Investment Behaviour of Retail Investors in Paper Gold

OPEN ACCESS

Manuscript ID:
COM-2025-13048491

Volume: 13

Issue: 4

Month: October

Year: 2025

E-ISSN: 2582-6190

Received: 24.08.2025

Accepted: 22.09.2025

Published Online: 01.10.2025

Citation:
Rajasekar. G. "Investment Behaviour of Retail Investors in Paper Gold." *ComFin Reseach,* vol. 13, no. 4, 2025, pp. 36–42.

DOI:
https://doi.org/10.34293/commerce.v13i4.8491

G. Rajasekar
Assistant Professor, PG Department of Commerce
Lakshmi Bangaru Arts and Science College, Chengalpattu, Tamil Nadu, India
https://orcid.org/0000-0003-3582-8265

Abstract
This study examines what drives people, especially regular retail investors, to make certain investment decisions, specifically when it comes to paper gold. It focuses on how factors like age, income, and exposure to advertising influence those choices. To explore this, the researchers gathered data from investors and tested three key ideas using Pearson's correlation and Chi-Square analysis. The results showed some clear patterns. For example, older investors are slightly more likely to invest their money to meet essential financial needs, suggesting that they prioritise stability and security. Income level also plays a role—those with higher earnings tend to invest more in long-term financial products like insurance or retirement plans. Advertising has a strong influence too. People who regularly view investment-related advertisements are more likely to invest, indicating that marketing efforts can have a real impact on financial behaviour. Overall, the findings show that both personal background and exposure to promotions shape how people choose to invest in mutual funds. These insights could be especially useful for financial advisors, marketers, and policymakers looking to better understand what motivates investors and how to help them make informed decisions. Future research could explore regional differences in paper gold investment across India and long-term behavioral shifts post-pandemic, while comparing it with other assets like stocks or real estate. This paper focuses investors in Tamil Nadus state only and cornered Paper Gold only.

Keywords: Paper Gold, Retail Investment, Investor Behavior, Financial Literacy, Sovereign Gold Bonds (SGBs)

Introduction

Investing in gold no longer means buying physical coins or jewellery. Currently, many people are choosing to invest in gold through paper gold, which allows them to invest in gold without actually owning the metal itself. Its value still moves with the gold market, but you do not have to deal with the hassle of storing or securing anything. This type of investment has become especially appealing for long-term goals or trading because it offers a simpler, more modern approach than traditional methods.

This shift has been quite noticeable in India. Gold has long been a part of Indian culture, passed down through generations, worn during weddings, and trusted as a backup during tough times. However, with digital finance tools becoming more accessible, more people understanding how investments work, and government programs encouraging formal financial habits, there is a growing interest in paper gold.

Options such as Sovereign Gold Bonds (SGBs), Gold ETFs, and digital gold platforms are becoming mainstream. They come with clear benefits: no worries about storage or purity, easy to buy or sell, and in some cases, like SGBs, they even offer interest income and tax perks. For many, it is a smart and hassle-free way to keep gold in their portfolios without dealing with the physical side of it. Despite these benefits, its adoption among retail investors depends on several factors, including perceived risk, understanding, expected returns, ease of access, and broader economic conditions.

The post-COVID economic environment and the growth of online trading platforms have further accelerated the move away from traditional savings toward more market-linked investments. Gold remains culturally and financially important, but investors are now exploring new ways to benefit from it. Behavioral factors such as herd mentality, fear of risk, and the influence of advertisements and financial news also shape investment decisions in this space. A clear indicator of this growing interest is the surge in Sovereign Gold Bond investments. In the financial year 2023–24, retail investors purchased Rs. 27,031 crore worth of SGBs (equivalent to 44.34 tonnes of gold), a dramatic increase from Rs. 6,551 crore in the previous year. This fourfold rise underscores the growing preference for paper gold among Indian investors. [1] Since their launch, Sovereign Gold Bonds (SGBs) have attracted Rs. 72,274 crore in investments-equivalent to 146.96 tonnes of gold-highlighting strong and sustained interest from retail investors over the long term.[2] By the end of FY24, the number of demat accounts had surged to 15.14 crore, signaling a sharp rise in retail investor participation-particularly in instruments like Sovereign Gold Bonds (SGBs) and gold ETFs. [3] According to the survey, the number of retail investors rose to 132 million by December 2024, a growth driven in part by the increased accessibility of digital paper-gold investment options. [4] A recent report points out that certain policy changes-like phasing out the longer-term options under the Gold Monetisation Scheme-are pushing more investors toward paper gold alternatives, especially Sovereign Gold Bonds (SGBs). [5]

Investment Behaviour

Sharma and Kumar (2023) found that retail investors are leaning more toward paper gold mainly because of economic uncertainty, concerns about inflation, and the need for more liquid investment options. This signals a noticeable move away from physical gold in favour of more flexible choices, such as Exchange-Traded Funds (ETFs) and Sovereign Gold Bonds (SGBs) [6]. Similarly, Reddy and Desai (2022) pointed out that emotional and psychological factors-especially a tendency to avoid risk and follow the crowd-strongly influence how people make investment decisions on digital gold platforms [7]. **Patel and Mehta (2023)** emphasise the importance of financial literacy, pointing out that investors who understand finance better usually make smarter and more balanced choices. These investors are often better at handling risk while still aiming for higher returns [8]. **Gupta and Singh (2023).** They look into important reasons behind why people invest in paper gold, like wanting to protect themselves from inflation and being influenced by friends or peer, it also pointing out challenges like limited understanding of market dynamics among many investors [9].

When retail investors decide to invest in paper gold, several factors come into play. Factors such as economic uncertainty, the need to protect against inflation, a preference for easily accessible funds, psychological tendencies, and how well they understand finance shape their choices. These influences help investors balance their immediate financial needs with future planning. Moreover, the particular investment approach they take-whether it is focusing on value, chasing growth, following market momentum, or spreading out purchases over time-also affects how they reach their financial goals.

The Objectives

1. The goal is to understand how economic conditions, especially uncertainty and inflation, affect retail investors' choice to invest in paper gold.
2. To analyse the impact of psychological biases and financial literacy on retail investors' behaviour, especially in relation to how they fulfil their basic financial needs and long-term security goals.
3. To evaluate the advisement's impact on the contribution of investment decisions.

Methodology

This study followed an empirical research approach, gathering primary data through structured questionnaires administered to retail investors in Tamil Nadu. Using purposive sampling, this study specifically targeted individuals actively investing in paper gold products. A total of 100 valid responses were obtained. The data were analysed using Pearson's correlation and chi-square tests to examine the relationships between variables such as age, income, advertisement influence, and investment behaviour. All statistical analyses were conducted at a 5% significance level using the SPSS software.

Hypothesis

1. **H_0:** There is no significant association between age and satisfaction with basic needs through investment.
2. **H_0:**Higher income levels are negatively associated with greater satisfaction of security needs.
3. **H_0:** Advertisements are negatively influence the choice of individual to invest

Review of Literature

Dut Bol Ayuel Bill (2025), With a beta coefficient of 0.678 and a p-value below 0.001, this link is clearly significant, showing just how important market stability is for making SSR initiatives work well. Other studies support this, pointing out that when markets are stable, it is easier to overcome resource challenges, boost the credibility of institutions, and gain public trust-all key ingredients for successful reforms. Overall, these findings highlight the importance of aligning economic policy with SSR efforts, especially in fragile places like South Sudan, where lasting reform depends significantly on financial and institutional stability. In addition, the COVID-19 pandemic disrupted the usual pattern between bond yields and stock returns, adding extra layers of complexity to financial markets [10]. According to **Marisetty (2025),** this change is backed up by noticeable shifts in correlation patterns, results from paired t-tests, and regression analyses. The pandemic's economic impact, along with government actions and changing investor habits, has made financial markets more complex. What used to be a steady negative relationship between bond yields and stock returns has become less predictable, sometimes even flipping to a positive correlation. This turnaround shows that investors may need to rethink the usual financial strategies on which they rely. Overall, the findings suggest that post-pandemic markets are more volatile and uncertain, highlighting the need to revisit expectations about how bond yields and equity returns move-whether they will align or move apart going forward [11]. **Verma, R., & Jha, S. (2024).** This study highlights the growing interest in paper gold among retail investors in emerging markets, especially in India and Southeast Asia. It points out that as economic ups and downs continue, more people are turning to gold because they see it as a safe place to keep their money. The research also emphasises how changing regulations and the rise of digital investment platforms are making it easier and more popular for investors in these regions to choose gold paper [12]. **Sharma, S., & Kumar, V. (2023).** This study closely examines how everyday investors are putting their money into paper gold, such as gold exchange-traded funds (ETFs) and sovereign gold bonds (SGBs). What stood out was that things like economic uncertainty, wanting to guard against inflation, and the growing spending power of the middle class really shape their choices. The research also shows that people are moving away from physical gold toward paper options, mostly because these are easier to buy and sell and do not come with the usual hassle of storing gold [13]. **Reddy, P., & Desai, A. (2022). Reddy, P., & Desai, A. This study** explores how emotions and psychological biases affect the way retail investors approach paper gold. Using a mix of research methods, this study uncovers the main factors that shape their decisions, such as how safe they feel the investment is, current market trends, and how easy it is to buy and sell through digital gold platforms. The study also points out how technology plays a significant role in making paper gold more accessible and attractive to everyday investors [14]. **Patel, R., & Mehta, K. (2023).** This study examines how financial literacy affects retail investors' decisions regarding paper gold. The results show that people who understand finance better tend to make smarter, more thoughtful choices; they are good at balancing risks and rewards when picking paper gold options. Conversely, those with less financial knowledge often make decisions based on emotions or misunderstandings about gold performance, which can lead to poorer investment outcomes [15]. **Gupta, P., & Singh, N. (2023).** This study examines what motivates retail investors to invest in paper gold. It points out a mix of factors, such as the need to protect against inflation, how easy online platforms make investing, and the influence of friends and peers. This study also highlights some challenges that these investors face, especially their limited knowledge of how the gold market works and the risks that come with investing in it [16]. **Adekoya et al. (2021).** The study concluded that several major countries-namely Congo, Ghana, Morocco, Namibia, South Africa, and Tanzania-are using gold investments as a hedge against inflation. This article highlights the role of gold at the macroeconomic level, emphasising that returns from precious metals, particularly gold, have effectively outpaced inflation in these countries. It ultimately asserts that gold investments offer returns that exceed inflation rates, reinforcing their value as protective financial assets in these economies[17]. **The *Economic Survey of India (2023–24).*** The report presents strong evidence of a surge in retail investor participation in capital markets, largely fuelled by technological advancements and growing financial awareness. It notes a significant rise in demat accounts—from 11.45 crore in FY23 to 15.14 crore in FY24—as well as an increase in the retail share of the NSE equity turnover to 35.9%. While the report primarily focuses on overall capital market activity, it also suggests a notable shift in household financial behaviour away from traditional investments such as physical gold toward more formal and digitised financial instruments. This includes paper gold products like Sovereign Gold Bonds (SGBs) and Gold ETFs, which are becoming more popular because they provide a safe and regulated way to invest in goldwithout the hassle of storing physical gold or worrying about its purity. This growing trend shows that more people are getting involved and feeling confident about using modern financial products[18]. **The *Economic Survey of India (2024–25).*** The report highlights the steady rise in retail investor participation across financial markets, showing a jump from 49 million investors in FY20 to 132 million by December 2024. Although most of the growth comes from equities, the report shows that more investors are getting used to digital platforms and trusted financial products than before. This shift has made paper gold options, such as Sovereign Gold Bonds and Gold ETFs, more visible and popular among retail investors. These instruments provide a convenient, tax-efficient, and government-backed means of gaining exposure to gold, making them an attractive option for investors seeking to balance liquidity and risk management [19]. **The *RBI Annual Report (2023–24).*** The report highlights a remarkable surge in retail subscriptions to Sovereign Gold Bonds (SGBs), signalling a significant shift toward paper gold investments. In FY24 alone, SGBs worth Rs. 27,031 crores —equivalent to 44.34 tonnes of gold—were issued, compared to Rs. 6,551 crores in FY23. This nearly fourfold increase reflects the growing retail investor interest in gold-backed instruments that eliminate the challenges of physical storage and security. The Reserve Bank of India attributes this sharp rise to several factors, including enhanced investor education, ease of online subscriptions, and the attractive capital gains tax exemption available after five years of holding SGBs [20]. **The *Financial Stability Report – December (2024)*** A report by the Reserve Bank of India, offers valuable insights into broader retail behaviour related to gold-linked assets. It notes a sharp rise in gold loan portfolios, with Non-Banking Financial Companies (NBFCs) holding a dominant 59.9% market share as of March 2024. Although this growth primarily pertains to physical gold loans, it underscores gold's enduring economic importance to Indian households. Importantly, the report also suggests that rising gold valuations and increased regulatory oversight are prompting risk-averse investors to shift toward more secure and regulated options, such as Sovereign Gold Bonds (SGBs) and Gold ETFs, thereby reinforcing the growing appeal of paper gold instruments [21]. **A government press release covered by Reuters in March (2025).** The the Ministry of Finance announced the discontinuation of the 5–7 and 12–15 year tenors under the Gold Monetisation Scheme, citing low investor interest. This decision reflects a broader shift in investor preferences, with retail participants increasingly opting for shorter-term or more flexible alternatives such as Sovereign Gold Bonds (SGBs) and Exchange-Traded Funds (ETFs). This trend underscores the growing preference for paper gold over traditional long-term lock-in products. This policy change aligns with the larger movement toward digitisation, enhanced flexibility, and greater financial inclusion, further accelerating the retail market's transition from physical gold to paper-based investment instruments [22].

Research Gap

Current studies lack a comprehensive view of retail investor behaviour toward paper gold, and the direct effects of inflation and uncertainty on paper gold choices remain unclear. Psychological biases and financial literacy are not linked to investors' core needs in existing work, and investment strategies such as value or momentum investing are rarely studied in this context. There is a notable gap in understanding these factors post-COVID, especially in emerging markets. This study finds that age and income positively impact how investments meet basic and security needs. Though moderate, these links are statistically significant, showing strategic behaviour among older, wealthier group Ad exposure strongly influences investment choices, shaping retail behaviour. Demographic and behavioural factors are key in building effective financial strategies. Paper gold emerges as a flexible option aligned with shifting investor preferences.

Result

The report summarises the test results concerning investment behaviour, focusing on the relationship between age, income, advertisement, and investment decisions.

Test 1: Pearson's Correlation Analysis between Age and Satisfaction of Basic Needs

Hypothesis

- **H_0:** There is no obvious association between age and the satisfaction of basic needs through investment
- **H_1:** There is an obvious association between age and satisfaction with basic needs through investment.

Age and satisfaction of basic needs.

Variable 1	Variable 2	Correlation Coefficient	p-value	Interpretation
Age	Satisfaction of Basic Needs	**r = 0.32** (positive)	**p = 0.05**	Weak positive correlation; statistically significant.

*Primary data.

Interpretation: A weak positive correlation was observed between age and satisfaction with basic needs. The p-value was less than 0.05, suggesting a statistically significant result. Older individuals tend to invest more in products that satisfy their basic needs. **H1 is accepted.**

Test 2: Pearson's Correlation Analysis between Income and Satisfaction with Security Needs.

- **H_0:** Higher income levels are negatively associated with greater satisfaction with security needs.
- **H_1:** Higher income levels are positively associated with greater satisfaction with security needs.

Income and satisfaction of security needs.

Variable 1	Variable 2	Correlation Coefficient	p-value	Interpretation
Income	Satisfaction of Security Needs	**r = 0.45** (moderate)	**p = 0.02**	Moderate positive correlation; statistically significant.

*Primary data.

Interpretation: The moderate positive correlation between income and satisfaction with security needs suggests that higher-income individuals are more likely to invest in products that provide long-term security, such as insurance or retirement plans. The p-value was less than 0.05; therefore, **H1 was accepted**.

Test 3: Chi-Square Test of Independence between Advertisement Influence (yes/no) and Investment Decision (Invested/Not Invested)

- **H_0:** Advertisements not negatively influence the choice of individual to invest
- **H_1:** Advertisements negatively influence the choice of individual to invest
- Influence of Advertisement on Investment Decision

Variable 1	Variable 2	Correlation Coefficient	p-value	Interpretation
Advertisements Influence	Investment Decision	χ^2 = 5.68	p = 0.03	Statistically significant relationship between advertisements and investment decisions.

*Primary data.

Interpretation: The Chi-Square test revealed a statistically significant relationship between the influence of advertisements and investment decisions ($p = 0.03$). Individuals influenced by advertisements are more likely to invest. **H1 is accepted**.

Conclusion

This study offers a comprehensive examination of the behavioural factors influencing retail investors' decisions, with a specific focus on paper-gold investments in India. The results indicate a statistically significant, albeit weak, positive correlation between age and the fulfilment of basic financial needs through investment, suggesting that older individuals tend to prioritise essential financial security. Additionally, a moderate positive correlation was found between income and the satisfaction of security needs, implying that higher-income investors are more likely to allocate funds toward long-term and stable financial instruments, such as insurance, retirement plans, and Sovereign Gold Bonds (SGBs).

The study also highlights the power of advertisements in shaping how people invest. Using Chi-Square analysis, a clear link between seeing ads and being more likely to invest was found, showing how much marketing and media influence financial decisions.

These findings highlight a significant change in India's retail investment scene. Investors are moving away from traditional physical gold and are turning to more flexible and regulated paper gold options. This shift is driven by growing digitisation, better financial knowledge, supportive policies, and ease of using digital platforms. The study also stresses the need for targeted investor education and smart policies to help people make informed, safe, and well-rounded investments in paper gold products, such as Sovereign Gold Bonds, ETFs, and digital gold.

Suggestion

Enhance Financial Literacy Programs

Boosting investor education on paper gold can lead to more informed and confident choices, and targeted financial literacy efforts by the public and private sectors are essential for this shift.

Promote Paper Gold through Targeted Campaigns

Given their strong influence, advertisements should highlight the benefits of SGBs, Gold ETFs, and digital gold, and focusing on digital platforms can effectively engage younger, tech-aware investors.

Simplify Access to Digital Investment Platforms

User-friendly, multilingual, and mobile-optimised platforms can greatly increase paper gold adoption, and improving accessibility is crucial for engaging retail investors in semi-urban and rural regions.

Tailor Investment Products to Demographic Profiles

Paper gold products should be tailored to investor profiles, such as age, income, and risk tolerance, as personalised offerings can better address the diverse needs of retail investors.

Strengthen Regulatory Framework and Investor Protection

Strict regulatory oversight, with clear disclosures and fraud prevention, is vital for investor trust, and ensuring transparency and grievance mechanisms protects retail investors in the paper gold market.

Scope for Further Study

Future research should examine how paper gold investing varies across different regions of India, considering local culture, economic conditions, and infrastructure. It would also be helpful to study how investor behaviour has changed over the long term, especially after the pandemic. Comparing paper gold to other popular investments, such as mutual funds, stocks, or real estate, could provide a clearer picture of its role in the overall market.

Limitation of the Study

The study focuses on a particular region, Tamil Nadu. It studies Paper Gold.

References

Adekoya, O. B., J. A. Oliyide, and H. Tahir. "What Do We Know about the Inflation-Hedging Property of Precious Metals in Africa? The Case of Leading Producers of the Commodities." *Resources Policy*, vol. 72, 2021, 102120.

Bhalla, V. K. *Investment Management: Security Analysis and Portfolio Management*. 14th ed., S. Chand Publishing, 2021.

Chandra, P. *Investment Analysis and Portfolio Management*. 6th ed., Tata McGraw Hill Education, 2023.

Dut Bol Ayuel Bill. "Analyzing the Effects of Market Stability on Security Sector Reforms and Economic Stability in South Sudan." *IOSR Journal of Economics and Finance*, vol. 16, ser. 1, Jan.–Feb. 2025, pp. 1–15.

Gupta, P., and N. Singh. "Motivational Factors behind Retail Investment in Paper Gold." *Asian Journal of Financial Studies*, vol. 10, no. 3, 2023, pp. 70–85.

Gupta, P., and N. Singh. "Retail Investor Behavior in Paper Gold: A Study on Motivation, Challenges, and Strategies." *Asian Economic and Financial Review*, vol. 15, no. 4, 2023, pp. 182–198.

Khan, M. Y. *Indian Financial System*. 11th ed., McGraw Hill Education, 2022.

Marisetty, Nagendra. "Analysing the Shifts in Bond Yields, Equity Returns, and Economic Indicators in India: Pre- and Post-COVID-19 Comparison." *IOSR Journal of Economics and Finance*, vol. 16, ser. 1, Jan.–Feb. 2025, pp. 16–35.

Ministry of Finance. Government of India. *Annual Report 2024–25,* Department of Economic Affairs. Government of India, 2025.

Ministry of Finance. Discontinuation of Medium and Long-Term Options under the Gold Monetisation Scheme, 2025, P. 3.

Ministry of Finance. Economic Survey of India 2023–24. *Government of India*, 2024.

Ministry of Finance. Economic Survey of India 2024–25. *Government of India*, 2025.

Patel, R., and K. Mehta. "Financial Literacy and Investment Decisions among Retail Investors." *Journal of Investment Education*, vol. 15, no. 1, 2023, pp. 33–48.

Patel, R., and K. Mehta. "The Role of Financial Literacy in Shaping the Investment Decisions of Retail Investors in Paper Gold." *Journal of Financial Planning,* vol. 12, no. 3, 2023, pp. 104–118.

Reddy, P., and A. Desai. "Psychological Factors Influencing Retail Investors' Behavior in Digital Gold." I*nternational Journal of Behavioral Finance*, vol. 8, no. 4, 2022, pp. 105–120.

Reddy, P., and A. Desai. "Understanding the Retail Investor's Perspective on Paper Gold and Its Impact on Market Dynamics." *International Journal of Finance and Economics*, vol. 49, no. 1, 2022, pp. 56–73.

Reserve Bank of India. Financial Stability Report – December 2024. 2025, p. 58.

Reserve Bank of India. Reserve Bank of India Annual Report 2023–24. Reserve Bank of India, 2024.

Sharma, S., and V. Kumar. "Investment Behavior of Retail Investors in Gold-Backed Financial Products: A Study of Paper Gold." *Journal of Wealth Management,* vol. 35, no. 2, 2023, pp. 221–237.

Sharma, S., and V. Kumar. "Retail Investors' Preference for Paper Gold: An Empirical Analysis." *Journal of Financial Markets,* vol. 12, no. 2, 2023, pp. 45–60.

Solomon, Michael, Rebekah Russell-Bennett, and Josephine Previte. Consumer Behaviour. *Pearson Higher Education AU*, 2012.

Verma, R., and S. Jha. "Trends in Retail Investment: An Analysis of Paper Gold Adoption in Emerging Markets." *Journal of Emerging Markets Finance,* vol. 17, no. 1, 2024, pp. 35–50.

Author Details

G. Rajasekar, *Assistant Professor, PG Department of Commerce, Lakshmi Bangaru Arts and Science College, Chengalpattu, Tamil Nadu, India*