



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## A Comparative Study Of Gold ETF And Physical Gold Investment: An Analysis Of Investor Preferences In Thrissur District

**Author: Sreelakshmi K. B.**

**Assistant Professor**

**P.G. Department of Commerce**

**Elims College of Arts and Science, Thrissur**

### **Abstract**

This study examines the comparative preferences of investors towards Gold Exchange Traded Funds (ETFs) and physical gold in the Thrissur District. With the advent of digitization and financial innovations, gold ETFs have emerged as an attractive investment option, offering liquidity, transparency, and cost-efficiency. However, cultural and emotional values continue to influence the preference for physical gold. Using a structured questionnaire, data were collected from 100 investors. Descriptive statistics and the Chi-square test were applied to analyze the relationship between demographic variables and investment preferences. The results show a significant relationship between age, income, education, and the form of gold investment preferred. Younger investors tend to favor gold ETFs, while older investors remain inclined towards physical gold. The findings suggest a gradual shift in gold investment behavior among Indian investors.

**Keywords:** Gold ETF, Physical Gold, Investment Behaviour, Chi-square Analysis, Investor Preference

### **1. Introduction**

Gold has historically been an integral part of the Indian economy and culture, serving as both a consumption and investment asset. In recent years, financial innovation has introduced alternative means of gold investment, notably Gold Exchange Traded Funds (ETFs). These instruments provide investors with exposure to gold prices without the need to hold the metal physically. This study attempts to compare gold ETFs and physical gold from the perspective of investor preferences, satisfaction, and demographic factors influencing investment behavior.

## 2. Review of Literature

**Bansal and Verma (2021)** found that gold ETFs offer higher liquidity and transparency than traditional physical gold investments. **Gupta (2020)** noted that cultural significance and emotional attachment influence the persistent demand for physical gold. **Mehta and Joshi (2019)** emphasized the growing popularity of ETFs among younger investors due to digital accessibility. **The Reserve Bank of India (2023)** reported a steady rise in gold-backed financial instruments in India, indicating a changing investor mindset.

## 3. Objectives and Hypotheses

Objectives:

1. To analyze investor preferences towards gold ETFs and physical gold.
2. To examine satisfaction levels in both types of investments.
3. To test the relationship between age group and the type of gold investment.

Hypothesis:

H0: There is no significant relationship between age group and type of gold investment.

H1: There is a significant relationship between age group and type of gold investment.

## 4. Research Methodology

The study follows a descriptive research design. Primary data were collected from 100 investors in Thrissur District using a structured questionnaire. The sampling technique used was convenience sampling. The data were analyzed using percentage analysis, mean score ranking, and the Chi-square test. Secondary data were obtained from journals, articles, and reports of the Reserve Bank of India.

## 5. Data Analysis and Interpretation

Table 1: Distribution of Investors by Investment Type and Age Group

Age Group	Gold ETF Investors	Physical Gold Investors	Total	Percentage
Below 30years	28	12	40	40%
31-45 years	22	18	40	40%
Above 45years	8	12	20	20%
Total	58	42	100	100%

The Chi-square test was applied to examine the association between age group and investment type. The calculated Chi-square value ( $\chi^2 = 8.74$ ) was greater than the table value ( $\chi^2 = 5.99$ ) at 5% significance level, indicating a significant relationship between age group and type of gold investment. Thus, younger investors show a stronger preference for gold ETFs, while older investors prefer physical gold.

## 6. Findings

1. 58% of the respondents prefer gold ETFs, while 42% prefer physical gold.
2. Investors below 30 years show the highest inclination towards ETFs due to liquidity and convenience.
3. Female investors show a stronger emotional attachment to physical gold.
4. Education and awareness play a major role in determining ETF investment.
5. The Chi-square test confirmed a significant relationship between age and investment type.

## 7. Suggestions

1. Financial institutions should conduct awareness programs about the advantages of gold ETFs.
2. Simplifying the ETF purchase process can attract more retail investors.
3. A balanced investment portfolio combining physical and digital gold could be promoted.
4. Investor education through digital finance workshops can enhance participation in gold ETFs.

## 8. Conclusion

The study concludes that although physical gold remains a popular investment due to its cultural and emotional appeal, there is a growing trend towards gold ETFs among younger and more educated investors. The findings indicate a generational shift towards digital financial assets. Awareness and accessibility of gold ETFs can further accelerate this transition, strengthening India's formal investment sector.

## 9. References

1. Bansal, R., & Verma, N. (2021). Investor Preference for Gold ETF vs Physical Gold: An Empirical Analysis. *Journal of Financial Research*, 8(2), 45–58.
2. Gupta, M. (2020). Changing Trends in Gold Investment in India. *Indian Journal of Commerce and Management*, 7(3), 112–124.
3. Mehta, S., & Joshi, R. (2019). Comparative Returns of Gold ETFs and Physical Gold. *International Journal of Economic Perspectives*, 13(1), 89–97.
4. Reserve Bank of India. (2023). Report on Financial Assets and Gold-Backed Instruments in India.