A Study of Factors Influencing Gold Investment Decisions Among Households

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Abstract

This study analyzes the relationship between the price sensitivity, safety/security perceptions, and inflation-hedging perceptions, and their relationship with household gold-investment decision. The data supplied with the questionnaire consists of 156 responses, and it contains the following types of data: demographic data, current position regarding gold investment, preferred form of investment, multi-item Likert-type statements, and a relative-ranking question. Composite scores were computed as the average of items available for each construct. Descriptive statistics, Chi square tests, One-way analysis of variance (ANOVA), and multiple linear regression were reported. The means were 3.675 for price sensitivity, 3.850 for safety/security, 3.777 for inflation hedging and 3.710 for the gold-investment decision score. The regression model was statistically significant, $F(3, 152) = 80.88$, $p < .001$, and accounted for 61.5% of the variance in the decision score ($R^2 = .615$; adjusted $R^2 = .607$). Price sensitivity ($B = .242$, $p = .001$) and inflation hedging ($B = .506$, $p < .001$) were statistically significant positive predictors. The safety/security effect was not statistically significant at the 5% level ($B = .137$, $p = .054$). Results are exploratory and should be interpreted with caution due to high concentration of younger respondents, low internal consistency of the price-sensitivity scale, some expected counts are small in some of the demographic tables, and full sampling and reference information was not provided.

Keywords: gold investment; household investment decisions; price sensitivity; safety/security; inflation hedging; regression analysis

Introduction

Individuals keep gold for various monetary, functional and cultural purposes. Gold can be bought in India in the following forms: Jewellery, coins, gold bars, and financial products related to gold. It can be seen as a safe-haven investment, a strategy for financial stability, or a hedge against inflation. They are perceptions and motives and do not imply that gold would have a positive return in each period nor that gold would protect every investor each period.

There are multiple factors that can be linked to household investments in their homes. There may be a price sensitivity for the timing and amount of purchases, especially when prices increase. Perceptions of safety/security might affect the preference for holding gold versus other assets. Households' perceptions of inflation-hedging may also be important when they think that saving in gold can shelter their savings from inflation. The present study is an analysis of the three factors in relation to a composite gold-investment decision score.

The literature cited in the attached manuscript is by Nawaz and Sudindra (2013), Thapa and Shah (2020), Garg (2020), Singh and Joshi (2018), Swathi D. (2022), Rathore (2017), and Khatri and Chhikara (2025). The brief summaries provided here are limited to investment forms, price, security, liquidity, cultural motives, and inflation. The studies have been abridged, so they should be verified with the original publications before submission of the paper.

Research Gap

The literature reviews provided with the original manuscript highlight research on specific sites, investor cohorts or specific factors affecting gold investments. The reviewed work takes into account price, security, liquidity, social status, inflation protection and demographic characteristics. A helpful approach for this paper is to focus on the material provided on this paper on price sensitivity, safety/security and inflation-hedging perceptions in one model, and then compare the unique statistical relationship of each of these variables to a household gold-investment decision score. This

gap should not be reported as evidence that previous studies have not employed a similar model until the result of a systematic literature search indicates that this is not the case.

Problem Statement

Households can buy gold for various purposes such as perceived security, reaction to price changes and hopes that gold will see as a good inflation hedge. The relative importance of these factors in the decision on investments can differ. By examining each factor individually, it is not possible to detect the strength of its association with the decision score after the other factors have been taken into consideration. Hence, this study explores the links between price sensitivity, safety/security, and inflation hedging and a composite index of household gold-investment decision in the available sample of the questionnaire.

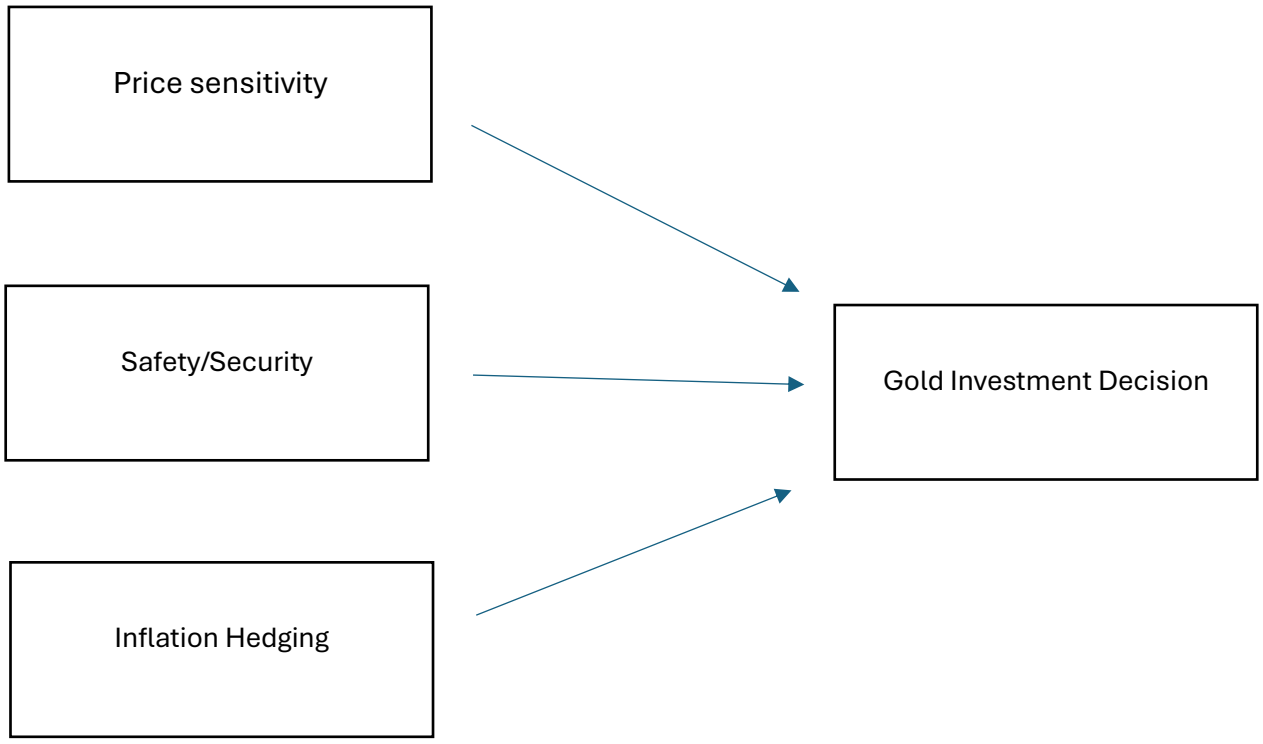
Research Questions:

What is the effect of price sensitivity on household gold investment?

What are the relationships between household gold investment and perceptions of safety and security?

What role does inflation hedging play in the investment decision of the households in the gold market?

Conceptual Framework:



Research Objectives:

1.To explore theoretically the factors that affect the decision to invest in gold by households, focusing on the three distinct motives behind such investment: price sensitivity, safety/security and inflation hedging.

2.To explore how prices affect the decision of households to invest in gold.

3.To investigate how the perceptions of safety and security affect the decisions regarding gold investment in households.

4.To measure the effect of the hedging of inflation on decisions of household gold investment.

5.To measure the relative effect of price sensitivity, safety/security and inflation hedging considerations on household decisions to invest in gold.

Hypothesis:

Alternative Hypothesis (H01): The price sensitivity plays a significant role in household's investment decision on gold.

Null Hypothesis (H11): Price sensitivity has a significant effect on the decision of households to invest in gold.

Alternative Hypothesis (H02): There is a significant effect of safety and security on the investment decisions of household gold.

Null Hypothesis (H12): There is no significant difference between safety and security in the decision on households' gold investment.

Alternative Hypothesis (H03): Household's gold investment decisions are significantly affected by inflation hedging.

Null Hypothesis (H13):There is no significant relationship between the inflation hedging and the decision of households to invest in gold.

Alternative Hypothesis (H04): Price sensitivity, safety/security and inflation hedging are significantly different in terms of their impact on household gold investment decision.

Null Hypothesis (H14): states that there is no significant difference between the effect of price sensitivity, safety/security and inflation hedging on household gold investment decisions.

Review of literature:

Khatri & Chhikara (2025)

Khatri and Chhikara examined the investment behaviour of gold among 360 working women (academics, doctors, bankers, IT professionals) from six divisions of Haryana. Quota sampling and purposive sampling with factor analysis (KMO = 0.933) were used. The top six factors accounted for 78.14% of the variance, starting with security and stability that was followed by cultural attachment, liquidity, returns, convenience and peer influence. Over 70% of respondents were aware of traditional gold, compared to 45% for digital gold and ETFs, highlighting the need for targeted financial literacy programs.

Rathore (2017)

To compare the investor's attitude towards physical gold and Sovereign Gold Bonds (SGBs), a questionnaire was made and 189 out of 200 investors answered it. The respondents possessed ornaments (45%), coins and bars (32%) or SGBs (23%). The decision was statistically significant with regard to age, gender, education and income (based on a chi-square test), although there was no significant difference with regard to marital status. The weights for the factors were safety and purity (highest), followed by liquidity, and SGBs were perceived to be more efficient, but awareness is moderate.

Thapa & Shah (2020)

The six factors affecting the investment decisions of the investors were studied among 160 investors of Kathmandu Valley who were selected through convenience sampling. The factors were: price of gold, secured investment, liquidity requirement, social status, advertisements, and seasonal demand. The highest level of agreement was with Liquidity (mean 4.10) and social status (4.04). The investment decision was most highly correlated with secured investment (r =

0.602), and least with seasonal demand (r = 0.208). The vast majority (65%) purchased gold when gold prices were declining.

Nawaz & Sudindra (2013)

Nawaz and Sudindra conducted their study through convenience sampling of 50 respondents in Bangalore and the secondary sources to compare the various forms of gold investment. The preferred mode was jewellery, at 36%, followed by coins (20%) and bullion bars (16%) with e-gold, gold certificates and ETFs being insignificant. Making charges were the main drawback of jewellery, and lack of knowledge held back ETFs. The authors recommend increasing awareness of the options but the sample size is very small so the findings cannot be generalised.

Research Methodology

Research design

It is a quantitative approach of cross-sectional questionnaire design. The interpretation of associations in the observed responses is based on the data and does not imply any causality.

Data source and sample

There are 156 answers to the questionnaires in the data set provided. It contains demographic items, current investment in gold, preferred investment, 20 Likert-type statements split into 4 five item constructs as well as a ranking question for the three constructs. The sampling frame, recruitment, geographic coverage, data collection dates, response rate, and sampling method are not provided in the provided material. If they are known, these should be added at that point.

Measures and scoring

The five items of each construct were rated on the apparent 1-5 scale of the questionnaire, which was used to address the price sensitivity, safety/security, inflation hedging, and gold-investment decision constructs. Construct scores were derived as the mean of the available items for each construct. Some individual item responses were missing; for items with such responses, the available-item mean was used. Before final submission the exact response anchors of the original questionnaire and items that were reverse coded should be checked.

Statistical techniques

The respondent profile is described with frequencies and percentages. Chi-square tests were reported to assess association between the selected demographic variables and current status of investment in gold. One-way ANOVA was reported for comparisons of the mean gold-investment decision scores by age, gender, occupation, and education. Multiple linear regression was used to estimate unique relationships of the three explanatory scores to the decision score. P-values of less than .05 were considered to be statistically significant. Caution should be exercised when interpreting chi-square analysis results when the numbers in the cells are small. The assumption checks for ANOVA and regression results also need to be carried out, such as checking for independent observations, the behaviour of the residuals, homoscedasticity, and influential observations. These checks should not be assumed as completed and were not reported in the provided paper.

Data Analysis and Results

Respondent profile

The dataset contained 156 respondents: 114 female respondents (73.1%) and 42 male respondents (26.9%). The largest age group was 18–25 years (144; 92.3%). Ninety respondents (57.7%) reported currently investing in gold. Jewellery was the most frequently selected preferred investment form (108; 69.2%). The sample's concentration in the 18–25 age group and the female majority limit generalisation to households more broadly.

Construct descriptive statistics and reliability

Construct	Mean	SD	N	Cronbach's alpha
Price sensitivity	3.675	0.537	156	0.485
Safety/security	3.850	0.638	156	0.741
Inflation hedging	3.777	0.657	156	0.737
Gold-investment decision	3.710	0.622	156	0.730

Safety/security had the highest mean score (M = 3.850), followed by inflation hedging (M = 3.777), gold-investment decision (M = 3.710), and price sensitivity (M = 3.675). Internal consistency was relatively low for the price-sensitivity scale (α = .485), while the other scales had alpha values between .730 and .741. The price-sensitivity items should be reviewed to determine whether they measure a coherent construct. Any revision must be theoretically justified, and reliability should then be recalculated.

Chi-square tests

Variables	Reported test	Interpretation and caution
Gender and current gold-investment status	$\chi^2(1) = 39.81$, $p < .001$	Reported association is statistically significant; a zero cell and table structure should be checked.
Age and current gold-investment status	$\chi^2(2) = 12.61$, $p = .002$	Reported association is significant, but 4 of 6 expected cell counts were below five.
Occupation and current gold-investment status	$\chi^2(3) = 42.15$, $p < .001$	Reported association is significant, but 2 of 8 expected cell counts were below five.
Education and current gold-investment status	$\chi^2(3) = 13.43$, $p = .004$	Reported association is significant, but 4 of 8 expected cell counts were below five.

The original report displayed $p = 0.000$ for some tests. A p-value should not be reported as zero; the appropriate presentation is $p < .001$ when the software output rounds to .000. Several tables have sparse expected counts, so the usual chi-square approximation may be unreliable. Check the underlying crosstabs and consider an exact or Monte Carlo procedure where appropriate. Categories should not be combined solely to obtain statistical significance.

One-way ANOVA

Grouping variable	Reported result	Interpretation
Age	$F = 2.268$, $p = .107$	No statistically significant difference detected at the .05 level.
Gender	$F = 0.408$, $p = .524$	No statistically significant difference detected at the .05 level.

Occupation	F = 0.395, p = .757	No statistically significant difference detected at the .05 level.
Educational qualification	F = 5.372, p = .002	A statistically significant difference was reported; post-hoc tests are needed to identify which groups differ.

The education-group result was statistically significant, but small category sizes may affect the stability of the comparison. Before interpreting it, check ANOVA assumptions and conduct an appropriate post-hoc analysis if justified. The available results do not identify which education groups differ.

Multiple linear regression

The reported multiple regression model was statistically significant, $F(3, 152) = 80.88$, $p < .001$, and explained 61.5% of the observed variance in the composite decision score ($R^2 = .615$; adjusted $R^2 = .607$; $N = 156$).

Predictor	**B**	**SE**	**t**	**p**
Price sensitivity	0.242	0.072	3.342	.001
Safety/security	0.137	0.071	1.938	.054
Inflation hedging	0.506	0.075	6.740	< .001

Price sensitivity had a positive, statistically significant coefficient (B = .242, p = .001). Inflation hedging also had a positive, statistically significant coefficient (B = .506, p < .001). Safety/security had a positive coefficient but did not meet the .05 significance threshold (B = .137, p = .054). Inflation hedging had the largest unstandardized coefficient, but the predictors' scales and variances may differ; therefore, do not use unstandardized coefficients alone to make definitive claims about relative importance. Standardized coefficients and confidence intervals would strengthen comparisons. Regression diagnostics should also be reported before treating the model as final.

Ranking of factors

Factor	**Most important**	**Second most important**	**Least important**
Price sensitivity	60 (38.5%)	66 (42.3%)	30 (19.2%)
Safety/security	60 (38.5%)	72 (46.2%)	24 (15.4%)
Inflation hedging	36 (23.1%)	18 (11.5%)	102 (65.4%)

The ranking response labels reportedly contained spelling inconsistencies, which were normalised for presentation. Inflation hedging was most often ranked least important, while price sensitivity and safety/security were more often placed in the top two positions. This differs from the regression result, where inflation hedging had the largest unstandardized coefficient. The measures capture different things: the ranking question asks respondents to compare factors directly, whereas regression estimates each factor's association with the decision score while accounting for the other predictors. The discrepancy should be discussed rather than treated as an error by itself.

Discussion

After controlling for the other two factors, perceptions of inflation-hedging and price sensitivity were positively correlated with the composite gold-investment decision score in the reported regression model. The multivariable model did not show that safety/security had a statistically significant positive coefficient (at 5%) but it was still included. The

findings reported here reflect relationships in this sample and do not provide evidence that the factors lead to investment behaviour.

Even though inflation hedging has the largest unstandardised regression coefficient, it was ranked last in the ranking exercise. It's not always conflicting, as both direct ranking and regression coefficients provide different information. Another measurement concern, and one of the low alpha's for price sensitivity, also warrants mention. The sample is heavily skewed towards the younger age group (18-25 years) and may not represent the choices made by households in other age groups and/or income brackets.

Conclusion

This study analyzed the answers to the questions addressing sensitivity to price, safety/security, and perceptions of inflation-hedging in the context of a composite gold-investment decision score. The regression was statistically significant, accounting for 61.5% of the variance observed. Price sensitivity and inflation hedging were significant positive predictors, whereas safety/security was not statistically significant at the 5% level following the other predictors. There was a statistically significant difference between the education groups in the decision scores; however additional assumption checks and post hoc comparisons analyses are necessary. The results of the chi-square tests are presented with caution as there are some tables with few expected counts. Generally, the results are preliminary and not generalizable. More robust measurement, full documentation of the sample, diagnostic assessments, and authentic reference needs to be established, prior to drawing broader conclusions.

References

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Thapa, B., & Shah, A. K. (2020) https://doi.org/10.3126/jbssr.v5i2.35234

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Appendix A: Questionnaire Constructs

1. Price sensitivity

- I prefer to buy gold when its price is relatively low.
- A rise in gold prices discourages me from investing further.
- I closely track gold price trends before making an investment.
- Affordability is a major factor in my gold-investment decisions.
- I compare gold prices across sellers/platforms before investing.

2. Safety/security

- I invest in gold because it is a safe investment option.
- Gold gives me a sense of financial security during uncertain times.
- I consider gold to be a low-risk investment compared to other assets.
- Gold helps preserve my family's wealth for the future.
- I feel more secure holding gold than holding other financial assets.

3. Inflation hedging

- I invest in gold to protect my savings from inflation.
- Gold helps maintain my purchasing power over time.
- I believe gold's value rises during periods of high inflation.
- I invest in gold as a hedge against currency depreciation.
- Compared to other assets, gold offers better protection against inflation.

4. Gold-investment decision

- I intend to continue investing in gold in the future.
- I invest in gold on a regular basis.
- The amount I invest in gold has increased over time.
- I would recommend gold investment to others.
- Overall, I am satisfied with my decision to invest in gold.