

Gold as a Safe Haven: Analyzing the Investment Patterns of Indian Women

Sujata Kumari

Assistant Professor

School of Commerce and Management, Sri Balaji University, Pune, India

Research Scholar

Department of Commerce, Devi Ahilya Vishwavidyalaya, Indore, India

Dr. Varsha Shriram Nerlekar

Associate Professor

WPU School of Business, Dr. Vishwanath Karad MIT World Peace University, Pune, India

Dr. Neelam Raut

Associate Professor

S. P. Mandali's Prin. L.N. Welingkar Institute of Management Development & Research, Mumbai, India

Abstract:

This study investigates the investment behaviors of Indian women, with a particular focus on gold as a safe haven asset. Gold has long been embedded in the cultural and economic fabric of India, serving as both a symbol of wealth and a reliable financial safeguard. The research explores the multifaceted reasons behind the preference for gold among Indian women, examining cultural traditions, economic factors, and psychological motivations that drive this investment choice. Through a detailed analysis of secondary data and a comprehensive literature review, the study highlights how gold is utilized not only as a store of value during economic instability but also as an essential component of personal and familial wealth. Additionally, the research evaluates the shift towards modern gold investment options, such as Gold ETFs and Sovereign Gold Bonds, weighing their benefits and drawbacks compared to traditional physical gold. The findings provide insights into the enduring appeal of gold as a strategic investment for Indian women and its role in their broader financial planning.

Keywords: Gold investment, Indian women, safe haven, cultural heritage, economic security, financial behavior.

1. Introduction

Gold has long been regarded as a symbol of wealth, prosperity, and security in India, deeply intertwined with the country's cultural and economic fabric. For centuries, Indian women have played a pivotal role in the acquisition and management of gold, viewing it not only as an adornment but also as a vital financial asset (Mehrotra, 2004). The concept of gold as a 'Safe Haven' is especially significant in the Indian context, where it is perceived as a reliable store of value that can be depended upon in times of economic uncertainty (Baur & McDermott, 2016). This enduring trust in gold is reflected in the investment patterns of Indian women, who often prioritize it over other forms of investment.

The preference for gold as a safe haven investment among Indian women is influenced by a combination of cultural, economic, and psychological factors. Culturally, gold is deeply embedded in the social and religious practices of India. It is often associated with auspicious events such as weddings and religious ceremonies, where it is gifted and exchanged as a symbol of good fortune. This cultural importance of gold extends beyond mere tradition, as it also plays a crucial role in the social status and financial security of women. The concept of 'Stree Dhan' or women's wealth, which refers to the gold and jewelry owned by a woman, underscores its importance as a form of personal wealth and economic security (Sahay & Mukherjee, 2016).

Economically, gold has consistently proven to be a stable and resilient asset, particularly during periods of financial instability. The global financial crisis of 2008, for instance, saw a significant increase in gold prices as investors sought refuge from volatile markets. In India, where inflation and currency fluctuations are common concerns, gold is seen as a

hedge against economic uncertainty. Indian households hold a substantial amount of gold, with women being the primary custodians of this wealth. This preference for gold is further reinforced by its liquidity, which allows women to easily convert their holdings into cash when needed, providing a safety net in times of financial crisis. Gold is a highly liquid asset, which is no one's liability, carries no credit risk, and is scarce, historically preserving its value over time (World Gold Council, 2024).

Psychologically, the tangible nature of gold provides a sense of security and control that abstract financial instruments like stocks and bonds may not offer. For many Indian women, the physical possession of gold is not just a financial asset but also a source of emotional comfort and pride (Kakkar & Chitrao, 2023). This emotional attachment to gold is often passed down through generations, reinforcing its status as a preferred investment choice.

Given the multifaceted role of gold in the lives of Indian women, this study aims to analyze the investment patterns that emerge from this cultural, economic, and psychological context. By examining the factors that drive the preference for gold as a safe haven asset, this research seeks to provide insights into the broader financial behavior of Indian women. Understanding these patterns is crucial for developing targeted financial products and policies that cater to the unique needs and preferences of women in India.

2. Literature Review

Gold has long been utilized for therapeutic purposes in traditional Indian medical treatments such as Ayurveda. According to astrological studies, gold is believed to have a beneficial impact on the body, and it is specifically recommended for women to wear gold ornaments. Infants are adorned with gold jewelry to repel malevolent entities and safeguard them against illnesses (Mehrotra, 2004).

Kakkar and Chitrao (2023) noted that the deep-rooted exposure to cultural diversity seeks gold as the focal point to attain wealth and prosperity. Gold brings prosperity, well-being and good fortune as the sentimental scale is prevalent in all Indian households. Almost all Indian households consider gold an integral part of their religious ceremonies. They blend it with passing traditional jewelry to the next generation in the form of family cultural heritage where importance is given to values than design trends. Women are now more independent and can make informed decisions about investing based on their risk class, amount, location, and timing. Buyer investment behavior varies based on age, gender, income, occupation, and return expectations.

Gold serves as a stimulus for the human intellect. In Indian history, gold has held a particular position from ancient times. The Indian household is characterized by a diverse culture, encompassing numerous languages and religions. Every 100 kilometers, the society, lifestyle, and even cuisine can undergo significant changes. There are two noteworthy facts - household saving and investment in gold. The investment in gold by Indian households is mostly driven by the strong inclination, perception, and allure of Indian women towards gold and gold accessories (Neelima & Prashant, 2020).

The condition of women in India has experienced a significant transformation in recent decades. In modern times, women have achieved financial independence and possess the knowledge to transform their savings into investments. According to Tantia et al. (2017), women invest more on gold ornaments than gold bonds due to various factors, including lack of awareness. Many women purchase gold to retain status and ensure future safety. Gold is an important investment for diversifying risk in an individual portfolio.

Investing in gold is a popular and crucial investment for women in country like India. Many women heavily rely on gold investment for numerous future purposes. The purposes include providing for children's education, funding children's marriages, ensuring retirement security, making purchases, reducing financial burdens, fulfilling emergency needs, acquiring assets, and earning regular returns. Investing in gold is the most effective way to meet the financial needs of households (Thanksawmy et. al., 2023).

Investors typically purchase gold as a means of spreading out risk, particularly in the capital market, by utilizing futures contracts and derivatives. The gold market, like other markets, is susceptible to speculation and volatility. The contemporary gold market is characterized by a wide range of variety and continuous expansion. Men have a preference for investing in real estate and stocks. Women have a higher level of risk aversion and tend to allocate a greater proportion of their investments towards gold, particularly in the form of jewelry, as well as fixed income schemes (Shobha, 2017).

Gold exists in different forms, including gold jewellery, bars, coins, gold exchange traded funds, gold certificates, Sovereign gold bonds, and gold futures. These varied forms of gold generate both consumption demand, particularly for gold jewelry, and investment demand. The age, marital status, education, income, role in the family, and the source of information about investment avenues are key factors that can be used as proxy variables to determine the preferences of working women in India for various forms of gold, including gold jewellery, gold bars and coins, and Gold ETFs. Women who have a greater amount of money available to spend after deducting expenses tend to have a greater desire to invest their money rather than spend it on goods and services. The research suggests that investor education and financial literacy are crucial for individuals residing in rural areas who lack awareness of gold investment instruments or lack access to invest in gold-backed financial products (Hemavathy & Gurusamy, 2015).

Women's fascination with creating and investing in jewelry can be likened to men's fascination with purchasing land. Due to the patriarchal nature of society, women are typically marginalized when it comes to inheritance, production activities, and other land-related matters. Their rationale is to allocate funds towards an asset that is universally accepted and widely acknowledged, such as gold. Men also enjoy expressing their affection for their partners by presenting them with gold trinkets on various occasions. While gold is commonly associated with women, it is actually considered a family asset in practical circumstances (Mehrotra, 2004).

3. Research Methodology

This research study employs a secondary data analysis and literature survey to investigate the factors influencing gold investment among Indian women. Secondary data is sourced from government reports, industry publications (such as the World Gold Council), and academic journals, providing insights into economic conditions, gold market dynamics, and gender-specific financial behaviors. Literature review forms a critical part of the methodology, involving a systematic examination of existing studies on gold investment, focusing on cultural, economic, and psychological factors. Relevant literature was identified using academic databases, with sources selected based on relevance, credibility, and recency (Gaurav et. al, 2023). Qualitative analysis has been employed for understanding underlying motivations of Indian women towards gold investment.

4. Investment Pathways in Gold: Traditional and Contemporary Choices

Gold has always been a preferred investment in India, serving as both a financial asset and a symbol of cultural significance. While the traditional method of investing in gold has been through the purchase of physical gold, modern investors have a variety of options that offer convenience and potentially greater returns. Here are some of the most popular ways to invest in gold today:

- **Investment in Physical Gold:** Investing in physical gold, such as coins, jewelry, or ornaments, remains a popular choice among Indian households. This method allows investors to own tangible gold, which can be easily sold in the future, often at a higher value (Coulson, 2013). However, this option comes with some downsides, including making charges, the hassle of storage, and the increased risk of theft. Despite these challenges, physical gold continues to be valued for its liquidity and cultural importance.
- **Gold ETFs (Exchange Traded Funds):** Exchange-traded funds (henceforth, ETFs) are passive investment vehicles which have become increasingly popular in a relatively short period of time due the benefits they provide when compared to Mutual Funds and other similar investment avenues (Kumara, 2016). Gold ETFs provide a modern alternative to buying physical gold. These are financial products that represent a dematerialized or paper

form of gold, with each unit typically corresponding to 1 gram of physical gold. Investors buy a proportionate ownership in a collective vault, eliminating the need to store physical gold. Gold ETFs are traded on the stock exchange, offering the advantage of liquidity and the ability to easily buy or sell gold.

- **Gold Mutual Funds:** Gold Mutual Funds are another investment avenue that frees investors from the need to purchase and store physical gold. Instead of investing directly in gold, these funds invest in shares of gold mining companies or in gold-related securities (Blose, 1996). This approach provides exposure to the gold market and can potentially offer higher returns, especially when gold prices rise and gold mining companies perform well.
- **Gold Schemes:** Gold schemes offered by jewellers across India are designed to ease the process of purchasing gold. These schemes allow investors to make regular contributions over a defined period, which accumulate to a significant amount that can be used to purchase gold (Nair et al., 2024). The terms and benefits of these schemes vary depending on the jeweller, but they generally provide a structured way to save and invest in gold.
- **Digital Gold:** Digital Gold is an increasingly popular investment option that leverages technology to simplify gold investments. Through Fintech platforms, investors can buy or sell gold in small quantities at current market prices. Digital gold eliminates the need for physical storage and offers the flexibility of easy transactions, making it accessible and convenient for a wide range of investors (Shankari, 2023).
- **Sovereign Gold Bonds (SGBs):** Sovereign Gold Bonds are government-backed securities introduced by the Reserve Bank of India as an alternative to physical gold (Sudindra & Naidu, 2019). These bonds are issued in denominations of grams of gold and can be bought in digital, physical, or dematerialized formats. SGBs offer the benefits of gold investment without the risks and costs associated with storing physical gold. Additionally, they provide an interest payment along with the potential appreciation in the price of gold, making them an attractive option for long-term investors.

5. Advantages and Disadvantages of Gold Investment in India

5.1 Advantages of Gold Investment

- **Cultural and Emotional Value:** In India, gold is not just an investment; it is a symbol of wealth, status, and prosperity. It is deeply ingrained in cultural and religious practices, often being passed down through generations as a family heirloom. This cultural affinity for gold ensures a steady demand, which supports its value over time.
- **Hedge against Inflation:** Gold is traditionally seen as a safe haven asset, especially during times of economic uncertainty. It tends to retain its value or even appreciate during periods of high inflation, currency devaluation, or financial crises. For Indian investors, particularly in times of economic instability, gold offers a reliable store of value that can protect purchasing power.
- **Liquidity:** One of the most significant advantages of gold investment is its liquidity. Gold can be easily bought or sold in the market, making it a readily accessible asset in times of need. Whether in the form of jewelry, coins, or bars, gold can be converted into cash quickly, often with minimal transaction costs.
- **Diversification:** Adding gold to an investment portfolio can provide diversification, reducing overall risk. Since gold often moves inversely to other asset classes, such as equities, it can help stabilize a portfolio, particularly during market downturns.

5.2 Disadvantages of Gold Investment

- **No Yield or Dividends:** Unlike stocks or bonds, gold does not generate any income. Investors do not earn interest, dividends, or rental income from gold. The returns on gold investment are solely dependent on price appreciation, which can be unpredictable.

- **Storage and Security Costs:** Physical gold requires secure storage, which can involve additional costs. Whether stored at home or in a bank's safe deposit box, there are risks of theft and damage, as well as the cost of insurance. These factors can diminish the overall return on investment.
- **Market Volatility:** While gold is generally considered a safe haven, it is not immune to market fluctuations. Gold prices can be volatile in the short term, influenced by global economic conditions, currency movements, and changes in demand and supply. This volatility can lead to significant short-term losses for investors.
- **High Transaction Costs:** Investing in physical gold, particularly in the form of jewelry, involves high making charges and taxes. These additional costs can eat into potential profits, making gold less attractive compared to other investment options.

6. Discussion and Conclusion

The analysis of gold as a safe haven asset reveals its deep-rooted significance in the investment patterns of Indian women. For centuries, gold has been more than just a financial asset in India (Mishra et. al., 2010); it has been a symbol of cultural heritage, personal wealth, and economic security. The preference for gold among Indian women is driven by a combination of cultural, economic, and psychological factors, which collectively make it a preferred choice for safeguarding wealth.

From a cultural perspective, gold holds immense value in Indian society, particularly for women. It is often passed down through generations as a form of inheritance and is considered 'Stree Dhan', or women's wealth (Waghmare & Shukla, 2021). This cultural association not only reinforces the emotional and symbolic importance of gold but also strengthens its role as a secure and reliable asset. The tradition of acquiring gold during weddings and festivals further embeds it in the financial practices of Indian households.

Economically, gold's status as a safe haven is particularly relevant in India, where economic uncertainty, inflation, and currency fluctuations are common concerns. Indian women, who often manage household finances, view gold as a hedge against these risks. The stability and liquidity of gold make it an attractive option for preserving wealth, especially in times of financial crisis. The rise of modern investment options like Gold ETFs and Sovereign Gold Bonds has provided women with more accessible and efficient ways to invest in gold, without the challenges of storing physical gold (Sudindra & Naidu, 2019)..

However, while gold offers significant benefits as a safe haven, it is not without its drawbacks. The lack of income generation, high storage costs, and market volatility can limit the potential returns on gold investments. Moreover, as the financial landscape in India evolves, there is a growing need for women to diversify their portfolios and explore other investment avenues that may offer higher returns with manageable risks (Bajtelsmit & Bernasek, 1996).

In conclusion, gold continues to play a central role in the investment patterns of Indian women, driven by its cultural significance and economic stability. As a safe haven asset, it provides a sense of security and continuity, aligning with the financial goals and values of many Indian women. However, it is essential for investors to balance the traditional appeal of gold with the potential benefits of other investment options. By doing so, they can create a more diversified and resilient financial portfolio that meets their long-term financial objectives.

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