-55 years of age and 11.0% from above 55 years of age .

Table 3- Qualification		
Particulars	frequency	percentage
Below graduation	28	25.4
Graduation	25	22.7
Post graduation	37	33.6
Others	20	18.1
Total	110	100.0
Source: Primary data		

**Interpretation:** The table 3 in demographic profiles briefs about the qualification of 110 samples which consist 30.8% below graduation, 27.5% graduation and 40.7 post graduation with 22% others.

<b>Table 4- Gender</b>		
Particulars	frequency	percentage
Female	64	58.18
Male	46	41.82
Total	110	100.0
<b>Source: Primary data</b>		

**Interpretation:** The table 4 in the demographic profile explains the gender of sample 58.18% falls under female category while 41.82% falls under male gender.

## TWO WAY ANOVA

H1: There is noteworthy difference between ages; qualification and inclination towards contrarian investment.

<b>Table 5- Tests of Between-Subjects Effects</b>					
Dependent Variable: Inclination towards Contrarian investment					
Source	Type III Sum of Squares	Degree of freedom	Mean Square	F	Sig.
Corrected Model	406.234 <sup>a</sup>	10	40.623	1.976	.044
Intercept	4130.123	1	4130.123	200.939	.000
Age	204.346	4	51.087	2.485	.048
Qualification	51.025	3	17.008	.827	.482
Age * Qualification	104.236	3	34.745	1.690	.174
Error	2034.857	99	20.554		
Total	27492.000	110			
Corrected Total	2441.091	109			
a. R Squared = .166 (Adjusted R Squared = .082)					
<b>Source: Primary Data Analysis</b>					



**Interpretation:** The test has been performed with two ways Anova to identify the effect of variables age and qualification has effect on inclination towards constrain investment. The sig value .044 which is less than 0.05 hence 1 hypotheses is rejected. The combination of two independent factors does not have significant relationship with Contrarian investment inclination which consists of F1, F2, F3, F4, F5 (F1- trading access of paper gold is convenient; F2-paper gold doesn't depend on any corporate performance; F3- nature of investment is secure; F4- paper gold makes my investment unique; F5- limited risk factors). The study also looks at the individual influences of independent variables which reveal the factor age does not have any significant relationship with inclination of constraint investment with sig value of 0.048, whereas the 2<sup>nd</sup> independent factor says contra that the influence of qualification have impact on the choice of Contrarian investment in decision making. There is no relationship that exists on the two independent factors.

### Correlation study

H<sub>2</sub>: There is no noteworthy difference between gender and knowledge on gold investment being private investors.

Table 6- Correlations			
		Gender	Individual Knowledge on gold investment
Gender	Pearson Correlation	1	.386**
	Significant(1-tailed)		.000*
	N	110	110
Individual Knowledge on gold investment.	Pearson Correlation	.386**	1
	Significant (1-tailed)	.000*	
	N	110	110
**. r is significant at the 0.01 level (2-tailed).			
*. r is significant at the level of 0.05 which is 2-tailed			
Source: primary data			

**Interpretation:** The correlation table shows that the  $r$  of correlation value for the relationship between gender and Individual Knowledge on gold investment is 0.386. This states that a positive relationship exists in having better knowledge on gold investment as private investors. Thus the null hypothesis  $H_0$ - there is no noteworthy difference between gender and knowledge on gold investment being private investors is rejected.

### **Findings from the Study**

The study reveals decision making of Contrarian investment choices in paper gold has no influence of age of investors but the qualification of individual or investors have strong impact in making choice of Contrarian investment as individual factor. The combination of independent factors age and qualification does not provide any sort of supremacy in inclination of constrain investment in the Indian Market amidst COVID-19 Pandemic. The contrarian investment inclination have elected with cluster of five individual variable titled F1- trading access of paper gold is convenient; F2-paper gold doesn't depend on any corporate performance; F3- nature of investment is secure; F4- paper gold makes my investment unique; F5- limited risk factors. The correlation test also reveals the gender influence on knowledge possessing over the investment being private investors who are risk takers in any investment in the Indian Market amidst COVID-19 Pandemic Scenario.

### **Concluding Observations & Suggestions**

The study revealed various factors of decision making skills over contrarian investments that are making choices which are not in current trends. The country which has high private investors on gold has a minimum investor opting for paper gold inclusive of all digital formats of gold. The choice to make investment in paper gold has so many behavioral reasons selected variables specified in the studies explore the fact no age or qualification making much of a decision making difference for investors. The step has been the baby stage in paper gold which is against the current market trend of metal gold such as jewelry, coins, and bars. The individual preference reveals that limited or no awareness of Demat format gold, which needs to have more advertisement to reach the investors of all income scales not to be limited to only high scale that have a constant working pattern on the portfolio market. The reach of paper gold should have more

emphasis by the government and private sources with various mediums have scope scintillating for Demat or paper gold in future of digital economy. The gender being emphasis on knowledge relatable to gold but when gold terms as investment Indian investors without gender difference hold strong hold in their decision making skills. Paper gold being an accessible instrument via internet technology the transaction held without any barrier in lockdown. Covid -19 scenarios insisted the gold market to reach its glory to another level in the financial market which express the paper gold as risk off investment in any pandemic situation as the investment act contrast towards other investment makes the paper gold as savior during any global emergency or pandemic like the current scenario.

### **Scope for Further Research**

Further study can be performed on various upgrading investments in the digital economy. A study can be identified to analyze the influence of paper gold on private investors over the globe. Also a study can be performed on behavioral impact on investment of secondary investment market. Further study can be conducted on how to create a seamless experience integrating offline and online channels to attracting more consumers and differentiating between online gold buying and buying a gold ETF (exchange-traded fund) in the Indian Market amidst COVID-19 Pandemic Scenario.

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