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'Kerala Consumers' Perspectives Regarding Gold Investments

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ABSTRACT: Gold has a great importance in Kerala as consumers regard it both as a status symbol and as an investment tool. This study aims at identifying the different attitudes and reasons consumers of Kerala have towards investing in gold with special reference to cultural, economic and psychological factors. Traditional and sentimental reasons such as owning physical gold remain the most important trends while new investment avenues like gold ETFs and digital gold are slowly becoming popular. Elements like variability, legislation issues, and ethical issues are also take into account. This study aims at reviewing the literature to establish the benefits of investing in gold and the possible drawbacks, with a view of establishing consumer trends and preferences. The study's discoveries will provide an overall view of the factors that affect gold investment in Kerala and recommendations for future research and policy in this field.

KEYWORDS: Kerala Consumers, Gold Investments, Cultural Significance, Investment Trends, Financial Behavior.

I. INTRODUCTION

After the British discovered gold reserves in India, gold became part of Indian tradition, tradition that symbolized wealth and prosperity. In Kerala the relation is more intense and profound as gold occupies significant place in social and economic aspects of life. Rich history of trade and commerce in the state has set gold not merely as an ornamental form of wealth but as a necessity. This review study will try to understand the Kerala consumers' attitude towards gold investment, their reasons, trends and the socio-economic factors associated with them. To understand this aspect, it is important to gain insight and knowledge into the consumer behavior because this goes hand in hand when looking at larger economic trends and investment. Festivals, weddings and family traditions in Kerala add other dimensions to the consumer attitude towards gold as the succeeding section will reveal. the role of new financial instruments and instabilities of the financial market create new opportunities and risks for consumers (Anderson, D. R., 2016). This study aims at reviewing the literature to provide a systematic review of these viewpoints, with a view of showing how cultural, economic and psychological factors influence investment decisions. Analyzing these dimensions, the study intends to provide useful information about the changes in gold investments in Kerala and provide suggestions to the consumers and policymakers.

II. MOTIVATIONS FOR GOLD INVESTMENTS

Gold has always been a favorite investment product among many consumers and more so in the region such as Kerala due to cultural and economic values. The following sub sections of this section discuss the cultural and social factors, economic factors and psychological factors that compel consumers in Kerala to invest in gold (Lahoti , J. H. 2016).

2.1 Cultural and Social Factors

Gold is an inseparable part of the culture and tradition of the people of Kerala. It also occupies a special role in different ceremonies, including weddings and festivals. Gold ornaments are not just ornaments, but they are a symbol of wealth, status and relationship. In most of the Kerala marriages, the families themselves used to exchange gold ornaments, which not only showed their economic status but also their culture. This cultural importance consistently sends most families to invest in gold because they considered it as an avenue to retain cultural values and social rank in society. Further, gold is generally associated with safety, and physical possession as it can be sold due to urgent needs. Gold acts as an insurance to most of the families in the selected areas and to most families in rural areas it is considered as a source of investment in case of any emergency such as hospital bills or any other unavoidable circumstances. This perception helps the originating culture of passing gold over generations, where jeweler are handed down from one generation to another.

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Such practices not only help to develop emotional bonds with gold but also stimulate additional investments in gold, as families try to create the financial security of the future.

2.2 Economic Drivers

This study also reveals that economic factors are significant in influencing the consumers' motivation to invest in gold in Kerala. In this case the gold is seen as being an inflation busting and stabilizing asset particularly in the view of the volatile currency fluctuations and upsurge in the cost of living. In a state like Kerala where a large number of families depend on the money orders from the family members employed in the gulf countries, economic fluctuations make the consumers look for safer investment options. The past results of gold as an investment also support its appeal because people think that buying gold can preserve their money from poor economic conditions. In addition, financial market risks and the soaring and fluctuating prices of other similar investment instruments like stock and property make consumers prefer gold. As more and more people are becoming aware of the possibilities of gold as an investment, many people consider gold not only an ornament but a serious investment. This change in perception has resulted in higher gold buying in the form of coins, bars, and even investment quality ornaments (Nandhini, M. 2017).

2.3 Psychological Aspects

The psychological factors that underlie gold investments are also important in the same way. Besides being an investment, particularly for many consumers in Kerala, gold symbolises safety and security. The reason why people become so emotionally attached to gold has to do with its physicality. This is unlike stocks and bonds which are just pieces of study that can be stored and admired. While gold is an intangible physical product this gives it a sense of tangibility and handling that can offer a psychological security, especially during period of economic insecurity, consumers feel that they have something tangible they can hold on to.Finally, the search for economic security inspires people to buy gold in times of uncertain economic outlook. This is so because of personal experiences and or stories from our parents and grandparents of how owning gold during calamities is advantageous. A good number of consumers are under the impression that owning gold will help them to cope with financial difficulties better. Such beliefs are more impressive among the elder population who experienced economic cycles and recognize historical reliability of gold. The need for status also affects consumer behavior relating to gold investment since people like to show off they own gold. Gold is considered as a symbol of wealth in Kerala. This social perception can build up a strong reason for consumers to take gold as an asset to improve their social status. The pressure that people have towards their equals to try and display riches working hand in hand with efforts encourage individuals to invest more on gold as that is often deemed as a sign of success and security (Abraham, S. 2016).

III. CHALLENGES AND RISKS IN GOLD INVESTMENTS

Gold as a commodity has always been defined as a safe haven, reserve, ornaments of high inherent & cultural values across the globe especially in Kerala. But anyways any investment comes with its own pros and cons, and gold as an investment has not been an exception. Knowing these risks impact the understanding of gold as an investment vehicle amongst the consumption society. This section presents the main risks connected with gold investment, such as marketing risks, regulatory and policy risk, and ethical risks of gold mining.

3.1 Market Volatility and Price Fluctuations

The most dangerous threat of investing in gold is market fluctuations. The price of gold reacts to a number of factors such the state of the economy both locally and internationally, inflation rates, Currency strength and conflict. For instance, if persons prefer to engage in safe-haven investments such as gold due to contraction in business associated with economic risk such as economic uncertainties, political instabilities etc., the price of gold will rise. On the other hand, in stability of the economic environment, prices tend to drop resulting in loss making Henderson. still, the gold market bears high risks of speculation and trading which further influence each value greatly. For instance, when giant investment companies selling gold in their possession, the effect results in a sharp fall in prices to the holders of gold and other portfolio investors. This value makes it difficult for a would-be gold investor to know when to purchase the asset and when to dispose it to make profits. They should therefore be very careful and carry out a lot of research on the market before putting their money on gold investments (Thampatty, P. C. 2015).

3.2 Regulatory and Policy Factors

It was also found that regulatory and policy factors are important in the gold market especially in India. There is a lot that the government can do to alter the nature of gold investment in an incredible way. For example, the Indian

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government has set different kinds of import tariffs to gold to regulate its flow and/or balance of payments. These duties can push up the price of gold and this is not good for the gold investors. Further, sometimes, variations in taxation measures associated with gold can be another issue that's concerning for the investors. For instance, when it comes to gold purchases, the GST charges will shift the Cost structure of purchasing the gold, which does not appeal them as it does other investment opportunities. In addition, shifting in capital gains tax policies also affects the returns on gold investments thus the need for the investors to learn this constantly changes. Another problem is that there are many formal procedures associated with buying and owning gold. The process of compliance with the requirements of legislation can be rather problematic and time-consuming for small investors. The issues of documentation, verification and reporting can act as a discouragement to potential investors and also put off any interested party in the gold market.

3.3 Ethical and Environmental Concerns

The environmental and ethical issues related to gold mining have become more prominent in the media in the past several years. Deforestation, soil erosion, and water source contamination are some of the common environmental problems linked to the gold mining business. The long-term viability of gold as an investment is called into doubt by these environmental repercussions, especially among eco-conscious buyers. In addition, human rights violations, such as forced labour and community relocation, have been associated with gold mining in some areas. Because of this, there is a rising demand for gold that is obtained in an ethical manner, and investors are starting to think about the societal effects of their investments. A possible drop in demand for gold from sources that don't follow responsible mining procedures might occur if consumers became more conscious of the ethical difficulties connected with gold mining. In light of these issues, new investment opportunities have arisen, such as financial instruments backed by gold or gold that has been ethically obtained. Consumers looking to invest in gold in a way that aligns with their ethical principles may find themselves limited in choices due to the potential hazards and limited availability of these solutions (Lahari, G. 2017).

IV. CONSUMER PREFERENCES FOR GOLD INVESTMENT PRODUCTS

Cultural importance, financial goals, and market dynamics all play a role in why people in Kerala choose gold investment goods. Gold in its more conventional forms, such jewellery, coins, and bars, has always been the preferred investment option. Nonetheless, more and more people are looking to more contemporary options, such digital gold, sovereign gold bonds, and gold exchange-traded funds (ETFs). This section delves into the preferences of customers in Kerala, looking at what variables impact their choices and how the gold investing environment is changing.

4.1 Physical Gold vs. Digital Gold

In Kerala, physical gold is deeply ingrained in culture, performing double duty as an investment and an integral part of social ceremonies like marriages and festivals. Real assets have a certain allure; many people see genuine gold as an investment that would never fluctuate in value. Jewellery, especially gold jewellery, is treasured for its beauty and sentimental importance, frequently being passed down through families. Researchers Raghavan and Varma (2021) found that 70% of Keralan customers think physical gold is worth more than its perceived intrinsic value and cultural significance, making it their preferred investment object. A substantial movement towards digital gold items, nevertheless, is occurring. Investing in digital gold eliminates the risks and inconveniences of dealing with actual gold, such as melting and storing it (Nair, C. V. 2017). The format is gaining popularity among tech-savvy individuals and younger customers because to the ease and liquidity that digital gold offers. A good example is the rise of platforms that let you buy gold in smaller quantities. This helps a wider range of people, including those who can't afford to buy a lot of gold at once, to acquire the precious metal. According to research conducted by Kumar and Ranjan (2023), digital gold has become increasingly popular among urban consumers in Kerala. Specifically, approximately 30% of respondents indicated a preference for this style of investing.

4.2 Factors Influencing Product Choice

The inclinations of customers in Kerala towards particular gold investment products are impacted by a number of variables.

Liquidity: Liquidity is a key benefit of digital gold and gold ETFs. Quick purchasing and selling of these assets gives investors more flexibility than buying and selling actual gold, which may be costly and logistically challenging. Customers that value quick access to their money, particularly during economic downturns, may appreciate this option.
Storage and Security: The safety and security of actual gold is a major security problem. Keeping real gold on hand can be an inconvenience for many buyers, who may also be concerned about the possibility of theft or loss. Since the service

provider keeps the gold in secure vaults, these worries are rendered moot with digital gold. Considering the growing urban population and their more moder way of life, this benefit is especially pertinent in Kerala (Sarat Dhal. 2018).

Cost of Ownership: Physical gold might be intimidating to some buyers due to the high expenses of buying, storing, and selling it. Gold exchange-traded funds (ETFs) and similar investment products sometimes offer cheaper management fees and transaction expenses. Customers are looking for ways to save money without sacrificing quality, therefore they are exploring choices that offer higher returns with less expenditures.

Investment Knowledge: Consumers' tastes are greatly impacted by their level of financial knowledge. Expert investors often choose more complex securities, such as sovereign gold bonds and gold exchange-traded funds. On the flip side, those who aren't very knowledgeable about investing could feel more comfortable with actual gold. Thus, consumer choices can be significantly influenced by educational activities that attempt to improve financial literacy (Hamzah, Z. 2017).

4.3 The Role of Marketing ad Awareness

Customers' tastes are also influenced by the marketing approaches used by banks and gold dealers. The information vacuum may be filled up by advertising, social media, and financial education programs that highlight the advantages of current gold investment products. A younger generation that is keen to diversify their investments might be attracted through creative marketing efforts that emphasise the benefits of digital gold and ETFs. Cultural norms, economic realities, and new investing trends all play a role in shaping Keralans' preferences for gold investment goods. The increasing appeal of digital alternatives to real gold shows a trend towards more contemporary investing methods, while many still have a soft spot for the metal. Financial institutions and lawmakers in Kerala must comprehend customer preferences in order to adapt to the changing gold investment landscape as customers get increasingly knowledgeable about their choices.

V. ROLE OF GOVERNMENT POLICIES AND MARKET REGULATIONS

Gold investments in particular are heavily influenced by government policies and market rules in Kerala, which in turn affect consumer behaviour and investment decisions. In this part, we will examine the ways in which the state's institutional frameworks, policies, and programs impact the gold investment environment.

5.1 Taxation Policies on Gold Investments

Gold prices in India are very sensitive to government tax measures, such as the Goods and Services Tax (GST) and import taxes. The purchasing power and investment decisions of consumers in Kerala, who have a history of favouring gold investments, are profoundly impacted by these tariffs. There is a 3% GST on gold and an extra 5% GST on making costs. The overall cost of gold is increased by import charges, which have undergone several changes; as a result, large-scale investments in physical gold are typically discouraged. Consumers in Kerala continue to be impacted by these changes in taxes, and they adapt their investing tactics accordingly (Suresh, A. 2015).

5.2 Government Schemes Encouraging Gold Investment Alternatives

The government of India has implemented programs such as the Gold Monetisation Scheme (GMS) and the Sovereign Gold Bond (SGB) to discourage the purchase of physical gold and encourage the use of other investment options. The goal of these programs is to get people to put their money into gold that doesn't exist in real form. Consumers in risk-averse Kerala who are seeking consistent returns may take advantage of the SGB plan, which allows them to invest in gold without actually owning the metal. The scheme also offers tax benefits and interest payments. The GMS offers interest on gold deposits, which encourages individuals to save their gold in the banking system. But such programs have been slow to catch on in Kerala. Physical gold is still preferred by many buyers due to its cultural and sentimental significance. But people are starting to hear about these alternatives, and they're starting to think about them as real possibilities, particularly the younger generation and those who are better with money.

5.3 Import and Export Regulations

India is a major buyer of gold, and the state of Kerala plays a major role in meeting that demand. When it comes to managing the current account deficit and stabilising the Indian rupee, rigorous import controls and periodic limits on gold imports have a direct influence on the gold market in Kerala. During times of high demand, such festivals and weddings, these measures cause price swings and impact the supply of gold. Changes in global market pricing, geopolitical tensions, and currency exchange rates also impact consumer buying behaviour in Kerala, due to the state's reliance on gold imports.

5.4 The Role of Regulatory Bodies

The Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI) are crucial in overseeing financial instruments linked to gold, such as sovereign bonds and gold exchange-traded funds (ETFs). The trust and involvement of consumers in these investment vehicles are influenced by the regulatory regulations that guarantee safety and transparency in the financial markets. For example, gold ETFs are becoming increasingly popular among customers in Kerala who are looking for alternatives to actual gold due to the safeguarding of investor interests and maintenance of market stability provided by SEBI's recommendations (E. Stanley 2017).

5.5 Impact on Consumer Confidence

Consumer trust in gold investments is heavily influenced by federal and state rules and legislation. Although new opportunities have arisen because to financial products like gold bonds and exchange-traded funds (ETFs), traditional customers in Kerala tend to be wary of these alternatives because of their cultural predilection for physical assets. The middle-income group, which makes up a sizable portion of Kerala's gold market, is particularly wary of investing due to the unpredictability of tax policies and the frequency of changes to import taxes. On the other hand, more people can start investing in non-physical gold products if the government consistently tries to educate them about the advantages of these products and if regulations are well-established.

VI. CONSUMER AWARENESS AND INFORMATION SOURCES

Cultural customs and economic decisions in Kerala are intricately related to gold investments. A crucial factor in determining investing behaviour, nevertheless, is the extent to which consumers are aware of the variety of investment possibilities accessible to them. In this part, we'll look at the main sources that consumers in Kerala use to get information and the level of awareness that they have.

6.1 Level of Consumer Awareness

Customers' familiarity with the various gold investing options differs greatly. The cultural importance of gold makes physical gold assets like jewellery and coins appealing choices for investment. However, there are other ways to invest in gold, such as Gold Exchange Traded Funds (ETFs), Sovereign Gold Bonds (SGBs), and Digital Gold, which are becoming more well known. Still, many people don't understand these new gold investing instruments well enough, so they stick with the tried-and-true methods. Based on their conviction in gold's inherent worth, older customers lean towards real gold, according to studies. In contrast, younger consumers, particularly those with more disposable means and education, are more interested in alternative investment options. Despite this change, new financial instruments are still not widely used, which shows that our comprehension is lacking (Dr. S. Kumaresan. 2016).

6.2 Traditional Information Sources

Consumers in Kerala have traditionally relied on more conventional sources of information when making decisions about gold investments. Sharing information regarding gold purchases is greatly facilitated by one's social circle, including one's family and friends. Investing in real gold is often influenced by cultural norms and word of mouth, particularly around important life events like weddings, religious festivals, or economic turmoil. People still listen to the wisdom of their elders and community leaders when deciding to invest in gold because of the cultural significance of the metal. Consumers may learn about market trends, gold purity, and price variations from jewellery stores and local goldsmiths, who also serve as crucial mediators. But rather than advising on contemporary financial instruments, they often concentrate on real gold.

6.3 Modern Information Channel

A trend towards more up-to-date and varied information on gold investing has emerged in recent years. For younger customers seeking current information on gold prices, investing trends, and new product offers, digital media such as financial news portals, investment blogs, and social media platforms have become crucial avenues. Investors in gold are now able to make better selections because to the proliferation of mobile applications that provide instantaneous access to market data from across the world. Additionally, investment firms and financial consultants are gaining clout and providing in-depth analyses of gold investment products. These experts explain the benefits of investing in gold through sovereign bonds or ETFs, how it may help with risk management, and how to diversify your portfolio using gold. Urban customers with a greater level of financial knowledge and high-net-worth individuals are the most common clients for this type of expert guidance (Bernard, H. R. 2019).

6.4 Role of Media in Shaping Awareness

Media such as television, radio, and print still have a significant impact on how people see gold as an investment, especially during significant cultural or economic moments when demand for gold is high. Financial institutions' media efforts and government-led programs, such as the Gold Monetisation Scheme and the marketing of Sovereign Gold Bonds, have contributed to raising knowledge of alternatives to physical gold investments. Unfortunately, rural consumers are typically overlooked in these initiatives, which primarily focus on metropolitan regions. Banks, credit unions, and educational groups have all played a role in getting the word out through their financial literacy programs, seminars, and webinars. The goal of these initiatives is to broaden people's perceptions of gold beyond its historical and symbolic value and into its potential as an investment vehicle.

6.5 Gaps in Consumer Knowledge

Consumers in Kerala still lack sufficient information on the pros and downsides of various gold investment options, even though there is no shortage of resources to fill this need. Alternative gold investments, such as SGBs, which offer capital protection and interest income, are still largely unknown to many consumers. Equally little understood are the dangers of unpredictability in the market, worries about the purity of real gold, and the potential tax consequences of different investment options. Improving financial literacy programs, launching targeted media efforts, and teaching consumers in rural and less-urban areas who depend on traditional sources of information will be necessary to close this knowledge gap. To assist customers in Kerala in making educated investment decisions, it is essential to provide them with reliable and easily available information, especially as the importance of digital media grows (Chua et al. 2020).

VII. CONCLUSION

This analysis focusses on the cultural, economic, and psychological aspects that influence the behaviour of consumers in Kerala and their gold investing strategies. Gold is not just a store of value in Kerala's economy, but also a representation of stability and heritage. Consumers see gold investments as a way to protect their money from inflation and keep up with the times, according to the findings, which reflect larger socio-economic trends. Nevertheless, there are substantial dangers associated with problems like market volatility, complicated regulations, and ethical questions about where gold is sourced. A change in customer preferences, motivated by the demand for liquidity and transaction simplicity, is also seen in the rising popularity of digital gold and other new investment products. More investigation into these new tendencies is needed in the future, especially on the effects of digitisation on conventional investing strategies. The varied people of Kerala may be better served by financial institutions and lawmakers that take the time to understand customer motives and difficulties.

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