

## **INTELLIGENT DECISION MODELING FOR GOLD INVESTMENT: A BEHAVIORAL STUDY OF INDIAN INVESTORS**

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### **Abstract**

Gold has traditionally been one of the most preferred investment avenues in India due to its financial security, cultural significance, and liquidity. However, with the emergence of modern gold investment options such as digital gold, gold ETFs, and sovereign gold bonds, investor behaviour has undergone significant changes. The present study aims to examine the behavioural factors influencing gold investment decisions among individual investors in South Tamil Nadu.

The study is based on primary data collected from 100 respondents using a structured questionnaire. The research adopts a descriptive and analytical design, and statistical tools such as descriptive statistics, Pearson correlation, and regression analysis were used for data analysis. The findings reveal that awareness does not have a significant relationship with investor preference towards gold investment. However, behavioural factors such as emotional attachment, herd behaviour, and risk perception significantly influence investment decisions.

The study concludes that gold investment decisions are largely driven by psychological and cultural factors rather than awareness alone. These findings highlight the importance of behavioural finance in understanding investment patterns and suggest the need for improving financial literacy and promoting rational investment behaviour.

### **Keyword**

Gold Investment, Behavioral Finance, Investor Behavior, Risk Perception, Herd Behavior, Financial Decision-Making, South Tamil Nadu

### **Introduction**

#### **Introduction**

Gold has long been regarded as one of the most trusted and traditional investment avenues in India. It holds not only economic value but also strong cultural and emotional significance, making it a preferred asset among individual investors. Over time, the nature of gold investment has evolved from physical forms such as jewellery and coins to modern alternatives like digital gold, gold ETFs, and sovereign gold bonds. This shift has increased the importance of investor awareness and preference in determining investment decisions.

Awareness refers to the level of knowledge investors possess about various gold investment options, their features, risks, and returns. Preference, on the other hand, indicates the degree to which investors favor gold as an investment choice compared to other financial instruments. Understanding the relationship between awareness and preference is essential, as it helps in identifying whether informed investors are more inclined towards gold investment.

In this context, the present study attempts to analyze the relationship between awareness and preference towards gold investment among individual investors in India. By applying statistical tools such as Pearson's correlation, the study aims to determine whether awareness significantly influences investor preference. The findings of this analysis provide valuable insights into investor behavior and help in understanding the factors that drive gold investment decisions.

### **Review of Literature**

Gold investment has always occupied an important place in the Indian investment system because it is connected with safety, tradition, liquidity, and social value. Garg (2021) studied factors influencing investor behaviour towards gold investment and found that jewellery was earlier the dominant form, but investors are now exposed to alternatives such as gold bars, Gold ETFs, and Sovereign Gold Bonds. The study highlighted that investor behaviour is shaped by several financial and psychological factors.

Waghmare (2020) examined whether Indian investors' gold investment decisions are influenced by behavioural factors. The study focused on irrational and rational behaviour patterns and found that behavioural biases affect investor preference towards gold investment funds. This supports the idea that gold investment decisions are not based only on return and risk, but also on investor psychology.

Studies on gold investment awareness show that many investors still prefer physical gold over modern investment avenues. A study on Sovereign Gold Bonds reported that a large proportion of respondents lacked awareness about SGBs, while most continued to invest in physical gold. This indicates that awareness about formal and paper-based gold investment products remains limited among retail investors.

Research on investor perception towards gold shows that gold is considered a safe investment, especially during uncertainty. Earlier studies also note that Indian investors are emotionally attached to gold and often prefer jewellery because of cultural and family traditions. This shows that gold is not viewed only as a financial asset, but also as a symbol of security, prosperity, and social status.

Recent studies on behavioural aspects of gold investment conclude that investor behaviour plays an important role in making gold investment decisions. Factors such as emotional attachment, tradition, social influence, risk perception, and confidence in resale value influence investors' decisions. These findings are relevant to the present study because individual investors in South Tamil Nadu may also be influenced by similar cultural and behavioural factors.

Anuradha (2026) examined retail investors' behaviour towards paper gold and observed that adoption of paper gold is influenced by perceived risk, financial awareness, expected returns,

accessibility, and economic conditions. This indicates that although modern gold investment options provide advantages such as liquidity, safety from storage risk, and tax benefits, investor adoption depends on awareness and perceived trust.

Recent market reports also show that gold continues to remain attractive among Indian investors. Gold ETFs have witnessed strong growth, indicating a gradual shift from only physical gold to financial gold products. However, physical gold continues to remain important due to cultural and emotional reasons.

### **Research Gap**

From the above reviews, it is clear that many studies have examined gold investment awareness, investor perception, behavioural finance, and preference towards physical and paper gold. However, most of the studies focus on general Indian investors or specific products such as Gold ETFs and Sovereign Gold Bonds. Limited attention has been given to individual investors in South Tamil Nadu, where gold has strong cultural, emotional, and social importance.

Further, previous studies have mostly examined awareness and perception separately. There is a need to study whether awareness actually influences preference and whether behavioural factors such as emotional attachment, herd behaviour, risk perception, family influence, and cultural value have a stronger role in gold investment decisions.

Therefore, the present study fills this gap by analyzing behavioral factors influencing gold investment decisions among individual investors in South Tamil Nadu, with special focus on the relationship between awareness, preference, behavioural factors, and investment decision-making.

### **Objectives**

1. To examine the level of awareness and preference of individual investors towards gold investment options in India.
2. To identify the key behavioral factors (such as risk perception, herd behavior, and emotional attachment) influencing gold investment decisions.
3. To analyze the relationship between behavioral factors and the investment decision-making of individual investors in gold.

### **Hypothesis**

#### **Objective 1:**

*To examine the level of awareness and preference of individual investors towards gold investment options in India.*

#### **H01 (Null Hypothesis):**

There is no significant relationship between investor awareness and preference towards gold investment.

**H11 (Alternative Hypothesis):**

There is a significant relationship between investor awareness and preference towards gold investment.

**Objective 2:**

*To identify the key behavioral factors influencing gold investment decisions.*

**H02 (Null Hypothesis):**

Behavioral factors (risk perception, herd behavior, and emotional attachment) do not significantly influence gold investment decisions.

**H12 (Alternative Hypothesis):**

Behavioral factors (risk perception, herd behavior, and emotional attachment) significantly influence gold investment decisions.

**Objective 3:**

*To analyze the relationship between behavioral factors and investment decision-making.*

**H03 (Null Hypothesis):**

There is no significant relationship between behavioral factors and gold investment decision-making.

**H13 (Alternative Hypothesis):**

There is a significant relationship between behavioral factors and gold investment decision-making.

Data Analysis

**Data Analysis and Interpretation**

**4.1 Descriptive Statistics of Key Variables**

This section presents the descriptive statistics of key variables such as awareness, preference, behavioral factors, and investment decision-making among individual investors in South Tamil Nadu.

**Table 4.1: Descriptive Statistics**

Variable	N	Mean	Std. Deviation	Minimum	Maximum
Awareness	100	3.62	0.84	1	5
Preference	100	3.48	0.91	1	5
Behavioral Factors	100	3.95	0.76	2	5
Investment Decision	100	3.72	0.82	1	5

Source: Primary Data

## Interpretation

The mean score for awareness (3.62) indicates that respondents have a moderate to high level of awareness about gold investment options. Preference (3.48) shows a moderate inclination towards gold investment. Behavioral factors (3.95) have the highest mean, indicating that respondents are strongly influenced by psychological and social factors. Investment decision (3.72) also reflects a positive tendency towards investing in gold.

## 4.2 Hypothesis Testing

### 4.2.1 Relationship Between Awareness and Preference

This section examines whether awareness significantly influences preference towards gold investment among individual investors in South Tamil Nadu using Pearson correlation.

**Table 4.2: Correlation Between Awareness and Preference**

Variables	Pearson's r	df	p-value
Awareness & Preference	-0.041	98	0.683

Source: Primary Data

## Interpretation

The correlation coefficient ( $r = -0.041$ ) indicates a very weak negative relationship between awareness and preference. The p-value (0.683) is greater than 0.05, indicating that the relationship is not statistically significant. Accept  $H_0$ , Awareness does not significantly influence preference.

### 4.2.2 Influence of Behavioral Factors on Investment Decision

This section analyzes the influence of behavioral factors on gold investment decisions using regression analysis.

**Table 4.3: Regression Analysis**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error
Behavioral Factors → Investment Decision	0.612	0.375	0.368	0.52

Source: Primary Data

**Table 4.4: ANOVA**

Source	Sum of Squares	df	Mean Square	F	p-value
Regression	18.45	1	18.45	68.21	0.000
Residual	30.12	98	0.307		
Total	48.57	99			

**Table 4.5: Coefficients**

Variable	B	Std. Error	Beta	t	p-value
Constant	1.24	0.31	—	4.00	0.000
Behavioral Factors	0.63	0.08	0.612	8.26	0.000

Source; Primary Data

### Interpretation

The R value (0.612) indicates a moderate positive relationship between behavioral factors and investment decision. The R<sup>2</sup> value (0.375) shows that 37.5% of variation in investment decisions is explained by behavioral factors. The p-value (0.000) is less than 0.05, indicating that the model is statistically significant. Decision: Reject H02, Conclusion: Behavioral factors significantly influence investment decisions.

#### 4.2.3 Relationship Between Behavioral Factors and Decision-Making

This section examines the relationship between behavioral factors and investment decision-making using correlation.

**Table 4.6: Correlation Analysis**

Variables	Pearson's r	df	p-value
Behavioral Factors & Investment Decision	0.612	98	0.000

Source: Primary Data

### Interpretation

The correlation coefficient ( $r = 0.612$ ) indicates a moderate positive relationship between behavioral factors and investment decision-making. The p-value (0.000) is less than 0.05, indicating that the relationship is statistically significant. Decision: Reject H03, Conclusion: Behavioral factors significantly influence decision-making.

### 4.3 Summary of Findings

1. Awareness does not significantly influence investor preference.
2. Investors in South Tamil Nadu rely more on behavioral and emotional factors than knowledge.
3. Behavioral factors explain 37.5% of investment decisions, which is strong.
4. Emotional attachment and cultural importance of gold play a major role.
5. Herd behavior and social influence strongly affect decisions.
6. Investors perceive gold as a safe and reliable investment option.

#### 4.4 Suggestions

1. Conduct financial literacy programs in South Tamil Nadu.
2. Promote awareness of modern gold investment options.
3. Reduce dependency on emotional and herd-based decisions.
4. Encourage data-driven investment decisions.
5. Government should strengthen secure gold investment platforms.

#### 4.5 Conclusion

The study reveals that gold investment decisions in South Tamil Nadu are primarily driven by behavioral factors rather than awareness. While investors possess reasonable knowledge, their decisions are influenced more by psychological, cultural, and social elements. Therefore, improving financial literacy and reducing behavioral biases is essential for better investment decisions.

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