

Determinants of Gold Purchase Behaviour Among Rural Investors

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Abstract: *Gold has traditionally remained one of the most preferred investment avenues among rural households in India due to its cultural significance, liquidity, and perceived financial security. This study examines the determinants influencing gold purchase behaviour among rural investors, focusing on economic, socio-cultural, psychological, and financial awareness factors. The research further analyses how trust in gold as a safe asset, accessibility to alternative investment avenues, and financial literacy impact the frequency and volume of gold purchases. A descriptive and analytical research design was adopted, and primary data were collected from 180 rural respondents using a structured questionnaire. Statistical tools such as percentage analysis, descriptive statistics, correlation, multiple regression analysis, and chi-square tests were employed to analyse the data. The findings reveal that socio-cultural factors and trust in gold significantly influence purchase decisions. Gold continues to be perceived as a safe haven asset, particularly in the context of income uncertainty and inflation. Psychological aspects such as risk aversion and security perception further strengthen gold preference among rural households. However, increased financial awareness and improved access to alternative investment options demonstrate a negative relationship with gold purchase frequency, indicating gradual diversification among informed investors. The study concludes that although financial inclusion initiatives are expanding, cultural attachment and strong trust in gold continue to dominate rural investment behaviour. The research provides insights for policymakers and financial institutions to design targeted financial literacy programs and diversified investment products suitable for rural populations. Understanding these determinants is essential for promoting balanced investment practices and sustainable financial development in rural economies*

Keywords: Gold Investment, Rural Investors, Purchase Behaviour, Financial Awareness, Socio-Cultural Determinants

I. INTRODUCTION

Gold has traditionally occupied a unique position in the socio-economic and cultural fabric of India. Beyond its ornamental value, gold is widely perceived as a symbol of wealth, security, and social status, particularly in rural areas. For generations, rural households have relied on gold not only for ceremonial and cultural purposes but also as a preferred form of savings and investment. In the absence of widespread access to formal financial institutions, gold has functioned as a liquid and dependable asset capable of meeting emergency financial needs. Even with the expansion of banking services and digital financial inclusion, gold continues to be one of the most trusted investment avenues among rural investors.

Rural investors often operate within an economic environment characterized by income uncertainty, agricultural dependency, limited access to diversified financial products, and lower financial literacy levels. As a result, gold purchasing decisions in rural areas are influenced not only by financial considerations but also by psychological, cultural, and social determinants.



One of the primary determinants of gold purchase behaviour among rural investors is income stability and savings capacity. Cultural and social factors also play a significant role in shaping gold buying behaviour. In rural communities, gold is deeply embedded in traditions related to marriages, festivals, religious ceremonies, and inheritance practices. Social norms often encourage families to accumulate gold as a form of social security for future generations, especially for women. This cultural attachment enhances emotional value and reinforces consistent demand irrespective of market fluctuations. Consequently, gold purchases are frequently driven by both investment motives and socio-cultural obligations.

Another key determinant is financial awareness and access to alternative investment avenues. Although government initiatives have promoted financial inclusion and digital banking in rural India, awareness and trust in formal financial instruments remain relatively limited. Many rural investors perceive gold as less complex and more reliable compared to financial products such as mutual funds or stock market investments. The simplicity of purchasing gold through local jewellers, along with flexible payment options, further strengthens its accessibility. Moreover, gold loans provided by non-banking financial institutions have increased liquidity, enhancing gold's attractiveness as a dual-purpose asset — both investment and collateral.

Psychological factors such as risk aversion, herd behaviour, and perceived safety also influence rural gold purchasing decisions. Rural investors typically exhibit conservative investment behaviour and prefer low-risk assets. Gold is widely regarded as a “safe haven” asset during economic downturns, inflationary pressures, or financial crises. Observational learning within close-knit rural communities further amplifies collective investment patterns, where purchasing behaviour is influenced by peer actions and community norms.

In recent years, changing economic conditions, digital payment systems, government gold monetization schemes, and fluctuations in global gold prices have begun to reshape rural gold purchase patterns. However, despite increasing exposure to modern financial services, gold continues to dominate as a preferred investment choice in rural areas. Understanding the determinants of gold purchase behaviour is therefore essential for policymakers, financial institutions, and marketers seeking to design effective financial products and awareness programs tailored to rural investors.

II. REVIEW OF LITERATURE

Jwalini, Reshma & Subitha (2026) conducted a descriptive study to examine the investment patterns and behaviours of rural households in the *Bangalore Rural District* of India, focusing on preferred investment avenues and the socio-economic determinants that shape these decisions. Using a structured questionnaire and purposive sampling, primary data were collected from 120 rural households, and analyses were performed using percentage distributions, mean scores, and chi-square tests to assess relationships between demographic characteristics (such as income and education) and investment choices. The authors recommend targeted financial literacy programmes and customized low-risk investment products to support informed and diversified investment choices among rural households. Gupta and Singh (2023) investigated the socio-economic determinants of gold investment among rural households in northern India. Their study revealed that income level, education, and family traditions significantly influenced gold purchase behaviour. They found that rural investors with higher disposable incomes and greater financial knowledge were more likely to allocate savings to gold as a hedge against inflation and economic uncertainty, whereas traditional and cultural norms further reinforced gold buying during festivals and weddings. Reshma S, Bharathe P (2026) conducted a systematic review of recent empirical studies to examine the investment behaviour of *Generation Z* and *Millennial* cohorts. The study synthesizes evidence from diverse research articles to identify key determinants shaping the financial decision-making patterns of younger investors. The authors highlight that both cohorts display a distinct investment orientation influenced by digital literacy, risk tolerance, financial goals, social media exposure, and macro-economic conditions. Younger investors increasingly engage with technology-driven investment platforms, such as robo-advisors, mobile trading apps, and algorithmic recommendation systems, which facilitate ease of access and real-time decision making. Dhar and Bhatia (2022) examined psychological and behavioural factors affecting gold purchase decisions among rural investors in Rajasthan. Their results showed that risk aversion, perceived stability of gold prices, and emotional attachment were



critical determinants. Rural investors viewed gold as a safe asset during economic instability and prioritized its liquidity and future security over other investment options. Kumar and Yadav (2024) studied the impact of financial literacy and access to credit on gold purchases among rural families in Uttar Pradesh. Their findings indicate that *higher financial literacy* increased diversification into financial assets, but gold remained preferred due to lower perceived risk and traditional beliefs. Moreover, access to gold loans encouraged larger and more frequent gold purchases among low-income rural investors.

Objectives:

- To identify and examine the key economic, socio-cultural, and psychological factors influencing gold purchase behaviour among rural investors.
- To analyse the impact of financial awareness, accessibility to alternative investment avenues, and trust in gold as a safe asset on the frequency and volume of gold purchases among rural households.

III. RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design to examine the determinants of gold purchase behaviour among rural investors. Primary data were collected through a structured questionnaire administered to 180 rural households selected using convenience sampling. The questionnaire included Likert-scale statements measuring economic factors (income stability, savings capacity, inflation perception), socio-cultural factors (traditions, festivals, marriage customs), psychological factors (risk aversion, security perception), financial awareness, accessibility to alternative investment avenues, trust in gold, and purchase frequency and volume. Secondary data were gathered from journals, books, and relevant online sources. The collected data were analysed using statistical tools such as percentage analysis, mean and standard deviation, correlation analysis, multiple regression analysis, and chi-square tests to determine relationships and the impact of independent variables on gold purchase behaviour.

IV. DATA ANALYSIS AND INTERPRETATION

Table 1: Descriptive Statistics of Key Variables (N = 180)

Variables	Mean	Std. Deviation
Economic Factors (Income, Savings, Inflation)	4.02	0.64
Socio-Cultural Factors (Traditions, Festivals, Marriage)	4.15	0.59
Psychological Factors (Risk Aversion, Safety Perception)	3.96	0.67
Financial Awareness	3.48	0.72
Accessibility to Alternatives	3.32	0.75
Trust in Gold as Safe Asset	4.28	0.54
Frequency of Gold Purchase	3.87	0.71
Volume of Gold Purchase	3.74	0.76

Interpretation:

The highest mean score is observed for Trust in Gold (4.28) and Socio-Cultural Factors (4.15), indicating that rural investors strongly perceive gold as a secure asset and are culturally inclined toward gold purchases. Financial awareness and accessibility to alternative investment avenues show comparatively lower mean scores, suggesting limited diversification.



Table 2: Correlation Matrix

Variables	Frequency	Volume
Economic Factors	0.62**	0.58**
Socio-Cultural Factors	0.69**	0.65**
Psychological Factors	0.64**	0.60**
Financial Awareness	-0.42**	-0.39**
Accessibility to Alternatives	-0.48**	-0.44**
Trust in Gold	0.73**	0.70**

(Significant at 0.01 level)

Interpretation:

Trust in gold shows the strongest positive correlation with both frequency ($r = 0.73$) and volume ($r = 0.70$).

Socio-cultural factors also strongly influence gold purchases.

Financial awareness and accessibility to alternative investments show negative correlations, indicating that greater awareness reduces dependence on gold.

Dependent Variable: Frequency of Gold Purchase

Independent Variables: Economic, Socio-Cultural, Psychological Factors

Table 3: Model Summary

R	R ²	Adjusted R ²
0.78	0.61	0.60

61% of variation in gold purchase frequency is explained by economic, socio-cultural, and psychological determinants.

Table 4: ANOVA

F	Sig
91.84	0.000

Model is statistically significant ($p < 0.05$).

Table 5: Regression Coefficients

Variable	Beta	t-value	Sig
Economic Factors	0.29	4.96	0.000
Socio-Cultural Factors	0.38	6.84	0.000
Psychological Factors	0.31	5.22	0.000

Interpretation:

Socio-cultural factors have the highest influence ($\beta = 0.38$) on gold purchase frequency, followed by psychological and economic factors. All variables are statistically significant. Hence, Objective 1 is supported.

Dependent Variable: Volume of Gold Purchase

Independent Variables: Financial Awareness, Accessibility, Trust in Gold

Table 6: Model Summary

R	R ²	Adjusted R ²
0.81	0.66	0.65

66% of the variation in purchase volume is explained by financial awareness, accessibility, and trust.



Table 7: ANOVA

F	Sig
113.52	0.000

Model is statistically significant.

Table 8: Regression Coefficients

Variable	Beta	t-value	Sig
Financial Awareness	-0.25	-4.18	0.000
Accessibility to Alternatives	-0.30	-5.04	0.000
Trust in Gold	0.52	8.96	0.000

Interpretation:

Trust in gold has the strongest positive impact on purchase volume ($\beta = 0.52$). Financial awareness and accessibility to alternative investments have significant negative effects, meaning increased exposure to financial products reduces reliance on gold. Objective 2 is strongly supported.

Association between Income Level and Frequency of Gold Purchase

Chi-Square Value	df	Sig
18.74	6	0.004

Interpretation:

There is a significant association between income level and frequency of gold purchase ($p < 0.05$). Higher income households tend to purchase gold more frequently.

Findings:

Socio-cultural factors have a significant positive influence on gold purchase behaviour among rural investors. Trust in gold as a safe and secure asset is the strongest determinant of purchase frequency and volume. Economic factors such as income level and savings capacity significantly affect gold buying decisions. Psychological factors, particularly risk aversion and security perception, reinforce preference for gold. Financial awareness and accessibility to alternative investment avenues show a negative relationship with gold purchases, indicating gradual diversification among informed investors. There is a significant association between income level and frequency of gold purchase. Gold remains a dominant investment option due to its liquidity, inflation-hedging ability, and cultural importance.

Suggestions:

Financial institutions should promote financial literacy programs in rural areas to enhance awareness of diversified investment options. Government agencies can introduce low-risk, easily accessible financial products tailored for rural households. Awareness campaigns should educate rural investors about portfolio diversification and risk management. Banking institutions should improve accessibility to formal financial services in rural regions. Gold monetization and digital gold schemes can be promoted to ensure productive utilization of idle gold assets. Policy measures should balance cultural sensitivity while encouraging rational investment decision-making.

V. CONCLUSION

The study concludes that gold purchase behaviour among rural investors is predominantly influenced by socio-cultural traditions, strong trust in gold as a safe asset, and psychological factors such as risk aversion. Although financial inclusion and awareness are gradually improving, gold continues to dominate as a preferred investment avenue due to its perceived



security, liquidity, and inflation protection. Economic conditions such as income stability further shape purchase patterns. While access to alternative investments is expanding, rural investors still exhibit conservative investment behaviour. Therefore, strategic financial education and improved accessibility to diversified financial instruments are essential to promote balanced investment practices in rural economies.

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