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Gold in the modern portfolio: Theoretical dimensions and empirical evidence from women investors

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Abstract

Gold has historically been valued as both a hedge against inflation and a safe haven asset during financial crises, while also holding enduring cultural significance, particularly in India. Traditionally dominated by jewellery and coins, the landscape of gold investment has expanded to include modern financial instruments such as digital gold, mutual funds, exchange-traded funds (ETFs), sovereign gold bonds (SGBs), and futures. This paper provides a theoretical overview of various forms of gold investment, examining their features, benefits, risks, and regulatory aspects. To support this theoretical framework, empirical evidence was collected from 100 women investors in Pollachi Taluk through a structured questionnaire using convenience sampling. Descriptive analysis revealed that jewellery (93%) and coins (84%) remain the most preferred forms, while awareness and adoption of modern investment avenues such as ETFs (7%), mutual funds (7%), and SGBs (11%) are still limited. The findings also indicate low awareness of regulatory standards like BIS hallmarking (43%) and HUID codes (44%). The study suggests that targeted financial literacy initiatives and awareness campaigns are essential to promote diversified gold investments and strengthen investor confidence. By integrating theoretical insights with empirical evidence, this research contributes to understanding gold's evolving role as both a traditional and modern investment avenue.

Keywords: Gold investment, physical gold, non-physical gold, awareness, women investors, financial literacy

1. Introduction

Gold has historically served as a reliable asset during times of economic uncertainty, offering stability when financial markets are volatile. It is commonly utilized as a hedge against inflation and is considered a protective investment during periods of market distress (Baur & McDermott, 2010; Daskalaki & Skiadopoulos, 2011; Batten *et al.*, 2013) ^[10, 11, 12]. Elsewhere its ability to counter inflationary pressures, gold also serves as a shield against fluctuations in the US dollar's value (Capie *et al.*, 2005; Reboredo, 2013) ^[13, 15]. The global financial crisis further reinforced this perception, as gold emerged as a reliable refuge against stock market shocks in several major economies, though its safe-haven role has been shown to fluctuate across regions (Baur & McDermott, 2010; Baur & Lucey, 2010) ^[10, 17].

In addition to its financial utility, gold carries deep cultural and social significance. For centuries, gold has been revered as a symbol of wealth and status, firmly embedded in investment traditions worldwide, especially in India where gold is cherished both as ornament and as a sensible asset. While jewellery has historically dominated ownership, the modern financial landscape offers diverse investment avenues, ranging from physical forms such as Coins, Jewellery and Bars/Biscuits (Bullion) to non-physical forms like Digital gold, Gold mutual funds, Gold exchange-traded funds (ETFs), Sovereign gold bonds, Gold Funds of Funds (FoFs) and Gold Future and Options. Each of these alternatives carries unique advantages and limitations shaped by factors like liquidity, risk, taxation, and convenience.

Compared to this backdrop, the present study examines the various forms of gold investment in a theoretical framework while also drawing on empirical evidence collected from primary data to assess awareness, preferences, and investment behaviour. By combining both perspectives, the study seeks to provide a holistic understanding of gold as a traditional and evolving investment avenue.

2. Review of Literature

Gold has long been recognized as more than just a precious metal; it has consistently played a unique role in financial markets, particularly as a hedge and a safe-haven asset. Madani and Ftitit (2019) ^[3] advanced this understanding by introducing a new measure that distinguishes between these two roles. Their findings reveal that gold exhibits negative and significant dependence with USD exchange rates, both on average and in extreme market conditions, underscoring its effectiveness during periods of turbulence. Similarly, Leung and Ward (2015) ^[2] assessed the performance of leveraged gold ETFs, noting that while short-term gold futures are effective in replicating spot prices, leveraged ETFs tend to underperform in the long run, raising questions about their suitability for sustained investment strategies. Adding to the complexity of gold price behavior, Mali and Mukhopadhyay (2015) ^[4] demonstrated through multifractal detrended fluctuation analysis that gold price movements follow multifractal patterns, reflecting their long-range dependencies and inherent volatility.

During times of crisis, gold's role becomes particularly pronounced. For instance, Astari (2020) ^[1], in a case study on millennial financial management during the COVID-19 pandemic, found that millennials were strongly inclined toward gold investment, viewing it as a safe, accessible, and rewarding avenue amidst economic uncertainty. Earlier studies have also highlighted the broader benefits of precious metals in portfolio management. Jaffe (1989) ^[18], Chua *et al.* (1990) ^[19], and Draper *et al.* (2006) ^[20] emphasized the diversification advantages of including metals in stock and bond portfolios, while Erb and Harvey (2006) ^[21] and Gorton and Rouwenhorst (2006) ^[22] pointed to their hedging ability against inflation. Despite this rich body of literature, the explicit examination of gold as both a hedge and a safe haven remains limited, with seminal contributions by Baur and McDermott (2010) ^[10] and Baur and Lucey (2010) ^[17] being among the few that directly test these roles in relation to stock and bond markets.

In the Indian context, gold holds a particularly special position as both a cultural and financial asset. Singh and Dogra (2017) ^[7] found that middle-class investors perceive gold as a safer investment than stocks and bonds, largely due to its stability and relatively lower volatility. Kowtal (2013) ^[5] further highlighted that demographic characteristics such as age, gender, marital status, occupation, and income level significantly influence gold investment decisions, showing how personal factors shape financial behavior. Complementing these insights, Panda and Sethi (2016) ^[6] observed a remarkable surge of over 40% in physical gold demand between 2004 and 2013, reflecting its enduring appeal as an investment avenue. Vanitha and Saravanakumar (2017) ^[8] compared gold with traditional options like fixed deposits, provident funds, and stock markets, emphasizing its superior liquidity and ease of conversion into cash. Yet, while the government's Sovereign Gold Bonds (SGBs) offer attractive returns and tax benefits, Singh and Dogra (2017) ^[7] noted their limited uptake, attributing it to low awareness and understanding among potential investors.

3. Objectives of the Study

1. To provide a theoretical understanding of various forms of gold investment, highlighting their features, benefits, risks, and regulatory aspects.

2. To empirically analyze the awareness on standards colours and forms of gold, preferences, and investment practices of women towards different forms of gold investment based on primary survey data.

4. Methodology

The study follows a descriptive research design with both theoretical and empirical components. Theoretical details on various forms of gold investment were gathered from secondary sources such as journals, reports, and authenticated websites. To complement this, primary data were collected from 100 women respondents in Pollachi Taluk using a structured questionnaire adopted by convenience sampling method. The collected data were analyzed using tools like simple percentage analysis to understand awareness levels on standards, colours and various forms of gold investment, preferences, and patterns of gold investment.

5. Various Forms of Gold Investment

Gold investments are broadly classified into two categories: physical gold investment and non-physical gold investment. The physical gold investment is buying gold as coin, jewellery/ornaments and bar/biscuits. The non-physical gold investment is buying gold as digital form and paper form such as digital gold, gold mutual fund, gold exchange-traded fund, sovereign gold bond, gold funds of funds and gold future and options, etc. A detailed overview of each category is provided below.

5.1 Physical Gold (Coin, Bar/Biscuits/Jewellery):

Physical gold like coins, or bars / biscuits (bullion), jewellery or ornaments offers the comfort of tangible ownership. However, investors face a steep price. Jewellery incurs significant wastage charges, making charges and GST, while coins and bars still attract around 2–3% GST and possible making charges, there is no wastage charges. Storage and safety are major concerns, making it less liquid than other options. Tax treatment depends on the holding period, holdings under 36 months are considered short-term and taxed at the investor's income tax slab, while those beyond this threshold are treated as long-term capital assets and taxed at 20% (plus cess) with indexation.

5.2 Digital Gold: Digital gold allows investors to buy gold in small increments through apps, with the physical gold securely stored in vaults. It scores high on convenience and liquidity available 24/7 with minimal investment thresholds. Costs include 3% GST, potential spread, and making charges when converting to physical gold. Tax treatment mirrors that of physical gold: holdings sold within two to three years get slab-rate short-term tax, while long-term gains (beyond holding period) are taxed either at 20% with indexation or 12.5% without depending on applicable rules. However, the sector remains lightly regulated, posing transparency and counterparty risks.

5.3 Gold Mutual Funds: These funds primarily invest in gold ETFs and related instruments, offering high liquidity and accessible through popular SIP platforms (The Times of India, Sep 2025). An SIP is meant by Systematic Investment Plan. The systematic investment plan platform is a digital tool or application that facilitates regular, automated investments into mutual funds. These platforms enable

investors to set up recurring contributions typically monthly or quarterly into their chosen mutual fund schemes. This approach promotes disciplined investing and allows individuals to start investing with smaller amounts, making it accessible even for those with modest savings. They come with higher expense ratios due to active management. Taxation follows similar rules to gold ETFs, depending on date of investment and duration subject to slab or long-term flat rates accordingly.

5.4 Gold Exchange Traded Funds (ETFs): Gold ETFs trade on stock exchanges and offer high liquidity and ease of access via demat accounts, with no need for storage. Their cost includes a modest expense ratio (often under 1%), plus brokerage. Taxation rules vary by acquisition date: units bought prior to April 1, 2023, are taxed as per holding period short-term if sold within 36 months, else long-term at 20% with indexation (The Economic Times, 2024). Those acquired afterward face changing thresholds: under recent rules, long-term gains are taxed at 12.5% without indexation for holdings beyond 12 months, with short-term gains taxed as per slab rate. This evolving treatment makes tax planning for ETFs more complex.

5.5 Sovereign Gold Bonds (SGBs): Sovereign Gold Bonds are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price and the bonds will be redeemed on maturity. The Bond is issued by Reserve Bank on behalf of Government of India. These bonds have an eight-year term, but investors can exit after five years through designated windows; they are also tradable on stock exchanges via demat accounts. Interest earned is taxable as “other income” at the investor’s slab rate, but if held to maturity, the capital gains are exempt from tax.

5.6 Gold Funds of Funds (FoFs): A Gold Funds of Funds (FoFs) is a mutual fund that invests primarily in gold-linked mutual funds or Gold ETFs, rather than directly in gold assets. These offer an indirect, diversified route to gain exposure to gold and serve as a convenient option for investors who may not have a demat account or want the flexibility of SIPs (Systematic Investment Plans).

5.7 Gold Future and Options: Investing in gold mining equities or trading gold futures and options offers high return potential but at the cost of higher risk and complexity. These instruments are highly volatile and better suited for sophisticated investors. Tax implications follow equity or derivative rules, with applicable short- and long-term capital gains rates based on holding period.

Overall, the advent of technology and financial digitization, platforms offering digital gold, mobile trading apps, and online investment portals have significantly increased accessibility, transparency, and ease of investing in gold. These platforms have especially influenced the younger demographic and small-ticket investors, altering traditional investment behaviour that was once limited to physical gold. Simultaneously, government initiatives such as the Sovereign Gold Bond (SGB) Scheme, Gold Monetization Scheme (GMS), and Electronic Gold Receipts (EGRs) have aimed to formalize gold investments, reduce physical demand, and curb gold imports. In India, traditional forms like jewellery, bullion and coins have dominated, but modern alternatives such as digital gold, ETFs, and sovereign gold bonds are gaining traction. Each investment firm offers unique benefits and considerations. Understanding these options is crucial for investors aiming to make informed decisions. This analysis delves into the various gold investment avenues, comparing their features, advantages, and suitability for different investor profiles.

Table 1: Comparative Analysis of Various Forms of Gold Investment

Forms of Investment	Liquidity	Return Potential	Risk factors	Regulation	Storage / Convenience	Taxation & Costs
Physical gold (Coin, Bullion (Bar & Biscuits, Jewellery)	Moderate	Commodity-linked	Theft, Purity, high wastage charges	Low	High Storage Burden	GST & Making charges, Wastage charges, LTCG taxed (20%)
Digital gold	Very High	Commodity linked	Regulatory risk, spreads. (No regulatory body)	Low	Very convenient	Spreads, GST
Gold Mutual Funds	High	ETF + Fund management	Fund risk, Expense ratio	SEBI	Easy via platforms	Higher expense, taxation varies
ETFs	High	Market linked	Volatility, tracking error	SEBI	Demat required	Expense ratio: taxed as debt funds
SGBs	Moderate	Price + 2.5% interest Per annum	Liquidity before 5 years limited	High (Govt)	None	Tax free if held till maturity
Gold Funds of Funds (FoFs)	High	ETF linked	Fund manager risk, dual layer fees	SEBI (mutual fund)	No demat account needed, Systematic Investment Plan (SIP) friendly	Short-term (<24 months): slab rate; Long-term (≥24 months): 12.5% LTCG (without indexation). Typical expense ratio ~0.2–0.8%
Gold Future & Options	High	High potential. Some taxed like equities (LTCG 10%=: Dividends Possible	High volatility, complex	Stock exchanges	Demat / broker needed	Via brokers

Source: Authors compilation from various sources.

6. Empirical Examination of Gold Investment Awareness and Practices

6.1 Socio-Economic Profile of Sample Respondents

The socio-economic profile of respondents provided in Table 2, gives a valuable insight into the background of gold investors. A majority of them fall within the 31–40 age group (31%) and 41–50 age group (28%), reflecting that middle-aged individuals dominate gold investment

decisions. Most respondents are married (91%), which may explain the higher inclination toward gold, given its cultural and family significance in India. In terms of residence, rural investors (43%) constitute the largest share, followed by semi-urban (30%) and urban (27%) respondents, suggesting that gold remains equally important across diverse living environments.

Table 2: Socio-Economic Profile of Sample Respondents (N = 100)

Variables	Frequency (N=100 Respondents)	Percentage 100%
Age (Years)		
30 and below 30	20	20%
31 to 40	31	31%
41 to 50	28	28%
51 to 60	15	15%
Above 60	6	6%
Marital status		
Married	91	91%
Unmarried	9	9%
Area of residence		
Rural	43	43%
Urban	27	27%
Semi-Urban	30	30%
Educational qualification		
No Formal Education	15	15%
Up to SSLC	19	19%
HSC	9	9%
Diploma	3	3%
Undergraduate	16	16%
Postgraduate	25	25%
Professional	8	8%
Others	5	5%
Occupation		
Government Employee	7	7%
Private Employee	29	29%
Self-Employed	17	17%
Professional	3	3%
Agriculturists	4	4%
Daily wages Worker	11	11%
Housewife	23	23%
Retired	1	1%
Others	5	5%
Nature of family		
Joint	36	36%
Nuclear	64	64%
No. of earning members		
1 to 2	78	78%
3 to 4	20	20%
Above 4	2	2%
No. of non-earning members		
0 to 2	81	81%
3 to 4	14	14%
Above 4	5	5%
Family income per month (₹)		
Below to 30000	35	35%
30001 to 50000	25	25%
50001 to 70000	16	16%
Above 70000	24	24%
Period of experience in gold investment		
Below 5 years	31	31%
5 to 10 years	26	26%
Above 10 years	43	43%

Source: Primary Data

6.2 Awareness on Gold Standard and Colours

The combined results reveal interesting patterns in awareness about gold among respondents. In terms of standards of gold, the highest awareness is seen for 22 Carat (85%) and 24 Carat (71%), which are the most commonly purchased forms in the Indian market. On the other hand, awareness is much lower for 14 Carat (34%) and 18 Carat (48%), possibly due to their limited popularity in jewellery. Similarly, awareness of regulatory and quality standards such as the HUID Code (44%) and BIS Hallmark (43%) is also relatively low, indicating a need for better dissemination of information on hallmarking practices to ensure consumer protection.

Table 3: Awareness on Gold Standard and Colours

Category	Aware	Not Aware	Total
Awareness on Standards of Gold			
14 Carat	34	66	100
18 Carat	48	52	100
22 Carat	85	15	100
24 Carat	71	29	100
HUID Code	44	56	100
BIS Hallmark App	43	57	100
Awareness on Colours of Gold			
Yellow Gold	100	0	100
White Gold	35	65	100
Rose Gold	60	40	100
Black Gold	54	46	100

Source: Primary Data

Regarding colours of gold, respondents showed complete awareness of yellow gold (100%), which remains the traditional and dominant choice. Awareness of rose gold (60%) and black gold (54%) suggests growing recognition of alternative varieties, likely influenced by modern jewellery trends. However, awareness of white gold (35%) is relatively low, reflecting its niche positioning in the market. Overall, the findings suggest that while consumers are highly aware of conventional standards and traditional yellow gold, there remains a significant gap in awareness about hallmarking practices and newer colour variants, highlighting the importance of consumer education initiatives in this sector.

6.3 Forms of Gold Investments

The results indicated in Table 4 below shows that traditional forms of gold investment dominate among respondents, with jewellery (93%) being the most preferred form, followed closely by coins (84%). This reflects the cultural and practical significance of jewellery and coins in Indian households, where gold serves both ornamental and investment purposes. In contrast, investments in bars/biscuits (7%) are minimal, likely due to their high cost and limited accessibility for middle-class investors. Among modern financial instruments, digital gold (20%) has gained some traction, suggesting increasing acceptance of technology-driven investment avenues. However, participation in structured financial products such as Gold Mutual Funds (7%), Gold ETFs (7%), Sovereign Gold Bonds (11%), Gold Funds of Funds (5%), and especially Gold Futures and Options (2%), remains very limited. This low uptake may be attributed to lack of awareness, perceived complexity, and lower trust compared to physical gold.

Table 4: Forms of Gold Investments made by Respondents

Forms of Gold Investments	Yes (%)	No (%)	Total
Coin	84 (84%)	16 (16%)	100
Bar/ Biscuits	7 (7%)	93 (93%)	100
Jewellery	93 (93%)	7 (7%)	100
Digital Gold	20 (20%)	80 (80%)	100
Gold Mutual Fund	7 (7%)	93 (93%)	100
Gold ETF (Exchange Traded Fund)	7 (7%)	93 (93%)	100
Sovereign Gold Bond Scheme (SGBs)	11 (11%)	89 (89%)	100
Gold Funds of Funds (FoFs)	5 (5%)	95 (95%)	100
Gold Future and Options	2 (2%)	98 (98%)	100

Source: Primary Data

Overall, the findings highlight a strong preference for tangible forms of gold, while adoption of financial gold instruments remains at a nascent stage, pointing to the need for greater investor education and awareness initiatives to promote diversified gold investment options

7. Conclusion

Gold continues to hold a unique and enduring position in both financial markets and cultural traditions, functioning not only as a hedge against inflation and a safe haven during crises but also as a trusted form of household savings, particularly in India. The present study highlighted the dual nature of gold investment, its theoretical significance across different forms and its practical relevance through the empirical evidence collected from women investors in Pollachi Taluk. The analysis revealed that while awareness and preference remain overwhelmingly skewed towards traditional forms such as jewellery and coins, awareness of regulatory standards like BIS hallmarking and newer financial instruments such as digital gold, ETFs, and sovereign gold bonds remains limited. This indicates that although modern avenues offer benefits like higher liquidity, diversification, and tax advantages, their adoption is still at a nascent stage due to gaps in financial literacy, accessibility, and trust.

To bridge this gap, it is suggested that targeted financial literacy programs be initiated, particularly aimed at women, to improve their understanding of hallmarking, regulatory protections, and the advantages of financial gold products. Government campaigns and financial institutions should simplify access to digital and bond-based investments through user-friendly platforms and transparent communication. Furthermore, awareness drives on schemes like Sovereign Gold Bonds could encourage a gradual shift away from purely physical holdings, thereby aligning household investment behaviour with broader national objectives of reducing gold imports. Overall, the study reaffirms gold's timeless relevance while emphasizing the need for awareness-building initiatives that enable investors to make more diversified and informed investment choices.

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