

Investment in Gold: Trends, Challenges and the Role of Gold ETFs

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Abstract:

Historically, gold investment has been one of the most favored routes for investment in India, owing to its social importance, perceived security, and ability to maintain its value over time. In India, people have been historically invested in physical forms of gold, such as jewelry, coins, and bars, because they are considered secure when there are times of macroeconomic uncertainty in a country. Nevertheless, with the growth of financial markets and subsequent digitization, new forms of gold investment, such as Gold Exchange-Traded Funds (Gold ETFs), have come to attract importance as investors are given a chance to invest in gold without any of the difficulties that come with physical investment.

In this context, the purpose of the current research is to analyze gold investments, explore challenges associated with physical gold investments, and analyze the importance of Gold ETF in the Indian investing community. Based on the secondary research studies, research papers, journals, and other research publications, the current research uses a descriptive research methodology for understanding the transition from traditional gold investing patterns to investing in gold through financial products.

It can be observed from this research that, despite physical gold being a widely favored choice because of various emotional and traditional aspects, there are quite a number of advantages in investing in Gold ETFs, including higher liquidity, better price transparency, and costs that are significantly lower. It can be concluded that greater awareness among investors can help play a crucial part in enhancing the efficiency of gold investment through Gold ETFs, at least in India.

Keywords: Gold Investment, Gold ETFs, Physical Gold, Investment Trends, Financial Gold

I. Introduction

Gold has always held a special place in the investment and financial system in India. Unlike other investment assets like shares, bonds, or mutual funds, gold has a deep connection to the social, cultural, and emotional ethos of Indian society. Over centuries, Indian households have considered gold not only as a means of wealth creation but also as an instrument of financial security and an indicator of social status. Gold is conventionally purchased during festivals and weddings on auspicious dates and is usually passed from generation to generation.

This long-term association has made gold one of the most sought-after avenues for investment in India.

Because of this, gold is usually viewed as an asset for a haven from an economic perspective. In the event of inflation or depreciation of currency, as well as when there is economic instability, investors shift to gold to hedge against the erosion of their wealth. Unlike paper money, gold has value in itself and its supply is limited, so it tends to retain purchasing power over time. Historically, gold has been seen to shine through every

incident of financial crisis, volatility in stock markets, and geopolitical uncertainties. People tend to diversify their portfolios by including gold therein as a risk-management tool.

In India, this preference is further bolstered by a lack of faith that many investors have in the financial markets; this is true for conservative and more risk-averse people. People have traditionally preferred jewellery, coins, and bars because they can be physically seen and are easily understandable. Nevertheless, physical gold investment also has its limitations. There are issues with storage, security, purity, making charges, and resale value, which reduce the overall efficiency of physical gold as an investment instrument. It is probably the challenges cited above that encouraged the development of other forms of investment in gold.

With the development of the Indian financial market and improving financial literacy, new investment avenues Benchmarked on gold have cropped up. Among the key newest developments in this regard is the introduction of Gold Exchange Traded Funds, or in common parlance, Gold ETFs. Gold ETFs are representative of paper gold and are listed on stock exchanges like equity shares. They provide an opportunity for investing in gold without having to take its physical possession and custody. Gold ETFs are normally invested in physical gold of standard purity and, therefore, are duly regulated by the Security and Exchange Board of India-SEBI-assuring transparency and investor protection.

Despite the advantages Gold ETFs would offer, it has been growing relatively slow compared to the traditional forms of gold investment in India. It is a fact that attachment to physical gold, lack of awareness, and understanding of financial products remains key drivers for investor behavior. Most investors would still perceive physical gold to be something safer and more trustworthy despite financial gold instruments offering far more liquidity, at a lesser cost, and are easier to transact. This gap between availability and acceptance highlights the need for a deeper understanding of investor preferences and market trends.

In this backdrop, the present study attempts to analyse the changing trends in gold investment in India, especially on the challenges related to physical gold and the increasing role of Gold ETFs. Through a review of related literature and secondary data, the study attempts to extract lessons on how investment patterns in gold are changing and the way financial instruments like Gold ETFs can help develop a more functional and organized investment system. The study is expected to be useful to investors, policymakers, and financial institutions in understanding the future direction of gold-based investments in India.

A. Background of the Study

Gold has been considered one of the most crucial methods of investments in India for a considerable period of time. In the olden days, the tendency of the Indian family to invest in gold was very common. Unlike other financial instruments, gold has been considered not only an instrument of investments but also a symbol of financial prosperity. This association between the people and gold has left no stone unturned to make a considerable portion of the savings of the people lie in the form of gold in the shape of jewelry, gold coins, and gold bars.

In recent years, there have been certain changes in the economic environment that have impacted the manner in which investments in gold are made. Variables such as inflation, instabilities in stock markets, instabilities in the worldwide economy, and exchange rate fluctuations have ensured that the role of gold as an investment hedging tool has gained prominence. In times when financial markets become unstable, investments in gold gain precedence due to their stability.

On the flip side, the Indian financial system has also seen considerable growth with the entry of new financial instruments on the internet. This has resulted in new ways of investing in gold being evolved. One of these new means of gold investment products that gained prominence recently, particularly after the global economic downturn, are Gold Exchange Traded Funds, or Gold ETFs, as they are more commonly known. These ETFs allow investors to invest in gold without actually holding the precious metal.

Despite the presence of gold financial instruments, gold in physical form remains a dominant option for investors in the Indian market. Lack of awareness, sentiment, unfamiliarity with the market, and awareness about the Gold ETF instrument have impeded the progress of Gold ETF investments among the general public. This is a reflection of the difference in investor habits.

In such a scenario, it becomes relevant to understand the history of Gold Investment in India as well as the challenges faced by Physical Gold. The importance of Gold ETFs in such a scenario will also become relevant. This will thus relate to understanding the factors that are presently influencing investments.

B. Problem Statement

Historically, gold is considered one of the most favored avenues of investment in India, and a considerable part of household savings is invested in physical forms like jewelry, coins, and bars. This preference is culturally instigated, emotionally attached, and perceived to be a safe and secure asset. However, investment in physical gold involves several practical limitations, including storage and security risks, concerns related to purity, high making charges, and lack of price transparency at the time of resale. These issues reduce the effectiveness of physical gold as a purely financial investment option.

In the wake of financial market development, Gold ETFs are gaining prime importance as a replacement for physical gold in investment. This new form is as good as gold, which is more convenient to trade, enjoys better liquidity and lower transaction costs apart from regulatory supervision. Despite these advantages, Gold ETFs are still a less-adopted form of investment among Indian investors. Many investors still stick to conventional ways of investing in gold due to limited awareness, lack of understanding of financial instruments, and behavioral factors.

The continued dominance of physical gold, along with the gradual acceptance of Gold ETFs, indicates a bridge between conventional modes of investment

and their modernist financial alternatives. The situation, therefore, calls for an analysis of the issues related to investment in physical gold and the role of Gold ETFs as an effective investment alternative. Hence, the problem that the study proposes to address is an understanding of whether Gold ETFs can become a feasible alternative to physical gold within the Indian investment context.

C. Research Objectives

The purpose of the current research is the following:

1. To understand the emerging patterns of gold investment in India
2. To assess the significance of gold as an investment instrument
3. To identify the challenges related to investment in physical gold
4. Analyze the importance of Gold Exchange Traded Funds (Gold ETFs) in the investment market scenario in India
5. To explore the evolution from the traditional gold investment to financial gold instruments
6. To emphasize the benefits of Gold ETFs over Gold

D. Research Questions

The present study seeks to answer the following research questions:

- A. What are the major trends in gold investment in India?
- B. What challenges are associated with investment in physical gold?
- C. What factors influence investor preference for physical gold over financial gold instruments?
- D. What is the role of Gold Exchange Traded Funds (Gold ETFs) in the Indian investment market?
- E. Can Gold ETFs serve as an effective alternative to physical gold as an investment option?

E. Significance of the Study

Gold remains an integral part of the investment pattern of Indian households and one of the most popular assets held in the economy. Although various new age financial instruments are available in the market, a major share of the household savings is channeled into the precious

metal – gold. It is imperative to comprehend the trends in the pattern of gold investment and the growing importance of the financial gold instruments, such as Gold Exchange Traded Funds or Gold ETFs. The importance of this study is reflected by its attempt to fill the gap between the conventional and the new age instruments.

The report is quite pertinent in the Indian market as well. The reason is that the Indian investments have been largely driven by emotions as well as a preference for taking limited risks. Through a discussion on the challenges faced by investments in physical gold and the benefits of Gold ETFs, this report aims to raise awareness regarding a more optimal investment option for gold. Such investments would be based on more transparency.

In economic terms, increased investments in physical gold bullion result in higher imports of gold, impacting the balance of payments position of a country adversely. Financial instruments like Gold ETFs could assist in lessening the demand for physical gold without undermining investor interest in the price of gold. By this background, this study attempts to add on to literature on how financial gold assists with economic stability.

The implications of this research work would help an individual investor looking for secure and dependable investment choices with improved liquidity and lower expense ratios. The research would also help financial firms, advisors, and government authorities by shedding light on the investment behaviors of people and factors that drive the uptake of Gold ETFs. The research work would also create value by providing a holistic perspective on trends related to investment in gold and the growing importance of Gold ETFs based on existing secondary information.

In general, the research significance can be considered as it improves the comprehension of gold as an investment instrument in a dynamic financial setting and underscores the importance of enhanced financial literacy in order to encourage efficient investment choices.

II. Literature Review

Various studies have been conducted in the past couple of decades to analyze gold as an investment asset, its role in portfolio management, and the emergence of modern gold-based financial instruments like Gold Exchange Traded Funds, also known as Gold ETFs. The available literature emphasizes both financial and behavioral aspects governing investor preference for gold.

Ghosh, Levin, Macmillan, and Wright (2004) analyzed gold for its hedging quality regarding inflation. The results of their study revealed that gold has the capability of preserving purchasing power over an extended period of time. Their study established that gold plays an important role in protecting investors against inflationary pressures, especially in economies with price instability. This finding reinforces the notion that, conventionally, gold serves as a store of value during periods of economic turmoil.

Baur and McDermott (2010) examined the safe-haven characteristics of gold during periods of financial crisis. Their study found evidence that gold is a relatively good performer during stock market crashes and periods of financial turmoil, adding to its status as one of the preferred assets during such times. It was indicated in this study that investors generally drift towards gold when confidence in financial markets starts eroding.

Chatterjee and Mitra (2016) studied investor behaviour in terms of gold investment in India. They have also found that emotional and cultural factors dominate and influence the investment decision of an investor. According to the study, Indian investors relate gold with safety, tradition, and social prestige, which explains the continued preference for physical gold despite the availability of alternative investment options.

A study done by **Kumar and Jain (2017)** targeted Gold ETFs in India, studying and analyzing their performance and efficiency against physical gold. The results indicated that Gold ETFs assure better liquidity, transparency, and cost efficiency. They also mentioned that Gold ETFs do not involve the issues of storage, purity, and security problems that are more suitable for investment purposes rather than consumption.

Sharma (2019) assessed the state of investor awareness regarding Gold ETFs. He reported that while there are various financial benefits related to these instruments, the level of awareness among retail investors remains low. This study showed that a general lack of financial literacy and limited knowledge about how stock markets work serves as a significant deterrent toward Gold ETF adoption, especially among small and conservative investors.

The comparative study between physical gold and Gold ETFs was undertaken by **Chaudhary and Samanta (2020)**; though emotional attachment made people opt for physical gold, Gold ETFs were found to outperform physical gold in liquidity as well as efficiency in transactions. In their study, the researchers stressed the importance of investor education in facilitating financial gold instruments.

A report by the **World Gold Council, 2021**, estimated that India continued to be one of the largest consumers of physical gold in the world. According to this report, there has been a gradual interest in financial gold products such as Gold ETFs and Sovereign Gold Bonds. However, the population's attachment to physical gold because of their traditional belief system and lack of comprehensive awareness has helped physical gold dominate the thinking of people. The report further maintained that policy support was imperative to facilitate financial gold adoption.

Various **RBI and SEBI publications** have been emphasizing the need to reorient household savings from physical to financial assets. From these reports, one may also draw inferences on how Gold ETFs can help reduce the demand for physical gold imports, which would directly contribute to controlling the trade deficit of the country while simultaneously opening an avenue for investments that are regulated and transparent.

A number of international studies have also explored gold as a tool for diversification. In fact, according to **Hillier, Draper, and Faff (2006)**, gold had a low correlation with the equity markets and, therefore, emerged as an efficient

portfolio diversification asset. This study deduced that the incorporation of gold in a diversified portfolio decreases overall risk and enhances the stability of returns.

It is also true that, though gold as an investment asset and various advantages of Gold ETFs are discussed widely, literature on drawing some meaningful inferences on investment trends and challenges related to physical gold and the evolving role of Gold ETFs collectively using secondary data in the Indian context is rather scant. Most studies cover either the perspective of performance analysis or that of investor perception. There is, therefore, immense scope for a review-based consolidated study. The present study embarks on an endeavor to fill this gap by providing an integrated analysis of gold investment trends, challenges, and the evolving role of Gold ETFs in India.

III. Research Methodology

A. Research Design

The current research work involves a descriptive and analytical research design. This research design has been chosen to identify the trends of investing in gold, the problems associated with investing in physical gold, and the role of Gold Exchange Traded Funds (Gold ETFs) associated with investments in the Indian market.

A descriptive research design will be utilized in order to have a proper overview of the nature of gold as an investment option, along with characteristics of physical gold as well as Gold ETF. This research approach will help in analyzing data collected from various secondary sources in order to make proper conclusions.

This research does not require collecting primary data from the respondents. The research uses existing information available for use in research, publications, and articles. This study design is appropriate for studies involving reviewing research with the aim of analyzing available literature for patterns, issues, and gaps associated with the research topic.

B. Data Sources

The present study is based entirely on secondary data. The required data for the study has been collected from various reliable and published sources. Secondary data has been used to understand investment trends in gold, challenges of physical gold, and the role of Gold Exchange Traded Funds (Gold ETFs) in the Indian investment market.

The main sources of secondary data are:

1. Research papers and articles published in national and international journals
2. Books with investment, finance, and portfolio management-related themes
3. Reports and publications of regulatory bodies like the RBI and the SEBI.
4. Reports published by the World Gold Council
5. Financial newspapers, magazines, and authenticated financial websites

The information used for the study comes from the use of a multitude of secondary sources to ensure reliability and relevance.

C. Data Analysis Approach

The data collected for the current study has been analyzed with the aid of a qualitative and descriptive method. Being a secondary data study, the data analysis is primarily based on interpretation cum comparison of the data collected from different published sources.

The literature searched was thoroughly examined for common trends and patterns associated with gold investment, challenges associated with physical gold, and Gold Exchange Traded Funds (Gold ETFs). Information sought was categorized under relevant headings for ease of comprehension and smooth flow of text.

A comparative study has been conducted on physical gold and Gold ETF, based on the parameters of convenience of investment, liquidity, cost, risk, and viability of investment. Logical reasoning and interpretation of concepts were employed for deduction of conclusions from the study data. The analysis will strive to give a better understanding of the existing procedures for

investment and reveal the importance of financial gold instruments, as derived from secondary sources.

IV. Data Analysis and Findings

A. Trends in Gold Investment

Gold investments in India have seen a marked shift in recent years. Gold has traditionally been bought as a means of acquiring jewels or gold ornaments. Quite frequently, gold has been looked at as a token or means for people to move above the realm of the common man due to their social festivities and events like marriages. However, due to the shift in economic conditions and awareness levels about financial markets, investors have begun to look at gold differently.

Gold as a consumption asset and gold as an investment asset are among the major developments that have been witnessed over the past few years. Although jewelry sale still accounts for the major demand in gold today, many investors have now turned their attention to gold for wealth preservation and diversification. It can be anticipated that during times of slow economic growth or recession, many investors will start allocating their funds into gold. It can thus be assumed that gold still serves as an excellent safe-haven asset today.

The second significant trend is the increasing acceptance of financial forms of gold. The increased level of urbanization, higher per capita incomes, and increased availability of digital platforms have motivated investors to look for alternatives to physical gold. Financial forms of gold, such as Gold Exchange Traded Funds (Gold ETFs), Sovereign Gold Bonds, and Digital Gold, have attracted attention, especially from the youth and educated sections of society. These forms of gold avoid the handling difficulties involved in physical gold.

Technological development has also had an important role to play in influencing the trends of gold investments. The development of online trading platforms, demat accounts, and mobile apps has made gold investments easier and simpler. Investors find it very easy to directly

purchase and sell gold investments and track the price movements on a real-time basis. This has led to the transition of investments to the financial form of gold. The COVID-19 situation also had a subsequent effect on investment patterns for gold in India. In a situation where there was a pandemic, there was uncertainty and unemployment, along with fluctuations experienced in stock exchanges, which increased demand for gold substantially. The demand of this nature meant that investors were seeking stability, leading to increased prices of gold and also increased demand for investment in gold. Although there were restrictions on the purchase of physical gold due to lockdowns, investment in financial products such as Gold ETFs increased.

There is also a noticeable difference between rural and urban investors with respect to investment in gold. The rural investors continue to invest in physical gold owing to their familiarity with the commodity, inadequate access to financial markets, and lower levels of financial literacy. The urban investors are more receptive to the concept of financial gold instruments owing to their awareness and availability to banking and investment services.

It appears that there is a steady transition from traditional means of investing in gold to modern ways of investing in the Indian market. Although it is true that traditional gold is an important part of Indian culture, it is also a fact that investing in products like Gold ETFs is gaining popularity at a steady rate.



Figure 1: Trend in Gold Prices in India (Secondary Data)

Source: Compiled from financial reports and published data

B. Challenges of Physical Gold Investment

Though traditional gold has been considered preferable by Indian investors, there are numerous challenges and drawbacks to physical gold making it less efficient as an investment opportunity. The first major challenge linked with physical gold is security. It is evident that physical gold is often vulnerable to risks like theft. It is common knowledge among Indian investors that numerous families are forced to invest in lockers for security, thereby increasing the cost of physical gold.

The second major problem associated with gold investments is related to purity or quality. For gold jewelry investments, it can be difficult to check the purity of the product, especially when bought from unorganized sellers. Although the system of hallmarking has been implemented to overcome such problems, the fear related to adulteration and purity still continues.

High charges of production and losses of waste also make physical gold less attractive as an investment. When buying jewelry, there may be charges of production that cannot be recovered when the gold is sold. This implies that the return on investment may not be as attractive in physical gold. This makes physical gold less efficient than financial gold.

Liquidity is another problem in investing in gold in the physical market. Although gold is regarded as a liquid asset, it may not be possible to liquidate gold immediately. People may be forced to rely on jewellers or gold merchants, but they may give lower rates compared to the market rate. It requires many procedures, which take time, especially in the unorganized market.

Gold investments, including physical gold, also contain issues relating to tax. There is a tax, known as capital

gains tax, that investors incur each time they sell their physical gold. Record-keeping for people investing in physical gold through informal means can also be a challenge.

From the broader economic point of view, the higher demand for physical gold ends up raising the importation of the commodity, resulting in the balance of trade being affected negatively. This has prompted the government to promote the transition from physical gold to financial gold instruments. The underlying challenges in the use of physical gold point out the need for more efficient investment instruments.

Basis of Comparison	Physical Gold	Gold ETFs
Form of Investment	Jewellery, coins, bars	Electronic form traded on stock exchanges
Storage	Requires lockers or home storage	No physical storage required
Security Risk	Risk of theft or loss	No risk of physical theft
Purity	Purity concerns may arise	Backed by standard purity gold
Liquidity	Resale through jewellers, may take time	High liquidity through stock exchange
Transaction Cost	Making charges, wastage costs	Low expense ratio
Price Transparency	Prices may vary across sellers	Transparent market-linked prices
Regulation	Largely unorganised market	Regulated by SEBI
Suitability	Emotional and traditional value	Investment-oriented

Tax Treatment	Subject to capital gains tax	Subject to capital gains tax
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Source: Compiled from secondary sources

C. Role of Gold Exchange Traded Funds (Gold ETFs)

Gold Exchange-Traded Funds (Gold ETFs) have been identified as a significant financial innovation in the Indian financial market that provides investors with an efficient alternative investment option in gold without actually holding gold. Gold ETFs are traded securities that are listed on stock exchanges and are collateralized with gold of standard purity. Each unit in Gold ETFs represents one gram of gold, and the prices are directly linked to the market prices of gold.

The major function of Gold ETFs is the convenience it brings to the investors. In the case of physical gold, the purchases have to happen by visiting jewellery stores or gold merchants. But with Gold ETFs, buying and subsequently selling the gold investments can happen effortlessly by opening a demat account. This facility allows the investors to easily buy and sell the units of Gold ETFs during market hours like any equity shares. This has made Gold ETFs very popular with the tech-savvy investors.

The second main role of Gold ETFs is to ensure purity and transparency. This is due to the fact that in physical gold investments, the consideration involving the impurity and assessment of the cost of investment, especially when bought from unorganized sellers, can sometimes pose a problem. The problem is removed by Gold ETFs, which are secured by physical gold with high purity and are managed by the Securities and Exchange Board of India (SEBI).

Gold ETFs also have an important role in enhancing liquidity. Physical gold, though regarded as a liquid asset, involves certain limitations regarding the timing and price adjustments at the time of resale. On the other hand, Gold

ETFs have high liquidity because Units can be immediately sold at stock exchanges at market rates. This makes Gold ETFs attractive to investors who may need instant liquidity.

From an expenditure standpoint, it can be concluded that Gold ETFs are more efficient compared to physical gold. The process of investing in physical gold incurs various expenses such as charges, waste, and locker costs that eventually affect the net gains achieved. In contrast, there are no associated costs for investing in Gold ETFs, except for a nominal fee, making it a more economic form of investing.

Gold ETFs, in addition, add to diversifying a portfolio or managing risk. It has been proved that gold has less correlation to equity markets, and adding gold to an investment portfolio will thereby reduce risk. Gold ETFs allow an individual to add gold to their portfolios in an effortless manner, without the hassles associated with holding gold. This has made Gold ETFs, to a certain extent, the recommended choice in managing risk associated with inflation.

On the macroeconomic side, Gold ETFs help control the demand or rather curb the excessive demand for physical gold. India is one of the leading importers of gold. If the import of gold is high, it has an adverse affect on the trade deficit of the country. Gold ETFs help control this by encouraging investments in financial gold instead of actual physical gold.

In spite of these benefits, the adoption of Gold ETFs in India is very limited. Lack of awareness, limited financial literacy, and unfamiliarity with stock market functions continue to hinder their adoption. However, with the increase in digitization, Gold ETFs are expected to assume a greater importance in the realms of gold investment for India.

Advantages of Gold ETFs	Limitations of Gold ETFs
Easy to buy and sell	Requires demat and trading account
No storage or security issues	Dependent on stock market access

Transparent pricing	Limited awareness among investors
Low transaction cost	Not suitable for those unfamiliar with markets
Backed by physical gold	Subject to market timing risks
Regulated by SEBI	Cannot be used for consumption

Source: Compiled from secondary sources

D. Gold as a Portfolio Diversification Tool

Gold has long been identified as an effective diversification tool on account of its distinct risk/return profile. Diversification of portfolios pertains to the process of distributing investments across multiple assets in a bid to diversify risk. In essence, each type of asset acts differently in a similar market scenario. In this regard, gold can be considered important in that it does not act in tandem with other financial assets such as stocks and bonds.

Another major reason why gold is considered a strong diversification instrument is that gold has a lower covariance with equity markets. When the equity market becomes volatile, gold prices either remain stable or increase. This is because, in periods of stock market volatility, investors tend to shift their attention to safer assets like gold. Another reason why gold is considered a strong diversification instrument is that it has a negative/weak correlation with equity markets.

Gold is also a hedge for inflation. Inflation is a situation whereby an increase in the amount of money leads to a decrease in purchasing power. During inflation, the value of investments decreases as a result of reduced purchasing power. Gold has some ability to counter inflation because, unlike other investments, its purchasing power remains stable even in a scenario of rising inflation.

Apart from inflation and market risks, gold also safeguards the investments against currency risks. When the value of the country's currency falls, the prices of gold tend to rise. Hence, the role of gold becomes very

important in the emerging economies of India since the fluctuations in the currency have a major effect on the investments.

From a portfolio management standpoint, financial advisors generally suggest that a portion of total investments be allocated to gold. Though overinvestments in gold might restrict the growth prospects, a prudent and balanced allocation would assist in increasing the stability levels. Financial instruments based on gold, such as Gold Exchange Traded Funds (Gold ETFs), aid investors in including gold in their portfolios, which might otherwise be accompanied by hassles relating to physical ownership.

In total, gold is an effective instrument to be utilized for diversifying purposes so that it can help in minimizing risk and maximize stability. Now, due to advancements and modernizations in finance, investors can effectively utilize gold and apply it to an investment portfolio that is well-diversified and efficient.

Asset Class	Risk Level	Return Nature	Role in Portfolio
Equity	High	Volatile	Growth
Debt	Low	Stable	Income
Gold	Moderate	Stable during crises	Risk hedge
Real Estate	Moderate to High	Illiquid	Long-term value

Source: Secondary data

V. Conclusion

A. Key Observations of the Study

From the analysis and review conducted on the secondary data available, some pivotal points have been noted. The foremost point observed is that the preference for gold investments in the Indian market depends not only on financial logic but also on other intangible emotions. This has been the reason why gold, which acts as a symbol for security, has dominated the market notwithstanding the presence of more efficient options.

The paper also notices that there exists a difference between gold as a consumption asset and gold as an investment asset. Although physical gold, especially jewelry, continues to attract buyers because of social and cultural patterns, products such as Gold ETFs are also perceived as investment products to a greater extent, which seems to mark a shift in investor sentiments, especially among a young crowd.

Another key observation in this regard is that awareness is an important factor in shaping gold investment choice. Investors who are more aware about financial markets and digital platforms will likely opt for Gold ETFs, but those who are less aware will continue to stick to traditional methods of gold investments. This clearly indicates that financial literacy has a major impact on gold investments.

This research also points out that, in spite of the numerous benefits available in Gold ETFs, it is mostly neglected because of the lack of understanding and trust in financial instruments. Investors still cling to the concept of Safeness in physical possession, which identifies the importance of Behavioral Bias in making investment decisions.

In the wider literature, the significance of the observation presented in this study is that the greater use of financial instruments of gold can lead to an efficient investment market. The diversification of investment instruments through the use of Gold ETFs can reduce the use of physical gold and make it easy to store.

In sum, there are indications through the results of this study that though traditional tastes are still dominant in gold investment in India, there is increasing scope for financial instruments in gold. With increased awareness and education, Gold ETFs will be able to play a much larger role in defining the future trends for gold investment.

B. Suggestions

From the analysis, observations, and results of this research, it is recommended that the following measures be undertaken to ensure better efficacy and uptake of

investment opportunities offered through gold, specifically through Gold ETFs:

One of the crucial recommendations is the need for greater awareness among investors and education in finance. Today, many investors like physical gold as they are not aware about financial gold instruments. Awareness programs by the banks, financial institutions, and government organizations can be helpful for investors regarding the benefits and safety aspects of Gold ETFs.

Financial institutions and investment advisers must also advocate for investment in Gold ETFs as a viable investment instrument with a focus on a longer timeframe instead of a trading perspective. Proper communication with regard to cost effectiveness, liquidity, and transparency can definitely increase trust levels with investors for financial products related to gold.

Authorities can take into consideration the provision of incentives for the use of financial gold instruments. Streamlined procedures for demat accounts and greater reach in semi-urban and rural areas can help bring about greater acceptance of Gold ETFs.

Investors are encouraged to make gold investing, specifically through Gold ETFs, a component of their overall investment portfolios in order to minimize risks associated with their portfolios and in times of market volatility.

Finally, it is important that there are constant efforts to improve digital infrastructure and financial inclusion, which play an important role in influencing investment behavior. Improved digital platforms could make Gold ETFs more attractive to a larger set of investors.

C. Scope for Further Research

The proposed paper is based on secondary information and offers a conceptual perspective on the trend of gold investments, the challenges that come with physical gold investments, and the role of Gold ETFs in the Indian market. Despite the benefits derived from the proposed paper, there are still areas to explore.

The future research work can also be conducted through primary data, which may help in analyzing the perception, awareness, and preference among investors regarding gold and Gold ETFs. Comparative research work among the urban and rural areas can also help in understanding different behaviors related to investing in gold.

Further studies on the performance analysis of physical gold investments, Gold ETFs, and other gold-based investment instruments like Sovereign Gold Bonds can be carried out for a more extensive period by utilizing statistical methods. Further research can be conducted on how financial literacy programs and digital platforms can influence the usage of financial gold-based instruments in India.

Extending the research on a global platform or comparing the gold investment pattern in other nations may also help. This will help in obtaining various perspectives. These will, in turn, result in obtaining a better understanding of gold as an investment vehicle in the changing global financial scenario.

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