

## **A STUDY ON INVESTMENT DECISION IN DIGITAL GOLD BOND WITH SPECIAL REFERENCE TO TAMILNADU**

**Nandhini R<sup>1</sup>, Manochandar S<sup>2</sup>, Sountharya V<sup>3</sup>**

<sup>1</sup>PG Student, Dept. of MBA, CARE College of Engineering, Trichy-620009, Tamilnadu, India.

<sup>2,3</sup>Assistant Professor, Dept. of MBA, CARE College of Engineering, Trichy-620009, Tamilnadu, India.

### **ABSTRACT**

This study aims to comprehensively understand the investment behaviours and preferences related to digital gold bonds. Despite the increasing popularity of digital financial instruments, this research seeks to identify the factors influencing this trend and the level of awareness and understanding of digital gold bonds among different investor demographics. Through a combination of surveys and interviews with a diverse pool of investors, decisions and the impact of targeted educational campaigns on shifting investor preferences from physical gold to digital gold bonds. The findings indicate a negligible correlation between Primary reason for considering digital gold bonds and Specific features or benefits you are looking for in Digital gold bond highlighting the need for risk tolerance. The study also understands the importance of risk factors, understand how returns are calculated, aware of the tax implications. By providing actionable recommendations, this research aims to enhance the understanding and adoption of digital gold bonds, thereby offering a secure and efficient investment alternative to traditional physical gold

**Keywords:** Gold, Bond, investment behaviours; Investor Awareness

### **1. INTRODUCTION**

Digital Gold Bonds are a modern and innovative way for investors to participate in the gold market. Unlike traditional physical gold investments, digital gold bonds offer a convenient and secure method of owning gold in electronic form. These bonds are issued by the government and can be purchased online through authorized financial institutions

One of the key advantages of digital gold bonds is their flexibility and accessibility. Investors can buy and sell them easily through their demat accounts, eliminating the need for physical storage and ensuring liquidity. Additionally, these bonds offer the same benefits as physical gold, such as protection against inflation and market volatility

Digital gold bonds are a modern and innovative way for investors to participate in the gold market. Unlike traditional physical gold investments, digital gold bonds offer a convenient and secure method of owning gold in electronic form. These bonds are issued by the government and can be purchased online through authorized financial institutions

Furthermore, digital gold bonds provide transparency and security, as each bond is linked to the market value of gold and backed by the government. This makes them a reliable option for investors looking to diversify their portfolios and hedge against economic uncertainties

Digital Gold Bonds, also known as Sovereign Gold Bonds (SGBs), represent a revolutionary financial instrument that blends the timeless allure of gold with the convenience and security of digital transactions. These bonds, issued by the Government of India, offer investors a unique opportunity to invest in gold without the need for physical possession.

By digitizing gold ownership, Digital Gold Bonds streamline the investment process, making it accessible to a broader audience. Investors can purchase these bonds online through authorized banks and financial institutions, eliminating the challenges associated with storing and safeguarding physical gold.

Furthermore, digital gold bonds provide a reliable avenue for long-term wealth accumulation, offering investors the potential for capital appreciation along with periodic interest payments. With their transparency, liquidity, and government backing, these bonds serve as a modern and efficient way to participate in the age-old appeal of gold as a store of value

Digital gold bonds, often referred to as Sovereign Gold Bonds (SGBs), are a ground-breaking financial instrument that combines the intrinsic value of gold with the convenience of digital investing. Issued by governments, these bonds allow investors to own gold in electronic form without the need for physical storage or handling.

Imagine owning gold without worrying about security or storage costs. Digital gold bonds make this possible by leveraging digital technology to provide a seamless and secure investment experience. Investors can buy and sell these bonds online through authorized channels, making gold investment accessible to a wide range of individuals and institutions.

In this introduction, we'll explore the key features and benefits of Digital Gold Bonds, shedding light on why they have become an increasingly popular choice for investors seeking exposure to gold in the digital

Stock exchange market is a vital component of a stock market. It facilitates the transaction between traders of financial instruments and targeted buyers. A stock exchange in India adheres to a set of rules and regulations directed by the Securities and Exchange Board of India or SEBI. The said authoritative body functions to protect the interest of investors and aims to promote the stock market of India. The stock exchange in India serves as a market where financial instruments like stock, bond and commodities are traded. It is a platform where buyers and sellers come together to trade financial tools during specific hours of any business day while adhering to SEBI's well-defined guideline. However, only those companies who are listed in a stock exchange are allowed to trade in it.

In recent years, the financial landscape has witnessed a significant shift towards digitization, affecting various asset classes, including precious metals. One notable innovation in this realm is the introduction of Digital Gold Bonds (DGBs). These financial instruments offer a modern, secure, and efficient way to invest in gold, combining the timeless appeal of gold as a store of value with the benefits of digital technology.

**OBJECTIVE:**

- To identify which factor is most influential in determining gold bond prices.
- To determine whether investors' expectations about returns significantly influence their investment time horizons.

**2. NEED OF THE STUDY**

- Investor Awareness: Despite the potential benefits, many investors are unaware of digital gold bonds. This study aims to bridge the knowledge gap by providing comprehensive information on these instruments.
- Market Trends: As the digital economy expands, understanding market trends and the role of digital gold bonds becomes crucial for investors and financial analysts.
- Risk and Return Analysis: Evaluating the risk and return profile of digital gold bonds compared to other investment options is essential for informed decision-making.
- Technological Impact: Assessing the impact of technology on investment strategies, particularly the transition from physical to digital gold, is critical for modern financial planning.

**SCOPE:**

- Origins of Gold Bonds: Overview of traditional gold bonds and their evolution into digital formats.
- Technological Advancements: Examination of technological advancements facilitating the transition to digital gold investments.
- Current Market Size: Analysis of the current market size and growth trajectory of Digital Gold Bonds.
- Investor Demographics: Demographic analysis of investors participating in Digital Gold Bonds.
- Comparison with Physical Gold: Evaluating the differences between physical gold and digital gold in terms of liquidity, storage, and security.
- Return on Investment: Analysis of historical returns and future projections for Digital Gold Bonds.
- Risk Factors: Identification and assessment of potential risks associated with investing in Digital Gold Bonds.
- Regulatory Bodies: Overview of the regulatory bodies overseeing Digital Gold Bonds.
- Blockchain and Security: Examination of the role of blockchain technology and other security measures in Digital Gold Bonds.
- Technological Innovations: Potential technological innovations that could impact Digital Gold Bond investments.
- Investor Behaviour: Predicted changes in investor behaviour and preferences towards digital gold investments.

**3. REVIEW OF LITERATURE**

**P. Menakadevi, P. Prabha, M. Latha Natarajan (2021)** States that gold is an attractive investment as it has its own benefits, that there are various factors pushing investors to purchase gold instruments, but information of the features, characteristics, and benefits is lacking. And most of the investors are not aware of any of the schemes because they mostly prefer gold jewellery, invest in gold ETF and sovereign Gold Bond which gives more profit. Had has also described in detail about the different ways of gold investment.

**Zaimy Johana Johan (2020)** shares the customer preferences in gold investment (Gold-i) during the effect of Covid-19 pandemic on the economy. He has also shown the gold price chart when movement control order (MCO) started. The chart shows the supply and demand which also shows the customers' investment preference. The author has used sampling techniques for the research.

**Sudindra & Naidu, 2019** The main objective of the study is to find out how Sovereign Gold Bond is superior to other forms of Gold Investment. The methodology used was secondary data. It concluded that SGBs are superior to other forms of Gold Investment as SGB are better in terms of purchase price and benefit of no TDS and can be used as security/collateral for availing loan.

**Shenoy & Ashwatha, 2019** The objectives of this research paper are to study the factors considered by investors on investments in SGBs and the perception and satisfaction level of investors. The study was limited to 30 respondents only. The findings were 67% of respondents were satisfied with their investments and 66% prefer to invest in this scheme in paper form and the rest 34% prefer DEMAT form. It suggested that since the scheme is authorized it is safe and secure it is suitable for investor.

#### **4. DATA ANALYSIS AND INTERPERTATION**

In total 207 responses are collected in the Tamilnadu region. The data analysis and corresponding interpretation are depicted in the followings tables.

**TABLE No: 1** Age Wise Respondents

	Frequency	Percent
18-25	79	38.5
26-33	27	13.0
34-40	45	21.7
40-50	51	24.6
Above 50	5	2.4
Total	207	100.0

Based on the data, the majority of investors in digital gold bonds fall within the age group of 18-25. Following this, the second-largest group of investors is aged 40-50. The third largest demographic comprises individuals aged 34-40, while the fourth largest group is those aged 26-33. The smallest category of investors is those above 50 years old.

**TABLE No: 2** Occupation

	Frequency	Percent
Job seeker	20	9.7
Full time worker	135	65.2
Part time worker	15	7.2
Student	37	17.9
Total	207	100

The primary group of investors in digital gold bonds consists of full-time workers, followed by students in the second position. Thirdly, job seekers show significant interest, while part-time workers represent the smallest segment of investors in this category.

**TABLE NO: 3** Income

	Frequency	Percent
10,000-15,000	62	30.0
15,001-30,000	42	20.3
31,000-50,000	87	42.0
ABOVE 51,000	16	7.7
Total	207	100

The largest number of investors falls within the income range of 30,001-50,000. Following this, the second most significant group of investors is within the income range of 10,000-15,000. The average number of investors falls within the income range of 15,001-30,000. Lastly, the smallest number of investors is observed in the income group above 51,000.

**TABLE NO: 4** Which type of investment would you prefer

	Frequency	Percent
Stock & Bond	4	1.9
Real estate	28	13.5

Mutual fund	52	25.1
Commodities	4	1.9
Total	207	100

Based on the provided details, the majority of investors trust stock and bond investments. Mutual funds are the second most trusted investment. A moderate number of investors place their trust in real estate, while commodities are trusted by the least number of investors.

**TABLE NO: 5** What type of income you receive from your investment?

	Frequency	Percent
Passive Income	110	53.1
Rental Income	48	23.2
Portfolio Income	29	14.0
Capital Gain	20	9.7
Total	207	100

According to the data in the above table, passive income yields the highest earnings among investment income sources. Rental income follows as the second highest. Portfolio income falls within the average range, while capital gains constitute the lowest income received from investments.

**TABLE NO: 6** What is your primary reason for considering Digital Gold Bonds?

	Frequency	Percent
Diversification of investment portfolio	35	16.9
Hedge against inflation	114	55.1
Potential for capital appreciation	35	16.9
All of the above	16	7.7
Other (please specify)	7	3.4
Total	207	100

The primary reason for investing in digital gold bonds is as a hedge against inflation. The second most common reasons are diversification of the investment portfolio and the potential for capital appreciation. An average number of people consider all these reasons, while the least number of people select "other" as their reason for investing.

**TABLE NO: 7** How familiar are you with the process of investing in Digital Gold Bonds?

	Frequency	Percent
Very familiar	89	43.2
Somewhat familiar	60	29.1
Not Familiar at all	58	28.0
Total	207	100

According to the data, 43% of people are very familiar with the process of investing in digital gold bonds, 29.1% are somewhat familiar, and 28.0% are not familiar at all with the process.

**TABLE NO: 8** What duration of investment are you Considering for Digital Gold Bonds?

	Frequency	Percent
Short-term (less than 1 year)	51	24.6
Medium-term (1-3 year)	129	62.3
Long-term (more than 3 year)	27	13.0
Total	207	100

Based on the data in the above table, most investors prefer medium-term investments (1-3 years). An average number of investors prefer short-term investments (less than 1 year), while the fewest investors prefer long-term investments (more than 3 years).

**TABLE NO: 9** How much Capital are you Considering Investing in Digital Gold Bond

	Frequency	Percent
Below 10,000	112	54.1
10001-50000	48	23.2
50001-100000	29	14.0
100001-200000	4	1.9
Above 200000	14	6.8
Total	207	100

Most people invest capital amounts below 10,000. The second largest group invests between 10,001-50,000. The third largest group invests between 50,001-100,000, followed by those investing 100,001-200,000. The smallest group of investors commits capital amounts above 200,000.

**TABLE NO: 10** What are your Expectations Regarding the Returns from Digital Gold Bonds?

	Frequency	Percent
Stable, consistent returns over time	55	26.6
Moderate returns with some fluctuations	55	26.6
High returns with potential for significant volatility	97	46.9
Total	207	100

Most people prefer high returns with the potential for significant volatility. An average number of people prefer both stable, consistent returns over time and moderate returns with some fluctuations.

**TABLE NO: 11** How Important is Liquidity to you Regarding your Investment in Digital Gold Bonds?

	Frequency	Percent
Not important, can invest for the long term without needing immediate liquidity	50	24.2
Moderately important, may need access to funds occasionally	66	31.9
Very important, need the flexibility to liquidate investments quickly if needed	91	44.0
Total	207	100

Most people consider it very important to have the flexibility to liquidate investments quickly if needed. An average number of investors consider it moderately important, needing access to funds occasionally. The least number of investors consider it not important, as they can invest for the long term without needing immediate liquidity.

**TABLE NO: 12** Do you have any Concerns or Questions About the Liquidity of Digital Gold Bonds and the ease of Redeeming your investment when needed?

	Frequency	Percent
Yes, I have concerns	63	30.43
No, I don't have concern	45	21.74
I'm not sure	99	47.83
Total	207	100

According to the data, 47.8% of investors are unsure about their concerns regarding redeeming the investment. 30.4% of investors have concerns about redeeming the investment, while 21.74% do not have any concerns about the redemption process.

**TABLE NO: 13** What is your Risk Tolerance When It Comes to Investment?

	Frequency	Percent
Low risk, willing to accept lower returns	44	21.3
Moderate risk, seeking a balance between risk and returns	58	28.0
High risk, seeking higher returns despite potential volatility	105	50.7

Total	207	100
-------	-----	-----

Most people invest with a high-risk approach, seeking higher returns despite potential volatility. An average number of people invest with a moderate-risk strategy, seeking a balance between risk and returns. The least number of people invest with a low-risk approach, willing to accept lower returns.

**TABLE NO: 14** What is your preferred mode of accessing Information and Managing your investments?

	Frequency	Percent
Online platforms/apps	40	19.3
Financial advisors or consultants	45	21.7
Traditional banking services	117	56.5
Other (please specify)	5	2.4
Total	207	100.0

According to the data, 56.52% of customers use traditional banking services to access their investments. 21.74% use on financial advisors or consultants, 19.32% use online platforms or apps, and 2.415% use other methods for accessing their investments.

## 5. FINDINGS & SUGGESTIONS

- Among various investment income sources, passive income often has the potential to generate significant earning
- Over two-third of individuals, specifically 67.6%, have made investments in digital gold bonds
- The main motivation for investing in digital gold bonds is to protect against inflation
- 43% of individuals have a high level of familiarity with the process of investing in digital gold bonds
- The majority of investors favour medium-term investments, typically ranging from 1 to 3 years
- The majority of individuals invest capital amounts of less than 10,000
- The majority of individuals prefer high returns, even if it means facing significant volatility
- The ability to quickly liquidate investments if needed is considered very important by most individuals
- Nearly half of investors, 47.8%, are uncertain about their concerns related to redeeming their investment
- The majority of investors adopt a high-risk approach, prioritizing higher returns even in the face of potential volatility
- The traditional banking services are used by 56.52% of customers for accessing their investments.
- Cybersecurity threats are viewed as a risk factor by 51.2% of individuals
- Most investors are looking for investment options that offer transparent pricing
- The majority of people choose the option “I have a basic understanding but would appreciate further clarification.”
- A significant majority of individuals, specifically 71.5%, have awareness regarding the tax implications associated with investing in digital gold bonds
- Following recommendations and suggestions are made after analysing the responses given by investors (respondents) and understanding about Digital Gold Bonds. They are as follow:
- It is analysed that high number of investors receive passive income in Digital Gold Bonds, so it is recommended to target another type of investment.
- It is analysed that 43% of investor Very familiar with the process of investing in Digital Gold Bonds, so it is recommended to target a 28% of investor
- With 47.8% of investors unsure about their concerns regarding redeeming their investments, it is recommended to create awareness and provide clear information addressing these concerns.
- It is observed that still majority of investors prefer to traditional banking services, so it is recommended that awareness of Online platforms/apps
- Many people avoid investing in digital gold bonds due to concerns about cybersecurity threats. It is recommended to strengthen cybersecurity measures to address these concerns and build investor confidence.

## 6. CONCLUSION

This study provides a comprehensive understanding of the investment behaviours and preferences related to Digital Gold Bonds (DGBs). Despite the increasing availability and benefits of digital financial instruments, a significant portion of investors still prefer physical gold. Key factors influencing this preference include concerns about cybersecurity, the need for clear information on investment redemption, and varying levels of financial literacy. Through surveys and interviews with a diverse pool of investors, the study identifies the impact of targeted educational campaigns

on shifting preferences from physical gold to Digital Gold Bonds. The findings suggest that increasing awareness and understanding of DGBs can enhance their adoption as a secure and efficient investment alternative.

In conclusion, the study provides actionable recommendations aimed at improving investor education and awareness regarding Digital Gold Bonds. By addressing knowledge gaps and emphasizing the benefits and security of DGBs, the research supports their potential as a modern investment choice, complementing the traditional appeal of physical gold.

## **7. REFERENCES**

- [1] Dr. P. Menakadevi, Dr.P.Prabha, Dr.M.Latha Natarajan: An Awareness of Multifaceted Investment behaviour in Different Gold Instrument -as Paper, Physical and Digital Gold, Annals of R.S.C.B., ISSN: 1583-6258, Vol. 25, Issue 4,2021, Pages. 14939 – 14951
- [2] Zaimy Johana Johan: Investors with the Golden-i: Preference in Gold-iInvestment, JEEIR, e-ISSN: 2289-2559
- [3] Sudindra, V. R., & Naidu, J. G. (2019). Is Sovereign Gold Bond is Better Than Other Gold Investment?. International Journal of Management Studies, 6(2), 101-104.
- [4] Shenoy, G. (2020). Investors Perception and Satisfaction Level on Soverign Gold Bond Scheme a Study at Ujit\Re Belthangady Taluk (DK). Think India Journal, 22(43), 196-201.