



INDIA  
GOLD POLICY  
CENTRE

# **Topic: From Glitters to Gigabytes: The Rise of Digital Gold**

**Name of presenter: Bharti Harnal**

**Name of the Institution:**

**Presented at the 8<sup>th</sup> IGPC-IIMA Annual Gold & Gold Markets Conference 2025  
organized by**

**India Gold Policy Centre at IIM Ahmedabad**

**March 3-4, 2025**

**Venue: Bharat Mandapam, Pragati Maidan, New Delhi**

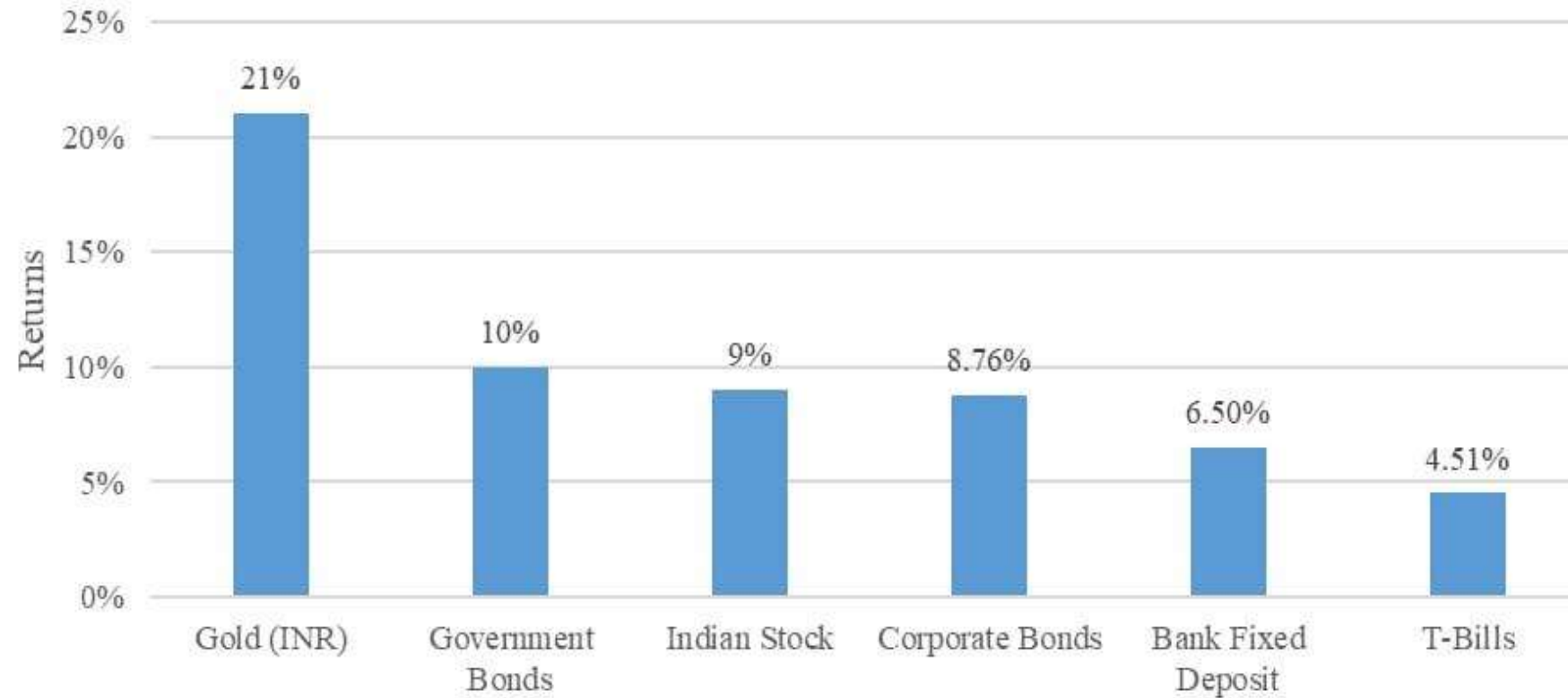
This research examines the potential to expand the reach and build trust in digital gold investments within rural India. The primary objective of this study is to identify key challenges and propose solutions that could increase the viability of digital gold as an investment option for rural populations. The research problem focuses on the understanding how to enhance the adoption of digital gold in these areas, addressing trust-related issues and implementing regulatory safeguards to prevent fraudulent activities referring past incidents like Sahara Finance case as an example.

## Importance of Gold.

India has a long standing and robust affinity for gold, rooted in its cultural heritage and local traditions. For centuries, precious metal has been symbolic of prosperity, wealth traditions and increasingly as a secure investment option, particularly during periods of economic instability. Its significance dates back to approximately 3000 BC, with the Romans being among the first to popularize gold coins as a form of currency. The sacred status of gold, regarded as “God’s Money’ is deeply ingrained in Indian society, where it is frequently offered during religion rituals and celebrations and recent discoveries of gold reserves in temples have further reinforced this notion.

Indians have a deep -seated reverence for gold that goes beyond its monetary worth. Today, there are multiple investment options available for gold, without the associated risks or additional costs including digital gold, SGBs, Gold ETFs and others. Digital gold offers an alternative to physical gold where each unit purchased representing 99.9% 24 pure gold. Gold stands out as a unique financial asset due to its inability to generate cash flows; its value is primarily driven by price appreciation. For instance, in 1950 gold was valued at Rs.99 per 10 grams, and it is currently priced at Rs.85500 per 10 grams marking a market gain of 86,263.63 % over the past 74 years. The returns generated by gold have exceeded those of other investment types, as illustrated in the chart below:

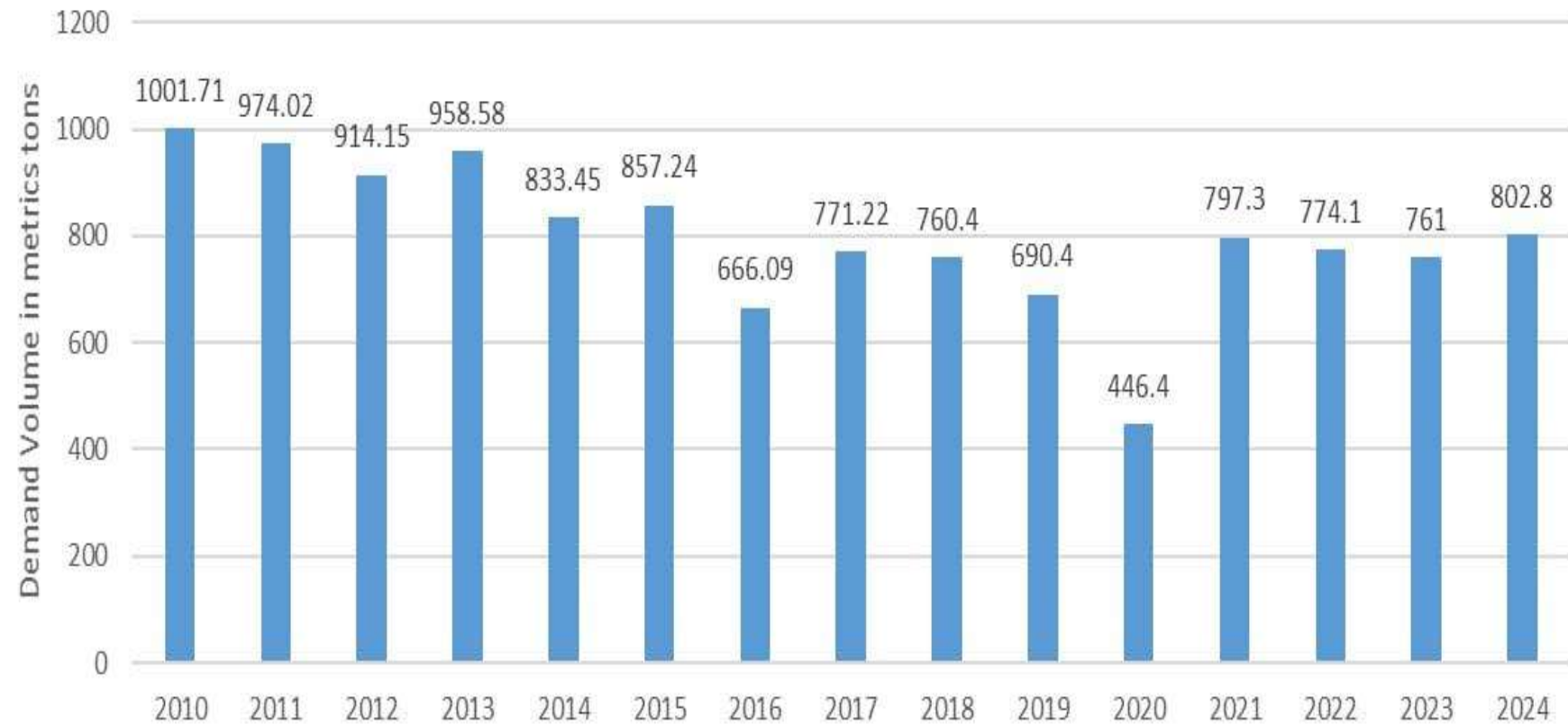
## Gold outshone nearly every major Indian Asset class in 2024



- As of 31 December 2024, Indices used: MCX Gold Index, CRISIL, Corporate Bond Index, S&P BSE Sensex, Total Return Index, Clearing Corp of India Liquidity Weight, T-Bill Index, ICE Bofa Govt. Bond Index.
- Source: Bloomberg. World Gold Council

- Notwithstanding various economic fluctuations, gold has consistently achieved an impressive compound annual growth of approximately 15%.
- One of the main attractions of gold as an investment is its ability to retain its value during inflationary periods making it a reliable source of wealth.
- Additionally, during times of political or geopolitical instability, gold is often viewed as a safe haven for investors seeking to shield their assets from market volatility. For example, the ongoing conflicts between Russia and Ukraine as well as tension in the Middle East, have increased global uncertainty, leading to a surge in demand for gold.
- Beyond jewelry and traditional investment forum, gold's application in industries such as electronics density and other high-tech fields have created a new stream of demand from industrial use and a steady increase in demand.
- India has remained among the world's largest gold consumers over the past several decades with demand stabilizing at approximately 802.80 Metric Tons in 2024. Gold demand is projected to reach 855 metric tons in 2028.

## Annual Demand of Gold Across from 2010 to 2024

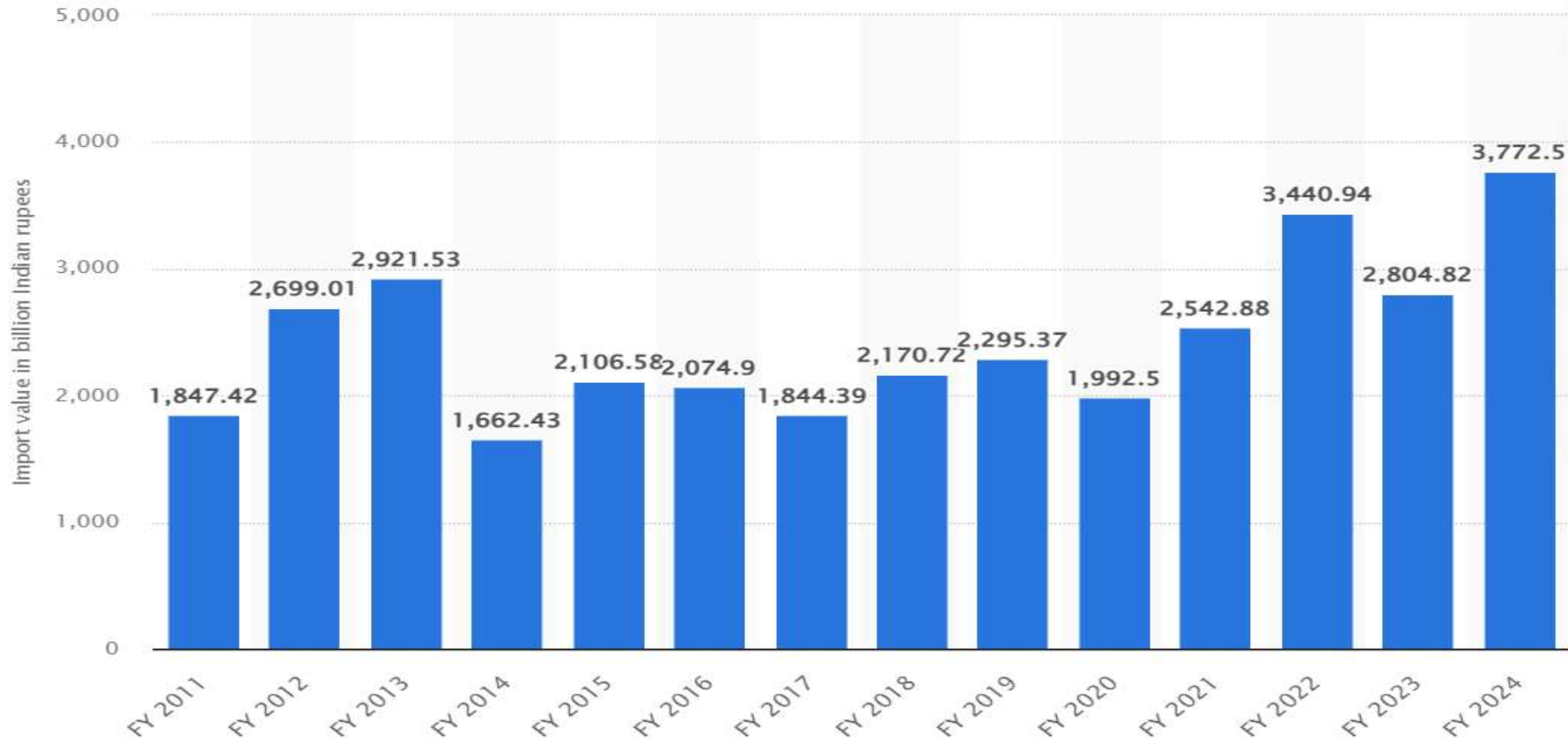


- Source: <https://www.statista.com/statistics/report-content/statistic/755581>

## GOLD SUPPLY

- India's gold demand is largely satisfied through imports. For the fiscal year 2023-24, India's gold imports are estimated to reach \$45-54 Billion making a 30% rise from the previous year. The domestic supply of gold is mainly derived from two sources: Mining and Recycling.
- Value of gold imported into India from Financial Year 2011 to 2024





■ Source: Statista 2025

## TYPE OF GOLD

- Typically, gold investments have mainly taken the form of physical assets such as coins, bullions and jewelry. However, in recent years a more modern and accessible investment option has emerged digital gold.
- Also known as E-Gold, digital gold is a digital representation of physical gold which facilitates investor's ability to purchase, hold and trade gold electronically, thereby obviating the need for physical possession. This investment vehicle provides unparalleled convenience, as it can be accessed remotely at any time with just a few clicks.
- Some of the available options for investing in digital gold include ETFs (Exchange Traded Funds), Gold Mutual Funds and Sovereign Gold Bonds (SGBs)
- Both physical and Digital gold present unique benefits and drawbacks. Physical gold remains the options for those desiring tangible gold often for purposes such as jewelry or cultural practices like wedding. However, it is accompanied by certain risks, including issues related to storage, potential theft and concerns regarding purity.

Conversely, digital gold provides a solution to these challenges. Investors who acquire gold in digital form can alleviate concerns about storage, theft and impurities. Furthermore, digital gold is certified to be of 24 K purity (99.5%) thereby ensuring its quality.

A significant advantage of digital is its potential to enhance financial inclusion for the unbanked population. By providing access to digital gold, individuals can engage in transactions that would otherwise be unfeasible due to inadequate formal banking infrastructure.

In spite of its numerous benefits, digital gold also involves certain risks, including the potential for fraud, market volatility, hidden costs, redemption restrictions and tax implications. A notable drawback of digital gold is the lack of a comprehensive regulatory framework unlike physical gold, which is governed by established regulations.

## DIGITAL GOLD

- Digital gold can be acquired online through authorized partners, such as popular e-wallets and other platforms and stored in one's online account. The minimum investment amount is typically Rs.100. digital gold purchase transactions are subject to 3% GST. Additionally, separate charges for storage and insurance may be applicable, although these charges are not standardized. If physical gold delivery redemption is requested, separate charges will apply.
- India is home to several digital gold providers, including Augmont Enterprises Private Ltd.- State - Owned Metals and Minerals Trading Corporation of India (MMTC), Produits Artistiques Metaux Precious (PAMP) Switzerland and Digital Gold India Pvt. Ltd., with its SafeGold brand. These platforms facilitate seamless transactions around the clock. Additionally, mobile E-Wallets such as Paytm, Google Pay and Phonepe have streamlined the investment process, while brokers like HDFC Securities and Motilal Oswal offer digital gold investment options. When investors purchase digital gold, these companies buy an equivalent amount of physical gold and store it in secure vaults under the investor's name.
- Since the advent of the digital revolution in India, numerous gold-tech start-ups have emerged in the digital gold space, providing fractional ownership options and catering to impulse buying by facilitating gold investments for amounts as low as INR 10. With gold prices surging daily, purchasing gold has become increasingly unaffordable for the average individual, even after months of saving.



The Sovereign Gold Bonds (SGB) programme, launched by the government in 2015, lets people invest in debt securities issued by the Reserve Bank of India (RBI) on behalf of the government. Their value is denominated in multiples of grams of gold. Each bond is equal to 1 gram and that is the minimum investment requirement.

The Income-Tax Act provides for exemption to individuals on redemption/maturity of the SGBs by the RBI, since they are not regarded as a transfer and hence not chargeable to capital gain tax. SGBs present a safer and more tax-efficient investment alternative to physical gold, offering a 2.5% annual interest. It is paid twice a year (Semi-annually) for 8 years, i.e. till maturity. However, physical gold offers greater liquidity and can be used as jewelry. SGBs have a five-year lock-in-period, whereas physical gold can be sold at any time. The choice ultimately depends on the investment horizon, liquidity needs and tax implications. (The government has decided against issuing sovereign gold bonds as part of its market borrowing programme, potentially benefiting gold ETFs as investors seek alternative gold-related

## ETFs (Exchange-Traded Funds)

- A Gold ETF is an exchange-traded fund designed to mirror the domestic gold price. One gold ETF equals 1 gram of gold and is backed by very high purity physical gold. ETFs unlike SGBs, are backed by physical gold stored in custodian bank's vaults.
- As the name suggests, Gold ETFs are listed and traded on stock exchanges, thus giving the convenience of buying and selling in electronic form.
- This would allow one to benefit from the value of gold without the need to store or manage it in its physical form. Investors favor investing in Gold ETFs due to liquidity, transparency, cost-effectiveness and ease of trading compared to physical gold.
- In India, gold ETFs were permitted in 2007. The response was initially lukewarm as they were not viewed as a viable alternative to physical gold. However, as investors world wide acknowledge the efficiency of investing through ETFs, gold assets under management experienced an increase.
- Capital gains on gold ETFs units held for more than three years get classified as Long Term Capital Gains. Gold ETFs are subject to make risks impacting the price of gold.

## Gold ETF holdings (in tonnes) for India and China

Country	2022-23	2023-24	Year-on-year % change
India	37.3	44.7	19.8
China	50.6	67	32.4

Source: WGC

## • Digital gold in Rural Areas: A Transformational shift in Investment Habits

- Despite Urbanization, India's rural areas, home to around 65% of the population, remains the largest consumers of gold jewelry. Gold remains a preferred investment choice in rural India, despite increased access to banking services, due to its historical significance and limited awareness of banking products.
- These rural communities, have held on to gold as their primary form of investment for generations and this trend remains strong even today.
- Gold serves as a vital safety net for rural Indians, during financial emergencies, providing liquidity and circumventing bureaucratic hurdles. Digital gold offers a modern solution enabling individuals to purchase, sell or trade gold digitally.
- In India's rural villages, physical gold has traditionally been the dominant form of investment, but a growing trend is emerging where rural populations are investing in digital gold through Mobile Apps., and fintech platforms, thereby enhancing accessibility even in remote areas, particularly due to the convenience and low entry barrier offered by digital gold platforms.



This modern, digital approach is especially attractive to younger, tech-savvy investors. The Central Statistical Office reports that approximately 68% of the youth in our country reside in rural areas. As per government surveys, more than 82% of rural youth in India have access to internet. The demographic shift towards a youthful population in emerging markets is bolstering confidence in online transactions and driving digital gold investment in India, a trend anticipated to strengthen in the coming years.

Investment in digital gold is attracting interest due to its inherent advantages. The ability to make fractional and consistent investments, which enable investors to accumulate wealth over time, and the convenience of doing so from the comfort of their own homes with a mere click are key factors driving investors towards this option. The capacity to purchase gold in fractional amounts through digital platforms is a particularly attractive feature influencing investors to alter their investment habits.

Recall how our parents would invest substantial amounts in gold. Digital gold makes it accessible to those with lower financial resources. Now, Indians can invest as little as INR 10 without any lock in period. This industry presents immense opportunities and startups are simplifying the onboarding process, making it one of the most financially inclusive asset classes. This affordability and ease of access make digital gold an appealing option for many people in rural India.



In addition to other available options, digital gold has emerged as a prudent gifting option. It can also serve as a perfect gift not only for significant social occasions where gold is traditionally gifted but also for the upcoming holiday season as its value will appreciate over time.

Digital gold provides a secure and straightforward means of generating value, allowing investors to liquidate assets on their own terms.

Digital gold is beneficial for those who do not want gold buying to be a part of a festive occasion, but want it to be a habit-buy it anytime for any amount and allow the user to use gold like digital cash, digital gold will be the optimal choice.

Furthermore, digital gold has the potential to further financial inclusions by reaching out to micro-investors, particularly those in rural areas who might otherwise be excluded from traditional investment methods due to financial limitations or geographic isolation.

- **Challenges**

- One of the primary hurdles is the issue of digital literacy and connectivity. Rural India still faces significant challenges in terms of internet access, with only around 20% of the population being digitally literate and able to effectively utilize the internet. This gap in digital literacy presents a clear barrier to the widespread adoption of digital gold, as people in these areas may lack the knowledge of navigate online platforms or conduct secure transactions.
- Moreover, rural Indians have traditionally valued the tangible nature of gold, which can be physically held and stored, and they may find it difficult to trust a digitally version of this asset. The concept of owing gold without being able to physically touch it can seem intangible and unfamiliar and this unfamiliarity contributes to hesitation and reluctance among rural investors and they may be hesitant to invest in an asset that they cannot physically hold or see.
- A pressing concern in the digital gold market is the widespread lack of trust. As a relatively novel concept in India, digital gold has not yet gained traction in rural areas, where residents are skeptical due to concerns about fraud, security and legitimacy. This skepticism is exacerbated by a lack of understanding of the underlying mechanism, causing rural investors to hesitate in making digital investments due to fears of not receiving what they are promised. What is more, customers may face deceit when jewelers provide lower-quality gold that they have accumulated digitally.



Moreover, the absence of proper regulatory oversight in the digital gold market complicates matters, heightening the risk of exploitation or unethical practices and ultimately eroding trust and hindering market growth.

This means customers do not have any regulatory resource in the event that they suffer any losses. Also, nobody can guarantee a customer's capital or any return. The World Gold Council (WGC) an international trade association has urged India's Finance Ministry and the Reserve Bank of India (RBI) to establish clear guidelines and regulatory framework for the burgeoning digital gold business in the country. Notably, investing in digital gold also involves potential risks, including market risk, expenses, limitations on redemption, and tax repercussions. Furthermore, hidden charges are an essential consideration before investing in digital gold. It is crucial to cross-check all charges involved, as they may adversely affect the overall returns from the investment. Additionally, buying digital gold is susceptible to cyber thefts associated with online transactions.

- **Suggestions:**

- The path to widespread adoption of digital gold in rural India will necessitate a collaborative effort to address these issues.
- One of the initial steps in this direction is to promote awareness about digital gold and its advantages. Comprehensive educational campaigns are necessary to assist rural investors in understanding how digital gold operates, how they can invest securely and the security measures in place to safeguard their investments. As digital gold awareness increases, it is poised to become an increasingly popular and valuable investment option for both urban and rural populations. India's deep-seated cultural affinity for gold, combined with the benefits of digital gold, may usher in a new era of investment, where gold retains its position as a secure and dependable asset, albeit in a more contemporary digital format. Furthermore, establishing trust through transparent practice, fair policies and consumer protection mechanisms will be crucial in gaining the confidence skeptical rural investors. Financial literacy programs, partnerships with local influences or community leaders and the utilization of regional languages in marketing efforts can all contribute to making digital gold more accessible and trustworthy to rural populations.

In order to safeguard investors and maintain the integrity of digital gold market, a robust regulatory framework must be put in place. Robust regulations are essential for restoring trust and eliminating the risk associated with unregulated or poorly managed platforms in financial investments, particularly among vulnerable investors, by ensuring transparency and accountability. A clear set of guidelines governing digital transactions and a well-regulated digital gold market will not only reassure consumers that their investments are secured, dealing with credible platforms but also contribute to the sectors sustainability growth and stability. Such regulations will also protect against fraudulent practices, including the delivery of substandard gold and ensure that consumers receive the gold they paid for at the correct price. Earlier, rural individuals lost confidence when Sahara Finance Company failed to deliver on its promises, resulting investors losing their initial investments.

Indian policymakers and financial institutions should collaborate to develop policies that promote transparency and sustainability in the digital gold market. As digital gold gains widespread acceptance and adoption, it can emerge as a crucial tool for broadening financial inclusion options, offering a more secure, flexible and accessible means for rural communities to invest in gold while maintaining its deep-rooted culture significance. If these challenges are addressed and digital gold becomes more accessible and trustworthy, it has the potential to significantly impact the investment landscape in rural India.

The WGC report notes that gold lending is widespread in the informal sector, reinforcing the notion that gold is a preferred investment choice among low-income or rural households in India. A policy introduction is suggested whereby rural people can obtain loans against their gold purchased with their accumulated small savings over time, at the time of borrowing.

The outlook for gold investment in India, encompassing both traditional and digital formats, is favorable. Continuous efforts to build trust, enhance digital literacy and develop a regulatory framework that supports digital gold, will enable an increasing number of individuals in rural India to adopt this innovative investment method.

If these challenges are addressed and digital gold becomes more accessible and trustworthy, it has the potential to significantly impact the investment landscape in rural India.

## SUMMARY

- Digital gold has attracted an estimated 120 million consumers who utilize financial payment apps for gold-based micro savings. Encouraging digital transformations, including e-commerce platforms, will foster domestic consumption. To safeguard consumer interests and facilitate the conversion of digital gold into jewelry, regulation of this channel is necessary, given the substantial 120 million digital gold consumers.
- Digital gold investment offers multiple benefits, but the disparity between buying and selling rates and GST implications reduces its appeal in the short term. Furthermore, most digital solutions are centered on investment rather than consumption.
- We are navigating a period of global economic uncertainty. With geopolitical tensions and potential rate hikes looming, investors are seeking safe-haven assets. Gold has historically demonstrated its value as a reliable hedge against such risks. Fueled by its multifaceted benefits, digital gold has become the modern gold standard in investment options, thereby democratizing gold investments in India. As a passionate believer in the precious metal, I am confident that the forthcoming years will be exciting for adoption and regulations.
- The WGC report notes that gold lending is widespread in the informal sector, reinforcing the notion that gold is a preferred investment choice among low-income or rural households in India.





INDIA  
GOLD POLICY  
CENTRE

**We may not have substantial gold,  
but we are still ‘Sonney ki Chirya’.**