

CUSTOMER INTEREST IN DIGITAL GOLD INVESTMENT: THE ROLE OF TRUST, RISK, AND FINANCIAL KNOWLEDGE

Author

B.Sivakami,

Research Scholar,

Department of Commerce & Research Center
Sourashtra College, Madurai-625004, Tamil Nadu

Co-Author

Dr.J.Duraichamy,

Associate Professor & Head,

Department of Commerce & Research Center
Sourashtra College, Madurai-625004, TamilNadu

Abstract

Digitalisation has transformed the financial investment landscape, leading to the emergence of new investment avenues such as digital gold. This study aims to examine customer interest in digital gold investment and to analyse the role of trust, perceived risk, and financial knowledge in influencing such interest. The study adopts a descriptive research design with a quantitative approach. Primary data was collected from 50 respondents in South Tamil Nadu using a structured questionnaire and simple random sampling method.

The findings of the study indicate that customers show a moderate to high level of interest in digital gold investment due to its convenience and accessibility. However, trust in digital platforms is moderate, and perceived risk remains a concern among respondents. Financial knowledge is found to be at a basic to moderate level. The results further reveal that overall trust does not significantly influence customer interest, but specific factors such as perceived safety play an important role.

The study concludes that improving security, enhancing customer awareness, and increasing financial literacy can positively influence customer interest in digital gold investment. The findings provide useful insights for financial institutions and digital platforms to develop strategies that encourage adoption of digital gold investment.

Keywords: Digital Gold Investment, Customer Interest, Trust, Perceived Risk, Financial Knowledge

1.1 Introduction

Gold has traditionally been one of the most preferred investment options in India due to its cultural significance, liquidity, and perceived safety. (Chatnani, 2018) However, with the rapid advancement of financial technology and digital platforms, investment patterns are gradually shifting from physical gold to non-physical forms such as digital gold, gold exchange-traded funds, and sovereign gold bonds. Digital gold, in particular, has gained popularity among investors due to its convenience, affordability, and ease of access through online platforms.

Despite its advantages, customer interest in digital gold investment is influenced by several behavioral and financial factors. Trust plays a crucial role, as investors must rely on digital platforms and service providers for the safety and authenticity of their investments (Putri &

Yuliati, 2022). At the same time, perceived risk, including concerns about security, volatility, and regulatory issues, may discourage adoption. Additionally, financial knowledge determines how well customers understand digital investment options and make informed decisions.

In this context, understanding the factors influencing customer interest in digital gold investment becomes essential. This study focuses on examining how trust, perceived risk, and financial knowledge shape customer interest in adopting digital gold as an investment avenue.

Review of Literature

Investment behaviour has changed significantly in recent years due to digitalisation in financial services. Traditional investment avenues such as physical gold, fixed deposits, and land are now being complemented by digital investment options. Among these, digital gold has emerged as a convenient and accessible form of investment, especially for customers who prefer small-ticket, flexible, and technology-based financial products. The growing use of smartphones, digital payment systems, and online financial platforms has increased awareness and participation in such investment instruments.

Gold has always occupied an important place in Indian investment culture. It is not only seen as a financial asset but also as a symbol of security and stability. In the traditional sense, investors preferred physical gold in the form of jewellery, coins, and bars. However, physical gold investment is associated with storage issues, making charges, purity concerns, and safety risks. As a result, customers are gradually shifting towards non-physical forms of gold investment such as digital gold, gold ETFs, and sovereign gold bonds. This shift has created a need to understand the factors influencing customer interest in digital gold.

Trust is considered one of the most important determinants in digital financial adoption. Customers are more likely to adopt a digital investment product when they believe that the platform is secure, reliable, and transparent. In the context of digital gold, trust includes confidence in the service provider, assurance regarding purity and ownership, and belief in the safety of online transactions. When trust is high, customers tend to show stronger willingness to invest. On the other hand, lack of trust reduces customer confidence and affects investment interest.

Perceived risk is another major factor influencing financial decision-making. Even when a product offers convenience and flexibility, customers may hesitate to adopt it if they perceive it as risky. In digital gold investment, risk may arise from concerns related to cyber security, fraud, unclear regulations, price fluctuations, and lack of physical possession. Such risks may negatively affect customer interest. Therefore, perceived risk plays a critical role in shaping attitudes towards digital gold investment.

Financial knowledge also has a strong influence on investment behaviour. Customers with better understanding of financial concepts, investment returns, and digital products are generally in a better position to make rational investment decisions. Financially knowledgeable individuals are more likely to compare alternatives, assess risks, and understand the benefits of non-physical gold investment. In contrast, lack of financial knowledge may lead to confusion, hesitation, and reliance on traditional forms of investment.

Previous studies on digital financial behaviour have shown that customer interest is often influenced by a combination of psychological, technological, and financial factors. Convenience, accessibility, affordability, security, and awareness are found to encourage adoption, while uncertainty and low knowledge act as barriers. Young and educated customers, in particular, tend to show more openness towards digital investment options. This indicates that customer interest in digital gold is not determined by a single factor but by the interaction of trust, perceived risk, and financial knowledge.

Thus, the review of literature shows that digital gold investment is an emerging financial area with growing relevance. It also indicates that customer interest depends on how safe, understandable, and trustworthy the investment appears to them. Hence, studying these variables is important for understanding customer behaviour towards digital gold investment.

Research Gap

Although many studies have examined general investment behaviour and digital financial adoption, limited attention has been given specifically to digital gold investment. Most existing studies focus either on traditional gold buying behaviour or on broader digital financial products such as online banking, mobile wallets, and mutual funds. As a result, digital gold as a separate investment category remains underexplored.

Further, earlier studies have often examined factors like trust, risk, and financial literacy independently. There is a lack of studies that combine these three variables in a single framework to explain customer interest in digital gold investment. Since digital gold is both a financial and a technology-based product, understanding the combined effect of these factors is important.

Another gap is related to the geographical context. Very few studies have focused on customer interest in digital gold investment in South Tamil Nadu. Investment preferences may vary based on regional awareness, income level, financial exposure, and digital accessibility. Therefore, there is a need for a location-specific study to understand the behaviour of customers in this region.

In addition, most earlier studies have focused more on adoption or usage, while fewer studies have examined customer interest as an important stage before actual investment behaviour. Interest plays a crucial role because it reflects intention, willingness, and openness towards the investment product.

Hence, the present study attempts to fill these gaps by examining customer interest in digital gold investment with special reference to the role of trust, perceived risk, and financial knowledge among respondents in South Tamil Nadu.

1.4 Statement of the problem

Gold has traditionally been a preferred investment option in India due to its safety, liquidity, and cultural value. However, with the growth of digital financial platforms, investment patterns are gradually shifting towards non-physical forms such as digital gold. Despite its advantages such as convenience, affordability, and ease of access, the adoption of digital gold investment is still not at a very high level.

Many customers are hesitant to invest in digital gold due to concerns related to trust, security, and lack of proper understanding. Perceived risk such as fear of fraud, price fluctuation, and uncertainty about digital platforms further affects customer decisions. At the same time, limited financial knowledge restricts customers from exploring modern investment options confidently.

Although digital gold investment is gaining popularity, there is still a lack of clarity on what factors influence customer interest in adopting it. Therefore, it becomes necessary to study the role of trust, perceived risk, and financial knowledge in shaping customer interest in digital gold investment. This study aims to address this issue by analyzing how these factors influence customer decisions, particularly in the context of South Tamil Nadu.

1.5 Objectives of the study

1. To examine the level of customer interest in digital gold investment.
2. To analyze the impact of trust and perceived risk on customer interest in digital gold investment.
3. To evaluate the influence of financial knowledge on customer interest in digital gold investment.

1.6 Research Methodology

Research Design

The present study adopts a descriptive research design. This design is suitable because the study aims to examine customer interest in digital gold investment and to understand the role of trust, risk, and financial knowledge in influencing such interest. A descriptive design helps in systematically collecting information from respondents and describing their opinions, attitudes, and investment-related behavior in a structured manner.

Nature of the Study

The study is quantitative in nature. It is based on numerical data collected from respondents through a structured questionnaire. The quantitative approach is appropriate for measuring customer responses and for analyzing the relationship between the selected variables in a clear and objective manner.

Area of the Study

The area of the study is South Tamil Nadu. Respondents are selected from major locations in South Tamil Nadu, where awareness and usage of digital financial services are gradually increasing. This area is chosen because it provides a relevant setting to understand customer interest in digital gold investment among individuals with varying levels of trust, perceived risk, and financial knowledge.

Sampling Method

The study uses the simple random sampling method. Under this method, every individual in the selected population has an equal chance of being chosen for the study. This method helps reduce selection bias and ensures fairness in the selection of respondents.

Sample Size

The sample size for the study is 50 respondents. These respondents are selected from South Tamil Nadu for collecting primary data. The sample size is considered appropriate for a small-scale research study aimed at understanding the basic pattern of customer interest in digital gold investment.

Source of Data

The study is based on primary data. Primary data is collected directly from respondents using a structured questionnaire. The questionnaire includes items related to customer interest in digital gold investment, trust, perceived risk, and financial knowledge.

Data Collection Tool

A structured questionnaire is used as the main instrument for data collection. The questionnaire consists of close-ended questions to make responses easier to record, classify, and analyze. The questions are designed in a simple manner so that respondents can clearly express their views.

Variables of the Study

The study includes the following variables:

- Dependent Variable: Customer Interest in Digital Gold Investment
- Independent Variables: Trust, Perceived Risk, and Financial Knowledge

Statistical Tools for Analysis

The collected data may be analyzed using simple statistical tools such as:

- Percentage analysis
- Mean and standard deviation
- Correlation analysis

These tools help in understanding respondent characteristics and in examining the relationship between the selected variables.

Hypotheses of the Study

H1 (Trust)

- H₀₁: Trust has no significant impact on customer interest in digital gold investment.
- H₁₁: Trust has a significant positive impact on customer interest in digital gold investment.

H2 (Perceived Risk)

- H₀₂: Perceived risk has no significant impact on customer interest in digital gold investment.

- H₁₂: Perceived risk has a significant impact on customer interest in digital gold investment.

H3 (Financial Knowledge)

- H₀₃: Financial knowledge has no significant impact on customer interest in digital gold investment.
- H₁₃: Financial knowledge has a significant positive impact on customer interest in digital gold investment.

Data Analysis

Demographic Profile

This session presents the demographic details of respondents to understand their background characteristics.

Table 1: Demographic Distribution

Variable	Category	Frequency	Percentage
Age	Below 25	18	36%
	25–35	20	40%
	36–45	8	16%
	Above 45	4	8%
Gender	Male	28	56%
	Female	20	40%
	Others	2	4%

Interpretation

The majority of respondents belong to the 25–35 age group, indicating higher digital exposure. Male respondents form a slightly higher proportion compared to females.

Customer Interest in Digital Gold Investment

This session examines the level of customer interest in digital gold investment.

Table 2: Mean and Standard Deviation

Statement	Mean	Std. Deviation
Interest in investing in digital gold	3.8	0.90
Preference over physical gold	3.6	0.85
Convenience of digital gold	3.9	0.80
Future investment intention	3.7	0.88
Recommendation to others	3.8	0.82

Interpretation

The mean values above 3.5 indicate that respondents show a moderate to high level of interest in digital gold investment.

Trust in Digital Gold Investment

This session analyses the level of trust among customers toward digital gold platforms.

Table 3: Trust Variables

Statement	Mean	Std. Deviation
Trust in digital platforms	3.5	0.92
Perceived safety and security	3.6	0.87
Trust in service providers	3.4	0.95
Confidence in authenticity	3.5	0.90

Interpretation

The results show a moderate level of trust, indicating that customers are somewhat confident but still cautious.

Perceived Risk in Digital Gold Investment

This session evaluates the perceived risk associated with digital gold investment.

Table 4: Perceived Risk Variables

Statement	Mean	Std. Deviation
Perception of high risk	3.7	0.89
Concern about security issues	3.8	0.85
Fear of fraud	3.6	0.91
Impact of price fluctuation	3.9	0.83

Interpretation

Respondents perceive moderate to high risk, especially regarding security and price fluctuations.

Financial Knowledge

This session examines the financial knowledge of respondents.

Table 5: Financial Knowledge Variables

Statement	Mean	Std. Deviation
Knowledge about digital gold	3.4	0.88
Understanding of benefits	3.5	0.90
Awareness of investment options	3.3	0.92
Ability to make decisions	3.6	0.85

Interpretation

Respondents have a basic to moderate level of financial knowledge, indicating scope for improvement.

Correlation Analysis

This session analyses the relationship between customer interest and trust-related factors using Pearson correlation.

Table 6: Correlation Matrix

Variables	Customer Interest	Trust in Platform	Perceived Safety
Customer Interest	1	—	—
Trust in Platform	0.126 (0.384)	1	—
Perceived Safety	0.290 (0.041)	0.061 (0.675)	1

(Values in brackets indicate p-value)

Interpretation

The connection between customer interest and trust in the platform is weak and lacks statistical significance. However, there is a moderate and statistically significant link between customer interest and perceived safety, suggesting that safety significantly influences interest. Conversely, the association between trust in the platform and perceived safety is very weak and not statistically significant.

Hypothesis Testing

Hypothesis

- **H₀: Trust has no significant impact on customer interest**
- **H₁: Trust has a significant impact on customer interest**

Decision Table

Variable	p-value	Result
Trust in Platform	0.384	Not Significant
Perceived Safety	0.041	Significant

Source: Primary Data

The results show that trust alone does not significantly influence customer interest, but perceived safety (a component of trust) has a significant positive impact.

FINDINGS OF THE STUDY

Based on the data analysis, the following key findings are identified:

1. Customer Interest

- The study reveals that customers show a moderate to high level of interest in digital gold investment.

- Convenience, ease of access, and flexibility are the major reasons for this interest.

2. **Trust in Digital Gold Investment**

- The level of trust among respondents is moderate.
- Many respondents are still cautious about the reliability and security of digital platforms.

3. **Perceived Risk**

- Respondents perceive moderate to high risk in digital gold investment.
- Major concerns include security issues, fraud, and price fluctuations.

4. **Financial Knowledge**

- The level of financial knowledge among respondents is average.
- While basic awareness exists, detailed understanding of digital gold and related products is limited.

5. **Relationship between Variables**

- Trust does not show a strong overall significant relationship with customer interest.
- However, specific aspects like perceived safety and security show a significant positive relationship with customer interest.
- This indicates that customers are more influenced by safety perception rather than general trust.

SUGGESTIONS

Based on the findings of the study, the following suggestions are proposed:

1. **Improve Security and Transparency**

- Digital gold platforms should strengthen security measures and clearly communicate them to customers.
- Transparency regarding storage, purity, and ownership should be enhanced.

2. **Increase Customer Awareness**

- Financial institutions and platforms should conduct **awareness programs** about digital gold investment.
- Educational campaigns can improve understanding and reduce hesitation among customers.

3. Build Customer Trust

- Companies should focus on building trust through **reliable service, clear policies, and customer support**.
- Providing certifications and regulatory backing can improve confidence.

4. Reduce Perceived Risk

- Platforms should address customer concerns related to fraud and security.
- Providing guarantees, insurance, or government-backed schemes can help reduce perceived risk.

5. Enhance Financial Literacy

- Efforts should be made to improve financial knowledge through workshops, online tutorials, and investor education programs.
- Better-informed customers are more likely to invest confidently.

CONCLUSION

The study concludes that digital gold investment is gaining importance as a modern investment option among customers. The findings indicate that customers show a positive interest in digital gold due to its convenience and accessibility. However, the level of trust is moderate, and perceived risk remains a significant concern.

Financial knowledge plays an important role in shaping customer decisions, but there is still a need for improvement in awareness and understanding. The study also highlights that while overall trust does not significantly influence customer interest, specific factors such as perceived safety and security have a strong impact.

Thus, for digital gold investment to grow further, service providers must focus on improving trust, reducing risk, and enhancing financial literacy among customers. Addressing these factors will help increase customer confidence and encourage wider adoption of digital gold investment.

References

- [1] Chatnani, N. N. (2018). Gold as an Asset for the Indian Investor. *Abhigyan*, 36(3), 1–10. <https://doi.org/10.56401/abhigyan/36.3.2018.1-10>
- [2] Putri, N., & Yuliati, E. (2022, January 1). The Effect of Perceived Risk on Customer's Behavioral Intention of Digital Gold Platform: The Moderating Role of Trust. <https://doi.org/10.4108/eai.27-7-2021.2316918>
- [3] Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179–211.
- [4] Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. *MIS Quarterly*, 13(3), 319–340.

- [5] Grable, J. E., & Lytton, R. H. (1999). Financial risk tolerance revisited: The development of a risk assessment instrument. *Financial Services Review*, 8(3), 163–181.
- [6] Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5–44.
- [7] Gefen, D., Karahanna, E., & Straub, D. W. (2003). Trust and TAM in online shopping: An integrated model. *MIS Quarterly*, 27(1), 51–90.
- [8] Bauer, R. A. (1960). Consumer behavior as risk taking. In *Dynamic Marketing for a Changing World* (pp. 389–398). American Marketing Association.
- [9] Chen, H., & Volpe, R. P. (1998). An analysis of personal financial literacy among college students. *Financial Services Review*, 7(2), 107–128.
- [10] OECD (2020). *OECD/INFE 2020 International Survey of Adult Financial Literacy*. OECD Publishing.
- [11] Reserve Bank of India (2022). *Report on Trend and Progress of Banking in India*. RBI Publications.
- [12] World Gold Council (2023). *Digital Gold: Investment Trends and Consumer Insights*. World Gold Council.