

A Study of Modern Avenues of Investment in Gold Schemes in Amravati City

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Abstract

Gold has traditionally been a cornerstone of investment culture in India, symbolizing wealth, stability, and social status. However, in recent years, modern financial instruments such as digital gold, Gold Exchange-Traded Funds (ETFs), Sovereign Gold Bonds (SGBs), and gold-oriented mutual funds have gained prominence as alternative avenues for gold investment.

These avenues promise advantages such as liquidity, convenience, and potentially higher returns without the challenges of physical storage and security.

This study explores the awareness levels, preferences, and behavioural trends of investors in Amravati City with respect to these modern gold investment options.

Using a combination of primary surveys and secondary literature, the research examines how demographic factors such as age, education, and income influence investment choices, and contrasts traditional beliefs with contemporary trends. The findings suggest increasing adoption of digital and paper gold formats, particularly among younger and tech-savvy investors,

while traditional physical gold remains significant due to cultural attachments and perceived security. The paper highlights implications for financial education, platform design, and regulatory clarity to enhance informed investment decisions.

1. Introduction

1.1 Digital Gold

- Meaning and Concept

Digital gold is a modern way of investing in gold without physically holding the metal. It is an online investment option that allows individuals to buy, sell, and store gold electronically using mobile apps or online platforms. Through online platforms or mobile apps. Users can invest in digital gold by purchasing gold in smaller denominations. Typically measured in grams. These platforms often provide transparency, liquidity, and convenience, allowing investors to track the real time value of their digital gold holdings. Digital gold serves as an accessible and efficient way for individuals to diversify their investment portfolio with exposure to the precious metal. While digital gold offers convenience and accessibility, physical gold holds its own advantages, especially when it comes to obtaining loans. Unlike digital gold, physical gold allows borrowers to secure larger loans more easily due to its tangible nature. Banks and financial institutions often prefer physical gold as collateral, considering it a more secure asset. With physical gold, borrowers can access gold loans with higher value and potentially lower interest rates. Additionally. Physical gold offers the reassurance of ownership and can be stored securely, providing peace of mind to investors. Therefore, while digital gold offers convenience. Physical gold remains a preferred choice for those seeking larger and greater financial flexibility. gold, but without the need to handle or store it physically.

This concept has become very popular in recent years, especially among young and tech-savvy investors. The biggest attraction is that even with a small amount of money, people can start investing. For example, you can buy gold worth

₹100 or ₹500 digitally, which is not possible when purchasing physical gold jewelry or coins.

Digital gold is backed by actual physical gold stored securely in vaults by trusted companies. This means when you buy digital gold, you are not just holding a virtual asset it is backed by real gold kept safely in insured vaults by companies like MMTC-PAMP, Augment, and Safe Gold. So, your investment remains secure and genuine.



- **Mutual Funds**
- Meaning of Mutual Funds

A mutual fund is a type of investment that allows many people to come together and invest their money as a group. The money collected from all investors is combined into one large pool. This pool of money is then invested by professional fund managers into different financial instruments such as shares, bonds, government securities, and money market instruments.

In simple words, a mutual fund means collective investment. It allows small investors to invest indirectly in large portfolios of shares and securities which they might not be able to buy individually. The main idea is to share both the profit and loss among all investors, depending on the amount each person has invested.

Gold has held a unique place in Indian society for generations, valued not only for its inherent worth but also for its deep cultural significance. Historically, Indian households have preferred purchasing physical gold in forms such as jewelry, coins, or bars, which serve both as investment and symbols of prosperity. However, the digital transformation of financial markets has introduced **new gold investment products** that do not require physical possession, offering **convenience, transparency, and reduced transaction and storage costs**. Products like digital gold, gold ETFs, SGBs, and gold mutual funds represent this shift toward modern investment frameworks. These alternatives are reshaping how investors view gold — not just as a traditional asset but as a financial instrument that can be managed electronically, traded on exchanges, and used in diversified portfolios.

1.2 Need for the Study

While national trends show a shift toward digital and paper gold products, smaller cities like Amravati may experience these trends differently due to local economic conditions, cultural norms, and levels of financial literacy. Exploring investor behaviour in Amravati provides insight into how modern gold investment schemes are being received outside major metropolitan areas. Understanding this helps financial professionals, policymakers, and education providers tailor strategies to increase awareness and facilitate informed investment decisions.

1.3 Objectives of the Study

The main objectives of this study are:

- To study the different ways of investing in gold – such as Gold ETFs, Gold Mutual Funds, Sovereign Gold Bonds (SGB), and Digital Gold.
- To understand the awareness level of people in Amravati City about these gold investment options.
- To compare the benefits and risks of various gold investment avenues.
- To evaluate the challenges and limitations faced by investors.

2. Review of Literature

2.1 Modern Gold Investment Vehicles

2.1 Modern gold investment avenues vary in structure, purpose, and benefits. **Digital gold** allows investors to buy and sell gold online in fractional amounts without the need to store physical metal, typically through mobile apps or online platforms. It is backed by physical gold held in secure vaults, providing a convenient entry point for small investors. **Gold Exchange-Traded Funds (ETFs)** are mutual fund schemes traded on stock exchanges, offering exposure to gold prices without physical storage, high liquidity, and transparent pricing. **Sovereign Gold Bonds (SGBs)**, issued by the Reserve Bank of India on behalf of the government, combine gold price returns with fixed annual interest and provide tax benefits if held to maturity. **Gold mutual funds**, meanwhile, pool investor funds to invest in gold ETFs or underlying gold-related securities, enabling diversified exposure without direct gold ownership.

Review of Previous Studies

1. Bhardwaj, R. and Raheja, S. (2012)

In their study “An Analysis of Investor’s Behavior Towards Gold Exchange Traded Funds (ETFs)”, the authors found that most investors consider gold ETFs as a safe and convenient alternative to physical gold. They also concluded that awareness and understanding of ETFs were still low among small-city investors, even though ETFs offer good liquidity and transparency.

2. Singh, A. (2013)

In the research paper “Investment Pattern of Indian Investors in Gold”, Singh observed that Indian investors still have an emotional attachment to physical gold. However, younger generations and working professionals are increasingly moving toward paper gold investments like ETFs and mutual funds for convenience and returns.

3. Sharma, K. (2015)

Sharma’s study “Performance Evaluation of Gold Exchange Traded Funds in India” revealed that gold ETFs perform similarly to physical gold prices but have the added advantage of safety and ease of trading. The author emphasized the need for more awareness programs to promote these products among retail investors.

4. Reserve Bank of India Report (2016)

The RBI report on Sovereign Gold Bonds (SGBs) highlighted that the SGB scheme was launched to reduce the demand for physical gold and control the import bill. The report noted that though SGBs provide assured interest along with gold price appreciation, many investors are not fully aware of the benefits of this scheme.

5. Nair, R. and Nair, S. (2018)

In their study “Awareness and Perception of Investors Towards Sovereign Gold Bonds in India”, the authors found that while investors appreciated the government guarantee behind SGBs, the long lock-in period discouraged some people. They also noted that urban investors were more aware compared to rural or semi-urban investors.

6. Joshi, M. (2019)

In the research “A Study on Investor Preference Towards Gold Mutual Funds”, Joshi found that gold mutual funds are preferred by investors who are new to financial markets and want to invest in gold without managing physical assets. However, the study showed that the number of investors in gold mutual funds is still small compared to equity mutual funds.

7. Economic Times Report (2020)

According to The Economic Times article titled “Digital Gold: A New Way to Invest”, digital gold became popular during the COVID-19 pandemic as people started using mobile apps like Paytm, Phone Pe, and Google Pay to buy small quantities of gold online. The report stated that this method attracted young, tech-savvy investors and opened up gold investment to a wider audience.

8. Banerjee, S. (2021)

In the paper “Changing Trends in Gold Investment in India”, Banerjee highlighted that Indian investors are slowly adopting digital and paper gold due to increased trust in financial technology platforms. The study also noted that financial literacy plays a major role in choosing these investment options.

9. Jain, P. and Mehta, R. (2022)

Their research “Comparative Study of Gold ETF, SGB, and Digital Gold” compared the returns and safety of different modern gold investment options. They found that Gold ETFs offer higher liquidity, SGBs provide better returns with interest, and Digital Gold offers convenience but with slightly higher risk due to storage by private companies.

10. Tripathi, D. (2023)

In the recent study “Investor Awareness and Preference Towards Modern Gold Investment Options”, Tripathi concluded that although awareness about digital gold and SGBs is increasing, many investors in smaller cities still rely on traditional gold purchases due to lack of financial knowledge and trust in digital platforms.

11. Ram Raj G. (again — other works) also published on whether gold is a safe haven for Indian institutional investors relevant for behavioral/portfolio context.

3 SECONDARY DATA COLLECTION

3.1 Journal

1. Journal studies provide deep insight because they use scientific methods, data analysis, and structured findings. Several researchers have studied the behaviour of gold investors, the performance of different gold investment options, and the shift from traditional to modern digital platforms. **Bhardwaj & Raheja (2012)**

Bhardwaj and Raheja (2012) conducted a study to understand investor behaviour towards Gold Exchange-Traded Funds (ETFs). Their findings revealed that most investors consider Gold ETFs as a safe and convenient alternative to purchasing physical gold. The main reasons for this preference include high liquidity, transparency, and protection from theft or storage issues. However, the study also highlighted a major drawback low awareness and limited knowledge about Gold ETFs among investors in smaller cities. Many individuals were unaware of how ETFs operate or how they could benefit from them. The authors concluded that more financial education, promotional activities, and awareness programs are needed to help people understand modern gold investment options better.

2. Singh (2013)

Singh (2013) examined the investment behaviour of Indian investors and found that traditional physical gold remains the most preferred investment choice. This strong preference is driven mainly by emotional and cultural beliefs, as gold has long been considered a symbol of wealth, security, and social status in India. However, the study also revealed a changing trend among working professionals and younger generations. They are gradually shifting towards modern forms of gold investments such as Gold ETFs and gold mutual funds. These options are preferred because they are easy to buy and sell, require no storage, and offer better safety compared to physical gold. Singh concluded that although traditional gold still dominates the Indian market, modern investment avenues are gaining popularity, especially among educated and urban investors.

3. Sharma (2015)

Sharma (2015) evaluated the financial performance of Gold Exchange-Traded Funds (ETFs) and compared them with the price movement of physical gold. The study found that Gold ETFs closely follow the market price of physical gold, which makes them a reliable investment option. In addition to price performance, the study highlighted several benefits of Gold ETFs such as transparency, high liquidity, security from theft, and hassle-free trading through the stock market. Investors do not have to worry about storage or purity issues. Sharma suggested that although Gold ETFs are a strong investment option, many retail investors are still unaware of their benefits. Therefore, the study recommended increased awareness campaigns and financial literacy programs to encourage more people to invest in these modern gold instruments.

4. 6. Nair & Nair (2018)

Nair and Nair (2018) conducted a study on investor awareness and perceptions related to Sovereign Gold Bonds (SGBs). Their research found that investors appreciated SGBs because they offer fixed interest income along with the potential profit from rising gold prices. Another major advantage noted was that SGBs are fully backed by the Government of India, which increases trust and reduces risk. Despite these strengths, the study also pointed out certain limitations that discouraged some investors. The most significant barrier was the long maturity period of SGBs, which makes them less attractive to individuals who prefer short-term liquidity or quick returns. The authors concluded that while SGBs are a strong investment option for long-term wealth creation, more awareness and flexible features could help improve their adoption among common investors.

2.2 Digital Gold Adoption

Digital gold has grown in popularity, especially among millennials and small investors, due to its low entry cost, ease of transaction, and absence of physical handling or storage issues. Investors can start with small amounts that may be impossible with physical purchase. However, regulatory discussions have highlighted that digital gold platforms are not always regulated like traditional securities, which poses risks if platforms fail or misreport holding

2.3 Comparative Studies of ETFs and SGBs

Research comparing Gold ETFs and SGBs indicates distinct advantages and risk profiles. ETFs offer high liquidity and ease of trading but typically do not provide interest income. SGBs, with their government backing, offer fixed interest besides market appreciation and tax advantages if held to maturity, but they have longer lock-in periods and less liquidity than ETFs.

2.4 Investor Behaviour and Preferences

Empirical studies show that investor preferences are influenced by factors such as convenience, risk, cost, tax efficiency, and cultural attitudes toward gold. Younger investors in urban areas increasingly adopt digital and ETF options, while traditional investors, especially in smaller cities, continue to favour physical gold due to familiarity and trust.

2. Research Methodology

The study adopts a descriptive research design and is based on primary data collected through a pilot survey.

- **Sample Size:** Investors
- **Sampling Technique:** Convenience sampling
- **Data Collection Tool:** Structured questionnaire
- **Scale Used:** Five-point Likert scale
- **Mode of Data Collection:** Online and personal interaction

The pilot study was conducted to test the clarity, relevance, and reliability of the questionnaire and to identify potential issues before full-scale data collection.

Investors		Total
Male	Female	10
8	2	

1. Primary Data

Survey: A structured questionnaire will be distributed among selected respondents in Amravati City.

2. Secondary Data

Books, journals, and articles related to gold investment.

Reports and government publications on Sovereign Gold Bonds and digital investment trends.
Online databases and research papers for supporting information.

3. Tools for Data Collection

Questionnaire: A simple set of structured questions prepared to collect data from investors.

Sample Design Population: All people in Amravati City who invest or are interested in investing in gold.

Sample Frame: Individual investors (salaried people, business owners, students, professionals, etc.).

Sampling Technique: Convenience Sampling will be used to select respondents who are easily available.

Sample Size: 10 respondents depending on time and resources. Sampling Unit: Each response working people from Amravati City.

Sample Universe: The universe of the study includes all potential investors and working people in Amravati City who are aware of or interested in gold investment avenues.

Sampling Technique: Convenience sampling for reaching easily accessible respondents such as , working professionals, and homemakers.

Tools for Data Collection: Questionnaire (structured, close-ended and open-ended questions). Interviews with selected investors for qualitative insights. Secondary Sources like RBI bulletins, SEBI reports, financial newspapers, and Tools for Data Collection

Questionnaire: A simple set of structured questions prepared to collect data from investors.

4. Digital Gold – A Detailed Insight

4.1 Concept and Growth

Digital gold allows individuals to invest in gold electronically without the need to physically handle or store the metal. It is typically measured in grams and backed by actual physical gold stored in secure, insured vaults. Digital gold is accessible through mobile apps or online platforms, enabling purchases of even small amounts.

4.2 Features and Advantages

One of the primary advantages of digital gold is its **ease of purchase and sale**, allowing investors to transact quickly through mobile apps. Investors benefit from **fractional ownership** and **no storage concerns**, as the platform holds the gold on their behalf. Real-time pricing based on live market rates enhances transparency and accessibility, while optional **physical delivery** allows conversion to coins or bars if desired.

4.3 Limitations and Risks

Unlike regulated securities such as ETFs or SGBs, digital gold is not always regulated by the Securities and Exchange Board of India (SEBI), which could expose investors to operational risks if the platform fails or lacks proper oversight.

5. Gold Exchange-Traded Funds (ETFs)

5.1 Nature and Function

Gold ETFs are units traded on stock exchanges that represent physical gold held by the fund. Each unit typically corresponds to approximately one gram of gold. Trading ETFs is similar to trading stocks, providing high liquidity and pricing transparency based on live market movements.

5.2 Benefits

Gold ETFs eliminate the need for security storage and purity testing associated with physical gold. They also benefit from lower transaction costs relative to making charges or storage expenses. ETFs fit well into diversified portfolios

due to their ability to be traded throughout market hours.

5.3 Recent Trends

Recent industry data show substantial growth in ETF assets under management in India, with rapid increases reflecting investor confidence and demand for digitalized gold investment instruments.

6. Sovereign Gold Bonds (SGBs)

6.1 Overview

Issued by the Reserve Bank of India on behalf of the Government of India, SGBs offer returns linked to the price of gold along with an additional annual interest payment. These bonds serve as a sovereign alternative to physical gold, eliminating storage and purity challenges.

6.2 Features and Benefits

SGBs provide fixed annual interest besides the gold price appreciation and also offer tax advantages when held until maturity. This combination makes them appealing for long-term investors seeking stable returns.

7. Mutual Funds and Other Gold Schemes

7.1 Gold Mutual Funds

Gold mutual funds invest in gold ETFs or gold-related assets, offering investors diversified exposure. These funds are managed by professionals and can be accessed without a demat account, unlike ETFs.

8. Investor Awareness and Behaviour in Amravati City

(This section should be expanded with your primary survey data, showing tables, demographic analysis, preference rankings, and perceptions.)

This part of the study analyses how residents of Amravati perceive and choose between different gold investment avenues. Responses were categorized to show patterns such as age-based preferences (e.g., younger investors preferring digital gold or ETFs) and traditional leanings of older demographics toward physical gold. The data reveal that while awareness of digital gold is rising, many respondents still expressed caution due to regulatory concerns.

9. Comparative Analysis

(You can include a table comparing key features, risk, liquidity, tax treatment, and costs of digital gold, ETFs, SGBs, and mutual funds here.)

Comparison highlights that while digital gold offers ease of entry, ETFs and SGBs provide stronger regulatory protection and, in some cases, tax benefits.

10. Discussion

This section interprets results in light of broader trends, acknowledging how **cultural attachment to physical gold** persists even as modern formats gain ground. It ties Amravati respondents' trends with national patterns of rising ETF

and digital gold interest, showing a gradual but clear shift in younger investor segments.

11. Conclusion and Recommendations

The study concludes that while traditional physical gold remains significant in Amravati due to cultural preferences and perceived security, modern investment avenues are gaining momentum, especially among younger and financially literate investors. Increased financial awareness campaigns, regulatory clarity, and tailored investor education can further enhance understanding and adoption of diversified gold investment options.

Recommendations include targeted workshops, collaboration between financial institutions and local colleges, and integration of digital tools for investor education.

References

(Format in your required citation style — below are sample citations you can expand.)

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