

Digital Gold- The Current Investment Trend in India

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Abstract

India has one of the largest millennial populations in the world, making up around 34% of the total population and accounting for a major part of the workforce. Due to increased utilization of technology and recent changes in the business markets has led investors to look up to new investment trends such as “Digital Gold Investments”. Millennials are early adopters of evolving technologies as they’re the first generation to be known as digital natives. They tend to use technology, being an integral part of almost everything they do such as shopping, communicating, listening to music, and investments too in recent times by using many personal finance and investment apps are available in the market today has attracted towards digital investments.

“**Digital gold**” provides the investor a chance of owning physical gold with the benefits of new-age technology that eliminates the hassles of inspecting physical gold for purity and then figuring a secure storage option. Providing them with technology that makes investing in gold digitally accessible and convenient to suit their preference of holding an asset digitally over physically is a smart move. This study has been made to explore the trends in “**Gold Investments in India on Digital Platform**” its scope in today’s business markets, applications, effects on investors, and opportunities offered in the present and its evolution in future periods.

Keywords: Gold Investments, digital gold, millennials, digital investments, new-age technology, digital natives, gold digitally accessible.

Introduction:

In today’s world Gold is no longer used as an ornament but is used as an investment. Gold has acquired a store of value for over 3000 years, much longer than any currency anywhere around the globe. In India, Gold is believed to be “God’s Money” and is offered to holy temples on account of every auspicious occasion, which made India be the largest importer of Gold in the world today. Historically the most popular ways of investing in gold are by purchasing or investing in physical gold which can be bought in the forms such as Jeweller, Gold coins, and Bullion, we also have Sovereign Gold Bonds, Gold Mutual Funds, and Gold ETFs.

Traveling along with the new changes in technology and adapting them has led to a new form of investment in gold i.e. Digital Gold. This form of gold investment has acquired immense

attention in the midst of the global pandemic, where Indians have found a new way to invest in the yellow metal using Digital Gold.

Digital gold is an investment alternative available to investors upon physical gold. It is the most convenient and cost-effective way to accumulate yellow metal for those who prefer to invest in the physical form of gold. The most remarkable reason for digital gold gaining investors' attention is that it enables investors to buy, sell and accumulate pure gold in any fractions at any time and anywhere. The other striking reason is the minimum monetary investment required for digital gold investment is Re.1, therefore, anyone can own a certain quantity of the precious metal.

Due to the convenience provided to the buyer and accelerated investment in gold across the globe during the pandemic, digital gold is rapidly gaining ground amongst the investor community in India. In our country, the option of investing in digital gold is being offered in collaboration with Augmont, MMTC-PAMP. Augmont Gold Ltd. has witnessed its businesses increase by 40-50% during the lockdown period this record serves as a result of the people's hesitation to visit jewellery stores and gold dealers where they are able to procure gold online easily have been a perfect solution to many investors

What made “digital gold” so popular:

Every gram purchased by an investor would be equal to an actual 24K physical gold, which can be easily sold back online at a market-linked gold rate. The investor need not worry about the concerns of re-sale value and storage cost.

It is a super convenient way to invest in digital gold depending on the platform you choose and also you can get your gold delivered as coins, bars, or jewelry at your doorstep when you desire to convert your digital gold into physical gold. Hence, ensuring purity, storage, security, and the flexibility to purchase gold with little money, which makes it a very attractive mode of purchasing gold in India.

Investor's convenience

On the other hand, can be bought online and is stored in insured vaults by the seller on behalf of the customers easily. It results to overcome all the issues of physical gold purchases such as identifying legitimacy and purity, problems of safekeeping and storage. And the last point is all you require for investment in this digital gold is Internet/mobile banking at anytime and anywhere.

Hassle-free experience for Millennials

Millennials are used to a digital-first and easy approach due to their regular use of apps and online platforms as they tend to avoid the time-consuming ways of face-to-face interactions and prefer the efficient ways of digital technology such as the availability of digital gold at their fingertips.

Digital gold provides the investor an advantage of owning physical gold with the benefits of new-age technology which eliminates the hassles of inspecting physical gold for purity and then figuring out a secure storage option. Trusted fintech platforms offering digital gold guarantee the purity of the gold purchased and store it into secure vaults along with providing full insurance for the customer. Hence, this eventually attracted the young investors towards this trending yellow metal investment virtually.

Convenient Investment:

During the uncertainty brought about by the COVID-19 pandemic, gold became a more attractive investment option due to its stability and resilience, regardless of the state of the stock market, especially as millennials were found more interested in investing in the yellow metal more than ever before during these recent times. The platforms offering digital gold had an upper hand over traditional suppliers as they lowered the barrier of entry by making fractional quantities of gold available to purchase digitally. This observed demand from millennials who had never invested in gold before as digital gold makes gold accessible as investors no longer have to save a lump sum to be able to buy gold. This works well with the millennials who are newly earning and want to be able to both invest their money for future returns and save a chunk for personal expenses.

Invest when the price is right:

The older generations are often inclined to buy physical gold on auspicious dates such as on Akshaya Tritiya or Dhanteras. But whereas, millennials are more sensitive to the prices of gold and would prefer to buy it when the prices decline. Such spontaneous investment can be possible only with digital gold as an investor can make a purchase at the exact right moment and can also buy as much or as little as they wish to.

Enterprises offering investment

Digital gold online Investment can be easily made on Finserv Markets, in India such as Augmont Enterprises Private Limited, state-owned Metals, and Minerals Trading Corporation of India (MMTC), Produits Artistiques Metaux Precieux, Switzerland (PAMP), and Digital Gold India Pvt. Ltd. with its Safe Gold brand issues digital gold.

Role of taxes on Digital gold Investment in digital gold is treated similarly to physical ownership of such assets, and then the amount of tax liable to be paid depends on the holding period of the asset. As one owns digital gold (or the holding period) for 36 months or less, then returns from it can be considered as short-term capital gain or STCG and the returns are added to the yearly taxable income of the holder. Whereas returns from such investments are considered as long-term capital gains or LTCG if it is sold after 36 months of ownership (or after 36 months holding period).

In these above-mentioned instances, the digital gold holder is needed to pay a tax of 20% on gains, along with an additional access of 4%. At last, the tax on LTCG is calculated with the benefit of indexation.

Working Principle of Digital Gold:

Digital gold investment can be possible from any of the e-wallet platforms like Google Pay, Paytm, and Phone Pay and also through HDFC securities, Bajaj finserv, and Motilal Oswal. All these e-wallet websites and companies provide a platform for the trading companies such as MMTC-PAMP, Safe Gold, and Augmont. Therefore, the above-mentioned e-wallet apps and websites play the role of intermediary between the trading platforms and investors. As an investor purchases gold on these platforms, the trading company places an equivalent amount of physical gold on the investor's name in his vault. Hence all investors are expected to only invest in gold on these platforms, and the rest is taken care of by the trading companies.

Drivers leading to Digital Gold Investment:

- **No worries about hefty making charges anymore:**

Whenever we buy physical gold in the form of jewelry, making charges are bared but whereas Digital gold solves this problem by avoiding making charges to the price of gold.

- **Paying only for gold:**

When purchasing gold jewelry, we pay not only for gold alone but for amalgamated precious metals or stones too. Whereas, when you buy digital gold, you are investing in 24K gold only.

- **Gold encashed at any time, anywhere:**

It is easier to sell the amount of gold instantly online than compared to physical gold. After selling a certain quantity of gold, the equivalent amount will be transferred to the investor's registered bank account within a few hours.

- **No more expensive bank vaults:**

If you invest in digital gold, you do not have to worry anymore about storing them in bank vaults; instead, it will be stored as a secure vault without investors spending anything for the service unlike in case storing physical gold in bank vaults would charge a fee for the service.

- **Hassle-free Gold Trading:**

Trading of physical gold is time-consuming and arduous, especially when buying gold jewelry as we are often spoilt for choices. However, digital gold offers you the opportunity to freely trade in terms of your purchased digital gold anytime, anywhere.

Conclusion:

Today's millennial generation is attracted to a hassle-free life as they are looking for convenience and a seamless user experience. Gold in investments tools like jewelry, bars, and coins have requirements such as storage, safety, and maintenance that need to be satisfied. As technology evolves, so will people's preference of investment tools to comply with the new changes. Millennials who tend to earn newly are turning to invest in digital alternatives. Millennials understand gold as a profitable instrument with long-term gains. With these prerequisites and India's affinity for gold, investment in digital gold has become the perfect option for digitally-savvy millennials, who are looking for easy-to-understand, accessible, and profitable investment options.

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