

PERFORMANCE ANALYSIS OF GOLD EXCHANGE TRADED FUNDS**¹S.Sireesha, ²Dr.T.Varalakshmi, ³G.Vinayak****¹Associate Professor, ² Associate Professor & HOD, ³ G.Vinayak
MBA, Institute of Aeronautical Engineering, Dundigal, Hyderabad, Telangana-500043****ABSTRACT**

In India, retail investors generally depend on the physical gold investments. Only few investors are investing gold ETF's, which have taken investment to their portfolio. The main reason to invest in ETFs is to get a respectable return with little risk. As a result, it attracts large investors in gold ETFs. Identifying investors' needs and preferences for gold ETFs, and their evaluation of those ETFs' performance in the current market is crucial. This research aims to know about Performance analysis of gold Exchange traded funds in current market conditions. Only popular gold Exchange traded funds used to collect data, and statistical methods such as percentages, Standard deviation and co-efficient correlation to analyze it. According to the results, investor can influence the factors such as benefits, and change investors' purchasing behavior towards gold Exchange traded funds. The research would benefit academics, market researchers, institutional investors, traders, distributors, and other potential investors who want to know about gold ETF performance.

KEY WORDS: *Investors, Exchange traded funds, performance Assessment, Portfolio, Preferences*

I. INTRODUCTION

Considering the Indian preference for investing in gold, ETFs are a good prospect if one's intention is only to invest in gold and not possess the physical gold as ornament. If investor is a regular investor in the stock market, there are several reasons why investor must consider gold exchange traded funds alongside your regular equity portfolio. Some key factors are, Gold is a hedge against inflation and currency fluctuations, and is generally considered a safe investment. Investing in gold ETFs is more practicable than buying physical gold. Investor doesn't have to worry about secure storage or additional payments such as making charges or locker charges. Investor can buy and sell gold ETFs through your stockbroker at any price, whenever investor would like to. Wherever investor live, gold ETFs will give investor the same returns, unlike physical gold which could have different prices in different states. Investor can use gold ETFs to diversify the portfolio and make it stronger. During the diversification helps to reduce the trading risks and protects significant losses during times of uncertain market conditions. Investor can use gold ETFs as collateral security for loans.

II. PROBLEM STATEMENT

The problem statement of the study is to know whether investor really interested in Gold Exchange Traded Funds and also study the evaluation criteria of gold ETFs performance in India.

III. NEED & IMPORTANCE OF THE STUDY

Investors prefer less risky investment avenues with maximum profits. Gold ETFs are one of the most secured types of investment. The present study helps the investor in choosing the best, profitable and secured ETFs from the selected ETFs. `

IV. SCOPE OF THE STUDY

The scope of the study is limited to AXIS, SBI, KOTAK, IDBI and AITY Gold ETFs traded in Commodities Exchange in India. It provides thorough knowledge of different aspects of trading in Commodities exchanges. The study analyzes how the online trading activities Took place in Indian Commodities Exchanges.

V. OBJECTIVES OF THE STUDY

The basic objective of the study is to evaluate the performance of select Gold ETFs in Indian Bulls. The sub-objectives are:

- To understand the trading mechanism of Gold ETFs.
- To analyze trend in select Gold ETFs.
- To recommend the best investment options in gold Exchange traded funds comparing with others
- To know the investors' perception towards Gold ETFs.

VI. HYPOTHESES FOR THE STUDY

H0: There is no significant association between and among the Gold ETFs.

H1: Investors percent and investment decisions are independent.

VII. METHODOLOGY

The study is descriptive in nature. It includes both primary and secondary data sources. A structured questionnaire used for the analysis. Secondary data collected through exchanges, newspapers and magazines. A Simple random sampling technique used for the selection of a sample with 100 respondents. **Chi- square test, correlation analysis, standard deviation and arithmetic mean** used for the analysis. Charts used to measure trend. A sample of five mutual funds selected for the study. Jenson, Sharpe and Treynor methods used to evaluate mutual fund performance. From 2017 to 2021 i.e., 5 years –monthly prices of sample units considered for the data analysis.

VIII. LIMITATIONS OF THE STUDY

1. Data availability and consistency depends on the investors' knowledge about Gold ETFs.
2. Only five Gold ETFs taken for the analysis.
3. Time is another major constraint i.e.; 45 days duration is not sufficient enough to cover entire population.
4. Only gold ETFs listed in Indian markets selected for the study.
5. Most of people are not aware about this ETF's.

IX. REVIEW OF LITERATURE

Verdant RN, Naupal Reddy N,(2021)The study aim to evaluate the performance of gold ETFs in India. Investment is a smart method to promote liquidity and increase economic performance. We analyzed and

evaluated the price of gold exchange-traded funds (ETFs) that were traded on the National Stock Exchange. Using performance evaluation measures/ratios developed by Sharpe, Treynor, and Jensen, the study analyses the performance of gold ETFs. Investors can use the Sharpe performance measure to match the level of volatility in each gold ETF, the Treynor measure to make a decision whether to evaluate systematic risk or market risk over rate of return risk, and the Jensen measure to see whether the funds have outperformed or underperformed the market index.

B. Sathishkumar, and G. Ram raj, (2019).This study has aimed to quantify the volatility and relation between actual gold and gold exchange traded fund (ETF) in India using various statistical methods. The National Stock Exchange of India's historical statistics as well as other sources were used to collect the data for the three-year research period, 2015-2018. The results of this study show that gold and Gold ETFs have a significant positive short-run and a long-run equilibrium relationship. This indicates that gold ETFs surpass physical gold in terms of returns. It conducted a correlation analysis between physical gold and gold exchange-traded funds and found a significant positive correlation between the two. Therefore, an investor might decide to invest in an ETF rather than holding actual gold, which is believed to be risky.

Dr. J K Raju, Mr. Manjunath B R and Mr. Rehaman M (2018).The selected gold ETFs in India were analyzed using Sharpe, Treynor, and Jensen performance evaluation methodologies were used to analyze the chosen gold ETFs in India. Investors can now make more educated judgments regarding their fund investments according to the study's ranking of ETFs based on performance measures

Mr.U.Rambab, Smt.R.JeyaLakshmi and B.Kalyan Kumar (2018), six equity-linked savings programmer related to mutual funds were evaluated. The results show that all of the funds are risky than the market, have a more maximum output, and have performed better relative to the risk they take

Dr.V.Latha (2017). The performance of every other investment option available has consistently fallen behind gold over time. Gold has consistently outperformed other conventional asset classes over the course of the majority of economic and market cycles, achieving a compound annual growth rate (CAGR) of 17.1% in Rupees and 14.5 percent in U.S. dollars over the previous 10 years, despite its poor short-term performance. These other asset classes include currencies, debt, stocks, and other commodities. There are several ways to buy gold, including gold coins, gold bars, gold jeweler, gold exchange-traded funds (ETFs), gold futures, E-gold, equities of gold mining firms, and so on. Among this group, ETFs are one of the most popular uses of investment alternatives. During the course of this essay, the performance of gold exchange-traded funds is reviewed (ETFs). The risk and return of gold exchange-traded funds (ETFs) were compared to the risk and return of the stock market. Between March 31, 2011 and March 31, 2016, prices were gathered on a weekly basis. According to the facts, increasing demand for gold

Geeta Rani and Dr. Vijay Singh Hooda (2017).Analyzed the performance of mutual fund schemes with CRISIL rating and discovered that all of the selected funds beat the market and had greater risk-adjusted returns. According to the research, every scheme experienced a loss during the demonetization period in

G.Venkatachalam Dr. G. Prabakaran (2015). Gold is consistently regarded as one of the greatest investment options accessible to the average Indian investor. Gold investing is considered a classic technique of investment by Indians. India is the world's largest gold consumer, accounting for 20% of global gold demand. Because of the severe unpredictability of financial markets, economic instability, and worries that national currencies would lose their value, gold investing has become more important. It's because gold is always seen to be the greatest strategy to protect against market volatility. Gold is now assessed as an equal to investment possibilities in the mainstream of financial markets as its relevance in the investment arena grows. Investments in India may lead to the establishment of new gold exchange-traded funds (ETFs) by a number of fund organizations. As a result, gold exchange traded funds (ETFs) are expected to do well in the future.

Dr. P. Vidhyapriya, and D. Mohanasundari, (2014) In India, the main objectives of gold exchange-traded funds (ETFs) was to increase market efficiency and increase liquidity. A drawback of gold exchange-traded funds (ETFs) is their low liquidity, which reduces their buying and selling options. Investors also should have it in mind when purchasing gold ETFs and should stay with products that are simple to trade. Indians have had a strong desire to collect and own gold. In fact, since they see ETFs as nothing more than a piece of paper, they seldom ever use it. On the other hand, data from Reuters show that gold ETFs investment in India increased by Rs. 303 cores in the previous year. In order to assess the growth of gold exchange-traded funds (ETFs) in India using the Sharpe ratio and the Jensen coefficient, a return investigation was carried out.

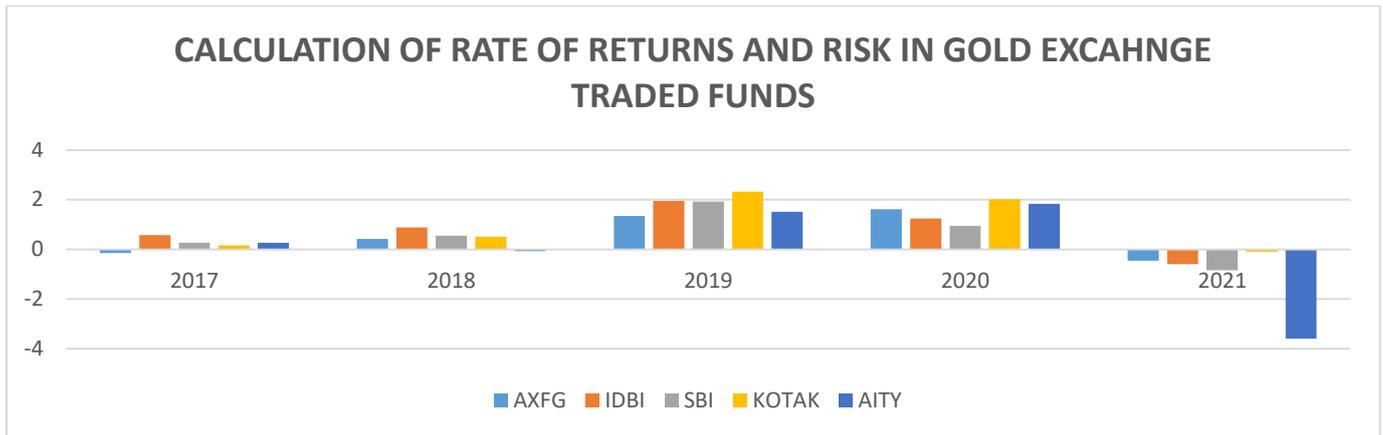
Shefali Sinha and Mahua Dutta, (2013) Goldman Sachs Asset Management (India) Private Limited was the first mutual fund company to introduce the idea of a gold exchange traded fund, which was introduced in 2007. Gold's price on the local market has an inverse relationship with how successful the program is. Some study publications fail to take into consideration the fact that it has grown through time. The purpose of this study is to address a knowledge void by investigating the possibility of generating performance returns from the Goldman Sachs Gold exchange traded fund scheme between 2007 and 2012, which would cover a gap in the literature. The primary goal of the study is to (a) compute Net Asset Value returns for the period under consideration, (b) determine domestic gold price returns for the period under consideration, (c) determine trend analysis of computed Net Asset Value returns, and (d) determine trend analysis of domestic gold price returns. It is assumed that the growth rate of Net Asset Value returns and the growth rate of domestic gold prices would continue to rise in this research.

X. RESULT ANALYSIS:

CALCULATION OF RATE OF RETURNS AND RISK IN GOLD EXCHANGE TRADED FUNDS

Average rate of return

Years	AXFG	IDBI	SBI	KOTAK	AITY
2017	-0.14	0.57	0.26	0.17	0.27
2018	0.42	0.88	0.55	0.51	-0.07
2019	1.34	1.95	1.92	2.32	1.51
2020	1.61	1.24	0.95	2.01	1.83
2021	-0.45	-0.59	-0.84	-0.09	-3.59

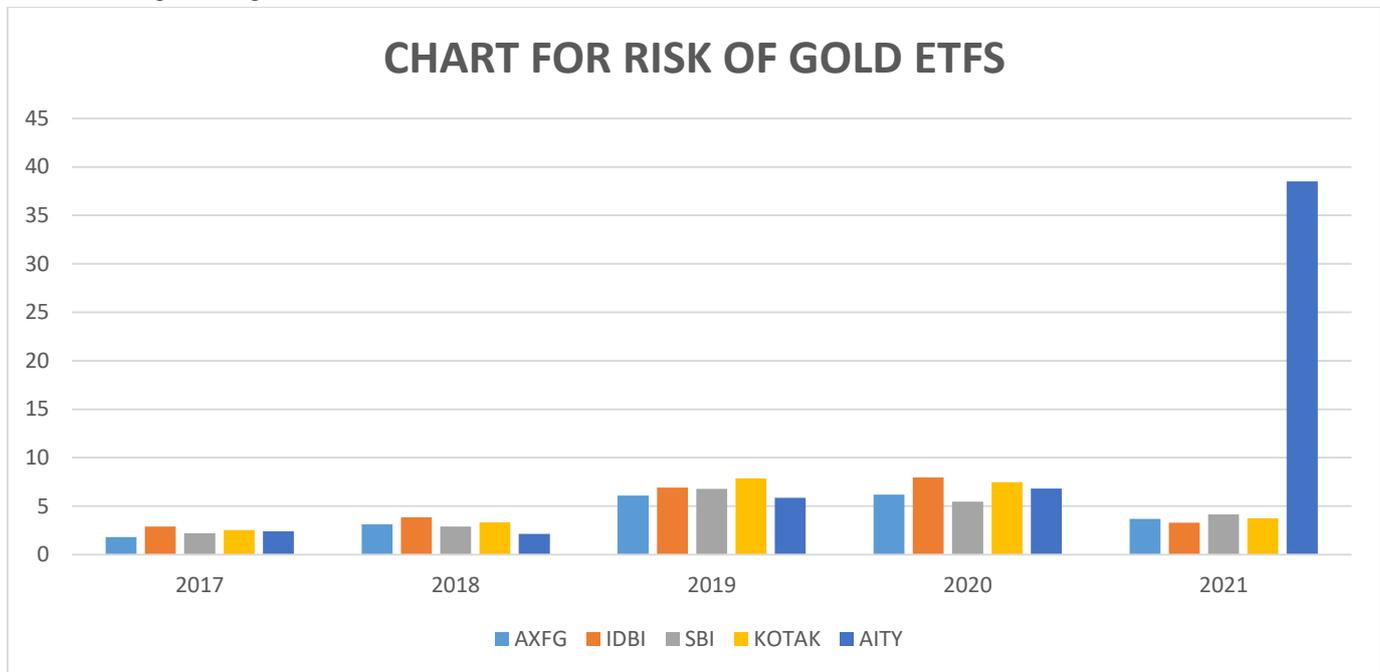


CALCULATION OF RISK IN GOLD EXCHANGE TRADED FUNDS

Risk

Years	AXFG	IDBI	SBI	KOTAK	AITY
2017	1.82	2.90	2.21	2.55	2.42
2018	3.14	3.87	2.91	3.32	2.14
2019	6.09	6.92	6.78	7.87	5.87
2020	6.21	7.98	5.47	7.48	6.82
2021	3.68	3.31	4.16	3.77	38.50

CHART FOR RISK OF GOLD ETFS



Interpretation:-From the above analysis, comparing to all Gold ETFs funds AITY Gold ETFs are given more negative returns and high risk. As the analysis shows that select Gold ETFs with negative returns leads to underperformed securities and in terms of risk, AITY seems to be highly risky in comparison with other Gold ETFs.

XI. OBSERVATIONS

- According to Sharpe's ratio, in the analysis of Sharpe's ratio results are negative. The return on the portfolio is either expected to be negative or the risk-free rate is higher than the return. A negative Sharpe's ratio does not indicate any valuable in either situation
- Treynor ratio does not work for negative values assets, they do not provide information on whether the portfolio is better than market portfolio
- As Jensen's ratio value with a negative value ratio indicate under performance.
- From the above analysis, out of 119 respondents nearly i.e.,(81.5%) 97 members belongs to less than 25 years of age shows interest to invest in Gold ETFs
- From the above data it is clear that, out of 119 members, 73 members are ready to invest on Gold ETFs are male.
- As a part of the study, opinion of an investor plays a dominant role in investment decisions. What so ever may be the reason, about i.e.,(37.5%) of the total respondents not ready to invest in Gold ETFs.
- From the above graph, it reveals that the majority of respondent's about i.e.,(38.9%) 44 out of 119 members interest in Gold ETFs for the sake of safety
- From the above analysis it is understood that majority of respondents i.e., (47.1) 56 members think that investment in Gold ETFs is risk free in nature

- The above pie-chart clearly indicates that most of the members i.e., (36.1%) 43 members out of 119 are preferred to invest in physical Gold.
- As per the study conducted i.e., (38.7%) 46 members out of 199, have awareness of Gold ETFs.
- According to the above graph about i.e.,(31.9%) 38 members respondents invest 10% of the income and disburse 90% of their income
- It is clearly understood from the above diagram, that most of the respondents i.e. (44.5%) 53 out of 119 members preferred medium term investment (1-3) years.
- Most of the respondents i.e. (52.8) 62 members out of 119, close SBI Gold ETFs as they feel that they are safer and more secured than other Gold ETFs.

XII. SUGGESTIONS/RECOMMENDATIONS

- The price of gold has been constant between 47000 and 52000. Increasing food costs, as well as issue about currency devaluation, have increased to the market's gloom. Furthermore, they no longer show to be bargain-basement when compared to the values of other developing countries.
- The economic recovery has gotten off to a strong start, but the market is uncertain.
- In view of this, it is advised that investors to proceed with caution in such cases.
- As a result, it is recommended to purchase a Gold ETF. The program is well-known for its high returns, wide range of industries covered, and consistency of returns.
- In the past, gold has shown itself to be a strong defensive investment and has performed well throughout times of market fluctuation.
- The fund is a smart choice for long-term equity investors and for relatively risk-averse investors looking to participate in a well-balanced equity fund with some downside protection due to its established track record and the outstanding qualities of its investing team. We propose purchasing Gold ETFs.

XIII. CONCLUSION

The GOLD ETFS is the part of Mutual funds industry. In recent years, the markets for ETFs have expanded significantly. The fact that the majority of ETFs are to see an increase in trading volume serves to highlight this. Price of ETF's mostly follows a cyclical pattern, unlike stocks. As a result, the prices do not attract investors and are expected to fall at some point. There are many types of risks involved in ETF's trading but commodity ETF's are less risky than equity futures but it is highly frequent. The various risk management techniques can be used to minimize the risk, and subsequently from the different price movements. ETF's attempting to foresee price changes via the use of multiple instruments by intermediaries and trading participants such as brokers is at the heart of the trading process. In addition, expert analysis is taken into consideration. As a result, reliable price forecasts may be established with the use of numerous research techniques, enabling commodities futures investors to benefit from price swings.

XIV. FUTURE SCOPE

The performance of gold exchange-traded funds (ETFs) in India is the subject of this study is new to Indian market. Exchange-traded funds always depending on the market condition gold exchange-traded funds (ETFs) were launched primarily to improve market efficiency by providing liquidity. This project extends to other ETFs and comparison of gold. This Study only concentrates on gold exchange-traded funds (ETFs) and gold price for few ETF's only more asset management company are ready to launch new ETF's.

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