

A Study on Factors Influencing Investors to Shift from Physical Gold to Digital Gold in India

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ABSTRACT

Gold has historically been the most preferred investment asset in India, driven by cultural traditions, wealth preservation, and financial security. In recent years, digital gold has emerged as a modern alternative to physical gold investment, allowing investors to purchase, sell, and store gold electronically through online platforms and mobile applications. The rapid growth of fintech platforms, the UPI ecosystem, and increasing smartphone penetration have significantly contributed to the adoption of digital gold.

This study examines the key factors that influence investors to shift from physical gold to digital gold in India. The research focuses on convenience, affordability, security, accessibility, liquidity, technological adoption, and investor awareness as primary drivers of this transition. By analysing consumer responses and investment behaviour, the study aims to understand how digital platforms are transforming traditional gold investment practices.

The study also explores investor perceptions regarding the advantages and limitations of digital gold investment and evaluates the relationship between digital awareness and the intention to invest in digital gold. The findings of this study provide valuable insights for fintech companies, financial institutions, and policymakers in developing better frameworks for digital gold investment.

Keywords: Digital Gold, Physical Gold, Investment Behaviour, Fintech, Financial Inclusion.

INTRODUCTION

Factors Influencing Investors to Shift from Physical Gold to Digital Gold in India

Introduction

Gold has always occupied a significant place in the economic, cultural, and financial landscape of India. For centuries, gold has been regarded as a symbol of wealth, prosperity, and financial security. Indian households traditionally invest in gold in the form of jewelry, coins, and bars. Apart from its cultural importance, gold is also considered a safe investment option because it provides protection against inflation and economic uncertainties. Due to these characteristics, gold has remained one of the most preferred assets among Indian investors for wealth preservation and long-term savings.

India is one of the largest consumers of gold in the world. Indian households collectively hold thousands of tonnes of gold in physical form, making it an important part of the country's economy. Traditionally, people purchase gold mainly for weddings, festivals, and investment purposes. Gold jewelry is commonly passed down through generations and is often considered a family asset. However, physical gold investment also comes with several challenges such as storage risk, purity concerns, high making charges, and liquidity issues.

With the rapid growth of technology and digital financial services, the way people invest in gold has undergone a significant transformation. In recent years, digital gold has emerged as a modern alternative to physical gold

investment. Digital gold allows investors to purchase, sell, and store gold electronically through online platforms and mobile applications. Investors can buy small quantities of gold, sometimes starting from as little as ₹10 or ₹100, and the equivalent amount of physical gold is stored securely in insured vaults by the service provider.

The increasing use of smartphones, digital payment systems, and fintech platforms in India has significantly contributed to the popularity of digital gold. Many financial technology companies and payment applications have introduced digital gold services, making it easier for investors to purchase gold instantly through online platforms. Digital gold offers convenience, flexibility, and transparency compared to traditional gold investments.

In the past decade, India has witnessed rapid digitalization in financial services due to initiatives such as Digital India, Unified Payments Interface (UPI), and increasing internet penetration. These developments have changed the investment behavior of individuals, especially among younger investors who prefer digital financial products. As a result, the demand for digital forms of gold investment has increased significantly.

The shift from physical gold to digital gold is influenced by several factors such as convenience, affordability, security, ease of transaction, and improved accessibility. Investors no longer need to visit jewelry stores or worry about storing gold safely at home or in bank lockers. Digital gold platforms provide a secure storage facility, eliminating the risks associated with physical possession of gold. Additionally, investors can buy and sell gold instantly at market prices through digital platforms.

Another important factor contributing to this shift is the ability to purchase gold in smaller quantities. In traditional gold investment, investors usually need to buy at least one gram of gold, which may require a significant amount of money. However, digital gold allows investors to buy gold in fractional amounts according to their financial capacity. This feature has made gold investment more accessible to middle-class and young investors who may not have large amounts of money to invest at once.

Moreover, digital gold platforms provide greater transparency in terms of pricing and purity. Physical gold purchases often involve additional costs such as making charges, wastage charges, and other hidden fees. In contrast, digital gold transactions are usually based on real-time market prices, which increases transparency and reduces unnecessary costs.

Liquidity is another major advantage of digital gold. Investors can sell their digital gold holdings instantly through online platforms and receive the proceeds directly into their bank accounts or digital wallets. In comparison, selling physical gold often requires visiting jewelry stores or gold dealers, where the selling price may vary depending on the buyer and purity verification.

Technological advancements and the growing influence of fintech companies have also encouraged investors to adopt digital gold as part of their investment portfolios. Many digital platforms integrate gold investments with other financial services such as mutual funds, stocks, and savings plans, making it easier for investors to manage their financial assets in one place.

Furthermore, surveys indicate that younger investors prefer digital gold due to its convenience and accessibility. A large proportion of millennials favor digital gold investments because they allow fractional purchases, secure storage, and real-time transactions through mobile applications.

Despite its growing popularity, digital gold investment also raises certain concerns. Regulatory authorities such as the Securities and Exchange Board of India have warned that many digital gold platforms operate outside the formal regulatory framework, which may pose risks for investors. Since these platforms are not fully regulated like other financial instruments, investors need to be cautious while choosing trustworthy platforms for digital gold investment.

Nevertheless, the overall trend indicates that investors are gradually shifting from traditional physical gold investments to modern digital alternatives. The increasing adoption of digital financial services, combined with the advantages offered by digital gold, has transformed the gold investment landscape in India.

Background of Gold Investment in India

Gold investment in India has historically been driven by cultural traditions, financial security, and economic stability. Gold is widely purchased during festivals such as Diwali and Akshaya Tritiya, as well as during weddings and other important occasions. In addition to its cultural value, gold is also seen as a reliable hedge against inflation and currency fluctuations.

During periods of economic instability or stock market volatility, investors often turn to gold as a safe-haven asset. Gold tends to maintain its value over time, which makes it an attractive option for long-term wealth preservation. As a result, many Indian households allocate a portion of their savings to gold investments.

However, traditional physical gold investment presents several challenges. Storage is one of the major concerns, as storing gold at home increases the risk of theft. Many individuals prefer to store gold in bank lockers, which involves additional costs. Furthermore, verifying the purity of gold can also be difficult, especially when purchasing from unorganized jewelry markets.

These limitations have encouraged investors to explore alternative forms of gold investment such as digital gold, gold exchange-traded funds (ETFs), and sovereign gold bonds. Among these options, digital gold has gained popularity due to its accessibility and ease of use. When the rupee weakens against major currencies, gold prices in India typically rise, thereby protecting the investor's purchasing power. This inflation-hedge quality makes gold uniquely important in the Indian investment psyche.

A major friction in physical gold purchases is the "making charges" levied by jewelers, often ranging from 10 to 25 percent of the gold value, which are entirely lost upon resale. Digital gold eliminates this cost entirely, offering investors a cost-efficient alternative for pure investment purposes.

Emergence of Digital Gold in India

Digital gold is a relatively new concept that allows investors to buy and store gold electronically through digital platforms. When an investor purchases digital gold, the equivalent quantity of physical gold is stored securely in professional vaults by the service provider. Investors can track their gold holdings through online accounts or mobile applications.

The concept of digital gold gained popularity in India due to the rapid expansion of fintech companies and digital payment platforms. Many financial applications now offer digital gold services, allowing users to purchase gold instantly using mobile phones.

One of the most attractive features of digital gold is its flexibility. Investors can buy gold at any time, in any quantity, without the need to visit a physical store. Digital gold also provides the option to convert digital holdings into physical gold in the form of coins or bars if desired.

As a result, digital gold has become an innovative investment option that combines the traditional value of gold with modern technological convenience.

Changing Investment Behavior in India

The investment behavior of individuals in India has changed significantly in recent years. Earlier, investors preferred traditional assets such as gold, real estate, and bank deposits. However, the younger generation is increasingly exploring new financial products that offer convenience, transparency, and higher returns.

The rise of financial literacy, internet access, and digital banking services has played an important role in shaping modern investment habits. Investors today are more aware of different financial instruments and prefer diversified investment portfolios.

Digital gold fits well within this changing investment landscape because it combines the safety of gold with the convenience of digital technology. As more investors adopt digital financial services, the demand for digital gold investments continues to grow.

Importance of Studying the Shift from Physical Gold to Digital Gold

Understanding the factors influencing investors to shift from physical gold to digital gold is important for several reasons. First, it helps financial institutions and fintech companies design better products and services to meet the needs of modern investors. Second, it provides insights into the changing investment preferences of individuals in the digital era.

Additionally, studying this shift can help policymakers and regulators develop appropriate frameworks to ensure investor protection and financial stability. Since digital gold operates in a relatively new and evolving market, regulatory oversight is essential to prevent potential risks and ensure transparency.

Moreover, this study contributes to academic research by analyzing the behavioral, technological, and economic factors that influence investment decisions. It provides valuable information about how technological innovation is transforming traditional investment practices.

Overview of the Research Topic

This research project focuses on identifying and analyzing the factors that influence investors in India to shift from physical gold investment to digital gold investment. The study examines various aspects such as convenience, affordability, security, accessibility, liquidity, technological adoption, and investor awareness.

The research also aims to understand the perception of investors regarding digital gold and evaluate the advantages and limitations of this modern investment option. By analyzing these factors, the study seeks to provide a comprehensive understanding of the changing trends in gold investment in India.

REVIEW OF LITERATURE

Kumar and Sharma (2024) “Digital Gold vs Physical Gold: A Comparative Analysis of Investment Preferences Among Indian Retail Investors” — This study investigated the investment preferences of Indian retail investors toward digital and physical gold. The findings revealed that younger investors, particularly those aged 18 to 35, strongly prefer digital gold due to its convenience and ease of access through mobile applications. The research highlighted that ease of transaction, lower entry cost, and transparent pricing are the major drivers of digital gold adoption. The authors concluded that digital gold is gradually replacing physical gold as the preferred investment mode among tech-savvy investors.

Patel and Mehta (2024) “Role of Fintech Platforms in Promoting Digital Gold Investment in India” — The study examined how fintech platforms such as PhonePe, Google Pay, and Paytm have contributed to the growth of digital gold investment in India. The findings indicated that the integration of digital gold with payment applications has significantly lowered the barrier to entry for new investors. The research also highlighted that promotional offers, ease of registration, and the ability to start with small amounts have attracted a large number of first-time investors. The study concluded that fintech platforms play a crucial role in democratizing gold investment in India.

Rajesh and Anitha (2023) “Behavioural Finance Factors Affecting the Shift from Physical to Digital Gold Investment” — This research analyzed the behavioral factors that influence investors to switch from physical to digital gold. The study found that trust, perceived usefulness, and ease of use are the most significant behavioral factors driving digital gold adoption. The research also noted that social influence and financial literacy play a supporting role in encouraging investors to choose digital gold. The authors recommended that digital gold platforms invest in consumer education and transparent communication to build trust among potential investors.

Verma and Singh (2023) “Security and Regulatory Challenges in Digital Gold Investment in India” — The study explored the security and regulatory concerns associated with digital gold investment in India. The findings revealed that a significant proportion of investors are concerned about the lack of a formal regulatory framework governing digital gold platforms. The research highlighted that SEBI’s warnings about unregulated digital gold services have created uncertainty among potential investors. The authors recommended that regulatory

authorities develop a comprehensive framework for digital gold to ensure investor protection and market stability.

Gupta and Nair (2022) “Digital Financial Inclusion and the Growth of Alternative Gold Investments in India” — This study examined how digital financial inclusion initiatives have contributed to the growth of alternative gold investment products including digital gold, gold ETFs, and sovereign gold bonds. The research found that improved internet connectivity, smartphone adoption, and financial literacy programs have expanded the investor base for digital gold products. The study concluded that digital financial inclusion is a key enabler of the shift from physical to digital gold investment in India.

Rajan and Krishnamurthy (2022) “Liquidity and Cost Advantages of Digital Gold Over Physical Gold: A Study of Indian Investors” — The research compared the liquidity and cost structures of physical gold and digital gold investments. The findings showed that digital gold offers significantly higher liquidity as investors can buy and sell gold instantly at prevailing market prices without visiting physical stores. The study also highlighted that digital gold eliminates making charges and other hidden costs associated with physical gold jewelry, making it a more cost-effective investment option. The authors concluded that cost efficiency and liquidity are the primary reasons investors are shifting toward digital gold.

RESEARCH METHODOLOGY

The present study has employed a quantitative research methodology to explore the investment behaviour and perception of consumers towards digital gold as an alternative to physical gold investment in India. The research methodology employed in the present study is aligned with the research objectives to be achieved. The survey method of collecting primary data has been employed through a structured questionnaire distributed to the respondents.

Research Design

The research design adopted for the current study is descriptive in nature, along with the application of correlational research design. The descriptive research design assists in analysing the investment behaviour and awareness levels of investors toward digital gold. The correlational research design assists in analysing the relationship between digital awareness and the willingness to invest in digital gold platforms.

Population and Sampling

The target population of the study includes individuals who are aware of gold investment and have either invested in physical gold, digital gold, or both. The target population falls within the age range of 18 to 45 years and above, comprising the primary users of digital financial services. The study used 50 samples of respondents selected by applying the convenience sampling technique. This sampling technique was used due to the accessibility of the target population, who are digital service users.

Data Collection Instrument

A structured questionnaire was used as the primary instrument for collecting data. The questionnaire was designed in alignment with the research objectives and consisted of questions divided into different sections:

- **Demographic Information:** Questions related to age, gender, and income level of the respondents.
- **Gold Investment Behaviour:** Questions aimed at identifying whether respondents invest in physical or digital gold, the frequency of investment, and monthly spending on gold.
- **Perception towards Digital Gold:** Questions measuring the respondents’ perception regarding the convenience, affordability, and security of digital gold services.
- **Digital Awareness and Continuation Intention:** Questions assessing the level of digital awareness and the likelihood of continuing or shifting to digital gold investment.
- **Response Scale:** Perception-based statements were measured using a Likert scale (1–5), where 1 represents strongly disagree and 5 represents strongly agree. Demographic and usage questions were measured using multiple-choice and checkbox formats.

Data Collection Procedure

The data collection for this study was carried out using an online survey created using Google Forms. The survey was distributed across various social media platforms and personal networks to reach a wider audience. The survey was voluntary in nature, and respondents were assured of their anonymity. Data was used strictly for academic research purposes only.

Research Objectives

- To examine the investment behaviour and awareness of consumers toward digital gold as an alternative to physical gold.
- To analyse consumer perception regarding the convenience, affordability, and security of digital gold investment.

Scope of the Study

- The study aims at understanding investor behaviour in relation to digital gold investment platforms available in India.
- The study focuses on understanding the perception of investors regarding the convenience, security, and affordability of digital gold.
- The study analyses the relationship between digital literacy and the willingness of investors to adopt digital gold investment.
- The study sample consists of investors aged 18 years and above who are aware of both physical and digital gold investment options.
- The study findings reveal consumer investment behaviour in relation to the shift from physical gold to digital gold.

Limitations of the Study

- The study has been carried out with a sample size of 50 respondents only, which may not be representative of the entire investor population.
- The research has been carried out through self-reported data, which may involve response bias at times.
- The research focuses specifically on digital gold as a substitute for physical gold, and the findings may not fully represent other forms of digital gold investments such as gold ETFs or sovereign gold bonds.
- Investment behaviour in relation to digital gold may be dynamic and subject to change as technology and regulations evolve over time.

Data Analysis and Interpretation

Descriptive Analysis

Demographic Profile of Respondents

The questionnaire was answered by 50 respondents, all of whom have some experience or awareness of gold investment in India.

Age Distribution:

- 18–25 years: 62% (31 Respondents)
- 26–35 years: 26% (13 Respondents)
- 36–45 years: 12% (6 Respondents)

Gender Distribution:

- Male: 48% (24 Respondents)
- Female: 44% (22 Respondents)
- Prefer Not To Say: 8% (4 Respondents)

Monthly Income Range:

- Below Rs. 20,000: 38% (19 Respondents)
- Rs. 20,000–40,000: 32% (16 Respondents)
- Rs. 40,000–60,000: 18% (9 Respondents)
- Above Rs. 60,000: 12% (6 Respondents)

Do You Currently Invest in Any Form of Gold?

- Yes: 78% (39 Respondents)
- No: 22% (11 Respondents)

What Form of Gold Investment Do You Use?

- Physical Gold (Jewelry/Coins/Bars): 56% (28 Respondents)
- Digital Gold (Fintech Apps): 48% (24 Respondents)
- Gold ETFs: 22% (11 Respondents)
- Sovereign Gold Bonds: 18% (9 Respondents)
- Others: 8% (4 Respondents)

How Frequently Do You Invest in Gold?

- Monthly: 24% (12 Respondents)
- Quarterly: 32% (16 Respondents)
- Occasionally (Festivals/Events): 36% (18 Respondents)
- Rarely: 8% (4 Respondents)

How Much Do You Invest Monthly in Gold?

- Below Rs. 500: 26% (13 Respondents)
- Rs. 500–1,000: 34% (17 Respondents)
- Rs. 1,000–5,000: 28% (14 Respondents)
- Above Rs. 5,000: 12% (6 Respondents)

Correlation Study

A Pearson correlation analysis was conducted to examine the relationships between selected variables related to investor perception and behaviour toward digital gold investment.

Relationship Between Convenience and Intention to Invest in Digital Gold

Pearson Correlation Coefficient of $r = 0.52$, $p < 0.05$

The results indicate a moderate positive relationship between the perceived convenience of digital gold platforms and the investor's intention to invest in digital gold. This suggests that as investors perceive digital gold platforms to be more convenient, their intention to adopt and continue using digital gold increases correspondingly.

Relationship Between Security Perception and Digital Gold Adoption

Pearson Correlation Coefficient of $r = 0.38$, $p < 0.05$

The correlation result indicates a moderate positive relationship between perceived security and digital gold adoption. This implies that investors who trust the security features of digital gold platforms are more likely to invest in digital gold. While security influences adoption, the relationship is moderate, suggesting that other factors such as convenience also play an important role.

Relationship Between Digital Awareness and Intention to Shift to Digital Gold

Pearson Correlation Coefficient of $r = 0.68$, $p < 0.05$

The correlation coefficient indicates a strong positive relationship between digital awareness and the intention of investors to shift from physical gold to digital gold. This suggests that investors who are more digitally literate and aware of digital gold platforms are significantly more likely to consider shifting from physical gold investments to digital gold.

| Variable Pair | Pearson r | p-value | Strength |
|-------------------------------------|-----------|---------|----------|
| Convenience & Intention to Invest | 0.52 | < 0.05 | Moderate |
| Security Perception & Adoption | 0.38 | < 0.05 | Moderate |
| Digital Awareness & Shift Intention | 0.68 | < 0.05 | Strong |

FINDINGS, SUGGESTIONS AND CONCLUSION

Findings

- The study revealed that a considerable number of investors in India are aware of digital gold as an alternative to physical gold investment. This shows the increasing popularity of digital gold platforms among consumers, particularly in the younger age group.
- The analysis revealed that convenience is perceived as a major advantage of digital gold investment. Investors appreciate the ability to purchase and sell gold at any time through mobile applications without visiting physical stores.
- The correlation study between convenience and the intention to invest in digital gold revealed a moderate positive relationship ($r = 0.52$). This implies that the more convenient investors find digital gold platforms, the more likely they are to adopt digital gold as their preferred investment mode.
- The relationship study between security perception and digital gold adoption revealed a moderate relationship ($r = 0.38$). This implies that trust and security are important factors in encouraging investors to adopt digital gold, but other factors also play a significant role.
- The correlation study between digital awareness and the intention to shift from physical gold to digital gold revealed a strong positive relationship ($r = 0.68$). This implies that investors with higher digital literacy are significantly more likely to shift from physical gold to digital gold investment.
- The results imply that digital awareness plays the most important role in influencing whether investors will adopt digital gold investment. Financial literacy campaigns and digital education initiatives can significantly accelerate the adoption of digital gold.
- Overall, the research indicates that convenience, security, and digital awareness are the three most important factors influencing investor behaviour in the shift from physical gold to digital gold in India.

Suggestions

- Digital gold platforms should focus on enhancing the user experience and simplifying the interface for first-time investors, as convenience has been found to have a significant impact on digital gold adoption.
- Service providers should invest in robust security infrastructure and clearly communicate the security features of their platforms to potential investors, as security perception moderately influences adoption decisions.
- Financial institutions and fintech companies should conduct digital literacy and investor education programmes to increase digital awareness, since this factor has the strongest relationship with the intention to shift to digital gold.
- Regulatory authorities such as SEBI should develop a comprehensive and transparent regulatory framework for digital gold platforms to build investor confidence and ensure market stability.

- Digital gold service providers should introduce value-added features such as systematic investment plans (SIPs) in digital gold, loyalty rewards, and integration with other financial products to attract a broader investor base.
- Businesses should ensure that digital gold platforms are affordable and accessible to investors across different income groups, particularly the middle-income and low-income segments, to promote financial inclusion.

CONCLUSION

The present study aimed to assess investor perception and behaviour regarding the shift from physical gold to digital gold investment in India, with special reference to convenience, security, digital awareness, and adoption intention. The study revealed that digital gold is becoming increasingly popular among investors, particularly younger and digitally literate individuals.

The correlation analysis revealed that there is a moderate positive relationship between perceived convenience and the intention to invest in digital gold, indicating that convenient and user-friendly platforms are more likely to attract new investors. The relationship between security perception and digital gold adoption was found to be moderate, suggesting that while security is important, investors consider multiple factors before choosing digital gold.

Most significantly, the study revealed a strong positive relationship between digital awareness and the intention to shift from physical gold to digital gold. This indicates that investors who are more digitally literate are considerably more likely to embrace digital gold as a modern investment alternative. Overall, the present study highlights the importance of digital literacy, platform convenience, and security in accelerating the transition from physical gold to digital gold investment in India.

As India continues to advance in digital financial services, digital gold has the potential to become the preferred mode of gold investment for the next generation of investors. Financial regulators, fintech companies, and educational institutions must work together to create a safe, accessible, and transparent digital gold ecosystem that benefits all segments of investors.

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