

Beyond Physical Possession: Creating Investor Awareness and Enhancing Adoption of Gold ETFs in Emerging Markets

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ABSTRACT

Gold remains one of the most preferred investment assets, particularly in emerging economies where it functions as a store of wealth, inflation hedge, and cultural asset. Despite the emergence of modern gold investment avenues such as Gold Exchange Traded Funds (Gold ETFs), investors continue demonstrating a strong preference toward physical gold ownership. Limited awareness, perceived complexity, trust concerns, and behavioral biases frequently restrict adoption of financialized gold products. The present paper aims to examine the need for investor awareness regarding Gold ETFs and identify factors that can encourage wider adoption.

Using a secondary data analytical approach, the paper synthesizes evidence from financial reports, industry publications, and behavioral finance literature. Findings indicate that while Gold ETFs offer significant advantages including liquidity, transparency, safety, and cost efficiency, investors frequently remain unaware of these benefits or continue relying on traditional investment practices. The paper proposes an awareness-centered framework and suggests policy interventions, financial literacy initiatives, and behavioral strategies to improve Gold ETF participation.

Keywords: Gold ETF, Investor Awareness, Financial Literacy, Gold Investment, Behavioral Finance, Financial Inclusion

1. INTRODUCTION

Gold has historically occupied a unique and multidimensional position in investment portfolios across developed and emerging economies. Unlike conventional financial assets such as stocks, bonds, and mutual funds, gold possesses not only economic value but also emotional, cultural, and psychological significance. Investors have traditionally viewed gold as a store of value, hedge against inflation, safe-haven asset during periods of economic uncertainty, and a means of preserving wealth across generations (Mould, 2026).

In emerging economies, particularly India, the role of gold extends beyond financial investment. Gold ownership is embedded within social customs, religious traditions, family rituals, and cultural practices (Ajzen, 2020). Purchasing gold jewelry during weddings, festivals, and family celebrations often carries symbolic value. Consequently, gold serves a dual role—as a financial asset and as a socio-cultural commodity.

The evolution of financial markets has transformed the manner in which investors can access gold investments. Financial innovation has introduced alternative avenues such as Gold Exchange Traded Funds (Gold ETFs), Sovereign Gold Bonds (SGBs), and digital gold investment platforms (Yang et al., 2021); Ryan & Deci (2020). Among these, Gold ETFs have emerged as one of the most efficient methods for obtaining exposure to gold prices without requiring physical possession.

Gold ETFs are market-traded financial instruments backed by physical gold reserves and traded on stock exchanges. These instruments provide investors with several advantages over traditional physical ownership, including:

- Lower storage and insurance costs
- Reduced theft risk
- Elimination of purity verification concerns
- Ease of transaction

- Portfolio diversification benefits
- Improved liquidity
- Transparency in pricing mechanisms

Despite these advantages, Gold ETFs continue to account for a comparatively smaller proportion of total gold investment compared with physical gold ownership.

The continued dominance of physical gold raises important questions regarding investor awareness and financial decision-making. It is possible that barriers such as limited financial literacy, perceived complexity, behavioral biases, and lack of trust influence adoption patterns.

Consequently, understanding awareness-related challenges and identifying mechanisms capable of improving investor understanding becomes increasingly important for financial institutions and policymakers.

2. RESEARCH PROBLEM

Financial innovation has expanded the range of investment opportunities available to retail investors. However, the success of innovative financial products depends not merely on availability but also on awareness, understanding, and trust among potential investors.

Although Gold ETFs provide multiple financial advantages, many investors continue exhibiting preference toward traditional forms of ownership.

Several investors remain unfamiliar with:

- operational functioning of Gold ETFs
- investment procedures
- taxation mechanisms
- risk-return characteristics
- comparative advantages over physical ownership

Furthermore, behavioral influences frequently affect investment decisions.

Limited awareness may produce:

- misconceptions regarding investment safety
- resistance toward digital financial products
- lower participation in formal investment systems
- continued dependence on traditional alternatives

Consequently, there exists a need to examine whether increasing investor awareness can encourage greater adoption of Gold ETFs.

3. LITERATURE REVIEW

Financial Literacy and Investment Awareness

Financial literacy refers to an individual's ability to understand financial concepts and use knowledge for effective decision-making. Chopra & Raj (2025); Cubitt & Starmer (2022) consistently suggests that financial awareness positively influences investment behavior.

Individuals possessing higher financial literacy frequently demonstrate:

- superior risk assessment ability
- improved portfolio diversification practices

- greater participation in formal financial systems
- stronger long-term planning behavior

However, empirical evidence suggests that awareness alone may not guarantee behavioral change.

Numerous studies have identified a gap between financial knowledge and actual investment implementation.

This gap becomes particularly evident within innovative financial products.

Behavioral Finance Perspective

Traditional finance theory assumes that investors act rationally and maximize expected utility.

Behavioral finance challenges these assumptions by arguing that investors frequently rely on emotions, heuristics, and psychological shortcuts (Hu et al., 2025).

Behavioral factors influencing investment decisions include:

- loss aversion
- familiarity bias
- herd behavior
- trust perceptions
- status quo bias
- mental accounting

Investors frequently choose psychologically comfortable alternatives even when financially efficient options exist.

Consequently, behavioral factors may significantly influence Gold ETF adoption.

Gold Investment Behavior

Research examining gold investment suggests that gold possesses unique characteristics unavailable in conventional assets.

Gold serves multiple purposes:

- wealth preservation
- inflation protection
- crisis management
- emotional security
- symbolic status

Physical gold ownership additionally provides tangible possession, which may create psychological comfort (Hsueh, 2026).

Previous studies suggest that emotional utility frequently influences gold purchasing behavior.

Gap in Existing Literature

Existing literature extensively investigates:

- financial literacy
- Gold ETF performance
- behavioral finance

- investment decisions

However, limited research focuses specifically on awareness-generation mechanisms capable of encouraging Gold ETF participation.

Additionally, relatively few studies integrate financial awareness and behavioral explanations simultaneously.

The present study attempts to address this gap.

4. RESEARCH METHODOLOGY

Research Design

The study adopts a **descriptive and analytical research design** based on secondary data. A descriptive approach is used to understand investor awareness and preferences toward Gold ETFs, while analytical methods are applied to examine factors influencing adoption behavior.

Nature of Study

The study is **secondary-data based** and focuses on understanding investor awareness and barriers affecting Gold ETF adoption through existing evidence.

Sources of Data

Secondary data were collected from multiple sources, including:

- Research articles and Scopus-indexed journals
- Financial and industry reports
- Mutual fund and market publications
- Government and regulatory reports
- Gold market trend reports

Study Period

The analysis covers the period **2018–2025**, considering recent developments in Gold ETF growth and changing investment trends.

Analytical Techniques

The study uses:

- **Trend Analysis** – to examine Gold ETF growth patterns
- **Comparative Analysis** – to compare Gold ETFs with physical gold
- **Thematic Analysis** – to identify awareness and behavioral factors affecting adoption

Scope of the Study

The study focuses on investor awareness, barriers to Gold ETF adoption, and factors influencing investment decisions in emerging markets.

6. COMPARATIVE ANALYSIS: GOLD ETF VERSUS PHYSICAL GOLD

A comparison of investment characteristics highlights substantial differences between Gold ETFs and physical gold ownership.

Dimension	Gold ETF	Physical Gold
Storage requirement	Minimal	Required

Insurance costs	Negligible	Higher
Theft risk	Low	High
Purity verification	Not required	Required
Liquidity	High	Moderate
Ease of transaction	High	Moderate
Emotional attachment	Limited	High
Cultural utility	Weak	Strong
Portfolio diversification	Strong	Moderate

The comparative analysis indicates that Gold ETFs possess considerable advantages over physical gold in terms of financial efficiency and investment convenience. Gold ETFs eliminate many challenges associated with traditional ownership, such as storage costs, purity verification, insurance expenses, and theft risk. Additionally, they offer higher liquidity, ease of trading through stock exchanges, transparency in pricing, and improved portfolio diversification opportunities. From a purely economic and rational investment perspective, Gold ETFs appear to be a more efficient alternative for modern investors.

However, despite these financial advantages, physical gold continues to retain a strong position in investor portfolios, particularly in emerging economies. Physical gold provides benefits that extend beyond measurable financial returns. It carries emotional, symbolic, and cultural value that financial products are often unable to replicate. In many societies, especially in countries like India, gold ownership is deeply associated with family traditions, festivals, marriages, social status, and intergenerational wealth transfer.

The findings suggest that investors do not make decisions solely on the basis of risk-return considerations or financial efficiency. Behavioral and psychological factors such as emotional attachment, tangibility preference, trust perceptions, familiarity, and social influence significantly affect investment choices. Many investors derive a sense of security and satisfaction from physically possessing gold, which cannot be achieved through digital or financial forms of ownership.

Therefore, investment behavior appears to reflect a combination of economic rationality and socio-psychological influences. The persistence of physical gold ownership despite the financial advantages of Gold ETFs indicates that investor decisions extend beyond purely financial considerations and are strongly shaped by broader behavioral and cultural dimensions.

7. BARRIERS AFFECTING GOLD ETF ADOPTION

Secondary evidence suggests that several barriers continue to restrict the wider adoption of Gold ETFs despite their financial advantages. These barriers extend beyond informational limitations and include psychological, technological, and socio-cultural factors that influence investment behavior.

Limited Investor Awareness

One of the major barriers affecting Gold ETF adoption is limited investor awareness. Many investors remain unfamiliar with the operational aspects of Gold ETFs, including trading mechanisms, investment procedures, pricing structures, taxation implications, and portfolio benefits. Lack of adequate information creates uncertainty and reduces investor confidence in adopting relatively newer financial products. Insufficient awareness may also lead investors to continue relying on traditional forms of investment due to familiarity and comfort.

Perceived Product Complexity

Gold ETFs are often perceived as technically complex products requiring financial knowledge and market understanding. The need for demat accounts, trading platforms, and exchange-based transactions may

discourage potential investors, particularly first-time or less financially literate individuals. Unlike purchasing jewelry or physical bullion, ETF investment procedures may appear less straightforward, increasing hesitation among investors.

Trust Deficit

Trust plays a significant role in financial decision-making and adoption of investment products. Investors frequently associate physical possession with security and ownership. Since Gold ETFs represent virtual ownership rather than direct physical possession, some investors may perceive them as less reliable or more uncertain. This trust deficit can create resistance toward financialized forms of gold investment and strengthen preference for traditional ownership.

Behavioral Biases

Behavioral finance literature suggests that investment decisions are often influenced by psychological biases rather than objective evaluation. Investors commonly display a preference toward tangible and physically observable assets. Tangibility bias creates a sense of security and emotional satisfaction associated with owning physical gold. Similarly, familiarity bias and status quo preference may encourage investors to continue following traditional investment practices.

Social and Cultural Influence

Investment decisions rarely occur in isolation and are frequently shaped by family traditions, community practices, and social expectations. In many emerging economies, gold ownership possesses strong cultural significance and is associated with weddings, festivals, gifting traditions, and social status. Intergenerational transfer of investment habits also influences financial decisions. Consequently, social norms and cultural values continue reinforcing physical gold ownership despite the availability of more efficient alternatives.

8. DISCUSSION

The findings indicate that Gold ETF adoption cannot be explained solely through traditional assumptions of economic rationality. While investors may recognize the financial advantages offered by Gold ETFs, actual investment behavior appears to be influenced by broader psychological, behavioral, and socio-cultural factors.

The analysis suggests that awareness positively contributes to investor understanding; however, awareness alone may not necessarily translate into adoption. Behavioral barriers such as trust concerns, emotional attachment toward physical assets, familiarity preferences, and perceived complexity continue affecting investment choices.

The findings further imply that awareness creation should extend beyond dissemination of factual information. Merely informing investors about product features may not be sufficient to alter established investment behavior. Effective awareness initiatives should simultaneously focus on improving trust and reducing psychological resistance.

Investor education programs should therefore emphasize:

- building confidence and trust in financial products
- simplifying product-related information
- reducing perceptions of technical complexity
- addressing behavioral and emotional barriers
- improving accessibility and usability

Accordingly, awareness-building strategies should combine financial literacy initiatives with behavioral interventions capable of influencing investor perceptions and decision-making patterns.

9. CONCLUSION

Gold ETFs represent a technologically advanced and financially efficient alternative to traditional physical gold ownership. The instruments offer several advantages, including lower transaction costs, improved liquidity, transparency, ease of access, and reduced risks associated with storage and purity concerns.

Despite these benefits, broader adoption remains constrained due to limited awareness and multiple behavioral barriers. The findings suggest that investment decisions are not solely based on economic efficiency but are strongly influenced by psychological comfort, trust perceptions, cultural practices, and social influences.

The study further indicates that investor education alone may be insufficient in creating meaningful behavioral change. Awareness strategies should adopt a multidimensional approach by integrating educational initiatives, digital communication channels, trust-building mechanisms, and behavioral interventions.

Improving awareness regarding Gold ETFs can contribute not only toward informed investment decision-making but also toward larger objectives such as financial inclusion, modernization of investment practices, and increased participation in formal financial systems. Future research may incorporate empirical evidence and longitudinal analysis to further examine changing investor attitudes toward financialized gold products.

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