

Consumer Behavior in Gold Investing in The Pandemic of COVID-19

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Abstract. The Covid-19 pandemic in Indonesia has had a major impact on the Indonesian economy. The Covid-19 pandemic has caused the world community to experience an economic downturn, including in Indonesia. As a result of this pandemic, many businesses have gone out of business. Behind all the investors' losses, there is one type of investment that has experienced an increase during the downturn, namely the investment in the precious metal gold. Since the beginning of the covid-19 pandemic began to spread, the price of gold has continued to increase. The purpose of this study is to analyze consumer behavior in investing amid the co-19 pandemic. Specifically, it can be said that consumer behavior in investing in precious metals is strongly influenced by external factors and internal factors. Internal factors that influence consumers to invest in gold in the midst of the Covid-19 pandemic are due to the gold price factor which always increases when the Covid-19 pandemic occurs. In addition, consumer income and brand attributes of a product also influence consumer behavior in investing in gold. The spread of buying and selling prices is the first factor that determines consumer behavior in investing in gold amid the co-19 pandemic. Meanwhile, external factors that influence consumer behavior are cultural, social, and rational expectations of price increases in the future after the Covid-19 pandemic.

Keywords: Consumer Behavior, precious metal investment, covid-19

1 Introduction

The Covid-19 case appeared for the first time in 2019 in Wuhan, China. This virus is spreading so quickly in the world, including in Indonesia. The virus spreads from human to human, from one country to another, including in Indonesia. The spread of Covid-19 in Indonesia was reported starting March 2, 2020. The spread of this outbreak has had a major impact on the economy, causing concern and panic among the public, business circles and the government. The government responded to this by issuing a social distancing policy as an effort to prevent the spread of the virus. However, when this virus developed and caused many fatalities, the government also issued a policy of closing schools and offices to carry out Work from Home as

well as large-scale social restrictions (PSBB) in various regions and a ban on going home, so that this slowed the wheels of the economy.

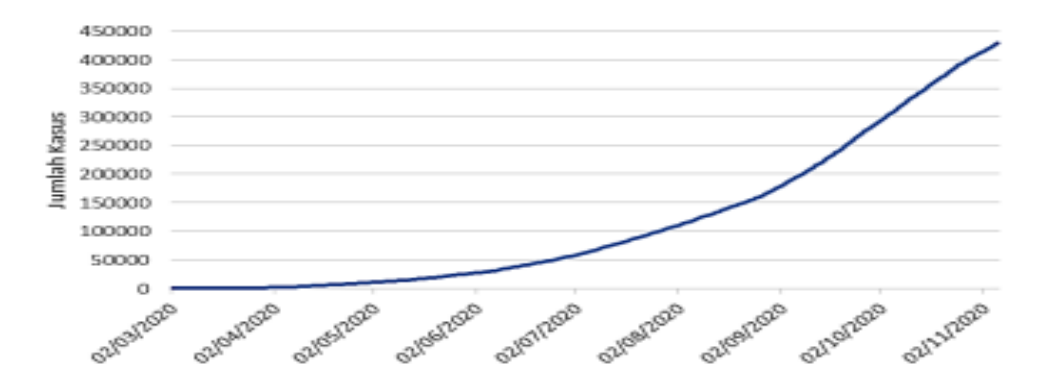


Fig. 1. Spread of Covid-19 in Indonesia (Source: Ministry of Health of the Republic of Indonesia, 2020)

As shown in the figure, the spread of the Covid-19 outbreak has had a major impact on the economy. The surge in the number of sufferers in a short time caused panic among the public, the business world and the government. The emergence of panic in the community was marked by *panic buying* of purchases of medical devices such as masks and antiseptics as well as excessive purchases of basic necessities. In the business sector, panic can be seen with a decrease in production and a decrease in demand. Meanwhile, symptoms of panic in the government are shown by limiting events and stopping modes of public transportation as well as implementing the PSBB in order to reduce the spread of the Covid-19 Virus. The panic caused the wheels of the economy to turn slowly and triggered an economic crisis. When a crisis occurs, investors will store their wealth in safe assets and avoid currency fluctuations. This condition will encourage the value of developing country currencies to depreciate against strong country currencies.

The condition of the Covid-19 pandemic has caused most Indonesian people, the business world and the government to experience an economic downturn, causing property values to decline. Behind all the investors' losses, there is one type of investment that has experienced an increase during the downturn, namely the investment in the precious metal gold. Since the beginning of the covid-19 pandemic began to spread, the price of gold has continued to increase. This can be seen from the image below.

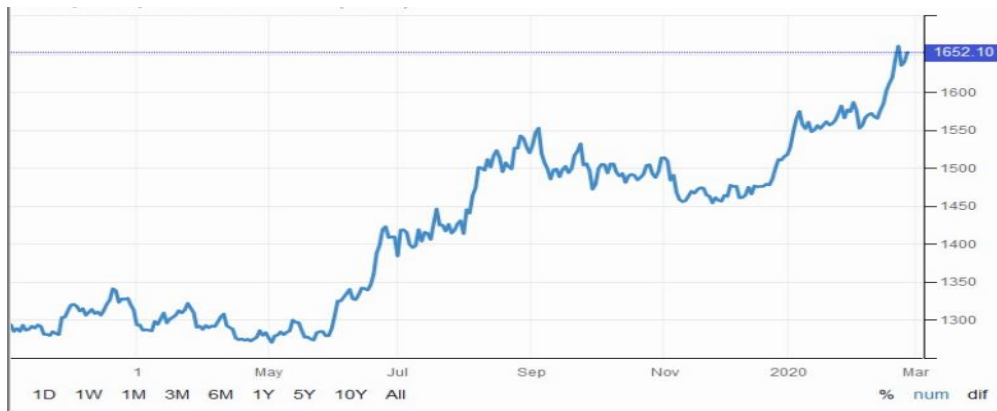


Fig. 2. World gold price fluctuations (Source: gold price.com (accessed October 20, 2021))

In the figure it can be seen that the gold price has managed to reach its highest level since 2013. The 2019 highest level reached the range of \$ 1556 per troy ounce so that the *year to date* (YTD) increase reached around 21.37%. This is the highest increase in the last 2 years. Towards the end of the year, gold prices are still hovering near \$ 1500 per troy ounce. As we know, gold is used as the investment asset of choice when there is high concern for the global economy, such as the Covid-19 case. Gold is seen as a hedging instrument against inflation which must compete with the US dollar which is also a safe-haven instrument.

2 Research Methods

The location of this research was conducted in the East Java region. The sources and data of this research use primary data. This research uses a qualitative approach. Lofland's opinion (Moleong: 2000) that the main data sources in qualitative research are words and actions, the rest is additional data such as documents and others. Primary data obtained in the form of words, verbal, utterances or informants. Secondary data as primary data support is obtained from printed documentation, pictures or notes.

The technique used in collecting data is through a questionnaire. Focus Group discussion (FGD), observation and documentation. While the analytical technique used in this study is descriptive qualitative analysis.

3 Results and Discussion

In essence, consumer behavior is to understand "why consumers do and what they do". Schiffman and Kanuk (2008:6) found that consumer behavior is the study of how a consumer makes decisions to allocate available resources. Consumers have an interesting diversity to study, including individuals of various ages, backgrounds, cultures, education, and other socio-economic conditions. Therefore it is very important to study how consumers behave and what factors influence this behavior.

Kotler and Keller, (2008), said that the theory of consumer behavior relates to all individual processes when faced with a product offer. Both agree that consumer behavior theory studies individuals, groups and organizations in selecting, buying, using, evaluating products to satisfy needs and wants. There are several categories in influencing consumer behavior, namely social, cultural, personal and psychological.

Many factors influence consumer behavior so that consumer behavior is difficult to predict accurately. For this reason, it is necessary to conduct an in-depth study to determine consumer behavior in investing in Precious Metals (Gold) during the Covid-19 pandemic.

East Java is a city where people like to invest in precious metals. This is evidenced by the establishment of PT. Aneka Tambang Tbk in Surabaya due to the large number of people who like to invest in precious metals in East Java. The following is a sample distribution of 100 people who were the research subjects from several regions in East Java.

Table 1. List of Research Subjects

Place of Origin	Research subject (%)
Surabaya	34
Poor	22
Jember	16
Kediri	12
Banyuwangi	10
Bondowoso	6

Source: questionnaire; processed data

From table 1, it can be seen that the number of research subjects in Surabaya is higher than other cities in East Java, this is because Surabaya City is a city with the highest number of consumers who invest in gold in East Java. Then the cities that occupy the second highest investment after Surabaya are the cities of Malang, Jember, Kediri, Banyuwangi and Bondowoso. The city is considered to represent East Java as evidenced by the establishment of Precious Metals dealers in the region.

One of the considerations that consumers make when they want to invest in precious metals is the gold price at that time, product attributes, the spread/difference between buying and selling prices, and price expectations in the future. This is in accordance with the data below:

Table 2. Factors that influence consumer behavior in investing in precious metals

Factors that influence the choice of investment in precious metals	%
Price at that time	32
Product attribute	3
Spread / difference in buying and selling prices	57
Future price expectations	8

Source: questionnaire, data processed

Table 2 shows that consumer behavior in choosing to invest in precious metals is more concerned with the spread of buying and selling prices of precious metals. This is one of the basic reasons for consumers to choose this type of gold investment. Apart from the price of the precious metal, consumer behavior was also influenced by the price of gold at that time. When the price of gold experienced a high increase, people were increasingly enthusiastic about investing in the gold precious metal. This was proven when the Covid-19 pandemic occurred, the economy was experiencing shocks and many investment instruments decreased in value, so the value of precious metals (gold) increased. This affects consumer behavior in investing. Many investors switch their investments to precious metals as a *safe haven*.

One that influences consumer behavior in investing in precious metals is price expectations in the future. This is the reason for consumer behavior in investing in precious metals. Investors hope that the price of precious metals in the future will continue to increase. The Covid-19 pandemic has caused the price of precious metals to continue to increase, this has affected consumer behavior in investing in precious metals. Price expectations in the future will continue to increase, such as during the Covid-19 pandemic which caused the price of precious metals to experience rapid price jumps. Investing in gold is a profitable thing in the middle of a pandemic. Precious metals have a uniqueness that cannot be found in other products. Investment in precious metals is said to be immune to crises. This was proven during the Covid-19 pandemic. While many investments have decreased in value, the demand for precious metals has actually increased.

Consumer behavior in investing in precious metals is also determined by the attributes of a product. This is a special concern for a consumer. The uniqueness of packaging and certain characteristics of a precious metal can make an investor interested in a certain brand of precious metal. The results of this study are in line with research conducted by Henry (2008), which states that the development of product variations has a positive and strong correlation with gold sales. Likewise, the development of product types is able to maintain the sustainability of consumer preferences for a particular product.

4 Conclusion

The purpose of this analysis is to find out how consumer behavior is in investing in precious metals amid the covid-19 pandemic. Specifically, it can be said that consumer behavior in investing in precious metals is strongly influenced by external and internal factors. The internal

factor that influences consumers to invest in gold in the midst of the co-19 pandemic is due to the gold price factor which always increases when the co-19 pandemic occurs. In addition, the brand attributes of a product also affect consumer behavior in investing in gold. The spread of buying and selling prices is the first factor that determines consumer behavior in investing in gold amid the co-19 pandemic. Meanwhile, the external factors that influence consumer behavior are cultural, social, and rational expectations of price increases in the future after the Covid-19 pandemic.

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