

Gold Price Volatility and Purchase Intention in the Indian Jewellery Market: The Moderating Role of Perceived Investment Value and Consumer Adaptability

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Abstract - Gold prices in India surged over 50% year-on-year during 2025–2026, creating an unprecedented environment for jewellery consumers. This study investigates how perceived price volatility influences purchase intention for gold jewellery, examining the mediating role of perceived investment value and the moderating effect of purchase urgency. A quantitative survey of 385 Indian jewellery consumers was conducted, and data were analysed using mediation and moderated mediation analyses (PROCESS Macro). Results show that perceived price volatility has a significant negative direct effect on purchase intention ($\beta = -0.38, p < 0.001$). However, perceived investment value partially mediates this relationship, with the indirect effect accounting for 36.8% of the total effect (indirect effect = -0.14 , 95% CI $[-0.22, -0.07]$). Consumers who view gold as a long-term investment exhibit significantly weaker price sensitivity. Purchase urgency (wedding and festival occasions) moderates the mediation pathway: under high urgency, the indirect effect becomes minimal, as cultural and emotional motives override price calculations. Adaptation strategies vary systematically across segments: 40.1% of consumers prefer old gold exchange, 32.3% opt for lightweight jewellery, and 17.7% shift to lower-karat (14K/18K) options. Younger consumers (under 35) are over twice as likely to accept lower-karat gold (24.4% vs. 11.3% of older consumers). Affluent consumers are eight times more likely to increase their budget than low-income consumers. Rural consumers show lower price sensitivity for wedding purchases. These findings extend price sensitivity theory by demonstrating asymmetric elasticity in a dual-purpose cultural asset and provide actionable guidance for retailers on inventory (lightweight and lower-karat designs), promotions (exchange programs), and segment-specific marketing strategies.

Key Words: Gold price volatility, Purchase intention, Perceived investment value, Jewellery Retail, India, Consumer adaptation

INTRODUCTION

Gold occupies a unique position in Indian society, functioning simultaneously as an ornament of beauty and a portable, liquid store of wealth. This dual-purpose nature makes the Indian gold jewellery market exceptionally resilient yet highly complex, responding to aesthetic trends, macroeconomic forces, and global commodity markets.

The year 2025 marked a watershed moment. Domestic gold prices rose over 50% year-on-year, with the gold price averaging \$4,873 per ounce (Approx Rs. 14,894/gram) in the first quarter of 2026 after touching an all-time high of \$5,405 per ounce (Approx Rs. 16,518.1/gram) in January 2026 (World Gold Council, 2026). This unprecedented escalation has fundamentally altered consumer behaviour in ways that challenge traditional assumptions. While gold demand in India was historically considered relatively price-inelastic due to cultural compulsion, recent data tells a different story. Jewellery demand declined 19% year-on-year in Q1 2026 in volume terms, yet the value of gold purchased remained high. For the first time, investment demand (bars, coins, and ETFs) surpassed jewellery demand, accounting for 54.3% of total gold consumption (World Gold Council, 2026).

This structural shift raises critical questions:

- Are Indian consumers permanently altering their relationship with gold jewellery?
- How does sustained price volatility affect purchase intentions, and what adaptation strategies are being employed?

The Indian Gold Jewellery Market: A Unique Context

Several distinctive characteristics shape the Indian market:

- **Cultural compulsion:** Gifting gold at weddings and festivals is often considered obligatory,

creating baseline demand that persists even during periods of high prices.

- **Financial inclusion:** For many rural and women-led households, gold jewellery is the primary form of savings and collateral.
- **Absence of social security:** With limited formal pension systems, gold acts as a retirement and emergency fund.
- **Emotional attachment:** Gold is inherited, gifted, and worn on life's most significant occasions, complicating purely economic analyses.

PROBLEM STATEMENT

Despite the sector's economic importance employing over four million people and contributing significantly to exports, academic literature has focused primarily on gold as a financial asset. Studies on jewellery demand have produced contradictory findings: some suggest cultural inelasticity, while recent market data shows volume declines. Additionally, the emergence of lower-karat jewellery (14K/18K) as a viable alternative has received minimal academic attention.

This study addresses three gaps:

Gap	Description
Theoretical	Existing price sensitivity models do not account for gold jewellery's dual nature as consumption good and investment asset.
Empirical	No recent study has quantitatively measured the mediating role of perceived investment value in the volatility–purchase intention relationship.
Contextual	Consumer adaptation strategies (lightweight, lower-karat, exchange) have been observed in industry reports but not systematically studied or segmented.

Research Questions

- **RQ1:** How does perceived gold price volatility affect consumers' intention to purchase gold jewellery?
- **RQ2:** Does perceived investment value mediate this relationship?
- **RQ3:** Does purchase urgency (wedding/festival occasion) moderate the mediation effect?
- **RQ4:** What adaptation strategies do different consumer segments employ?
- **RQ5:** Do age, income, and geographic location moderate the relationship?

Research Objectives

The primary objective is to examine the direct effect of perceived gold price volatility on jewellery purchase intention. Secondary objectives include assessing the mediating role of perceived investment value, evaluating the moderating effect of purchase urgency, and identifying and quantifying adaptation strategies across segments.

Significance of the Study

This research extends price sensitivity theory to a culturally significant, dual-purpose product. For jewellery industry practitioners, it provides actionable insights into inventory planning, product development, and marketing. For policymakers, it informs duty structures, trade policies, and financial inclusion initiatives. For consumers, it documents adaptation strategies that can guide informed decision-making.

LITERATURE REVIEW

Theoretical Foundations

Price Sensitivity Theory. Price sensitivity, or the degree to which changes in price affect demand, is not a fixed attribute. It is moderated by product necessity, availability of substitutes, perceived quality, brand loyalty, and cultural significance (Tellis, 1988; Shukla, 2010). Gold jewellery represents an interesting case because it can be both a necessity (weddings) and a luxury (fashion), creating asymmetric elasticity patterns.

Dual-Process Theory. Kahneman (2011) and others distinguish between cognitive (analytical) and affective (emotional) decision pathways. For gold jewellery, the cognitive pathway assesses investment returns, resale value, and purity, while the affective pathway activates tradition, beauty, and social status. Under high price volatility, the cognitive pathway signals caution; the

affective pathway may override this signal for occasion-driven purchases.

Adaptation Theory. Helson (1964) and Lazarus & Folkman (1984) suggest that individuals develop coping mechanisms when faced with persistent stressors. In the gold context, adaptation strategies follow a hierarchy: weight reduction, substitution to lower-karat, old gold exchange, budget adjustment, postponement, or abandonment. Recent evidence suggests Indian consumers primarily employ the first three strategies.

Stimulus-Organism-Response (S-O-R) Framework. The S-O-R model posits that environmental stimuli (price volatility) affect internal psychological states (perceived investment value, urgency), which in turn drive behavioural responses (purchase intention, adaptation strategy preference). This framework is appropriate for capturing the mediation processes central to this study.

Gold as a Dual-Purpose Asset

Gold jewellery in India carries immense cultural and religious significance, embedded in festivals (Dhanteras, Akshaya Tritiya) and life-cycle rituals (weddings, childbirth). This cultural embedding creates baseline demand that persists even at high prices. However, the dual nature—as both consumption good and investment asset—creates a unique decision environment. When purchase motive shifts from pure adornment to wealth preservation, price sensitivity diminishes. The recent surge in investment demand (bars, coins, ETFs) surpassing jewellery demand indicates that the investment-focused cognitive pathway is gaining prominence.

The emergence of lower-karat gold (18K, 14K) represents a structural market shift. Trivedi (2026) notes that “14K and 18K have become the new 22K” among urban younger buyers. Lower-karat options offer affordability, greater durability, and contemporary designs, attracting consumers who prioritize fashion over investment.

Empirical Evidence on Price Volatility and Gold Demand

Global meta-analyses suggest an average price elasticity of gold demand around -0.35 (Tufail et al., 2022), but this varies by market. For India, estimates range from -0.32 to -0.45, with jewellery demand typically more elastic than investment demand. Regional studies, such as one in the

Amravati district, have found asymmetric sensitivity: consumers are sensitive to price decreases but relatively insensitive to increases, especially for culturally compelled purchases.

The 2025–2026 surge provides stark evidence. Jewellery demand dropped 19% in Q1 2026 by volume, but the value spent increased 16%, indicating that consumers are buying lighter or lower-purity items. Investment demand rose 140%, and old gold exchange accounted for 40–45% of jewellery transactions, up from 25–30% previously (World Gold Council, 2026). These patterns confirm that consumers are not abandoning gold but rather adapting the form and quantity of their purchases.

The Mediating Role of Perceived Investment Value

Perceived investment value (PIV) refers to the extent a consumer views gold jewellery as a wealth-preserving asset. High-PIV consumers prioritise purity, weight, and resale value and are less sensitive to short-term price fluctuations because they focus on long-term value. Low-PIV consumers prioritize design and compare gold with alternative materials. The central theoretical argument is that when consumers perceive high price volatility, they engage in sensemaking: those with high PIV are more likely to interpret volatility as confirmation of gold's real asset status, which buffers purchase intention. Thus, PIV mediates the volatility–purchase intention relationship, partially offsetting the negative direct effect.

The Moderating Role of Purchase Urgency

Purchase urgency (e.g., a fixed wedding date) shifts decision-making from cognitive to affective processing. Under high urgency, cultural and emotional considerations dominate, making purchase intention less dependent on price calculations or investment orientation. The mediation effect of PIV is therefore expected to be weaker when urgency is high.

Conceptual Framework and Hypotheses

The conceptual model posits that perceived price volatility (X) influences purchase intention (Y) both directly and indirectly through perceived investment value (M). Purchase urgency (W) moderates the X→M path, such that the indirect effect weakens as urgency increases.

Hypotheses:

- **H1:** Perceived price volatility has a negative direct effect on purchase intention.

- **H2:** Perceived investment value has a positive direct effect on purchase intention.
- **H3:** Perceived investment value mediates the relationship between price volatility and purchase intention.
- **H4:** Purchase urgency moderates the indirect effect; the indirect effect is weaker under high urgency.
- **H5a:** Higher volatility is associated with a preference for lightweight jewellery.
- **H5b:** Higher volatility is associated with preference for old gold exchange.
- **H5c:** Younger consumers (under 35) are more likely to prefer lower-karat options.
- **H6a:** Higher-income consumers are more likely to increase their budget.
- **H6b:** Rural consumers exhibit lower price sensitivity for wedding purchases.

DATA COLLECTION

Research Design

A quantitative, cross-sectional, descriptive and causal design was employed. Data were collected once during April–May 2026, a period of sustained high gold prices, through a structured survey administered both online and offline to capture diverse geographic and income segments.

Sampling Strategy

The target population comprised Indian adults aged 25–60 who had purchased gold jewellery in the past 12 months or intended to purchase within six months. Exclusion criteria included individuals with no purchase experience, professional traders, and those outside the age range.

The sample size was calculated as 385 (95% confidence level, 5% margin of error). A total of 450 questionnaires were distributed to account for incomplete responses. Stratified quota sampling was applied with quotas based on geography (50% metro/Tier 1, 30% Tier 2/3, 20% rural), income (25% low, 40% middle, 25% high, 10% affluent), and age (40% each 25–35 and 36–50, 20% 51–60).

Data Collection Instruments

The questionnaire consisted of five validated scales:

- **Perceived Price Volatility (PPV):** 4 items (e.g., “Gold prices have fluctuated significantly over the past year”) adapted from Lichtenstein et al. (1990).
- **Perceived Investment Value (PIV):** 4 items (e.g., “I consider gold jewellery to be a good long-term investment”) adapted from Sproles & Kendall (1986).
- **Purchase Intention (PI):** 4 items (e.g., “I intend to purchase gold jewellery within the next six months”) adapted from Beatty & Ferrell (1998).
- **Adaptation Strategy Preference:** Single-choice question (lightweight, lower karat, exchange, budget increase, postpone).
- **Purchase Urgency (PU):** 3 items (e.g., “My next jewellery purchase is tied to a specific occasion”).

All items were measured on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Demographics included age, gender, income, geography, occupation, and purchase experience.

The questionnaire was reviewed by three academic experts, pilot tested on 30 respondents, and back-translated to Hindi, Kannada, Telugu, and Tamil for rural administration. Pilot results showed Cronbach’s alpha values above 0.79 for all constructs, and minor wording adjustments were made.

Data Collection Procedure

Data collection spanned six weeks:

- **Weeks 1–2:** Metro/Tier 1 cities – online distribution via Google Forms and social media groups (n = 210).
- **Weeks 3–4:** Tier 2/3 cities – mixed mode (online plus face-to-face at local jewellers) (n = 135).
- **Weeks 5–6:** Rural areas – door-to-door with trained enumerators (n = 85).

Out of 500 approaches, 411 questionnaires were completed, and 384 were valid (76.8% response rate). All ethical protocols were followed, including informed consent, anonymity, and small tokens for rural participants.

DATA ANALYSIS

Descriptive Statistics and Reliability

The final sample ($N = 384$) was balanced across age (25–35 40.6%, 36–50 38.5%, 51–60 20.8%), gender (54.2% Female and 45.8% Male), and income groups. Mean construct scores were: PPV = 4.12 ($SD = 0.78$), PIV = 3.87 (0.92), PI = 3.45 (1.04), PU = 3.28 (1.21), indicating high perceived volatility, moderate-to-high investment value, and moderate purchase intention overall.

All constructs demonstrated excellent reliability (Cronbach's α : PPV = 0.84, PIV = 0.81, PI = 0.87, PU = 0.76). Convergent validity ($AVE > 0.50$ for all constructs) and discriminant validity (Fornell-Larcker criterion met) were confirmed.

Hypothesis Testing

Direct Effects (H1 and H2)

- PPV significantly reduced PI ($\beta = -0.38$, $p < 0.001$). **H1 supported.**
- PIV significantly increased PI ($\beta = 0.56$, $p < 0.001$). **H2 supported.**

Mediation Analysis (H3)

Using PROCESS Macro Model 4 with 5,000 bootstrap samples:

- Total effect of PPV on PI: -0.38 ($p < 0.001$)
- Direct effect (c'): -0.24 ($p < 0.001$)
- Indirect effect through PIV: -0.14 (95% CI $[-0.22, -0.07]$)
- Proportion mediated: 36.8%

The indirect effect is significant, indicating partial mediation. **H3 supported.**

Moderated Mediation (H4)

PROCESS Model 7 tested the conditional indirect effect at three levels of urgency:

- Low urgency (-1 SD): indirect effect = -0.19 , CI $[-0.29, -0.09]$
 - Moderate urgency (mean): -0.14 , CI $[-0.22, -0.07]$
 - High urgency ($+1$ SD): -0.06 , CI $[-0.12, -0.01]$
- Index of moderated mediation = -0.09 , CI $[-0.15,$

$-0.03]$. The indirect effect weakens as urgency increases. **H4 supported.**

Adaptation Strategy Preferences (H5a, H5b, H5c)

The preferred strategies were: old gold exchange (40.1%), lightweight jewellery (32.3%), lower-karat (17.7%), budget increase (6.8%), and postponement (3.1%).

- Respondents choosing lightweight had higher PPV (4.38 vs. 4.01, $p < 0.001$). **H5a supported.**
- Those choosing exchange also had higher PPV (4.31 vs. 4.00, $p = 0.003$). **H5b supported.**
- Lower-karat preference was 24.4% for age 25–35, 14.2% for 36–50, and 11.3% for 51–60 ($\chi^2 = 12.84$, $p < 0.001$). **H5c supported.**

Segmentation Hypotheses (H6a, H6b)

- Budget increase preference rose from 2.1% (low-income) to 16.7% (affluent) (χ^2 trend = 15.67, $p < 0.001$). **H6a supported.**
- Rural respondents showed significantly higher PI for wedding purchases ($M = 3.82$) versus urban (3.61) when urgency was high, with a greater rural-urban gap than for discretionary purchases. **H6b supported.**

Overall, all nine hypotheses were supported. The full regression model explained 48% of the variance in purchase intention ($R^2 = 0.48$).

RESEARCH OUTCOMES

Buffering Role of Investment Value. The partial mediation confirms that how consumers interpret price volatility matters as much as the volatility itself. Those who view gold as a long-term asset are significantly less deterred by high prices, a finding that extends price sensitivity theory into the realm of dual-purpose cultural goods.

Affective Dominance Under Urgency. The weakening of the mediation pathway under high urgency provides direct empirical support for dual-process theory in a real-world high-stakes context. When a wedding or festival compels a purchase, tradition overrides financial calculation, explaining why earlier studies sometimes observed price inelasticity.

Emergence of a Multi-Tier Market. The adaptation strategy distribution signals a structural shift. The

traditional 22K-dominated model is giving way to a tiered market:

- **Premium:** 22K lightweight for investment and heirlooms.
- **Middle:** 18K for daily wear among urban youth.
- **Value:** 14K for fashion-forward, budget-conscious buyers.

The 24.4% acceptance rate of lower karat among the age group under-35s suggests a generational change that may persist beyond the current price cycle.

Circular Gold Economy. With exchange now accounting for over 40% of transactions, the market has shifted from pure accumulation to active recycling. This has implications for net new gold demand, retailer strategies, and import dependency.

Segment-Specific Responses. The segmentation results confirm that a uniform strategy cannot address all consumers. Retailers must differentiate their product mix and messaging across income, age, and geography. Rural consumers' lower price sensitivity for wedding purchases underscores the need for culturally attuned marketing.

Practical Implications

- **Retailers:** Stock lightweight and lower-karat designs; make exchange programs seamless and central to promotion; use investment messaging for high-PIV segments and design-centric messaging for younger buyers.
- **Marketers:** Segment communications—tradition and purity for older, investment-focused buyers; fashion and affordability for youth; emotional storytelling for wedding audiences.
- **Policymakers:** Recognise the circular economy's potential to reduce imports; expand hallmarking to 14K and 18K; link gold monetisation schemes with financial inclusion efforts.

CONCLUSION

The Indian gold jewellery market is not collapsing under record prices, it is transforming. Consumers are strategic adapters, employing a hierarchy of strategies shaped by income, age, geography, and purchase urgency. Perceived investment value serves as a powerful buffer, and the rise of lower-karat acceptance heralds a more segmented and resilient market. For the industry, success lies in understanding these segments and aligning

inventory, messaging, and services accordingly. The cultural bond with gold endures; the forms it takes are simply evolving.

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