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Green Gold Choices in South Tamil Nadu – A Study on Investor Perceptions of SGBs, ETFs, and Jewellery

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Abstract: This study examines investor behaviour and preferences concerning three primary gold investment options—Sovereign Gold Bonds (SGBs), Gold Exchange-Traded Funds (ETFs), and traditional gold jewellery—focusing on the South Tamil Nadu region. Utilising the framework of behavioural finance theory, this study explores the influence of key psychological biases, including risk aversion, loss aversion, herd behaviour, and emotional attachment, on investment decisions. Primary data were collected from 300 respondents using a structured questionnaire and analysed using statistical methods such as binary and multinomial logistic regression, chi-square tests, and moderation analysis. The findings indicate that, contrary to traditional assumptions that emotional and risk-related biases significantly impact investment behaviour, none of the behavioural variables demonstrated a statistically significant influence on the choice of gold investment in this sample. Furthermore, socio-demographic factors such as income did not significantly moderate these relationships. The results underscore the necessity of a more nuanced understanding of investor behaviour that integrates both behavioural and structural factors, such as accessibility, digital literacy, and trust in formal investment systems. This study contributes to the emerging literature on sustainable investment behaviour in developing regions and provides practical recommendations for enhancing awareness and the adoption of formal gold investment instruments.

Keywords: Behavioral Finance, Gold Investment, Risk Aversion, Loss Aversion, Sovereign Gold Bonds (SGBs), Gold ETFs, Traditional Jewellery, Investor Perception, South Tamil Nadu, Sustainable Investment Behavior

Introduction

Gold has always held a unique position in the Indian investment landscape, valued not only as a financial asset but also as a cultural and emotional symbol. (Jeganathan et al., 2021)In South Tamil Nadu, gold plays a vital role in family traditions, rituals and wealth accumulation. However, in recent years,the evolution of formal investment instruments such as Sovereign Gold Bonds (SGBs) and gold exchange-traded funds (ETFs) has opened up new avenues for investors seeking transparency, safety, liquidity, and sustainability(Sikiru & Salisu, 2021). Despite the financial advantages offered by these structured instruments, a significant proportion of investors continue to prefer physical gold jewellery, often due to behavioural factors rather than purely rational financial reasoning(Madhavan, 2016).

This study seeks to explore these investment choices through the lens of behavioural finance theory, which challenges the traditional notion of investors as purely rational decision-makers. Instead, it emphasises the roles of cognitive biases, emotions, and social influences in shaping financial behaviour. In the context of gold investment, behavioural factors such as risk aversion, loss aversion, herd behaviour, familiarity bias, and

emotional attachment often play a significant role in determining investor preferences, particularly in regions like South Tamil Nadu, where cultural perceptions of gold are deeply entrenched(Sathya & Gayathir, 2024).

The rise of sustainable investment alternatives, such as SGBs and ETFs, has introduced options that are more secure, tax-efficient, and aligned with formal economic goals.(Fan, 2021) However, their adoption remains limited among retail investors, especially in semi-urban and rural areas. This phenomenon raises critical questions: Which behavioural biases are responsible for this preference gap? Do emotional and psychological factors outweigh financial literacy and financial awareness? How do sociodemographic factors influence susceptibility to these biases?

By conducting a primary data-based study of individual investors in South Tamil Nadu, this study aims to uncover the underlying behavioural patterns influencing gold investment decisions. The findings are expected to provide valuable insights for policymakers, financial advisors, and FinTech companies in designing behaviourally informed financial literacy programs and promoting sustainable investment behaviour.

In addition, this study compares the appeal of traditional jewellery with that of modern gold instruments, not only in terms of financial performance but also considering behavioural and psychological dimensions. The application of behavioural finance adds depth to the analysis, enabling a richer understanding of why investors behave as they do, even when presented with seemingly better financial choices.

Ultimately, this research contributes to both academic discourse and practical investment strategy by mapping how behavioural biases and cultural values intersect with the growing push towards formal and sustainable gold investments in emerging economies such as India.

Objectives of the Study

This study aims to explore investor perceptions and behavioural tendencies towards gold investment choices—Sovereign Gold Bonds (SGBs), Gold Exchange Traded Funds (ETFs), and traditional gold jewellery—in South Tamil Nadu. It seeks to:

1. Identify the behavioural biases influencing gold investment decisions.
2. Psychological factors such as risk aversion, loss aversion, herd behaviour, and emotional attachment were examined.
3. Assess how socio-demographic traits impact behavioural-investment patterns.

Statement of the Problem

India ranks among the world's largest consumers of gold; however, a considerable portion of gold investments continues to occur in physical forms, such as jewellery, often driven by cultural beliefs and emotional attachment rather than financial logic.(Zhang & Sidik, 2024) Although government-backed and market-based options, such as Sovereign Gold Bonds and Gold ETFs, offer safer, more transparent, and sustainable investment avenues, their adoption remains limited, especially in semi-urban and rural regions such as South Tamil Nadu.(Kumar S, 2013; Rao & Inbaraj, 1977; Solomon et al., 1998)

This gap suggests that traditional financial models fail to fully explain the behaviour of investors in gold markets. There is a growing need to explore the irrational yet predictable patterns exhibited by investors, which are shaped by behavioural biases and non-economic motivations. These biases include risk aversion, loss aversion, herd mentality, and mental accounting, which often override rational financial evaluations.

Therefore, the problem lies not merely in a lack of awareness but in deeply rooted behavioural tendencies that affect the decision-making process. Without understanding these psychological drivers, financial planners and policymakers cannot effectively promote modern, secure and sustainable forms of gold investment. This study

aims to fill this gap by investigating investor perceptions, attitudes, and behaviours through the lens of behavioural finance theory, offering insights into how emotional and cognitive factors shape investment choices in gold.

Theoretical Justification, Conceptual Framework, and Hypotheses

This study is grounded in the behavioural finance theory, which integrates psychological insights into financial decision-making. Traditional economic models assume that investors act rationally to maximize returns; however, in reality, decisions are often influenced by biases, emotions, and social norms. In the context of gold investment, especially in culturally rich regions like South Tamil Nadu, preferences are shaped by both financial and non-financial motivations.

The conceptual framework of this study posits that behavioural biases such as risk aversion, loss aversion, herd behaviour, familiarity bias, and emotional attachment influence investor preferences across three major gold investment avenues: Sovereign Gold Bonds (SGBs), gold exchange-traded funds (ETFs), and traditional gold jewellery. These behavioural dimensions are further moderated by socio-demographic variables such as age, income, education, occupation, and gender.(Jeganathan et al., 2021)

Understanding these behavioural patterns is essential for promoting financial inclusion, sustainable investment practices, and the formalisation of gold markets. The conceptual framework seeks to link psychological factors with investment choices, creating a comprehensive understanding of investor behaviour in a culturally specific and economically important asset class.

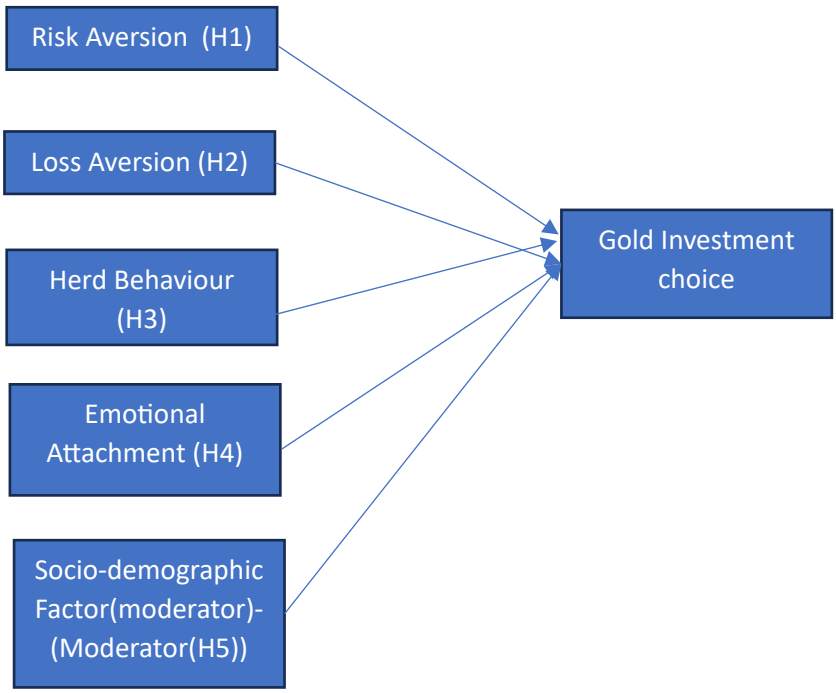

Figure 1: Conceptual frame work

Based on this framework, this study proposes the following hypotheses:

- H1: Risk aversion significantly influences investors' preference for traditional gold jewellery over SGBs and ETFs.
- H2: Loss aversion negatively impacts the adoption of Sovereign Gold Bonds.

- H3: Herd behaviour positively influences the popularity of gold jewellery as an investment.
- H4: Emotional attachment significantly affects the decision to invest in physical gold.
- H5: Socio-demographic factors moderate the relationship between behavioural biases and gold investment decisions.

This framework allows for an empirical assessment of how irrational but predictable behaviours drive gold investment decisions in Tamil Nadu, South India.

Research Methodology

This study adopts a quantitative research design to examine the investor perceptions and behavioural biases influencing gold investment choices—Sovereign Gold Bonds (SGBs), Gold ETFs, and traditional jewellery—in South Tamil Nadu. Primary data were collected using a structured questionnaire from individual investors selected through convenience sampling. The sample (300) included respondents from both urban and semi-urban areas. Statistical tools such as descriptive statistics, correlation, chi-square tests, and multiple regression analysis were applied to test the hypotheses and analyse the relationship between behavioural factors and investment preferences using the SPSS software.

Data analysis

Demographic Profile of Respondents - Descriptive Analysis of Socio-Demographic Characteristics

This session provides a descriptive overview of the socio-demographic characteristics of investors from Tamil Nadu. Understanding respondents' backgrounds is essential for interpreting behavioural tendencies and investment choices. The analysis covered six key variables: age, gender, education, occupation, monthly income, and residential location. Frequency and percentage values were presented to show the distribution across categories.

Table 1: Demographic Profile of Respondents (N = 300)

Variable	Category Code	Frequency	Percentage (%)
Age	1 = Below 25	48	16.00
	2 = 26–35	81	27.00
	3 = 36–45	68	22.67
	4 = 46–60	55	18.33
	5 = Above 60	48	16.00
Gender	1 = Male	153	51.00
	2 = Female	147	49.00
Education	1 = SSLC	29	9.67
	2 = HSC	33	11.00
	3 = UG	86	28.67
	4 = PG	107	35.67
	5 = Doctorate	45	15.00
Occupation	1 = Student	62	20.67
	2 = Salaried	59	19.67
	3 = Business	60	20.00
	4 = Homemaker	61	20.33
	5 = Retired	58	19.33
Monthly Income	1 = < ₹20,000	54	18.00

	2 = ₹20,000–₹40,000	61	20.33
	3 = ₹40,001–₹60,000	65	21.67
	4 = ₹60,001–₹1L	61	20.33
	5 = > ₹1,00,000	59	19.67
Location	1 = Urban	97	32.33
	2 = Semi-Urban	106	35.33
	3 = Rural	97	32.33

Source: Primary Data

The descriptive analysis shows that the majority of respondents are from the 26–35 age group (27%), followed by 36–45 years (22.67%). Gender representation was nearly equal. Most investors are postgraduates (35.67%) and represent a diverse range of occupations. Income levels are fairly distributed, with the highest concentration in the ₹40,001–₹60,000 bracket (21.67%). The residential spread was balanced across urban, semi-urban, and rural areas, supporting the generalisability of the findings across socioeconomic zones in South Tamil Nadu.

H1: Risk aversion significantly influences investors' preference for traditional gold jewellery over SGBs and ETFs.

Effect of Risk Aversion on Preference for Traditional Gold Jewellery

This study examines whether investors with a higher degree of risk aversion exhibit a preference for traditional gold jewellery over formal, market-linked financial instruments such as Sovereign Gold Bonds (SGBs) and Gold Exchange-Traded Funds (ETFs). For simplicity and practical analysis, investor preferences were categorised as a binary dependent variable: 1 = jewellery investor (invested in gold jewellery) and 0 = non-jewellery investor (invested in SGB and/or ETF only). The independent variable, Risk Aversion Score, was calculated as the mean of three Likert-scale items (RISK1, RISK2, and RISK3). To evaluate this hypothesis, Binary Logistic Regression was employed.

Table 1: Binary Logistic Regression – Risk Aversion and Jewellery Preference (N = 300)

Variable	Coefficient (B)	Std. Error	z-value	p-value	95% CI (Lower)	95% CI (Upper)
Constant	-0.2891	0.4312	-0.6705	0.5025	-1.1343	0.5560
Risk Aversion	0.0906	0.1365	0.6639	0.5067	-0.1769	0.3581

Source: Primary Data

The regression coefficient for Risk Aversion is positive (+0.0906), indicating a slight tendency for risk-averse investors to prefer traditional gold jewellery over formal instruments. However, the p-value was 0.5067, which is greater than 0.05, suggesting that the result was not statistically significant. Hence, H_1 is not supported, and we conclude that risk aversion does not significantly influence gold investment preferences in this sample.

H2: Loss aversion negatively impacts the adoption of Sovereign Gold Bonds.

Impact of Loss Aversion on Sovereign Gold Bond (SGB) Adoption

This study evaluates whether loss-averse investors are less likely to adopt Sovereign Gold Bonds (SGBs) because of the fear of potential capital loss, even though the bonds are government-backed. The analysis uses Binary Logistic Regression, where

- The dependent variable is SGB adoption (1 = Yes, 0 = No)
- The independent variable is Loss Aversion Score, computed as the average of three Likert-scale items (LOSS1, LOSS2, LOSS3)

The goal of this study is to determine whether higher levels of loss aversion significantly reduce the likelihood of adopting SGBs.

Table 2: Binary Logistic Regression – Loss Aversion and SGB Adoption (N = 300)

Variable	Coefficient (B)	Std. Error	z-value	p-value	95% CI (Lower)	95% CI (Upper)
Constant	1.0676	0.4711	2.2663	0.0234	0.1443	1.9910
Loss Aversion	-0.2310	0.1491	-1.5494	0.1213	-0.5232	0.0612

Source: Primary Data

The coefficient for Loss Aversion is negative (-0.2310), suggesting that higher levels of loss aversion are associated with a lower likelihood of adopting SGBs, which aligns with the hypothesis. However, the p-value (0.1213) was greater than 0.05, indicating that the relationship was not statistically significant. Therefore, H_2 is not supported, and we conclude that loss aversion does not significantly impact investors' SGB adoption in South Tamil Nadu.

H3: Herd behaviour positively influences the popularity of gold jewellery as an investment.

This session examines whether investors who exhibit herd behaviour —a tendency to follow the decisions or trends of others—are more likely to prefer gold jewellery as an investment.

Table 3: Binary Logistic Regression – Herd Behavior and Jewellery Preference

Variable	Coefficient (B)	Std. Error	z-value	p-value	95% CI (Lower)	95% CI (Upper)
Constant	0.2734	0.4447	0.6147	0.5388	-0.5983	1.1450
Herd Behavior	-0.2426	0.1451	-1.6716	0.0946	-0.5270	0.0419

Source: Primary Data

The coefficient for herd behaviour is -0.2426, indicating a negative relationship with jewellery preference, contrary to the hypothesis.
The p-value was 0.0946, which is greater than 0.05, indicating that the result was not statistically significant. Therefore, H_3 is not supported, and we conclude that herd behaviour does not significantly influence the high preference for gold jewellery among investors in this study.

H4: Emotional attachment significantly affects the decision to invest in physical gold.

Effect of Emotional Attachment on Jewellery Investment Decisions

Emotional attachment to gold, often influenced by tradition, culture, or sentimental value, can shape investor decisions beyond financial reasoning. This session tests whether individuals with higher emotional attachment are more likely to invest in physical gold jewellery.

Table 4: Binary Logistic Regression – Emotional Attachment and Jewellery Investment

Variable	Coefficient (B)	Std. Error	z-value	p-value	95% CI (Lower)	95% CI (Upper)

Constant	-0.1055	0.4652	-0.2267	0.8207	-1.0173	0.8064
Emotional Attachment	0.0302	0.1477	0.2044	0.8380	-0.2593	0.3197

Source: Primary Data

- The coefficient for Emotional Attachment is +0.0302, suggesting a slight positive relationship with jewellery investment.
- However, the p-value (0.8380) is well above 0.05, indicating that the relationship is not statistically significant.

Therefore, H_4 is not supported, and we conclude that emotional attachment does not significantly affect the decision to invest in physical gold in this study's context.

H5: Socio-demographic factors moderate the relationship between behavioural biases and gold investment decisions.

Moderating Effect of Income on the Relationship Between Risk Aversion and Jewellery Preference

This session tests whether the impact of risk aversion on investor preference for traditional gold jewellery is moderated by income level, a key socio-demographic factor. It is hypothesised that investors with different income brackets may react differently to risk when choosing between physical and formal gold investment.

Moderated Binary Logistic Regression was used for the analysis.

- Dependent Variable: Jewellery Preference (1 = Jewellery investor, 0 = SGB/ETF investor)
- Independent Variables: Risk Aversion Score, Income (categorical), and their interaction term (RISK_AVERSION × INCOME)

Table 5: Moderated Logistic Regression – Income as Moderator (N = 300)

Variable	Coefficient (B)	Std. Error	z-value	p-value	95% CI (Lower)	95% CI (Upper)
Constant	1.5037	1.0818	1.3900	0.1645	-0.6166	3.6241
Risk Aversion	-0.3750	0.3388	-1.1068	0.2684	-1.0391	0.2891
Income	-0.5805	0.3217	-1.8042	0.0712	-1.2111	0.0501
Risk × Income	0.1499	0.1006	1.4900	0.1362	-0.0473	0.3472

Source: Primary Data

The interaction term (Risk × Income) exhibits a positive coefficient (0.1499), indicating that income slightly moderates the effect of risk aversion on the preference for jewellery. However, the p-value of 0.1362 was not statistically significant at the 5% level. Income alone also demonstrated a marginal effect (p = 0.0712); however, this was insufficient to achieve statistical significance. Consequently, H_5 is not supported, leading to the conclusion that income does not significantly moderate the relationship between risk aversion and jewellery preference in this study.

Major Findings

Demographics: The sample comprised 300 respondents evenly distributed across various age groups, income levels, educational backgrounds, and geographical locations (urban, semi-urban, and rural). Most investors held postgraduate degrees, and gender representation was nearly equal. Risk Aversion (H1): The analysis revealed a

positive but statistically insignificant correlation between risk aversion and preference for traditional gold jewellery. This finding implies that even individuals with a high degree of risk aversion do not exclusively opt for jewellery over formal investment. Loss Aversion (H2): The influence of loss aversion on the adoption of Sovereign Gold Bonds (SGBs) was negative but not statistically significant, suggesting no substantial behavioural resistance to SGBs due to perceived loss. Herd Behavior (H3): Contrary to expectations, herd behavior exhibited a slight negative relationship with a strong preference for gold jewellery, which was not statistically significant. Emotional Attachment (H4): Emotional attachment did not significantly affect the decision to invest in gold jewellery, although the descriptive scores were generally high. Moderating Role of Income (H5): The interaction between risk aversion and income did not significantly moderate investment preferences, although income alone approached statistical significance.

Suggestions

Investor Education on Formal Gold Products: Financial advisors and government agencies must enhance awareness of the advantages of Sovereign Gold Bonds (SGBs) and Gold Exchange-Traded Funds (ETFs), particularly in semi-urban and rural regions. Behaviour-focused Campaigns: Campaigns should be specifically designed to address behavioural impediments, such as perceived complexity or lack of emotional value associated with formal investment products. Simplified Investment Platforms: Efforts should be made to improve the accessibility and user-friendliness of digital platforms for SGB and ETF investments, thereby fostering trust among traditional investors. Segment-Based Strategies: Given that no single demographic factor significantly influences investment behaviour, promotional strategies should be multidimensional, considering combinations of age, education, and risk tolerance.

Conclusion

This study explored the behavioural drivers of gold investment choices among investors in South Tamil Nadu using behavioural finance theory. While traditional assumptions link risk and emotional bias with gold jewellery preference, the findings show that these factors are not statistically significant in determining investment behaviour. This suggests that while behavioural biases exist, other factors—such as access, product understanding, and regulatory trust—may play stronger roles.

The results call for a shift in strategy from purely behavioural targeting to holistic investor engagement, combining awareness, convenience, and tailored financial literacy. This study contributes to the growing literature on sustainable financial behaviour and encourages further exploration using larger or segmented datasets.

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