International Journal of Science, Strategic Management and Technology
Volume **02** Issue **09** September-2026 | ISSN: **3108-1762 (Online)** | Impact Factor: 3.8
An International, Peer-Reviewed, Open Access Scholarly Journal Indexed in recognized academic databases

A Study on the Analysis of Gold Bond Market in India

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https://doi.org/10.55041/ijsmt.v2i8.054

Cite this Article: KUMAR, G. A. (2026). A Study on the Analysis of Gold Bond Market in India. International Journal of Science, Strategic Management and Technology, *02*(9), 1-9. https://doi.org/10.55041/ijsmt.v2i8.054

ABSTRACT
The Indian Gold Bond Market has emerged as a financial investment avenue by providing investors with an alternative to physical gold. Sovereign Gold Bonds offer fixed annual interest, potential capital appreciation, tax benefits, and freedom from storage and purity concerns. This study analyses the growth, benefits, investor awareness, market performance, and challenges associated with gold bonds in India. Primary data were collected from 100 respondents through a structured questionnaire and analysed using percentage analysis. The findings indicate strong awareness, perceived safety, and satisfaction among investors. The study also highlights the importance of financial literacy, digital platforms, liquidity, and government support.

Keywords: Gold Bonds; Sovereign Gold Bonds; Investor Awareness; Portfolio Diversification; Financial Market

1. INTRODUCTION
Gold has occupied an important position in the Indian economy for generations because of its cultural, social, financial, and investment significance. Indian households traditionally consider gold a safe store of wealth, particularly during uncertain economic conditions. Besides jewellery, gold is used as a long-term investment and as a hedge against inflation. However, heavy dependence on physical gold imports creates pressure on foreign exchange reserves and the current account balance. To provide an alternative investment mechanism and reduce dependence on physical gold, the Government of India introduced the Sovereign Gold Bond (SGB) Scheme in 2015 under the Gold Monetisation Programme. The Reserve Bank of India administers the scheme on behalf of the government. Sovereign Gold Bonds enable investors to obtain exposure to gold without purchasing, storing, insuring, or maintaining physical gold. Investors receive fixed annual interest in addition to the potential benefit arising from changes in gold prices. The instrument also reduces concerns relating to purity, making charges, and resale deductions associated with physical gold. The study notes tax advantages associated with redemption at maturity under applicable provisions, making SGBs attractive for long-term wealth creation. The Gold Bond Market also has wider economic importance. By encouraging financial investment instead of physical gold purchases, SGBs can help reduce demand for imported gold, preserve foreign exchange reserves, and support the current account position. Digital banking, online investment platforms, dematerialised accounts, and fintech developments have made gold bonds more accessible to retail investors. Government support and increasing financial awareness have further encouraged participation. At the same time, the market faces challenges. Investor awareness remains uneven, traditional preference for physical gold continues, and secondary-market liquidity may be

limited. Gold prices, inflation, interest rates, exchange rates, global economic conditions, and investor sentiment can influence demand. The present study therefore examines the concept and expansion of India's gold bond market, its investment benefits, investor perceptions, market performance, and contribution to the Indian financial system. It also considers measures that can improve investor participation and support the sustainable development of the Gold Bond Market. The study is particularly relevant to investors, financial institutions, policymakers, researchers, and students today.

2. REVIEW OF LITERATURE

The literature reviewed in the study indicates that Sovereign Gold Bonds have developed as an alternative to physical gold while providing investment and economic benefits. Sharma and Gupta (2018) found that gold bonds offer government-backed security, interest income, and capital appreciation, while greater awareness could increase participation. Kumar and Verma (2019) highlighted lower storage costs, absence of purity concerns, and tax benefits, emphasizing the importance of financial literacy. Reddy and Rao (2019) reported that increased gold-bond investment can reduce physical gold imports and support the current account. Singh and Mehta (2020) found that gold bonds contribute to portfolio diversification during inflation and stock-market volatility. Patel and Shah (2021) emphasized fixed interest and favourable tax treatment. Nair and Joseph (2021) identified limited awareness and traditional preference for physical gold as barriers. Chandra and Arora (2022) noted that digital platforms improve accessibility. Gupta and Ramesh (2023) highlighted liquidity and awareness challenges, while Prasad and Kiran (2024) identified inflation, interest rates, exchange rates, and global gold prices as important influences. Malhotra and Jain (2024) emphasized financial inclusion and long-term wealth creation. Overall, the literature suggests that awareness, liquidity, technological accessibility, and supportive policies are necessary for market expansion and investor participation in India.

3. OBJECTIVES OF THE STUDY

1. To study the concept and growth of the Gold Bond Market in India.
2. To examine the benefits of investing in Sovereign Gold Bonds.
3. To assess investor awareness and perceptions towards gold bond investments.
4. To evaluate the performance and contribution of the Gold Bond Market to the Indian financial system.
5. To suggest suitable measures for improving investor participation and the overall development of the Indian Gold Bond Market.

4. RESEARCH METHODOLOGY

The study follows a descriptive research design using primary and secondary data. Primary data were collected through a structured questionnaire from 100 respondents selected using convenience sampling. Secondary data were obtained from RBI publications, Ministry of Finance reports, government publications, books, journals, newspapers, investment reports, and financial sources.

4.1 STATISTICAL TOOL

Percentage Analysis

Percentage analysis is selected as the statistical tool because the study primarily examines respondents' awareness, perceptions, preferences, and opinions regarding Sovereign Gold Bonds. It provides a simple comparison of responses and is appropriate for the descriptive survey design used in the study.

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5. DATA ANALYSIS AND INTERPRETATION

Sample Size: 100 Respondents

Table 1: Knowledge About Sovereign Gold Bonds

Response	Respondents	Percentage (%)
Strongly Agree	34	34
Agree	42	42
Neutral	12	12
Disagree	8	8
Strongly Disagree	4	4
Total	**100**	**100**

Interpretation: The table shows that **76%** of respondents either strongly agree or agree that they have knowledge about Sovereign Gold Bonds. This indicates a relatively strong level of awareness among the respondents regarding SGBs as an alternative investment instrument.

Table 2: Investing in Gold Bonds Is Safe

Response	Respondents	Percentage (%)
Strongly Agree	35	35
Agree	41	41
Neutral	12	12
Disagree	8	8
Strongly Disagree	4	4
Total	**100**	**100**

Interpretation: A total of **76%** of respondents either strongly agree or agree that investing in gold bonds is safe. This demonstrates that the majority of respondents have a positive perception of the security and reliability of Sovereign Gold Bonds.

Table 3: Investment Decisions Are Affected by Tax Benefits

Response	Respondents	Percentage (%)
Strongly Agree	34	34
Agree	42	42
Neutral	12	12
Disagree	8	8
Strongly Disagree	4	4
Total	**100**	**100**

Interpretation: The results indicate that **76%** of respondents strongly agree or agree that tax benefits influence their investment decisions. This suggests that the tax-related advantages of Sovereign Gold Bonds play an important role in their investment attractiveness.

6. RESULTS

1. The majority of respondents possess adequate knowledge about Sovereign Gold Bonds.
2. Sovereign Gold Bonds are perceived by most respondents as a safe government-backed investment option.
3. Gold bonds provide an alternative to physical gold while avoiding storage, security, and purity-related concerns.
4. Fixed annual interest income is an important factor encouraging investment in gold bonds.
5. Tax benefits significantly influence investors' decisions regarding gold bond investments.
6. Gold bonds are perceived as useful instruments for portfolio diversification, particularly during inflation and market volatility.

7. The liquidity of gold bonds is considered satisfactory by a majority of respondents, although secondary-market limitations remain a concern.
8. Most respondents believe that gold bonds can reduce purchases of physical gold.
9. Digital investment platforms have improved accessibility and participation in gold bond investments.
10. Government initiatives and support have strengthened investor confidence in the Gold Bond Market.
11. Most respondents are satisfied with their gold bond investment experience.
12. A significant proportion of respondents indicate an intention to continue investing in gold bonds.

7. SUGGESTIONS

1. The Government of India and the Reserve Bank of India should continue conducting regular awareness programmes about Sovereign Gold Bonds.
2. Financial institutions should clearly explain the interest income, tax benefits, safety features, and redemption procedures associated with gold bonds.
3. Financial literacy programmes should be strengthened to encourage investors to consider gold bonds as an alternative to physical gold.
4. Digital investment platforms should continue improving the accessibility and convenience of gold bond investments.
5. Secondary-market liquidity should be improved to make buying and selling gold bonds easier for investors.
6. Investors should be educated about the long-term wealth-creation and portfolio-diversification benefits of Sovereign Gold Bonds.
7. Banks, financial institutions, and investment platforms should provide simple and transparent information regarding gold bond returns and risks.
8. Government initiatives should continue encouraging investment in financial assets instead of physical gold.
9. Greater coordination among regulators, financial institutions, and digital investment platforms should be promoted.
10. Continued policy support should be provided to strengthen investor participation, financial inclusion, and the sustainable growth of the Indian Gold Bond Market.

8. CONCLUSION

The Gold Bond Market has developed into an important financial investment option in India by providing investors with a safe, transparent, and government-backed alternative to physical gold. The study demonstrates that Sovereign Gold Bonds offer several advantages, including fixed annual interest income, potential capital appreciation linked to gold prices, tax benefits, reduced storage concerns, and portfolio diversification. The survey results indicate that most respondents are aware of Sovereign Gold Bonds and perceive them as a safe investment instrument. Interest income, tax benefits, digital accessibility, and government support contribute significantly to their attractiveness. At the same time, limited awareness, traditional preference for physical gold, and liquidity concerns remain challenges. The study concludes that stronger financial education, improved market liquidity, wider digital accessibility, and continued government support can encourage greater investor participation. Overall, the Gold Bond Market can contribute to financial inclusion, wealth creation, portfolio diversification, and reduced dependence on imported physical gold, thereby supporting the development of India's financial system.

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