

A study on the awareness of sovereign gold bond scheme

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Abstract

Gold! man's most sought, obsessed fairly rare metal is known to human civilizations since time immemorial. India is the largest owner of 22,000 tons of gold also the heaviest rising demander of 900-1000 tons of gold every year. Indians love for gold is a never ending and everlasting story. In light of these facts, there is a new route for investments in gold by the government is the launching of the sovereign gold bonds, which is a substitute arrangement for owning physical gold. The motto of launching this scheme is to keep hand on the demand for increased owning physical gold, imports of gold and effective utilization, circulation and releasing of the held up stock of gold in every households. The sovereign gold bond scheme was launched along with gold monetization scheme and Indian gold coin by the union government in the year 2015 in association of RBI, which would be sold through banks, designated post offices, recognized stock exchanges such as NSE and BSE and stock holding corporation of India limited. This article is all about the awareness about sovereign gold bond scheme.

Keywords : Sovereign Gold Bond, BSE,NSE

Introduction

Gold! man's most sought, obsessed fairly rare metals known to human civilizations since time immemorial. This metal has wide applications in every possible way as coins, jewels, arts and artifacts, cuisine, electronics, space, medical,sports,religion, photography etc.,.. for it has the fine trait of being highly flexible, supple, and resistance to corrosion or any other chemical reaction. Such a precious metal's world's largest producer is china, whereas the largest consumer and lowest producer is India with 900 and 1.5 tons per annumrespectively¹. Indeed, India is the largest owner of 22,000 tons of gold also the heaviest rising demander of 900-1000 tons of gold every year. Indians love for gold is a never ending and everlasting story. The likeness, love, want, and need for gold is entwinned in the culture of Indians as a symbol of status, standard of living, wealth, prosperity, fashion and safe, secured investment as it has an immediate liquid market. The demand for purchase of gold is throughout the year for every and all occasions, like marriage, engagement, festivals, corporate gifts, etc.. in addition to this, investments in gold is also done in other ways

such as bars, coins, gold backed ETF, Gold monetization scheme, sovereign gold bond, gold jewelry scheme which has its own benefits over each other in trading and yielding returns.

Investments in gold

Most of the Indian household's investment in gold is to showcase status and wealth, rather a best returnable investment. From the economic point of view, investing in gold creates less impact to the economy as savings in gold is more like a dead or complete locked up money compared to other investments which channelizes the resources into the economy by way of any long term loans or any sort of financial requirements for production purpose, resulting in economic development. In addition to this, the increased demand for gold by the Indian households has resulted in increased export bill which effected the growth of the Indian economy. Moreover, for many years, it hasn't given any reasons for many investing professionals as a best investing options, as it never gives permanent and fixed returns, also the banks which sells gold bars and coins doesn't buys back it. In addition to this the price of gold is mostly determined by the fluctuations in the international market inclusion of dollar prices.

Though there are less desirable investing traits in gold, it has its own unique feature and proved many times in history as being the best option of choice for best returns during any crisis or in uncertainties be in a business or for a nation's economy. It is this fact has made every bank around the world to keep an appropriate level of physical gold with them.

Statement of the problem

In light of these facts, there is anew route for investments in gold by the government, is the launching of the sovereign gold bonds, which is a substitute arrangement for owning physical gold. The motto of launching this scheme is to keep hand on the demand for increased owning physical gold, imports of gold and effective utilization, circulation and releasing of the held up stock of gold in every households. The sovereign gold bond scheme was launched along with gold monetization scheme and Indian gold coin by the union government in the year 2015 in association of RBI, which would be sold through banks, designated post offices, recognized stock exchanges such as NSE and BSE and stock holding corporation of India limited. This SGB's are government securities issued by RBI on behalf of the Indian government, which is available in multiples of grams of gold, with the minimum investment of 1 gram to 4kgs for individuals and HUF, 20kgs for trust and is available in both Demat and paper form with an interest rate of 2.5% per annum on the nominal value. The unique feature of these SGB's is that the investors will get his returns linked to gold prices also it carries a guarantee both on interest and principal on redemption. The prices of these bonds are in Rs based on the simple average closing price of gold of 999 purity issued by the India bullion and jewelers association limited based on the last 3 working days of the week preceding the subscription period. The major advantages of these SGBs are zero handling risk of physical gold, with tax benefits of no TDS on interest and tax exempton capital gain on redemption. The tenor of these bonds are

for 8 yrs and can be redeemed from 5th yr onwards. Also it can be used as a collateral security for availing loans. With this background, this survey is oriented to find customers awareness about gold bond scheme.

Comparison of Physical gold, Gold ETF and Sovereign Gold Bond

| Points | Physical Gold | Gold ETF | Sovereign Gold Bond |
|---------------------------------|---|---|--|
| Returns | Lower than actual return on gold | Lower than actual return on gold | Higher than actual return on gold |
| Safety | Risk of handling physical gold | High | High |
| Purity of Gold | Purity of Gold always remains a question | High as it is in Electronic Form | High as it is in Electronic Form |
| Capital Gain | Long term capital gain applicable after 3 years | Long term capital gain applicable after 3 years | Long term capital gain applicable after 3 years. (No Capital gain tax if held till maturity) |
| Collateral against Loan | Yes | No | Yes |
| Tradability / Exit Route | Conditional | Tradable on Exchange | Tradable on Exchange. Redemption- 5th year onwards with GoI |
| Storage Cost | High | Very Low | Very Low |

Objectives of the study

The study has been geared towards achieving the following objectives:

- To know the awareness about gold bond scheme.
- To offer the suggestion on the basis of the study.

Research Methodology

The following are the research methodology applied in the study.

Period of the study

The study is conducted during the year 2017-18.

Sample Size

A sample size of 125 respondents is taken to study. And they were aware about the sovereign gold bond scheme.

Data Source

The data is collected with the help of the structured questionnaire.

Sampling Design

The study uses non-probability sampling as a sampling design in which convenience sampling is used in specific.

Research Area

Research has been conducted within Coimbatore.

Tools Used

The percentage analysis used in the study to assess the distribution of respondent in each category.

Limitations of the study

- The findings of the study have been presented in accordance with the information obtained from the respondents of Coimbatore city.
- The conclusion drawn is subjected to the information provided by the respondents.

Results and discussions

Gender

The study consisted of 58.4% Males and 41.6% are Female

Age

The age of the respondents are categorized as, 36.8% of the respondents are 25-30 yrs of age 21.6% of the respondents are 31-40yrs of age, 25.6% of the respondents are 41-50yrs of age, and 12% of the respondents are 51-59yrs of age and 4% of the them are >60.

Marital status

It is observed that 65.6% of the respondents are married and 34.4% of them are Unmarried.

Family size

The family size of the respondents are that 8% of them consists of 2members, 52% of theirs family consists of 3-4 members, 26.4% of them consists of 5-6 members, and 12% of theirs are joint family consists of 7-8, and 1.6% of theirs family consists of more than 10 members..

Education of the respondents

It was observed that 13.6% of the respondents education was in Higher Secondary, 44% of the respondents are graduates, 36% of them are post graduate & 6.4% of them are illiterate.

Occupation of the respondents

The results showed that 14.4% of the respondents owns business, 16.8% of them are agriculturist, whereas as 30.4% of them are professionals, 12% of them are government employee & 26.4% of them are private employee.

Income of the respondents

The results showed that 20% of the respondent's monthly income are Rs.10,000-15,000, whereas, 32% of theirs is Rs.16,000-Rs.20,000, 16% of theirs is Rs.21,000-Rs.25,000, and 16% of the respondents income are between Rs. 26,000- Rs.30,000 further 16% of theirs income are between Rs. 31,000-Rs.50,000.

Monthly savings of the respondents

From the study, it was observed that 14.4% of the respondents monthly savings are rs500-1000, 32% of theirs savings are between rs2,000-rs4,000, 20.8% of theirs are between rs 5,000-rs7,000, 24.8% of theirs saving are rs8,000-rs10,000 & 8% of the respondents savings are above 10000.

Media of awareness

It was observed that 13.6% of the respondents are aware about the scheme through television, 16.8% of them are from newspapers, 24.8% of them are aware through bank Intimation, 24.8% of them through advertisements, and 20% of them are through Social Media.

Minimum subscription of the respondents

The study showed that 12% of the respondents have invested 2-100 grams, 40% of them have invested 2-250 grams, 24% of them have invested 2-300 grams, and 24% of the respondents have invested 2-500 grams.

Forms of bonds

42.4% of the respondents have the bonds in form of Demat and the rest 57.6% of them have in physical form.

Nomination facility

The study revealed that 24.8% of the respondents are sole holders, 44.8% of them are joint holders, 25.6% of them both single and joint holders and 4.8% of them are others.

Use of the bonds

It was observed that 20% of the respondents has pledged the bonds, whereas 25.6% of them has hypothecated, 41.6% of them has availed loans from banks and 12.8% of them has Lien in Favor of Scheduled Banks.

Availability of application forms

It was identified that 38.4% of the respondents has availed the forms from scheduled banks, whereas 32% of them from designated post office, 21.6% of them from bombaystock exchange and 8% from National Stock Exchange.

Suggestions and Conclusion

The study revealed, an overview on sovereign gold bonds and its awareness about it by the public. The SGB seems to be quiet success since its launch, which has garnered rs5000 crore about 16 tons of gold. People are aware about the SGB, but there seems to be a sort of resistance in investing it. The government can come with flexibility and creates variants that reach every strata of the economy. It is suggested that, the government can come with more promotions targeting women at large as they seems to be more interested in gold. Further the advertisements can target more younger generations who has more disposable income. Thus, this study is an eyeopener in this field of study.

Reference :

1. India can produce 100 tons of gold per year: expert, Economic times, Dated -19.09.18.

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