

A Systematic Review of Investors' Perception towards Modern Gold Investment

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Abstract

Gold has been regarded as a timeless store of value, deeply embedded in cultural, economic, and financial systems. Traditionally, investors preferred physical gold in the form of jewelry, coins, and bullion. However, the transformation of financial markets has introduced modern alternatives such as Exchange Traded Funds (ETFs), Sovereign Gold Bonds (SGBs), Gold Mutual Funds, and Digital Gold. This paper, based on secondary data, systematically reviews the literature on gold investment strategies with three core objectives: tracing the shift from physical to modern gold, assessing investor perceptions and challenges with physical gold, and applying a SWOT framework to modern gold investments. Findings reveal that while cultural attachment continues to drive physical gold demand, modern gold forms offer efficiency, transparency, and diversification potential, though barriers such as low awareness, digital fraud risks, and regulatory uncertainties remain. The paper highlights implications for policymakers, investors, and fintech platforms in strengthening gold investment adoption in India.

Keywords: Gold Investment, Physical Gold, Digital Gold, Sovereign Gold Bonds, ETFs

1. Introduction

Gold has historically been considered a safe-haven asset and a hedge against inflation. In India, gold is not merely an investment but also carries cultural, social, and emotional value. Traditionally, individuals purchased physical gold in the form of jewelry, coins, and bullion, both for consumption and as a store of wealth. However, issues such as high storage costs, making charges, and theft risks reduced its efficiency as a financial instrument. With the digital transformation of financial markets, new instruments such as Exchange Traded Funds (ETFs), Sovereign Gold Bonds (SGBs), Gold Mutual Funds, and Digital Gold have emerged. These alternatives provide investors with access to gold without the drawbacks of physical ownership. Despite their advantages, their

adoption has been uneven, particularly in emerging economies like India, where traditional beliefs and a lack of awareness still drive preferences.

This study systematically reviews existing literature and secondary reports from the World Gold Council, RBI, IMF, OECD, and SEBI to understand the evolving role of gold as an investment.

2. Review of Literature

2.1 Gold as a Traditional Investment (Physical Gold)

Gold jewelry and bullion dominate household savings in India (**World Gold Council, 2022**). Risks include storage costs, purity issues, making charges, and theft. Investors perceive physical gold as both an emotional and financial **asset** (**Capie et al., 2005; Ghosh et al., 2004**).

2.2 Modern Gold Investments

ETFs offer liquidity and transparent pricing (**Blose, 2010; Singh & Yadav, 2021**). SGBs provide interest income (2.5% annually) along with gold price appreciation (**RBI, 2023**). Digital Gold allows small-ticket investment but faces concerns over regulation and trust (**Khilji, 2018**).

2.3 Investor Perception and Challenges

Studies show a strong cultural preference for physical gold, especially among older generations (**Mishra & Anand, 2020**). Millennials are more open to digital platforms but cite a lack of awareness as a barrier (**World Gold Council, 2022**). Risks in modern gold include cyber fraud, platform dependency, and regulatory uncertainty.

2.4 Gold as Hedge & Safe Haven:

Baur and Lucey (2010) established that gold functions as a hedge against equity downturns and as a safe haven during financial crises. Similarly, **Reboredo (2013)** demonstrated gold's protective role against currency fluctuations.

2.5 Emergence of Gold ETFs and Sovereign Gold Bonds:

Agarwal and Jain (2020) observed that urban investors, especially millennials, adopted Gold ETFs for convenience and security. **RBI (2022)** reports show growth in Sovereign Gold Bond subscriptions, with benefits of interest income and capital appreciation.

2.6 Rise of Digital Gold:

PwC (2022) highlights fintech platforms like Paytm and PhonePe enabling fractional gold ownership, appealing to younger investors. **World Gold Council (2023)** noted increased adoption in urban India.

2.7 Challenges in Alternative Gold Investments:

NCAER (2020) highlighted low awareness levels and limited financial literacy as key barriers. **PwC (2022)** emphasized trust issues in digital platforms

3. Objectives of the Study

1. To trace the shift from physical gold investments to modern gold investments.
2. To assess investor perception, risks, and challenges in physical gold investment.
3. To analyze modern gold investment using a SWOT framework.

4. Methodology

This is a systematic review paper based on secondary data. The study reviewed published literature from academic journals, government reports, industry insights (World Gold Council, RBI, SEBI), and working papers.

5. Results and Implications

5.1 Historical Transition of Gold Investment in India: From Physical to Modern Forms

Year / Period	Development / Momentum	Impact on Investor Behaviour
Pre-1960s	Gold held mainly as jewelry, coins, temple offerings.	Considered cultural wealth and a hedge against uncertainty.
1962	Gold Control Act restricts private ownership and import of gold.	Drove gold trade underground; gold seen as black wealth storage.
1991	Economic Liberalization – import restrictions eased.	Legal imports rise; jewelry demand dominates household savings.
2003	Gold Deposit Scheme (GDS)	Attempt to mobilize idle

	introduced by banks.	gold, but limited adoption.
2007	Launch of Gold Exchange Traded Funds (ETFs).	Gave investors exposure without physical storage.
2013	Growth of Jewellers' Gold Savings Schemes (later regulated).	Encouraged small investors to save systematically in gold.
2015	Sovereign Gold Bonds (SGBs) launched by RBI & Government.	Shift toward paper-based gold with interest benefits.
2016	Demonetisation & digital push.	Boosted interest in electronic transactions and gold ETFs/SGBs.
2018–2020	Rise of Digital Gold via fintech platforms (Paytm, PhonePe, etc.).	Investors increasingly diversify between physical and modern gold.
2022	Mandatory Hallmarking of gold jewellery.	Made gold accessible in small denominations; attracted millennials.
2023-2024	Rapid adoption of online SGB subscriptions & digital wallets	Rapid adoption of online SGB subscriptions & digital wallets

5.2 Investor perception, risks, and challenges in physical gold investment.

Physical gold has historically been regarded as the most trusted and accessible form of investment, particularly in India. The perception of gold as a secure and culturally significant asset has encouraged generations of investors to allocate a portion of their wealth to jewelry, coins, and bullion. For many households, gold represents not only financial security but also a symbol of social status and a safeguard against inflation and currency depreciation (World Gold Council [WGC], 2022).

Investor Perception

- ❖ **Cultural Attachment:** Gold jewelry and ornaments are seen as both an investment and a family asset, particularly valued during weddings and festivals (Kaur & Vohra, 2012).

- ❖ **Trust and Tangibility:** Investors prefer the **physicality of gold**, associating its touch and visibility with safety compared to financial instruments (WGC, 2022).
- ❖ **Wealth Preservation:** Considered a hedge during uncertain times, physical gold is perceived as a reliable store of value across generations (Baur & Lucey, 2010).

Risks Associated with Physical Gold

- ❖ **Price Volatility:** Despite its long-term appeal, gold prices are highly sensitive to international demand, interest rates, and global geopolitical shifts (Choudhry, 2005).
- ❖ **Purity and Adulteration Concerns:** Although hallmarking is being enforced in India, the risk of adulterated gold or non-standard purity remains a challenge (RBI, 2023).
- ❖ **Liquidity Risks:** While gold is considered liquid, resale often involves loss due to making charges and dealer margins, reducing net returns (WGC, 2022).

Challenges in Holding Physical Gold

- ❖ **Storage and Security Costs:** Keeping gold at home is risky, and bank lockers or insurance policies involve recurring costs (Kaur & Vohra, 2012).
- ❖ **High Transaction Costs:** Making charges, GST, and dealer margins significantly inflate the purchase cost, making physical gold less efficient as an investment (WGC, 2022).
- ❖ **Limited Financial Flexibility:** Unlike ETFs or Sovereign Gold Bonds, physical gold does not earn interest or dividends and cannot be easily integrated into diversified portfolios (RBI, 2023).

While physical gold remains a trusted and culturally ingrained investment choice, its risks and challenges highlight the need for modern gold investment alternatives that provide security, transparency, and cost-efficiency. Understanding these limitations is essential to explain the gradual investor shift toward digital and financial gold instruments (Baur & Lucey, 2010; WGC, 2022).

The systematic review revealed four major themes: cultural dominance of physical gold, urban shift towards ETFs and SGBs, digital gold adoption among millennials, and barriers to alternative gold investment. A comparative evaluation is summarized below:

Parameter	Physical Gold (Jewelry/Coins)	Model Gold (ETFs, SGBs, Digital)
Tangibility	High – physical possession	Low – exists in financial/digital form

Liquidity	High but involves making charges	High – instant buy/sell on exchanges
Returns	Only price appreciation	Price appreciation + interest (SGBs)
Risks	Theft, storage, purity issues	Market fluctuations, platform trust issues
Cost	Making charges, storage costs	Low expense ratio, no storage

Key Insights

1. Physical gold remains dominant in rural/traditional households due to cultural and social factors.
2. ETFs and SGBs have gained traction among financially literate urban investors.
3. Digital gold has enabled micro-purchases and democratized access.
4. Barriers include a lack of awareness, volatility, and trust issues.

5.3 SWOT Analysis of Modern Gold Investment

Strengths	Weaknesses
Convenience and easy online access	Low awareness among retail investors
No storage/security costs	Liquidity issues (SGB lock-in, ETF volumes)
Transparent and regulated pricing	Cybersecurity risks
Portfolio diversification with small tickets	Dependent on internet access & digital literacy

Opportunities	Threats
Fintech-driven adoption and financial inclusion	Global price volatility
Policy support for SGBs and digital gold	Regulatory uncertainty for tokenized gold
Millennial and Gen-Z digital adoption	Trust deficit among traditional investors
Tokenized/blockchain-based global gold trade	Competition from crypto & equities

A SWOT analysis provides a structured framework for evaluating the strategic position of modern gold investments. It helps investors identify the benefits and limitations of shifting from physical to digital forms. It also guides policymakers and fintech firms in addressing weaknesses, such as low awareness, and mitigating threats, including cyber fraud. For academic research, SWOT connects theoretical perspectives with practical adoption challenges.

6. Discussion

The shift from physical to modern gold investments is evident but gradual. Physical gold continues to dominate due to cultural and emotional factors. However, inefficiencies such as storage, making charges, and theft risks make it less attractive compared to digital options. Modern investments—ETFs, SGBs, and Digital Gold—offer superior transparency, safety, and accessibility. Investor perception plays a crucial role in this transformation. While younger investors are adopting fintech-based gold options, awareness, trust, and regulatory clarity remain key challenges. SWOT analysis demonstrates that the strengths and opportunities of modern gold (convenience, policy support, fintech growth) outweigh its weaknesses and threats if properly managed.

7. Conclusion

Gold remains a critical component of investment portfolios. The transition from physical to modern gold investment reflects broader trends in digital transformation and financial innovation. This review highlights that while physical gold retains cultural significance, modern instruments provide efficiency, diversification, and transparency. Addressing investor awareness, regulatory clarity, and digital security will be crucial in accelerating the adoption of alternative gold strategies.

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