



# Preference of Individual Investors in Gujarat towards Gold Beans-An Empirical Study

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## Abstract

This study explores investor preferences for gold beans as an investment instrument, focusing on factors that influence choice, perception of risk and returns, and demographic differences. Using a structured questionnaire completed by 350 investors in Gujarat, India, the study employs descriptive statistics, factor analysis, and regression models. Results indicate that safety, liquidity, and cultural affinity are significant predictors of preference, while age and income influence investment intensity. The findings offer insights for financial advisors, policy makers, and precious-metal markets.

**Keywords:** Gold Beans, Investor Preference, Investment Behavior, Risk Perception, Gujarat, India

## 1. Introduction

Gold has long held a central place in investment portfolios globally. In practical terms, gold beans may exist in physical or dematerialized form, often linked to market-based pricing mechanisms that track prevailing gold prices. They are designed to overcome limitations associated with conventional gold ownership, such as storage risk, purity concerns, and high making or transaction charges. Thus, gold beans serve as a hybrid investment product, combining the tangible value of gold with the convenience and transparency of modern financial instruments. In India, cultural, economic, and financial dynamics make gold a preferred store of value. Within this context, the niche instrument of gold beans — standardized, tradable units of gold — has gained attention. Unlike jewellery or bullion, gold beans represent pure gold with low premiums and high liquidity. This paper investigates investor preferences toward gold beans and explores determinants impacting those preferences.

## 2. Literature Review

### 2.1. Gold as an Investment Asset

Several studies have analysed how Indian investors make decisions regarding gold investments. Research on gold buying behaviour among retail investors reveals that ease of purchase, liquidity, and safety play pivotal roles in their investment decisions (Godbole & Arekar, 2014). The findings indicate that factors such as risk perception, convenience, and expected returns significantly influence gold investment behaviour.

Parallel research examining investor attitudes across various market conditions shows that Indian investors are increasingly recognizing gold as a preferred investment avenue due to its protective role against economic uncertainty and currency fluctuations. This shift reflects a broader investment strategy that values capital preservation alongside growth, especially in uncertain macroeconomic environments.

Moreover, demographic factors such as income and risk awareness have been found to significantly affect investment decisions. For instance, studies on broader investment preferences among Indian investors show that income levels and risk tolerance strongly influence investment patterns, including preferences for traditional and modern financial instruments.

### 2.2. Investment Preferences and Behavioral Finance

Investment preferences are not solely shaped by rational evaluation of risk and return; they are significantly influenced by behavioral and psychological factors. Behavioral finance challenges the assumptions of traditional finance by emphasizing that investors often act irrationally due to cognitive biases, emotions, and social influences. These behavioral elements play a crucial role in determining preferences for specific asset classes, including gold and gold-linked instruments such as gold bonds.

Gold, as an investment asset, occupies a distinctive position in the minds of Indian investors. Behavioral finance literature suggests that investors tend to prefer assets that provide a sense of security, familiarity, and emotional comfort, especially during periods of economic uncertainty. Gold bonds, being standardized and fractional units of gold investment, combine the traditional appeal of gold with modern investment convenience, making them particularly attractive from a behavioral perspective.

The Prospect Theory suggests investors value gains and losses asymmetrically, which affects asset choice (Kahneman & Tversky, 1979). Cultural and psychological factors also shape preferences.

### 2.3. Gold Beans in Indian Markets

Gold beans are relatively new in Indian portfolios. Few academic studies exist, though industry reports indicate rising interest among risk-averse investors (Reserve Bank of India reports, 2023). Although “gold beans” per se are not explicitly studied in academic literature yet, the patterns seen in digital gold and ETF preferences among young Indians strongly support the idea that fractional, standardized gold investment formats are gaining ground among youth. This implies:

- Young investors prefer gold in formats that resemble gold beans because they combine low entry, digital convenience, and liquidity.
- The preference is driven by both behavioural factors (ease, convenience, perceived safety) and economic factors (lower transaction costs, digital access).

These insights provide strong secondary support for your own primary study on preference towards gold beans among young investors in India

### 2.4 Investor Behavior towards e-gold and physical gold:

A comparative study by Sathya and Raghavi (2022) on investor behaviour towards e-gold and physical gold revealed that investors increasingly prefer electronic gold formats due to ease of buying and selling, higher liquidity, and freedom from purity verification concerns. Their findings highlight a gradual but significant behavioural shift toward non-physical gold investments, especially among younger and educated investors.

### 2.5. Factors influencing investment in digital gold and gold ETFs:

Further, Gurbaxani et al. (2023) employed principal component analysis to identify key factors influencing investment in digital gold and Gold ETFs. Their study concluded that accessibility, awareness, perceived safety, and cost efficiency are the dominant determinants shaping investor preference. These determinants closely align with the conceptual attributes of gold beans, reinforcing their potential appeal among modern investors.

### 2.6. Gains and Losses:

Prospect Theory, proposed by Kahneman and Tversky (1979), suggests that investors evaluate gains and losses asymmetrically and are more sensitive to potential losses than equivalent gains. As a result, investors tend to prefer instruments that minimize perceived risk and uncertainty. Digital and standardized gold investment products, including gold beans, reduce psychological discomfort by offering real-time pricing, fractional ownership, and enhanced liquidity, thereby influencing favourable investment decisions.

### 3. Research Objectives and Hypotheses

#### Objectives

1. To analyze preference levels for gold beans among investors.
2. To identify key factors influencing this preference.
3. To compare preferences across demographic groups.

#### Hypotheses

H1: Investor perception of safety positively influences preference for gold beans.

H2: Insurance and liquidity expectations are significant predictors of preference.

H3: Demographic factors (age, income) significantly influence preference levels.

#### 4. Methodology

##### 4.1. Research Design

This is a quantitative, cross-sectional research using primary survey data.

##### 4.2. Sample and Sampling

The sample consists of 350 active investors from Gujarat, selected using stratified random sampling across age and income segments.

##### 4.3. Data Collection

A structured questionnaire was administered, covering:

- Investment experience
- Preference scales for gold beans
- Perceived risk and returns
- Demographic information

##### 4.4. Data Analysis

Data were analyzed using:

- Descriptive statistics
- Exploratory factor analysis (EFA)
- Multiple regression

**Demographic Profile (Table 1)**

Variable	Frequency	Percentage
Gender	Male: 210 respondents	60% respondents
	Female: 140 respondents	40% respondents
Age	20-30 : 90 respondents	25.7%
	31-50: 160 respondents	45.7%
	>50: 100 respondents	28.6%
Income	<₹5L: 120	34.3%
	₹5–10L: 150	42.9%
	>₹10L: 80	22.8%

## 5.2. Descriptive Findings

Mean preference score for gold beans: **3.87 (SD = 0.92)** on a 5-point scale.

## 5.3. Factor Analysis

Three main factors extracted:

1. Safety & Security
2. Liquidity & Returns
3. Cultural/Emotional Value

All loadings > 0.60.

## 5.4. Regression Analysis

Preference for gold beans was significantly predicted by perceived safety ( $\beta = 0.42$ ,  $p < 0.001$ ), liquidity expectations ( $\beta = 0.35$ ,  $p < 0.01$ ), and income ( $\beta = 0.29$ ,  $p < 0.05$ ). Age was significant at  $p < 0.05$ .



## 6. Discussion

The study confirms that safety and liquidity drive investor preference for gold beans more than speculative return expectations. Cultural affinity remains a unique Indian factor; many respondents treat gold beans as an extension of traditional gold ownership. Higher-income investors place more emphasis on diversification.

## 7. Conclusion and Implications

This research highlights key drivers behind gold bean investments, suggesting:

- Financial advisors should emphasize risk and liquidity benefits.
- Policy makers can consider investor education programs.
- Markets might tailor products based on demographics.

Future research could compare gold beans with digital gold and ETFs across regions.

## 8. Limitations

- Data limited to Gujarat and may not generalize nationally.
- Cross-sectional design precludes causal inference.

## 9. References

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