



A study on factors influencing investment in gold among middle class families a special reference to Coimbatore city

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Abstract

Gold has traditionally been regarded as a secure and culturally significant investment avenue among Indian households, particularly within middle-class families. This study aims to examine the key factors influencing investment in gold among middle-class families in Coimbatore city. The research focuses on demographic characteristics, socio-economic conditions, and behavioral aspects that drive gold investment decisions. A mixed-method approach is adopted, combining primary data collected through structured questionnaires and interviews with secondary data from relevant literature. The study identifies major influencing factors such as income level, savings pattern, cultural beliefs, risk perception, inflation hedging, and financial literacy.

Keywords: Economic factors, income level, investment preferences, gold price volatility, Indian Gold Market, family income stability

Introduction

Gold has been one of the most trusted and revered assets throughout human history, serving as a symbol of wealth, security, and prosperity across civilizations. Since ancient times, gold has not merely been a precious metal; it has been a medium of exchange, a store of value, and a benchmark for economic stability. In the contemporary financial landscape, gold continues to hold a prominent place as a preferred investment avenue, particularly among middleclass families in India.

India has a profound cultural and emotional relationship with gold. As one of the largest consumers of gold in the world, India accounts for nearly 25% of global gold demand. Gold is deeply intertwined with Indian traditions, rituals, and social ceremonies. Weddings, festivals such as Akshaya Tritiya and Dhanteras, and religious offerings are all occasions where gold plays a central role. This cultural significance has ensured that gold remains a prominent financial asset across generations and social classes.

Objectives of the Study

- To identify the primary factors — financial, cultural, social, and psychological that influence gold investment decisions among middle-class families.
- To examine the socio-economic and demographic profile of gold investors in the study area, including age, income, occupation, and educational background.
- To assess the level of awareness and understanding among middle-class families regarding the various gold investment avenues available in the market.
- To evaluate the perception of gold as a hedge against inflation, currency risk, and economic uncertainty among the surveyed respondents.

Scope of the Study

- The study is specifically focused on the investment behaviour and decision-making patterns of middle-class families with respect to gold as an investment asset.

- The primary data for the study has been collected from 50 respondents belonging to the middle-class income group, through a structured questionnaire administered via Google Forms.
- The study encompasses multiple forms of gold investment including physical gold (jewellery, coins, bars), Gold Exchange-Traded Funds (ETFs), Sovereign Gold Bonds (SGBs), and digital gold platforms.
- The research examines a wide range of influencing factors including economic factors (inflation, price trends, interest rates), cultural factors (tradition, occasions, social customs), psychological factors (risk aversion, trust, habit), and financial factors (returns, liquidity, safety).

Limitations of the Study

- The sample size is limited to 50 respondents. While sufficient for a descriptive study, this sample size may not fully represent the diversity of middle-class gold investors across India, thereby limiting the generalisability of the findings.
- Since the data was collected via an online platform, the study is inherently limited to respondents with access to smartphones or computers and the internet. This may exclude certain segments of the middle class with limited digital access, introducing a selection bias.
- The study does not verify the actual investment portfolios or financial records of the respondents. The data is based on stated opinions and perceptions, which may differ from actual investment behaviour.
- The definition of 'middle class' can vary across different economic studies and contexts. This study uses a self identified classification of respondents as middle class, which may introduce subjectivity into the sampling process.
- The study does not include a comparative analysis across different regions of India, urban versus rural populations, or different cultural communities, which could offer richer insights into regional variations in gold investment behaviour.

Research Methodology

The objective of this study is to analyze user experience towards smart search self-service systems in e-commerce platforms. It involves a systematic and structured approach to collect, analyze, and interpret data in order to understand user behavior, evaluate system effectiveness, and answer research questions or test relevant hypotheses

Method of Data Collection

The sources of data pertaining to the study include both primary data and secondary data.

Primary Data

Primary data has been collected from customers who use e-commerce platforms through questionnaires.

Secondary Data

Secondary data has been collected from published materials such as articles, books, and websites.

Area of the Study

The study was conducted in Coimbatore city.

Sample Size

The study was conducted to analyze user experience towards smart search system in E-Commerce Platforms. The sample size of respondents is 150.

Tools Used

- Simple Percentage
- Chi-square

Simple Percentage

Simple Percentage Analysis refers to a method used to make comparisons between two or more data series. A percentage is used to determine the relationship between the series.

One of the most frequent ways to represent statistics is by percentage. Percent simply means “per hundred,” and the symbol used to express percentage is %.

Percentage base analysis helps to find which factor is significant among a number of factors.

Chi-Square

The chi-square test is used to check whether there is any significant difference between the observed value and the expected value.

Review of Literature

Behavioural Aspects of Gold Investment

Shiller (2015), in his work on "Irrational Exuberance," discussed how narrative economics drives investment behaviour — the stories people tell about why an asset is

valuable shape its demand more powerfully than fundamental analysis.

Gold's narrative in India — as the asset that never loses value, that protects families in adversity, that embodies prosperity — is one of the most powerful and enduring investment narratives in the world.

Middle-Class Investment Behaviour Studies

Subramanian and Nair (2018) conducted one of the most comprehensive micro-level studies of gold investment among middle-class households in tier-2 Indian cities, surveying 500 respondents across Coimbatore, Mysore, and Nagpur.

Their findings revealed that gold was the first investment priority for 78% of respondents after bank fixed deposits, and that jewellery was the preferred form in 69% of cases.

They identified safety, tradition, and emergency liquidity as the three primary motivations — findings closely mirrored in the present study.

Gender and Gold Investment

Kaur and Kaur (2019) studied the financial decision-making autonomy of women in Punjab and found that gold management — including decisions about when to purchase, how much to invest, when to pledge, and when to sell — was overwhelmingly within women's domain, even in households where men controlled other financial decisions.

This finding underscores the significance of women's high representation (54%) in the present study.

Gold Etfs

Gold Exchange-Traded Funds were introduced in India in 2007 and track the domestic price of gold on a real-time basis.

Each unit represents approximately 1 gram of gold, and the funds are backed by physical gold held in secure vaults.

The key advantages — no storage risk, no making charges, easy online trading, and fractional investment — are significant, yet adoption remains concentrated among digitally savvy, higher-income investors.

Digital Gold

Digital Gold platforms, offered by entities such as MMTC-PAMP, SafeGold, and Augmont, allow investors to purchase 24-karat gold in amounts as small as ₹1, with the gold stored in secure vaults on their behalf.

Sharma (2021) studied Digital Gold adoption among millennials in India and found that the integration of gold purchases into UPI payment apps (Paytm, PhonePe, Google Pay) significantly lowered the entry barrier.

Data Analysis and Interpretation and Simple Percentage

Table 1: Showing the demographic profile

S.No	Demographic	No of Respondents	Percentage	
1	Gender	Male	5	10%
		Female	27	54%
		Others/Prefer Not To Say	18	36%
		TOTAL	50	100%
2	Age	18 – 25	32	64%
		26 – 30	8	16%
		31 – 40	6	12%
		Above - 40	4	8%

		TOTAL	50	100%
3	Educational Qualification	Higher Secondary	0	0%
		Under Graduate	28	90.3%
		Post Graduate	3	9.7%
		TOTAL	50	100%
4	Occupation	Salaried	24	75%
		Working Professional	3	9.4%
		Entrepreneur	3	9.4%
		Other	2	6.3%
		TOTAL	50	100%
5	Income Level	Below – 25,000	11	22.0%
		25,000 – 50,000	29	58%
		50,000 – 1,00,000	9	18%
		Above – 1,00,000	1	2.0%
		TOTAL	50	100%
6	Frequency of Usage	Daily	34	68.0%
		Occasionally	7	14%
		Rarely	9	18.0%
		TOTAL	50	100%
7	Frequency Distribution	Jewellery	30	60%
		Coins /Bars	16	32%
		Digital Gold	2	4%
		Gold ETF	2	4%
		TOTAL	50	100%

Interpretation

Jewellery is the dominant preferred form of gold investment, chosen by 30 out of 50 respondents (60%). Coins and bars are preferred by 16 respondents (32%). Digital Gold and Gold ETFs each attracted only 2 respondents (4% each). The dominance of physical gold forms (jewellery and coins/bars together accounting for 92% of preferences) underscores the deeply physical relationship that Indian middle-class investors maintain with gold. For fintech companies and financial institutions, this represents both a challenge and an opportunity in driving the transition to more cost-efficient, modern gold instruments.

Chi – Square Testrelationship between Gender and Most Used Investement Gold Platform

Gender	Jewellery	Coins/Bars	DigitalGold	GoldETF	Grand Total
Male	30	16	2	2	15
Female	20	8	5	39	35
Grand Total	29	24	16	80	50

Table 2

Age Group	O	E	O-E	(O-E)2	(O-E)2/E
18-25	32	12.5	19.5	380.25	30.42
26-30	8	12.5	-4.5	20.25	1.62
31-40	6	12.5	-6.5	42.25	3.38
ABOVE 40	4	12.5	-8.5	72.25	5.78
Total	50	50	-	-	41.20

(Source: Primary Data)

Significant Level = 0.05

Interpretation

The Calculated value of Chi – Square test is 72.84 is more than table value 7.815. Hence, the alternative hypothesis is accepted, indicating that there is a relationship between gender and the most used investment gold platform.

The Chi – Square test is done to check if there is any difference between the observed value and expected value.

$$\text{Chi – Square} = \chi^2 = \sum \frac{(O - E)^2}{E}$$

Null Hypothesis

H0 = There is no significant relationship between gender and most used investment gold Platform.

Alternative Hypothesis

H1 = Thereis significant relationship between gender and most used investment gold Platform.

Relationship between Age and Device Used for Online Shopping

The Chi – Square test is done to check if there is any difference between the observed value and expected value.

$$\text{Chi – Square} = \chi^2 = \sum \frac{(O - E)^2}{E}$$

Null Hypothesis

H0 = There is no significant relationship between Age and device used for digital gold investment

Alternative Hypothesis

H1 = Thereis significant relationship between Age and device used for gold investment

Table 3

Age	Mobile	Laptop/Desktop	Tablet	Grand Total
18- 25	43	30	16	89
26 – 30	17	13	3	33
31 – 40	8	4	5	17
Above - 40	6	5	-	11
Grand Total	74	52	24	50

O	E	(O – E)	(O – E) ²	(O _i – E _i) ² /E
43	43.90	0.9	0.81	0.01
30	30.85	0.85	0.72	0.02
16	14.24	1.76	3.09	0.21
17	16.28	0.72	0.51	0.03
13	11.44	1.56	2.43	0.21
3	5.28	2.28	5.19	0.98
8	8.38	0.38	0.14	0.01
4	5.89	1.89	3.57	0.60
5	2.72	2.28	5.19	1.90
6	5.42	0.58	0.33	0.06
5	3.81	1.19	1.41	0.37
0	1.76	1.76	3.09	1.75
			Total	5.15

(Source: Primary Data)

Significant Level = 0.05

Interpretation

The Calculated value of Chi – Square test is 5.15 is less than table value 15.507. Hence, the null hypothesis is accepted, indicating that there is no significant relationship between age and device used for investment gold

Findings

- Youth Dominance:** A substantial 64% of respondents are below 25 years of age, making this the largest single age cohort.
- Female-Led Investment:** 54% of respondents are female, confirming the central role of women in household gold investment decisions.
- Educated Investor Base:** Approximately 90% of respondents who disclosed their education hold undergraduate degrees.
- Salaried Workforce Predominates:** Among respondents who disclosed their occupation, 75% are salaried individuals.
- Core Middle-Class Income Profile:** 58% of respondents earn ₹25,000–₹50,000 per month, confirming the study's target demogra bracket as defined for this study.
- Near-Universal Gold Investment:** An extraordinary 90% of respondents invest in gold, validating the premise that gold is the most universally adopted investment instrument among India's middle class
- Physical Gold Dominance:** Jewellery (60%) and coins/bars (32%) together account for 92% of preferred gold forms. Despite 90% awareness of modern instruments, Gold ETFs and Digital Gold each attract only 4% of respondents
- Regular Investment Behaviour:** 68% of respondents invest in gold regularly, reflecting a disciplined savings habit comparable to a recurring deposit or insurance premium
- Moderate Portfolio Allocation:** 54% allocate 10–25% of their savings to gold, reflecting prudent diversification — significant enough to be meaningful but not so concentrated as to expose the investor to undue commodity price risk

10. Safety Leads as Motivator: 50% cite safety as the primary factor influencing gold investment, followed by returns (38%), liquidity (6%), and tradition (6%).

Suggestions

Based on the findings of this study, the following suggestions are offered to relevant stakeholders including policymakers, financial institutions, fintech companies, jewellers, and investor communities

Conclusion

This study set out to examine the gold investment opinions of middle-class respondents in Tamil Nadu, and the findings paint a rich and nuanced portrait of gold's role in this demographic's financial life. Gold is not merely an investment — it is a cultural institution, a social signal, a financial safety net, and increasingly, a conscious investment strategy. The middle class's relationship with gold is simultaneously traditional and evolving, emotionally driven and financially reasoned.

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