

Impact of Digitization and Diversification in Reducing Volatility in Art Markets

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Abstract : Art has developed as a mode of investment and saving. Art and culture of any nation is the source of foreign direct investment (FDI) generation and growth development. Several intermediaries and skill-building organizations thrive on art and culture for their earnings. Indian art market has grown to Rs. 2000 Crores. Art establishment houses access to privileged information is the main reason for arbitrariness and volatility in the market. The commercialization of art and development of the markets with refinement in the taste of the customers have led to the development of art as an investment avenue. Investors keen on investing in these products can do so, and earnings from art are taxable too, like any other capital asset. This research paper is aimed at exploring the role of art and culture as an investment avenue in India and reasons for increasing volatilities in the art market. Based on an extensive literature review and secondary research, a benchmarking study has been conducted to capture the growth of the art as an investment avenue. These studies indicate that during the financial crisis of 2008-10, the art emerged as an alternative investment avenue. The paper aims at discussing the financial engineering of various art funds and instruments. Based on secondary data available from Sotheby's, Christies, Bonham, there is a positive correlation between strategic diversification and increasing return in the Art market. Similarly, digitization has led to disintermediation in the art markets and also helped to increase the market base. The data clearly enumerates the growing interest of the Indian investor towards art as an investment option. Much like any other broad asset class, art market too thrives on excess returns provided by diversification. Many financial intermediaries and art funds have emerged, to offer valuable investment planning advisory to a genuine investor. This paper clearly highlights the increasing returns of strategic diversification and its impact on reducing volatility in the art markets. Moreover, with coming up of e-auctions and websites, investors are able to analyse art more objectively. Digitization and commercialization of art have definitely helped in reducing volatility in world art markets.

Keywords : art, investment avenue, diversification, digitization

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