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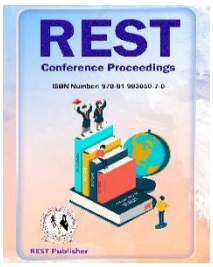

A study on physical gold vs. Digital Gold: A Comparative Analysis of Investment Preferences of the Amravati city

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Abstract*: The investment landscape in India has witnessed a significant transformation with the emergence of digital assets, notably digital gold, as an alternative to traditional physical gold. This study aims to conduct a comparative analysis of physical gold and digital gold as investment options among the investors of Amravati City. The research explores investor preferences, awareness levels, risk perceptions, liquidity, safety, convenience, and returns associated with both forms of gold. Data was collected through structured questionnaires distributed among a diverse group of investors within the city. The findings reveal a growing interest in digital gold, especially among the younger, tech-savvy population, owing to its ease of transaction and storage advantages. However, physical gold continues to retain its dominance due to cultural value, tangibility, and trust. The study concludes with insights into the shifting investment behavior and offers suggestions for financial institutions and policymakers to better cater to the evolving needs of investors.*

Keywords: *Physical Gold, Digital Gold, Investment Preferences, Comparative Analysis, Investor Behavior, Risk Perception, Investment Trends, Financial Assets, Gold Investment.*

1. INTRODUCTION

Gold has always occupied a significant position in the Indian economy and culture, symbolizing wealth, purity, and financial security. Traditionally, Indians have invested in physical gold in the form of jewelry, coins, and bars, considering it a safe and long-term asset, particularly during times of economic uncertainty. Its tangible nature and cultural attachment make physical gold a trusted form of investment across generations. As digitization of finance grows stronger there is now emerging a new kind of way investment has emerged — digital gold. Digital gold allows investors to buy, sell, and hold gold in electronic form through online platforms, mobile wallets, and financial service apps, without physically storing it. It has become very appealing to tech whizzes and younger people now. People love this since it's so convenient, transparent, and even transaction limits are low. This big change we're seeing in how people invest in gold represents an important shift for consumers preferences and financial planning strategies. In urban centers like Amravati City, where digital awareness is rising and access to both physical and digital gold is getting smoother side by side popular choices. However, the level of awareness, perception of safety, convenience, emotional value, and return expectations differ significantly between these two forms. This study aims to compare physical gold and digital gold as investment options, focusing. Specifically, I'm curious about the investment habits of people in the city of Amravati. It explores how demographic factors such as age, income, education, and digital literacy influence the preference for one form over the other. The research further analyzes the perceived risks, benefits, and challenges associated with each investment mode

2. REVIEW OF LITERATURE

In India, gold has long been considered a safe and conventional investment choice. Gold's function as a hedge against inflation and currency fluctuations is highlighted by studies like those conducted by Baur and Lucey (2010). Due to its emotional and cultural significance, physical gold has long been preferred, particularly in Indian homes (Kaur & Kapoor, 2014). According to recent research by Sinha and Kumar (2020), factors like easier transactions, safe storage, and lower entry barriers are driving up the adoption of digital gold, especially among tech-savvy and urban investors. The World Gold Council's report from 2021 highlights the growing inclination for digital forms of investing in gold, propelled by the widespread use of mobile apps and digital literacy. Despite increased awareness, a number of studies show that older investors who still favor physical gold have little faith in digital platforms (Rao & Thomas, 2019). According to the literature, younger generations are increasingly investing in digital assets, which suggests that India's gold investment ecosystem may undergo a change.

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3. RESEARCH OBJECTIVE

- To compare the characteristics of physical gold and digital gold as investment options.
- To analyze the performance of physical gold and digital gold over a selected period.
- To identify the risks and benefits associated with both forms of gold investment.
- To explore investor perceptions and preferences between physical and digital gold.
- To explore the shift from traditional preference for physical gold to growing interest in digital gold.

Research Hypothesis

- Null Hypothesis (H0): There is no significant difference in investor preference for physical gold versus digital gold.
- Alternate Hypothesis (H1): There is a significant difference in investor preference for physical gold versus digital gold.

4. REAEARCH METHODOLOGY

A descriptive research design was adopted. Descriptive research aimed to describe the characteristics and behaviors of the target population without manipulating any variables. It focused on answering questions such as "what," "who," "where," and "when," helping the researcher gain insights into the current state of affairs and identify patterns or trends within the specific context of gold loan companies. The sample size for the study consisted of 100 respondents. Amravati city was selected as the area of study due to its growing presence of gold loan customers and NBFC branches. Data was collected using the convenience sampling method. This technique was chosen due to time and accessibility constraints. As digital gold platforms and gold loan services were more popular in urban regions, the survey mainly targeted residents of urban Amravati. Both primary and secondary data were utilized for the study. Primary data was collected from gold investors, bank employees, stockbrokers, academicians, and the general public through structured surveys. Secondary data was obtained from credible online sources such as Google Scholar, newspapers, and various published research articles.

Limitations of the Study: The sample may not fully represent the entire population, particularly in rural areas where traditional gold investment behaviors may differ significantly from urban areas. The study focuses on urban investors, where digital gold platforms are more prevalent. Rural preferences might remain underexplored. Survey responses are based on self-reported data, which may be subject to biases such as social desirability or inaccurate recall. A limited number of expert interviews may restrict the diversity of perspectives, particularly from different segments of the gold market.

5. DATA ANALYSIS AND INTERPRETATION

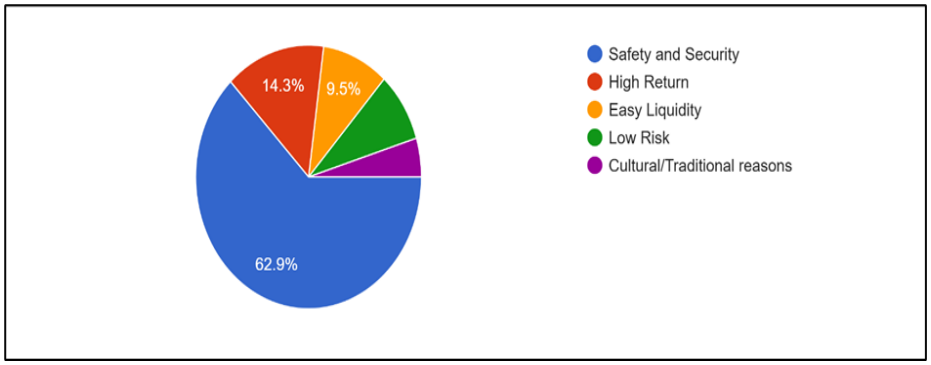

FIGURE 1. Objective Of Investment of The Respondents

Interpretation: From the above table 1, 62.9% of the respondents invest in gold due to Safety and Security, 14.3% of the respondents invest in gold for High Return, 9.5% of the respondents invest in gold for Easy Liquidity, 8.6% of the respondents invest in gold for Low Risk and 4.8% of the respondents invest in gold for Cultural/Traditional reasons. Majority of the respondent's objective for investing in gold is Safety and Security (62.9%).

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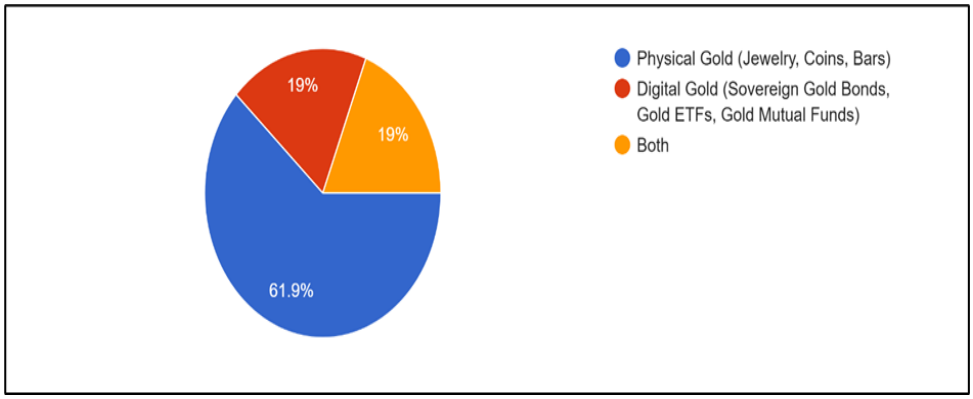

FIGURE 2. Investment Preference

Interpretation: From the above table 2, 61.9% of respondents prefer to invest in Physical Gold such as jewelry, coins, bars, etc. 19% of the respondents prefer to invest in Digital gold such as Sovereign Gold Bonds, Gold ETFs, Gold Mutual Funds and 19% of the respondents prefer to invest in both Physical and Digital Gold. Majority of the respondents prefer Physical Gold as am investment options

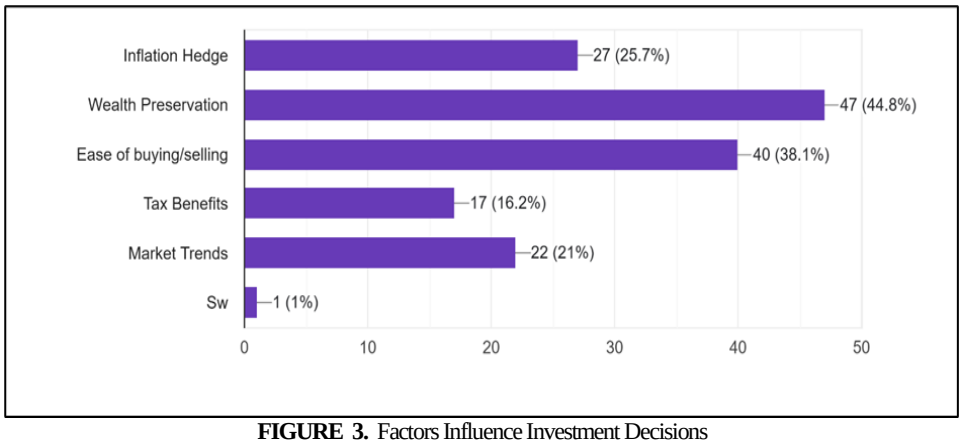

FIGURE 3. Factors Influence Investment Decisions

Interpretation: From the above table 3, Wealth preservation is the top influencing factor (44.8%). Ease of buying/selling and inflation hedge are also strong motivators. Tax benefit and market trends have moderate influence. Very few investors chose "Other" as a reason. A high standard deviation (14.34%) shows wide variation in the factors influencing investor decisions. (Standard deviation: $\sqrt{\frac{\sum(x-\bar{x})^2}{n-1}}$)

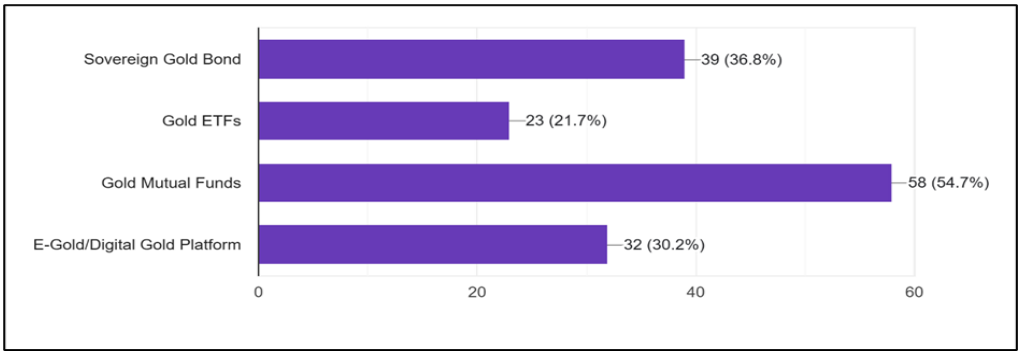

FIGURE 4. Awareness About Digital Gold Investment Options

Interpretation: From the above table 4, The most preferred form is Gold Mutual Funds (54.7%), Gold ETFs are the least preferred (21.7%). The standard deviation of ~12.13% shows moderate variation in preferences. (Standard deviation: $\sqrt{\frac{\sum(x-\bar{x})^2}{n-1}}$)

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TABLE 1. Difference in investor preference for physical gold vs. Digital gold

GOLD FORM	NO. OF RESPONDENTS	PERCENTAGE
Physical Gold	47	44.3%
Digital Gold	19	17.9%
Both are equally good	39	37.7%
TOTAL	105	100

(Source: Primary data)

H0: There is no significant difference in investor preference for physical gold vs digital gold.

H1: There is a significant difference in investor preference for physical gold vs digital gold.

To find out the difference between the investor preferences for physical gold and digital gold, Pearson's Chi-square test is used and results are given below.

TABLE 2. Chi-Square Test Calculation

Gold forms	Observed (O)	Expected (E)	$(O-E)^2/E$
Physical gold	47	35	4.11
Digital gold	19	35	7.31
Both (Equally preferred)	39	35	0.46
TOTAL	105	105	11.88

(Source: Primary data)

Interpretation: In the above table, with the degree of freedom 2, the significance value (0.003) is less than the significance level (0.05), so we conclude that there is a significant relationship between the form of gold preferred (physical, digital, or both). Thus, H_0 is rejected and H_1 is accepted. There is a significant difference in investor preference among physical gold, digital gold, and both as a form of investment

Suggestions: Based on the findings of the study, several recommendations were proposed to enhance the adoption of digital gold investments. It was suggested that financial institutions needed to raise awareness about the benefits and security features associated with investing in digital gold, especially among traditional investors. To attract a wider investor base, digital gold platforms were required to be made more secure and user-friendly. Additionally, it was recommended that the government consider implementing tax incentives to encourage people to invest in digital gold instead of physical gold. The study also emphasized that transparency in digital gold transactions could help build trust, particularly among investors accustomed to conventional investment methods. Furthermore, to engage the younger generation, it was advised that investment promotion campaigns be conducted through digital marketing platforms, which have greater reach and influence among tech-savvy audiences.

6. CONCLUSIONS

The study shows that although respondents still prefer to invest in physical gold, there is a discernible trend toward digital gold options, particularly among younger and more tech-savvy investors. Investment decisions are heavily influenced by elements like inflation hedging, transaction ease, and wealth preservation. A significant difference in investor preferences is confirmed by the chi-square analysis, suggesting that attitudes regarding gold investment are changing. Digital gold has the potential to join physical gold as a popular investment choice with greater awareness, easier platforms, and encouraging government regulations.

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