



## A STUDY ON THE FACTORS DETERMINING YOUNG INVESTORS' CHOICE OF DIGITAL GOLD OVER PHYSICAL GOLD

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### Abstract:

Gold has traditionally been one of the most preferred investment options among Indian households due to its cultural significance, safety, and tangible value. However, with the rise of fintech platforms, digital gold has emerged as an alternative investment avenue, particularly among young investors. This study aims to examine the factors influencing young investors' preference for digital gold over physical gold and to analyze the relationship between demographic variables and investment choices. A structured questionnaire was administered to 100 young investors in Palakkad District, and data were analyzed using percentage analysis, chi-square test, and Friedman ranking test. The findings reveal that convenience, liquidity, and security are the main factors driving the preference for digital gold, while tangibility and cultural value remain important for physical gold. Demographic factors such as gender, age, and education were not significant, whereas annual income and investment experience significantly influenced investment choices. The study highlights the growing role of fintech in shaping investment behavior and provides insights for financial institutions and policymakers to promote informed investment decisions among young investors.

**Key Words:** Digital Gold, Physical Gold, Young Investors, Investment Preferences, Fintech Platforms, Investment Options, Etc.,

### Introduction:

Gold has long been regarded as one of the most reliable and preferred investment options among Indian households. Traditionally, physical gold in the form of jewelry, coins, and bars has dominated the investment landscape due to its cultural significance, perceived safety, and tangible nature. However, in recent years, the advent of financial technology (fintech) platforms has transformed the way individuals invest in gold. The emergence of digital gold an online form of investment where investors can buy, sell, and store gold electronically has gained remarkable popularity, particularly among young investors.

Digital gold offers several advantages such as convenience, affordability, transparency, and the ability to invest in small denominations through mobile applications and fintech platforms. These features align well with the preferences of the tech-savvy younger generation, who seek flexible and secure investment options that can be managed digitally. Furthermore, factors such as easy liquidity, real-time pricing, and integration with e-wallets and online payment systems have made digital gold a more attractive alternative to traditional physical gold.

The changing investment landscape reflects a growing shift in attitudes, where digital convenience often outweighs the emotional and cultural attachment associated with physical assets. Young investors today are more inclined towards digital platforms that provide instant access, flexibility, and the ability to monitor investments in real time. Despite these benefits, physical gold still holds sentimental and traditional value for many, symbolizing security and heritage. Therefore, the choice between digital and physical gold is influenced by multiple factors such as awareness, trust, perceived safety, technological comfort, and investment preferences.

### Evolution of Gold:

Period/Year	Stage of Evolution	Description
Ancient Period (Before 500 BC)	Ornamental and Cultural Use	Gold was used for making jewelry, idols, and artifacts in civilizations like Egypt, Mesopotamia, and the Indus Valley; symbolized wealth, divinity, and power.
Classical Period (500 BC - 1500 AD)	Medium of Exchange	Gold coins were introduced by kingdoms and empires (e.g., Roman Aureus, Indian Gupta coins) as a trusted currency for trade and commerce.
16th - 18th Century	Gold-backed Trade Expansion	Gold became central to global trade during the colonial and mercantile era; European powers accumulated gold reserves through exploration and trade.
19th Century (1821 onwards)	Gold Standard Era	The Gold Standard linked paper currency to gold reserves, providing international monetary stability and trust in national currencies.
20th Century (Post-World War I)	End of Gold Standard	Many countries moved away from gold-backed currencies; the U.S. officially ended the Gold Standard in 1971 under President Nixon.
Late 20th Century (1980s-1990s)	Investment and Reserve Asset	Gold became a popular investment option and a key reserve asset for central banks and investors during periods of inflation and economic crisis.
Early 21st Century (2000-2010)	Gold ETFs and Online Trading	The introduction of Gold Exchange-Traded Funds (ETFs) made it easier for investors to trade gold without physical ownership.
Recent Era (2010-Present)	Digital Gold and Fintech Integration	Fintech platforms enabled fractional and digital ownership of gold; investors can buy, sell, and store gold electronically using apps and online payment systems.

Future Outlook	Blockchain and Tokenized Gold	Emerging technologies aim to make gold investment more transparent, secure, and globally accessible through blockchain-based digital tokens.
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**Review of Literature:**

Recent studies have highlighted the growing influence of fintech innovations on investment behavior, particularly among young investors choosing digital gold. Sharma and Mehta (2024) examined how mobile-based fintech platforms have simplified gold investment through features like real-time pricing, micro-investments, and easy liquidity. Their findings revealed that convenience and technological accessibility were the primary drivers influencing youth to prefer digital gold over traditional forms. Similarly, Kapoor (2023) analyzed consumer trust and security perceptions in digital gold transactions and found that transparent operations and regulatory assurances significantly enhanced investor confidence.

Reddy and Thomas (2023) explored the behavioral factors shaping investment choices in digital assets, noting that younger investors are more open to technology-driven investments due to higher digital literacy and risk tolerance. Singh (2022) investigated the shift from physical to digital gold and observed that awareness campaigns by fintech platforms and integration with payment apps encouraged small-scale investors to participate in gold investment. The study also found that ease of transactions and the absence of storage concerns made digital gold a preferred choice among millennials.

According to Banerjee (2021), digital gold acts as a bridge between traditional investment habits and modern financial technology. The study emphasized that young investors' preference for digital gold is influenced not only by convenience but also by the opportunity for diversification and instant redemption. Patel (2020) highlighted that emotional attachment and cultural beliefs continue to motivate older generations to invest in physical gold, whereas young investors prioritize digital convenience, transparency, and flexibility. Earlier research by Krishnan (2019) pointed out that awareness and education play a crucial role in the adoption of new financial products such as digital gold. The study concluded that the transition from physical to digital investment forms depends heavily on financial literacy, trust in fintech platforms, and perceived technological safety.

**Significance of the Study:**

The study is significant as it provides insights into the changing investment preferences of young investors, highlighting the factors that drive their choice of digital gold over physical gold. Understanding these factors can help fintech companies design better products, enhance user trust, and promote wider adoption of digital investment platforms. Additionally, the findings can guide financial advisors and policymakers in creating awareness, improving financial literacy, and supporting the shift toward more convenient and technology-driven investment options among the younger generation.

**Statement of the Problem:**

Gold has traditionally been one of the most preferred investment options in India due to its cultural significance, safety, and long-term value. However, the rapid growth of fintech platforms has introduced digital gold as a convenient and accessible alternative, particularly appealing to young, tech-savvy investors. Despite its increasing popularity, there is limited understanding of the factors that drive young investors to choose digital gold over physical gold. Questions regarding trust, security, ease of use, technological awareness, and perceived benefits continue to influence investment decisions. This study seeks to address this gap by examining the determinants behind young investors' preference for digital gold, providing insights into how fintech innovations are reshaping traditional investment patterns and influencing modern financial behavior.

**Objectives of the Study:**

- To identify the factors influencing young investors' preference for digital gold over physical gold.
- To analyze the relationship between demographic variables and the choice of investment in digital and physical gold among young investors.

**Limitations of the Study:**

- The study is limited to Palakkad District, so the findings may not be generalized to other regions.
- The sample size of 100 respondents is relatively small, which may limit the statistical strength of conclusions.
- The study relies on self-reported responses through questionnaires, which may be subject to bias or inaccuracies.

**Research Methodology:**

**Area of the Study:** The study was conducted in Palakkad District, focusing on young investors' preferences for digital gold and physical gold.

**Nature and Source of Data:** The study is based on primary and secondary data. Primary data were collected using a structured questionnaire administered to young investors in the selected area. Secondary data were gathered from journals, magazines, textbooks, and online resources related to investment behavior and gold preferences.

**Sampling Method:** A total of 100 young investors were selected using the purposive sampling method to ensure representation of investors actively participating in gold investment.

**Statistical Tools Used:**

- Simple percentage analysis to understand the demographic profile of respondents.
- Cross tabulation to examine the relationship between demographic variables and investment preferences.
- Chi-square test to determine the significance of associations between demographic factors and preference for digital or physical gold.
- Friedman ranking test to identify and rank the factors influencing preference for digital gold and physical gold.

**Analysis and Interpretation:**

Table 1: Demographic Profile of Respondents (n=100)

Factors	No. of Respondents	Percentage (%)
<b>Gender</b>		
Male	35	35
Female	65	65
<b>Age (Years)</b>		

Up to 25	35	35
26 to 35	45	45
Above 35	20	20
<b>Educational Qualification</b>		
Up to HSC	20	20
Graduate	50	50
Postgraduate & Above	30	30
<b>Annual Income</b>		
Up to Rs. 2,50,000	40	40
Above Rs. 2,50,000	60	60
<b>Investment Experience</b>		
Less than 1 year	30	30
1-5 years	50	50
Above 5 years	20	20

Table 1 presents the demographic profile of the investors in the study. Among the 100 investors surveyed, 65% are female and 35% are male, indicating that a larger proportion of investors are women. In terms of age, 35% of investors are up to 25 years old, 45% are between 26 and 35 years, and 20% are above 35 years. This shows that the majority of investors are young adults, particularly in the 26-35 age group, representing tech-savvy individuals who are likely to adopt digital investment options. Regarding educational qualification, 50% of investors are graduates, 30% hold postgraduate degrees, and 20% have education up to HSC. This suggests that most investors are well-educated, which may influence their investment choices and willingness to explore modern investment platforms like digital gold. In terms of annual income, 60% of investors earn above Rs. 2,50,000, while 40% earn up to Rs. 2,50,000, indicating that higher-income investors are more active in gold investments.

In terms of investment experience, 50% of investors have 1-5 years of experience, 30% have less than 1 year, and 20% have more than 5 years. This implies that the majority of investors are moderately experienced and likely to make informed decisions, including adopting fintech solutions for gold investment.

Table 2: Comparative Friedman Ranking Table - Digital Gold vs Physical Gold

Factors	Mean Rank (Digital Gold)	Rank (Digital Gold)	Mean Rank (Physical Gold)	Rank (Physical Gold)
Convenience and Accessibility / Tangibility & Ownership	6.85	1	7.05	1
Liquidity and Ease of Transaction / Cultural & Emotional Value	6.12	2	6.48	2
Safety and Security / Safety from Digital Risks	5.90	3	6.10	3
Real-Time Pricing and Transparency / Investment for Long-Term	5.45	4	5.65	4
Affordability and Small Investment Options / Liquidity through Jewelers/Buyback	4.98	5	5.12	5
Integration with Digital Payment Systems / Inflation Hedge	4.56	6	4.78	6
Minimal Storage and Maintenance Hassle / Affordability and Small Purchase Options	4.32	7	4.20	7
Flexibility and Diversification / Storage and Maintenance Hassle	3.82	8	3.62	

The comparative Friedman ranking table shows the factors influencing young investors' preference for digital gold versus physical gold along with their mean ranks. For digital gold, the highest-ranked factor is convenience and accessibility with a mean rank of 6.85, followed by liquidity and ease of transaction (6.12) and safety and security (5.90). This indicates that young investors prioritize ease of use, quick transactions, and secure digital storage when choosing digital gold. For physical gold, the top factor is tangibility and ownership with a mean rank of 7.05, followed by cultural and emotional value (6.48) and safety from digital risks (6.10), showing that investors value physical possession, emotional connection, and security when investing in traditional gold.

Factors such as integration with digital payment systems/inflation hedge (mean ranks 4.56 for digital gold and 4.78 for physical gold), minimal storage and maintenance hassle/affordability and small purchase options (4.32 and 4.20), and flexibility and diversification/storage and maintenance hassle (3.82 and 3.62) are ranked lowest for both types of gold, indicating that practical and secondary considerations are less influential. Overall, the table highlights that digital gold is chosen for convenience, liquidity, and security, whereas physical gold is preferred for tangibility, emotional value, and safety from digital risks.

Table 3: Demographic Variables and Choice of Investment in Digital Vs Physical Gold among Young Investors

Variable	Category	Prefer Digital Gold (n)	Prefer Physical Gold (n)	$\chi^2$ Value	Table Value (5%)	Remarks
Gender	Male	25	10	0.052	3.841	Not Significant
	Female	45	20			
Age (years)	Up to 25	20	15	3.871	5.991	Not Significant
	26-35	35	10			
	Above 35	15	5			

Education	Up to HSC	10	10	5.842	5.991	Not Significant
	Graduate	35	15			
	Postgraduate & Above	25	5			
Annual Income	Up to Rs. 2,50,000	20	20	7.714	3.841	Significant
	Above Rs. 2,50,000	50	10			
Investment Experience	Less than 1 year	10	20	14.333	5.991	Significant
	1-5 years	40	10			
	Above 5 years	15	5			

The chi-square analysis of investors' preference for digital gold versus physical gold indicates that gender, age, and educational qualification do not have a significant influence on the choice of investment. The calculated chi-square values for these variables are less than the table values at 5% significance, suggesting that investors across different genders, age groups, and educational backgrounds show similar tendencies in their preference. However, annual income and investment experience show a significant association with preference, as their chi-square values exceed the table values. Higher-income investors and those with more investment experience are more likely to prefer digital gold over physical gold. Overall, the findings suggest that financial capacity and familiarity with investment practices are the main factors driving the adoption of digital gold among investors.

#### **Suggestions for the Study:**

Young investors show a clear preference for digital gold due to its convenience, liquidity, and secure storage, while physical gold is valued for tangibility and cultural significance. To encourage wider adoption of digital gold, fintech platforms should focus on enhancing user experience, offering easy-to-understand guidance for first-time investors, and providing educational content about digital gold investment. Financial institutions and investment advisors can organize workshops or webinars to improve awareness and trust among investors, particularly highlighting the benefits of small investment options and real-time transactions. Additionally, integrating digital gold platforms with widely used payment systems and ensuring strong security measures will further attract investors. For physical gold, marketers should emphasize the long-term value, emotional significance, and safe storage options to maintain investor interest.

#### **Conclusion:**

The study concludes that young investors in the sample show a strong inclination toward digital gold over physical gold, primarily driven by factors such as convenience, liquidity, and secure digital storage. While demographic variables like gender, age, and education do not significantly influence investment preference, annual income and investment experience play a crucial role in shaping choices. Physical gold remains valued for its tangibility, cultural significance, and perceived long-term security, but digital gold appeals more to tech-savvy investors seeking flexibility and ease of transactions. The findings highlight the growing importance of fintech platforms in transforming traditional investment behavior and suggest that financial literacy, user-friendly digital platforms, and secure investment options are key to encouraging wider adoption of digital gold among young investors.

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