IJFANS INTERNATIONAL JOURNAL OF FOOD AND NUTRITIONAL SCIENCES
ISSN PRINT 2319 1775 Online 2320 7876
Research Paper **© 2012 IJFANS. All Rights Reserved Journal** Volume 11, Iss 13 2022

A STUDY ON AN ALTERNATIVE INVESTMENTS WITH SPECIAL REFERENCE TO SOVEREIGN GOLD BONDS

Dr. Ramesha V[1], Mr. Harish H. N[2], Dr. Salem Sreeveena[3]
[1]Associate Professor & Co-ordinator, Dept. of PG Studies in Commerce, Govt. First Grade College for Women, Hassan, Karnataka, India. Mob: 91410 67677,
Email: mathrushree.ramesh@gmail.com
[2]Asst. Professor, Government First Grade College for Women, Hassan.
[3]Associate Professor, Government First Grade College, HSR layout, Bangalore.

ABSTRACT

Formal education in schools and colleges failed to educate people in savings and investments. The inflation and robbery cases are very horrible and terrible in our country. The purchase and wearing of gold jewels can be allowed up to the need level, but beyond that need, if gold is purchased for wearing, it is difficult to storage of ornaments. People can keep in bank lockers, but locker charges must be borne by people. It is advised people to have minimum investment on physical gold in the form of ornaments for need purpose, beyond that, gold must be invested in SGBs since they are guaranteed by the central government. The present study is based on secondary data such as text books, newspapers, journals and you tube videos. The main findings of the study includes, The SGBs investment is limited to only Indians, The bond is issued by the Reserve Bank of India on behalf of central bank of India, The SBGs are very comfortable and convenient mode of investment since the purchase, storage and sale happens in online mode. 11% returns are given as CAGR from 20 years average and only 7 years we have experienced negative returns out of 40 years. It is observed that gold is the best investment against share market fall. A message has been passed to ladies to think again and again before wearing more gold ornaments due to risk by thieves.

Key Words: SGBs, Risk, Returns, Safety, Theft & Burglary.

1. INTRODUCTION

Indians are fond of gold purchase and wearing gold in ritual programs. In spite of super beauty Indian ladies have strong commitment to wear gold jewels in daily life as well as programs of heavy gathering. Gold is regarded as best investment opportunity too among all other investments such as real estate, financing, shares, Systematic Investment Plans, Mutual Fund, foreign currency etc. The reason behind this investment secret is gold is a precious metal which does not lose its value over number of years, it is a rare yellow metal. Investment in gold has several options such as physical gold in the form of jewels, gold biscuits, gold coins, gold ETFs, Sovereign Gold Bonds etc. investment in jewels attracts heavy expenditure such as making charges, wastage, GST, hidden charges etc in the big jewelry shops. That is the reason why all jewelry shops are big size in all matters. They burden all these expenditure on the head of customers. So, financial experts opines that instead of investing hard earned money on physical gold, it is better to invest in digital gold

ISSN PRINT 2319 1775 Online 2320 7876
 Volume 11, Iss 13 2022

such as gold ETF or Sovereign Gold Bond. One of other major drawback of physical gold investment is theft and burglar. To save the investor from all these risks and losses, the central government has introduced the Sovereign Gold Bond in the year 2015. The investment in Sovereign Gold Bonds is easy and safe also.

There is saying that investment in the gold and land is always worth. This is true because, when we analyze the previous investments in shares, real estate and gold, gold has given consistent returns around 15% annual growth. This is creating lots of sentimental value in Indians in gold investments in the form of jewels. Both male and female have strong sentiment on gold in physical form rather than electronic gold. There is still lack of education about facilities of e-gold investment in sovereign gold bonds. This investment is a boon to investors and burden to the government since the government is promising to pay 2.5% annual interest. This annual interest is automatically credited to the investor’s account twice in the year.

2. REVIEW OF LITERATURE

2.1 **Aishwarya Khasgiwala (2019),** has conducted a primary survey on 250 respondents and opines that they feel comfortable in buying physical gold rather than e-gold. The main reason behind this is physical gold is giving personal attracting value in the social gatherings. So, the respondents argues that physical gold in the form of jewels adds value to the personality. They need to enjoy in our society in the social gatherings such as marriages, birth day programs, festivals, get together programs etc.

2.2 **Kothari Bellari (2020),** the study reveals that Indians have strong sentiment towards gold investments in the form of jewels such as year tubs, neck chains, dabu, gold bangles, rings etc. their husbands also are supporting the value of wearing physical gold. They argue that the investment in gold and land have value over the long term say years together. They further feels that the reputation of people is depending on wearing costly ornaments made by diamond, gold and silver.

2.3 **Kavitha P (2021),** the author made a comparative study of investment on physical gold in the form of jewels and e-gold in the form of Gold biscuits, gold coins, gold ETFs. More than 80% of respondents felt that life is too short, people should be enjoyed over this limited period without much bothering about future. Future is uncertain. Life has no guarantee of long period. So, in spite of risky physical investment, it is preferred by majority of people in India. Only 7% people suggests that investment in sovereign gold bonds is worth since it has benefits such as no theft, no tax, no locker fees, no tension.

2.4 **Sowbagya (2018),** the author has conducted an analytical study on benefits of gold investments in the form of sovereign gold bonds, gold ETFs, gold coins, gold biscuits etc. The benefits includes tax exemption, no wastage, no making charges, no hidden charges. Physical gold investments in form of jewels has all these expenses. The expenses are covering total expenses around 19% to 15%. This can be saved when an investment is done in electronic gold investment. Further the author feels that the central governments benefit of annual interest of 2.5% can be utilized by the investors if investment is done electronically rather than investment in physical gold.

ISSN PRINT 2319 1775 Online 2320 7876
 Volume 11, Iss 13 2022

2.5 **Seema Firdose (2021),** the author summarised a beautiful case study of Kerala state. 30 years back, bride spoke to her father after consulting with her would be. She asked her father the budget for her marriage. He said the total budget for jewels, choultry and other expenses is about Rs. 9,00,000. He is ready to spend the entire amount for his daughter's marriage. She convinced her father to spend only Rs. 2,00,000 for simple marriage in the temple. Remaining Rs. 7,00,000 they have invested in shares of blue chip companies over long term, real estate, corporate bonds, currency, debentures etc. Now this has created a beautiful corpus of four crores. So, the daughter and father have become role model in the society.

2.6 **Ravi Kishore (2020),** the author has conducted an explorative study on investment in sovereign gold bonds and expresses the benefits of its investments. The benefits includes no tax, no fear of theft, no wastage, no purity problem, no labour charges, no hidden charges. So, he supports that always gold investment must be in the form of sovereign gold bonds. This helps the investor to enjoy the central government's benefit of 2.5% annual interest. Further, it is revealed that SGBs have no any expenses. If the investor is buying in online mode through RBI's website, Rs. 50 per gram discount is allowed.

2.7 **Asha (2009),** the author found that always gold investment must be in the form of physical gold such as jewels, ornaments, gold biscuits, gold coins. The gold rate is increasing, so, it can be one of the best investment for the children. There is around 10% increase in the value of gold in the form of gold value appreciation. Further the study says that physical gold is helpful pledging in Non-Banking Financial Corporations such as Muthut finance, Manapuram gold finance. The gold can be pledged in public sector banks and speedy and cheap loans can be borrowed.

3. NEED OF THE STUDY

Actually speaking it is rightly called as need of the hour to educate Indian ladies and Indian investors to shift from wrong investment in physical gold which is most risky due to theft and burglary. So, all of us must be serious to change our passion from physical gold to digital gold. More than half of gold consumption is happening in India. This has negative impact on our balance of payments since our imports are increasing. One more point is Indian rupee value is decreasing against dollar. To avoid all these problems Indians must be educated towards the benefit of SGBs.

4. STATEMENT OF PROBLEM

Savings and investments are two best practices of people. This saves people from heavy expenditure in the future. People must save money before they are going to spend money from income. Some people save money after spending. It is wrong. Financial experts including Warren Buffet says that Income minus Savings is a best way of spending on essentials. When it some to investment, people lack the knowledge about safe and wise investments. Bank FDs, RDs, Investment in physical gold are not regarded as best investments due to their own drawbacks. But investment in gold in the form of Sovereign Gold Bonds is regarded as best investment since it does not involve any making charges, wastage, GST and other hidden charges. But, many Indians does not aware about this investment opportunity. So, present topic is taken for the study.

ISSN PRINT 2319 1775 Online 2320 7876
 Volume 11, Iss 13 2022

5. OBJECTIVES OF THE STUDY

1. To study investment opportunities for the investors.
2. To compare the investment opportunities benefits and thereby selecting best one.
3. To provide a message Indian women about gold investment

6. METHODOLOGY

The present study is based on secondary data. The required data has been collected from text books, previously published journals, newspapers, RBI bulletin, you tube videos etc. The personal enquiry also made to collect some genuine information about best investments.

7. REFERENCE PERIOD

The study has been made over number of months such as June 2019 to May 2020. In this period, the data has been observed from RBI website, you tube videos, bank visits to enquire the merits and demerits of bank FDs.

8. SCOPE AND SIGNIFICANCE OF THE STUDY

The present study is made an attempt to understand the psychology of Indian ladies about investment in gold and other forms. The scope includes investment in physical gold such as jewels, gold coins, gold bars, gold ETFs and Sovereign Gold Bonds. It helps to minimize the heavy purchase of scarce yellow gold metal. It further save the investors from making charges, wastage, GST and other hidden charges. One of another duty of this research work is educating Indian ladies to be on safer side by avoiding wearing gold ornaments and attracting thieves.

9. INVESTMENT OPTIONS

There are various investment options to the investors say investment in gold, silver, real estate, financing, bank FDs and RDs, post office FDs and RDs, shares and debentures, gold etc. Gold is regarded as best investment since gold is a rare and precious yellow metal. Again gold investment has several forms of investments such as gold jewels, gold coins, gold ETFs and Sovereign Gold Bonds. But, the investments in physical gold is not a safe and wise investment since it attracts various expenses and losses such as making charges, wastage, GST, hidden charges etc. One of other problem of physical gold is fear of theft in our country. Then the best is investment in digital gold. There are two to three investment options in digital gold investments such as gold ETFs, gold bonds and Sovereign Gold Bonds. The investment in Sovereign Gold Bonds is regarded as best option since does not include any wastage, making charges, GST or no hidden charges. The Sovereign Gold Bonds is the best one, another reason is, it is guaranteed by the Indian government through Reserve Bank of India. There is no risk of theft in Sovereign Gold Bonds. Another attractive feature of Sovereign Gold Bond is the central government is paying 2.5% of interest pa. It is paid twice in the year.

ISSN PRINT 2319 1775 Online 2320 7876
 Volume 11, Iss 13 2022

10. MEANING OF SOVEREIGN GOLD BOND

The Sovereign Gold Bonds are issued by the Central Government yearly twice through the reserve Bank of India. It is introduced in the year 2015. The main purpose of this scheme is discourage investment in physical gold as it is not worth investment to the investors since the investment in physical gold has lots of losses such as making charges, wastage, GST, hidden charges etc. India is importing gold from South Africa and other countries. This heavy purchase of gold has negative impact on our balance of payments. So, the central government has made an experiment of Sovereign Gold Bond in the year 2015. The benefits of Sovereign Gold Bond investment are no making charges, no wastages, no GST while purchase and maturity also. 2.5% of interest and paid by the central government to encourage Indian investors. The minimum investment is one gram and maximum is 4 kg per individual investor.

11. INVESTOR'S ATTITUDE TOWARDS PHYSICAL GOLD AND SOVEREIGN GOLD BONDS

In spite of several drawbacks of physical gold investment such as heavy expenditure like making charges, wastage, GST and hidden charges in jewelry shops and many benefits of Sovereign Gold Bonds such as 2.5% annually interest, 100% guarantee by the central government, majority of investors prefer investment in physical gold only. The strong reason is wrong sentiment of ornaments and attracting others by wearing ornaments such as tubs, necklace, rings, bracelets etc.

12. FEATURES OF SGBS

1. **Eligibility:** The Investment in SGBs is restricted to Indians only. But, all Indians can invest in these bonds. It can be Individuals, HUFs or trusts or mutual funds also make use of this investment opportunity.
2. **Minimum and Maximum Investment:** The minimum investment is one gram at the rate of market price and maximum limit is four kgs.
3. **SGB's Price:** The price of SGB's is fixed on the basis of previous three days average price released in the India Bullion and Jewelers Association Limited (IBJA).
4. **Interest Rate:** The central government is providing a golden opportunity to earn 2.5% per annum to the investor. This rate of interest is fixed by the Reserve Bank of India. The purpose of this interest is to shift people from wrong selection of investment in physical gold to wise and safe investment in digital form of SGBs.
5. **Redemption and tenure of SGBs:** The period of SGBs is 8 years. But the lock in period is 5 years. So, investors can wait up to 8 years for maturity or they can make cash after 5 years lock in period. SGBs are also traded in the secondary markets like NSE and BSE. So, investors who are in urgency of money due to any emergency, they can sell in these markets.
6. **Demat Account:** The purchased SGBs are kept in digital form. So, they are safe and easy to transfer from one person to another.

13. ADVANTAGES OF SGBs

From the above discussions and comparison study, it is revealed that the investment in SGBs has super advantage over physical gold which makes rich richer and poor poorer. The reason for this is, the Indian jewelry shops are richer by burdening customers of gold by transferring heavy expenditure such as making charges, wastage, brokerage, GST and other hidden charges. There is zero rupee expenditure on SGBs. All these losses can be avoided in SGBs investments. Another major drawback of physical gold investment is loss due to theft. Another risk is lack of purity. All these problems can be over-comed by shifting physical gold investment to SGB investment. SGBs are backed by the central government. So, there is 100% guarantee by the Indian government. So, SGBs are called as 100% safe and risk free. But, they is no 100% education Indians about this advantage. Another glorious benefit offered by the central government is 2.5% of interest in credited annually to the investor. There is 100% tax exemption on the long term capital gains if SGBs are kept up to maturity period of eight years. There is 100% purity of SGBs. There are no other hidden charges on purchase and sale of SGBs. 100% storage charges are free since SGBs can be held safely in Demat account. SGBs can be redeemed after locking period of eight years. Decreasing demand for physical gold is the main aim of SGBs.

14. PRESENT PERCEPTIONS ON PHYSICAL GOLDS

1. It is perceived that wearing gold jewels increase the value of people in the form of status. So, both ladies and gents are committed in wearing gold jewels.
2. Physical gold can be pledged as collateral asset while borrowing loans.

RISK

There are two types of risks in gold investments for four types of gold investments – Physical, ETF, Digital & SGBs. Market is risk is very lesser for these kinds of investments on gold compared to investment in equity. But physical risk varies, it is tabulated as follows,

Physical Risk	
Physical Gold – Jewels **(High Risk)** 	ETFs **(Lowest Risk)**
Digital **(Moderate Risk)**	SGBs **(Lowest Risk)**

From the above table, it is cleared that there is highest risk for gold and life in physical gold from thieves and lowest risk from SGBs since no one can steal the SGBs which is stored in Demat account.

REWARDS

Rewards	
Physical Gold – Jewels	ETFs

ISSN PRINT 2319 1775 Online 2320 7876
 Volume 11, Iss 13 2022

Very Less – 5%	**Better – 8.3%**
Digital **Better – 7.7%**	SGBs **Very High – 11.5%**

From the above table, it is cleared that the rewards or profit is very less in physical gold since there are so many expenses such as making charges, wastages, GST, stones, and hidden charges. It is said that 9% is average return on gold, but these said expenses must be deducted from 9%, so, effective return is only 5%. SGBs is the best investment option from the view point of returns since 9% + 2.5% interest, consolidated to 11.5%

TAX

Tax Impact	
Physical Gold – Jewels **More Taxes – 20%**	ETFs **Tax on STCGs**
Digital **M Tax on STCGs**	SGBs **Tax Free**

There is more tax on physical gold, we have to pay GST on purchase as well as sale. So, there is more tax burden on physical gold – jewels. No taxes are levied on SGBs, so, it is best motivation long term investors.

Winner

Winner	
Physical Gold – Jewels **No**	ETFs **Moderate**
Digital **Moderate**	SGBs **Yes**

Based on the above all tables, it is known that, there is big no to physical gold and there is big yes to SGBs.

15. REALITIES OF GOLD INVESTMENT

1. It is observed that gold is best investment at all time. It is best investment during markets goes to downtrend.
2. We have observed share markets are fallen to maximum extent in 2008 and 2020 due Lehman brothers in America and Covid lock down worldwide. But, gold rate was increased during share markets downtrend.

16. FINDINGS AND SUGGESTIONS

1. The investment in SGBs will be in the form of digital. The certificate is credited to Demat account.
2. The bond is issued by the Reserve Bank of India on behalf of central bank of India.
3. The tenure of SGBs is eight years, but locking period is five years.

ISSN PRINT 2319 1775 Online 2320 7876
 Volume 11, Iss 13 2022

4. The interest is paid on SGBs at the rate of 2.5% semi-annually.
5. The minimum investment is one gram of gold price and maximum is four KGs to Indian individuals and 20 KGs to HUFs.
6. The SGBs investment is limited to only Indians.
7. The SGBs are sold twice in the year through RBI web site, they can be bought in commercial banks also.
8. Around Rs. 50 is given as discount if SGBs are purchased in online mode.
9. SGBs are tradable in secondary markets after fourteen days from purchase date.
10. SGBs can be used as collateral security to borrow loans on needs.
11. There is tax advantage on SGBs. If SGBs are redeemed after maturity period of eight years, the capital gains are exempted from tax.
12. The SBGs are very comfortable and convenient mode of investment since the purchase, storage and sale happens in online mode.
13. Around 2,00,000 tons gold is mined from human start. 50% of this gold is in the form of jewelry, 20% is in gold coin, ETF & Mutual fund, 18% kept in central banks as reserve, remaining 2% is in other forms.
14. 11% returns are given as CAGR from 20 years average and only 7 years we have experienced negative returns out of 40 years, remaining 33 years, there is a positive returns by gold investment.
15. It is observed that gold is the best investment against share market fall. Example, in 2020 share market fall by 40% but gold rate increased by 20%.
16. The accessibility for investment in gold like investment in physical, ETF, Digital & SGBs is very easy. We can go to our nearby jewelry shops for physical gold. Similarly, SGBs & digital gold is available in online platform. Fintech mobile applications are providing affordable service at nominal charges.

CONCLUSION

After studying the overall article, it can be concluded that savings and investment is the best habit of people. Investment in gold is regarded as the best investment compared to share market in term of risk. The physical gold purchase is allowed for need to ladies. But, there shall be no greed to men and women. The investment in SGBs is the BEST form of investment.

MESSAGE

Indians must be educated well about savings and investments. Formal education failed to provide financial education. Gold ornaments must be enough up to need, beyond the need is greed. It is danger from theft and burglary. So, especially ladies are said to check again and again the danger of wearing gold, so, they can invest if SGBs.

BIBLIOGRAPHY

1. Aishwarya Khasgiwala (2019), "A Study on Investors Perception and Awareness towards Sovereign Gold Bond in Mumbai", Durgadevi Saraf Institute of Management Studies (DSIMS), The Management Quest, Vol.4, Issue 1, April - September 2021.

2. Kavitha P (2021), A Study On SGB (Sovereign Gold Bonds) Vs Gold Investment, International Journal of Current Science, Vol 2.
3. Kothari Bellari (2020), "Investor's Attitude towards Physical Gold and Sovereign Gold Bonds", Indian Journal of Capital Markets, Vol – 4, Issue – 7.
4. Rishabh Gupta (2018), "Dynamics of Sovereign Gold Bonds", International Journal of Economics and Management Studies, Volume 5 Issue 8.
5. Puneetha (2021) "All you need to know about sovereign gold bond scheme", SSRG - IJEMS Journal, Volume 7, Issue 11.
6. Sanjay Nagaraj (2016), "Sovereign Gold Bond Scheme Series - II, 2016-17", G.S.R. 832 (E).
7. Triveni, (2018), "A study on Sovereign gold bond scheme as an Investment Avenue", Southern Economist, Volume 10, Issue 5.
8. Amar G. Satijani and Jaspal Gidwani Avinash Sahu (2015), "Gold Saving Scheme: An unusual way of investing in Gold thrust on Sovereign Gold Bond Scheme (SGBs)", Indian Journal of Mutual Funds, Volume 12, Issue 2.

Webliography

1. https://www.rbi.org.in/
2. http://indiatoday.intoday.in/
3. http://www.dnaindia.com/
4. https://www.nseindia.com/
5. http://www.moneycontrol.com/
6. http://www.bullionindia.in/