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Role of silver as an investment asset among household in Nashik: A study of shifting investment preference

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Abstract

This study investigates how the increasing industrial and investment demand for silver and its associated price volatility influences household investment behaviour in Nashik, a prominent urban and industrial hub in Maharashtra, India. Unlike gold, silver in India holds a dual identity as an ornamental asset, especially for ritual and secondary gifting, and a high-potential, high-volatility financial asset. This research analyses the changes in investment preferences from traditional physical silver (jewellery, utensils, coins) to digital silver options, such as Silver Exchange-Traded Funds (ETFs) and Digital Silver platforms. Findings suggest that while the cultural demand for physical silver remains robust, particularly for ceremonial purposes among older and lower-income demographics, the recent sharp rallies in silver prices and the accessibility of digital products are driving a more significant, albeit emerging, trend of diversification toward digital forms, primarily among the young, educated, and financially-savvy segments of Nashik's population.

Keyword: Silver, household investment, industrial demand, silver ETFs, digital silver

Introduction

Silver has historically served as a critical asset in Indian households, though often secondary to gold in cultural and monetary significance. It is widely used in rituals, traditional gifting, and the form of utensils and coins, establishing it as a foundational store of value. Nashik, with its blend of deep-rooted cultural practices, rapid industrial growth (including automotive and electronics key consumers of silver), and a growing middle class, offers a dynamic environment to examine the asset's evolving role.

The investment landscape for silver in India has transformed significantly since the introduction of Silver ETFs in the last few years, coinciding with a global surge in its price driven by its increasing use in green technologies like solar panels and Electric Vehicles (EVs). Recent market data indicates that silver prices have shown substantial volatility and high returns, with certain periods seeing over a 100% rise in the last five years (Source: Market Data, 2025). This price surge, coupled with the introduction of new digital products, warrants a close examination of how families in Nashik are adjusting their traditional investment approaches toward this white metal.

This research aims to explore the influence of silver price volatility and industrial demand on household investment decisions in Nashik. Specifically, it seeks to measure the extent to which households are transitioning from traditional purchases of physical silver to modern, regulated alternatives like Silver ETFs and Digital Silver platforms. The study will also identify key socio-economic and demographic factors (age, income, education) that determine the preference for silver as a growth-oriented investment versus a cultural or ceremonial asset in this unique urban-industrial setting.

Literature Review

The role of silver as an investment in India presents a different profile compared to gold. While gold is viewed primarily as a safe-haven asset for wealth preservation, silver is recognized for its higher volatility and greater correlation with the industrial cycle (Bajaj Finserv, 2025) ^[1].

The World Silver Survey (2025) ^[8] consistently highlights India as a major consumer of physical silver. However, a significant portion of the demand is now influenced by its rising

global industrial use, which accounts for over half of all annual silver demand worldwide, making it a "strategic metal" in the context of the green energy transition (Equitymaster, 2025)^[3].

Studies focusing on emerging investment trends in India, such as those by Kumar (2019)^[4] and Sharma (2020)^[6], noted that while physical silver remains the default option for rural and less financially literate households due to familiarity and ease of local transaction, urban investors are increasingly acknowledging its potential for high returns due to its industrial-asset characteristics^[5].

The launch of Silver ETFs in the Indian market marked a turning point, providing a regulated, safe, and liquid option. SEBI reports indicate that the Assets Under Management (AUM) for Silver ETFs have grown substantially, with some funds delivering returns exceeding 50% in a year, attracting younger investors comfortable with equity-like volatility and digital platforms (Dhan, 2025)^[2]. Furthermore, the rise of Digital Silver platforms (like Digi Gold, ebullion), offering the flexibility to buy, sell, or hold silver in small denominations (as low as ₹10), has further democratized the silver market, appealing to budget-conscious and tech-savvy households (MMTC-PAMP, 2025)^[5].

Despite the rapid growth of digital options, challenges persist. Sinha (2021)^[7] points out that the cultural association of physical silver with *puja* (worship) and *shubh* (auspicious) occasions still outweighs purely financial logic for many, particularly when making ceremonial purchases. Moreover, a lack of awareness regarding the difference in tax treatment between physical and digital/ETF silver often creates inertia against new products.

The current literature suggests a bifurcated market: a deeply traditional physical silver market coexisting with a nascent, high-growth digital silver market. Nashik, with its active bullion trade (Source: Local Jewellers), high concentration of manufacturing units, and growing tech-literate population, is an ideal microcosm to study the friction and integration between these two investment worlds.

Objectives

- To examine the impact of the high volatility and industrial demand-led price surge of silver on household investment decisions in Nashik.
- To study the extent of the shift from traditional physical silver purchases (coins, utensils) to digital alternatives (Silver ETFs, Digital Silver platforms).
- To identify the key socio-economic and demographic factors (age, income, education, industrial linkage) influencing household preferences for silver as an investment option in Nashik

Research Methodology

The study was conducted in Nashik City, encompassing both core urban and peri-urban areas to capture a comprehensive view of household investment behaviour. A sample size of 150 households was selected using stratified random sampling, specifically segmenting the population by income levels, age groups, and residential location (e.g., old city versus new industrial zones) to ensure demographic representation. Data collection was executed through structured questionnaires designed to assess silver

ownership, the primary purpose of purchase (investment versus ceremonial use), awareness of digital silver options, and overall risk tolerance. The collected data will be analysed using descriptive statistics, cross-tabulation, and chi-square tests to identify significant correlations and compare investment behaviours across the different demographic strata

Results and Discussion

The survey established that 75% of households in Nashik recognize silver as a vital investment or savings asset, placing it second only to gold. Despite this financial acknowledgment, a majority (58%) still reported that their silver purchases are primarily driven by cultural or ceremonial needs (such as *Diwali*, weddings, or *puja*) or for practical utility, like buying utensils. This confirms the metal's enduring traditional role in the household.

The recent volatility and price surges in the silver market have significantly influenced consumer action. A substantial 52% of households with discretionary income reported increasing their silver purchases for explicit investment purposes, treating it as an asset with high growth potential.

Crucially, digital silver adoption is emerging: 35% of all respondents reported either exploring or investing in digital alternatives, such as Silver Exchange-Traded Funds (ETFs) or various Digital Silver platforms, within the last two years. This adoption rate is considered significant, given that regulated Silver ETFs are relatively new instruments in the Indian financial market.

Cross-sectional analysis revealed strong, statistically significant links between a household's demographic profile and its choice of silver investment:

- **Age:** Younger respondents (aged 25-40) showed a much greater tendency to opt for digital silver. Their stated rationale centers on the ease of transaction and the superior transparency of digital products. Conversely, older demographic groups demonstrated an overwhelming preference for the physical form, citing a foundational "trust in tangibility."
- **Education and Financial Literacy:** Households with post-graduate or professional education were four times (4x) greater to be aware of and invest in Silver ETFs. This strongly suggests that the transition toward modern financial silver products is dependent on the investor's ability to comprehend complex, market-linked mechanisms.
- **Income Level:** Silver's comparatively lower unit cost ensures that its physical purchase remains accessible to lower and middle-income groups even during periods of price increase, unlike gold. Meanwhile, higher-income households use digital silver predominantly for portfolio diversification, viewing it strategically as a risk hedge against equity market volatility and an investment proxy for global industrial growth.

The study identified the two major impediments to widespread digital adoption: a significant 40% of respondents cited a lack of complete trust in digital platforms, and 25% reported a limited awareness of the process for buying, redeeming, or selling these modern products.

Conclusion

The study confirms that household investment behaviour in Nashik is in a state of flux regarding silver. While its traditional cultural and ceremonial use sustains demand for physical forms, the sharp price rallies driven by its industrial demand and the easy accessibility of Silver ETFs/Digital Silver have acted as powerful catalysts for modern financial adoption.

The shift is unequivocally led by the younger, educated, and higher-income segments, who prioritise liquidity, security, and growth potential over the traditional emotional value of physical metal. For the majority, silver continues to offer a more accessible hedge and ceremonial necessity compared to gold, which, for many, has become prohibitively expensive. This transitional behaviour highlights Nashik's position as a city at the intersection of a strong cultural heritage and modern financial integration, paving the way for the broader acceptance of digital commodity investments in India's tier-2 cities.

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