

The Allure of Gold: Exploring the Popularity of Gold as an Investment Choice

Zeena Premila Cutinha¹, Dr.S. Sriranjani Mokshagundam²

¹Research Scholar, University of Mysore.

²Faculty of Management, Sri.Jagadguru Balagangadhara College of Management Studies, SJBCMS, Bangalore.

Abstract

Gold has been a symbol of wealth, power, and cultural significance throughout human history, from ancient Egyptian artifacts to its role as a stabilizing economic asset in modern times. Its unique chemical properties, including resistance to corrosion, malleability, and conductivity, make it invaluable across diverse applications, including jewelry, technology, and art. This study delves into the perspectives of individuals, investors, and nations on gold. From an individual's point of view, particularly in cultures like India, gold symbolizes status, tradition, and financial security. Investors value gold as a safe-haven asset, a hedge against inflation, and a tool for portfolio diversification, leveraging instruments such as ETFs and derivatives. For nations, gold plays a pivotal role in monetary policy, currency stabilization, and as a strategic reserve asset during economic crises. A survey will complement this analysis by exploring why people invest in gold, considering emotional, cultural, and financial motivations. By examining the historical, cultural, and economic importance of gold alongside contemporary views, the study aims to highlight its enduring relevance in global society and its multifaceted impact across personal, financial, and national domains.

Keywords: Gold, Cultural Significance, Investment, Inflation, Historical value, Estimated value.

INTRODUCTION

Gold—just a yellow metal, or beyond? For centuries, this gleaming element has held a special place in human history, transcending its physical properties to become a symbol of wealth, power, and security. Ancient civilizations, such as the Egyptians, used gold extensively in their religious ceremonies and as a material for crafting jewellery, coins, and artifacts. The famed burial mask of Tutankhamun, made from gold, exemplifies its significance in Egyptian culture. Similarly, in ancient Mesopotamia, gold was used as currency and a sign of wealth. The Romans and Greeks also regarded gold as a symbol of power and luxury, using it for coins, statues, and ornamental purposes. Today, gold retains its importance in various sectors, from investment and jewellery to technology. It is a trusted store of value and a global standard for monetary exchange. Nations continue to hold gold reserves as a safeguard against economic instability, reflecting its enduring significance.

Objectives of the study

1. To gain an understanding of gold's historical and cultural significance.
2. To investigate why gold is preferred as an investment over other investment options.
3. To explore the reasons why people, choose to invest in gold.

4. To examine the role of gold in a country's economy.

Research Methodology: The objectives stated above necessitate an application of meticulous quantitative analysis. The data for the study was collected using a purposive sampling procedure. The data was gathered through online questionnaire survey from 30 respondents of Bengaluru. The questionnaire comprised information about gold as preferred form of investment, forms of gold, as a Safe-Haven Asset, comparison with other investment options, reasons to buy or sell gold. The collected data was analysed by percentage method.

Gold has long been considered a go-to investment for a variety of reasons and its appeal is rooted in both historical and practical factors. A few key reasons why people choose to invest in gold:

Chemical Properties of Gold: Gold with the chemical symbol Au (from the Latin word “aurum”), has unique properties that make it invaluable. It is a noble metal, highly resistant to corrosion and oxidation, and possesses excellent conductivity of electricity and heat. Gold is malleable and ductile, allowing it to be shaped into thin sheets or drawn into wires. Its high density and nonreactive nature further enhance its utility in various industries, including electronics and medicine.

Environment friendly: One of gold’s unique features is its recyclability. Gold can be melted down and reused without losing its quality, making it an environmentally sustainable resource. Recycling gold from old jewellery, electronics, and industrial waste contributes to its supply, reducing the need for mining and minimizing environmental impact.

Historical Value and Cultural Significance: Gold has been used for thousands of years as money, a store of wealth, and a symbol of power. Many people view gold as a timeless investment that transcends generations. It's also widely revered in many cultures and is often seen as a symbol of wealth. Cultural Importance of Gold plays a pivotal role in cultural traditions worldwide, particularly in India, where it is deeply ingrained in religious and social customs. Temples across India are adorned with gold, symbolizing divinity and prosperity. Festivals like Akshaya Tritiya and Dhanteras witness significant gold purchases as it is considered auspicious. In weddings, gold jewellery is a customary gift, signifying wealth and blessings for a prosperous married life. Beyond India, gold is a universal gift for special occasions, symbolizing love, respect, and good fortune. environmental impact.

Symbol of Status and Luxury: Gold has long been associated with wealth, power, and luxury. In ancient societies, gold ownership was often limited to royalty and the elite. Today, gold remains a symbol of affluence, seen in extravagant jewellery, watches, and high-end accessories. Owning gold also represents financial security, reflecting its dual role as a luxury item and an asset. Use of Gold in Art and Architecture Gold has been used in art and architecture throughout history. Byzantine mosaics, for instance, used gold tiles to create radiant religious artworks. In medieval Europe, illuminated manuscripts featured gold leaf to highlight important sections. The grandeur of structures like the Golden Temple in Amritsar, India, and the Dome of the Rock in Jerusalem exemplifies gold’s significance in architecture. Its reflective and enduring properties make it a favoured material for ornamental and structural purposes.

Economic Value of Gold: Gold is often seen as a store of value. When inflation erodes the purchasing power of paper currency, gold tends to hold its value better over time. As the cost-of-living increases, gold can help preserve wealth. Gold has been a cornerstone of economic stability and a hedge against inflation. During economic uncertainty, gold’s value tends to rise, making it a safe investment. Historic events like the California Gold Rush of 1848 highlight gold’s role in shaping economies. Today, central banks maintain gold reserves to stabilize their currencies and safeguard against inflation. As a universall

recognized asset, gold influences monetary policies and currency valuations.

Safe-Haven Asset: During times of economic uncertainty, political instability, or market volatility, investors often flock to gold as a safe-haven asset. Unlike stocks or bonds, gold is not tied to the performance of a specific company or government, which makes it a reliable choice during crises. The gold holds the power to turn the dreams into reality. Be it starting a new venture, funding education or managing unexpected expenses.

Diversification: Including gold in an investment portfolio helps with diversification. Gold tends to have a low or negative correlation with other financial assets like stocks and bonds, which means that when other investments perform poorly, gold may perform well, reducing overall risk.

Tangible Asset: Unlike digital or paper-based investments, gold is a tangible asset that can be physically held. This gives people a sense of security, as they have direct ownership of something that has intrinsic value.

Currency Depreciation: Gold prices are highly sensitive to rupee depreciation, inflation, and global events. For every ₹1 fall in the rupee, gold prices could increase by ₹600–₹800 per 10 grams. Similarly, rising inflation (6% or higher) could push prices up by ₹5,000–₹7,000. Conversely, higher interest rates in the U.S. typically decrease demand, as investors pivot to yield-generating assets. A 1% hike in U.S. interest rates can reduce gold prices by ~2–3%.

Global Acceptance: Gold has been used as a store of value for thousands of years, and it has a universally recognized value. This makes it easy to buy, sell, and trade gold across borders.

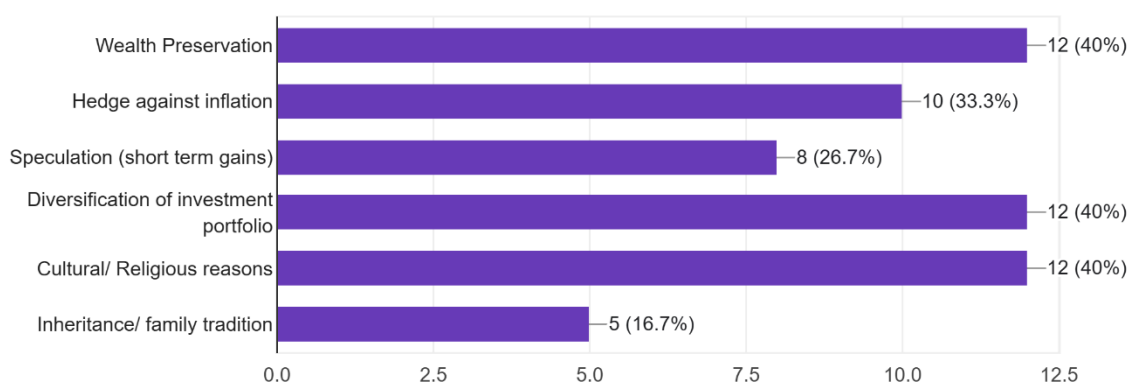
Limited Supply: Gold is a finite resource. There's only so much of it available in the world, which means that scarcity helps to maintain its value. This limited supply can make gold attractive in comparison to other investments that are subject to inflation or unlimited printing, like fiat currencies.

Portfolio Insurance: Some investors view gold as a form of "insurance" for their portfolios. In the event of a major financial crisis, gold can act as a stabilizing asset that helps preserve wealth.

Long-Term Growth Potential: While gold can be volatile in the short term, many investors see it as a long-term asset that can increase in value as global demand rises, particularly from countries like India and China, where gold is culturally significant.

Analysis and Interpretation

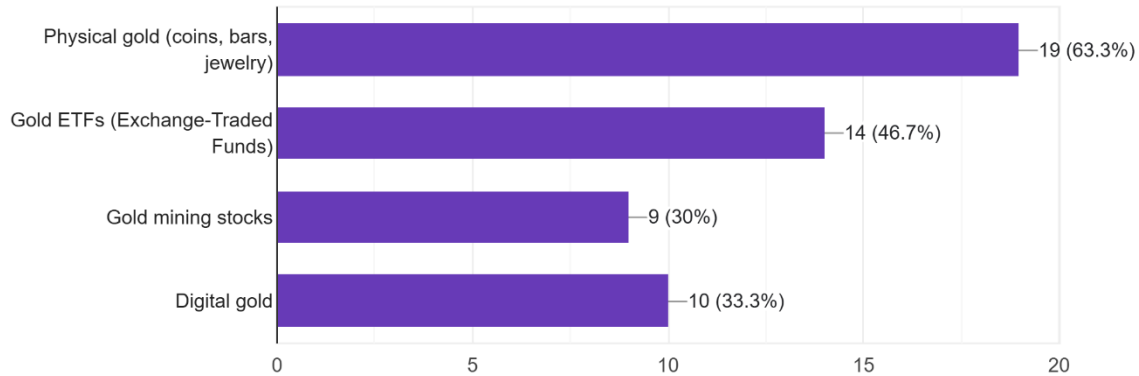
Table 1.1: A graph highlighting the main reasons investors choose gold as their preferred investment instrument



Interpretation: Majority out of the investors, have preferred to buy Gold as a symbol of Wealth preservation, Cultural or Religious reasons, along with, in order to diversify their portfolio. While a min-

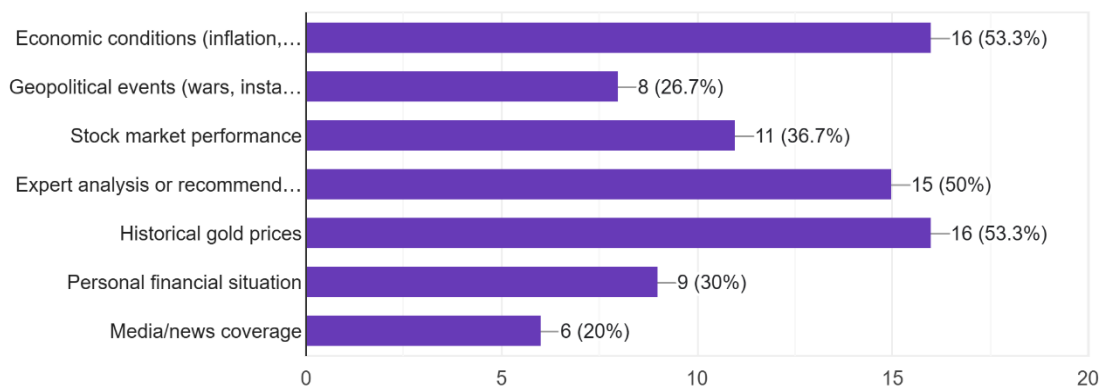
ority of them have bought gold for inheritance or family reasons.

Table 1.2: A graph illustrating the preferred forms of gold for investment by investors



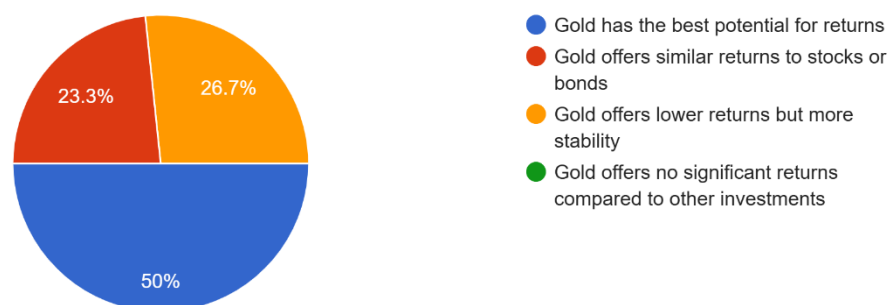
Interpretation: Majority of the investors have bought physical gold, such as coins, bars, and jewellery. While minority of them have gold mining stocks and digital gold

Table 1.3: A graph displaying the key factors influencing investors' decisions to buy or sell gold



Interpretation: Majority of the investors take historical gold prices, Economic conditions and Expert advice/ analysis & Recommendation into consideration while investing, while a minority of investors who the survey was sent to, say that they take new coverage into consideration.

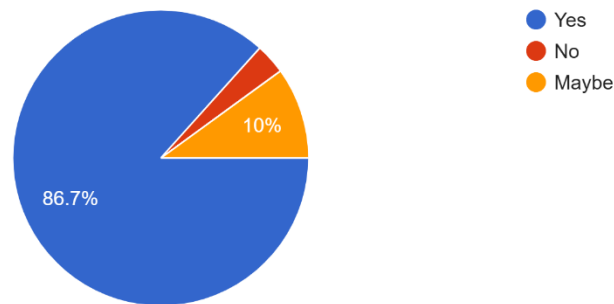
Table 1.4: Gold vs. Traditional Investments



Interpretation: 50% of the investors believe that gold has the best potential for return in comparison to all other securities, while the others believe gold offers lower returns than equity, but more security and

stability.

Table 1.5: Graph showing the Investors' Confidence in Financial Future with Gold in Their Portfolio



Interpretation: 86.7% of investors feel more confident about their financial future when they have gold in their investment portfolio.

Historical and Projected Gold Prices in India (2015–2025)

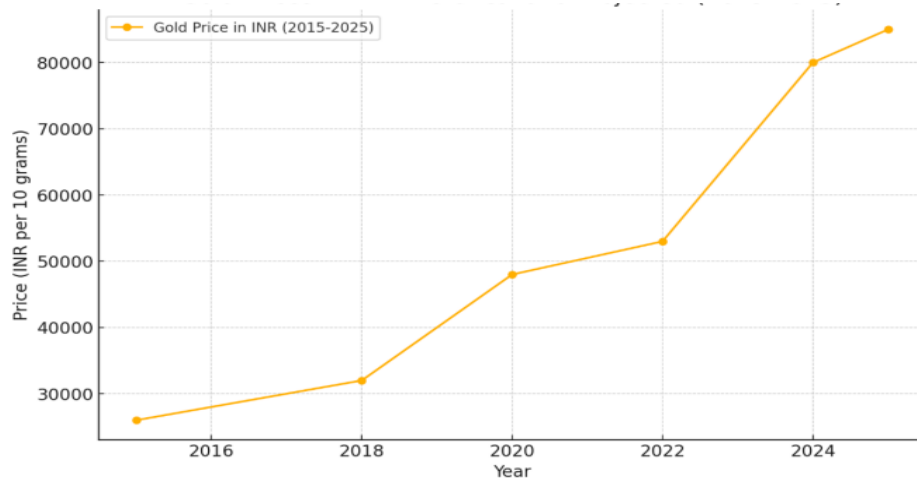
Gold prices in India have experienced remarkable growth over the past decade, driven by factors like inflation, rupee depreciation, and global demand. Starting at ₹26,000 per 10 grams in 2015, prices rose steadily, reaching ₹48,000 by 2020. This growth was fuelled by rising inflation, the weakening rupee, and safe-haven demand during events like the COVID-19 pandemic. By 2024, prices climbed to ₹80,000, driven by rupee depreciation (~₹83/USD) and heightened demand. Projections for 2025 indicate prices in the range of ₹85,000–₹90,000, with inflation, rupee depreciation, and geopolitical uncertainties playing pivotal roles.

Between 2015 and 2020, gold prices almost doubled, growing at an annual rate of ~12.5%. From 2020 to 2024, the growth rate moderated to ~14.5%, reflecting the compounded impact of geopolitical events and a depreciating rupee. By 2025, prices are expected to grow further by ~5–8%, depending on key economic factors like inflation and central bank policies.

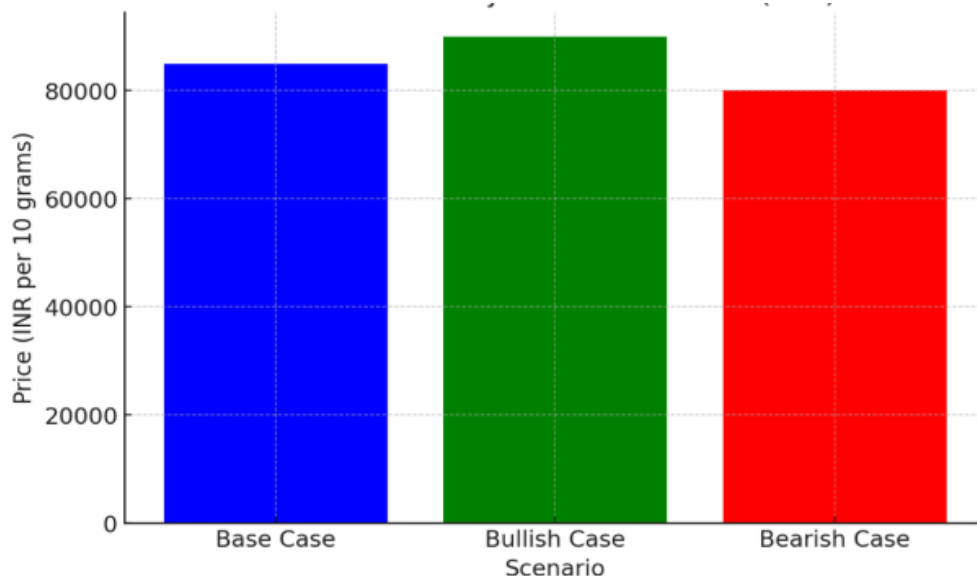
Factors Driving 2025 Projections

- 1. Base Case (₹85,000 per 10 grams):** Moderate inflation (5–6%), continued rupee depreciation (~₹85/USD), and stable central bank demand are expected to sustain gold prices. Central banks have been accumulating over 1,000 tons of gold annually, ensuring steady demand.
- 2. Bullish Case (₹90,000 per 10 grams):** If geopolitical unrest escalates or fiat currencies like the USD weaken, gold could see higher demand as a safe-haven asset. Rupee depreciation (~₹88/USD) and inflation exceeding 6% would further drive prices.
- 3. Bearish Case (₹80,000 per 10 grams):** A strong dollar, high U.S. interest rates, or cooling inflation could dampen demand. Reduced central bank buying and slowing global demand could also lead to lower-than-expected price growth.

HISTORICAL PRICES OF GOLD



ESTIMATED PRICES



Findings

- Majority of the respondents have preferred to buy Gold as a symbol of Wealth preservation, Cultural or Religious reasons, along with, in order to diversify their portfolio. While a minority of them have bought gold for inheritance or family reasons.
- Many respondents sought physical gold, such as coins, bars, and jewellery. While minority of them have gold mining stocks and digital gold.
- Most of the respondents take historical gold prices, Economic conditions and Expert advice/ analysis & Recommendation into consideration while investing, while a minority of investors who the survey was sent to, say that they take new coverage into consideration.
- More than half of the respondents believe that gold has the best potential for return in comparison to all other securities, while the others believe gold offers lower returns than equity, but more security and stability.
- Half of the respondents expect strong growth for gold over the next five years, while the other half anticipate moderate growth along with some stability.

- 86.7% of respondents feel greater confidence in their financial future when gold is included in their investment portfolio.
- 70% of respondents associate gold with personal wealth and status.

Suggestions

While it is not a guaranteed way to make money, it can be seen as a more stable, long-term investment compared to other asset classes. As global uncertainty continues to affect markets, gold's role in investment portfolios will be likely to remain as relevant and significant as ever.

Conclusion

In conclusion, gold has long been a favoured investment choice for many, and its appeal remains strong due to several key factors. As a tangible asset with intrinsic value, gold offers a sense of security, especially in times of economic uncertainty. It acts as a hedge against inflation and currency depreciation, ensuring that wealth retains its value when traditional financial systems may falter. Gold is generally seen as a safe haven in times of uncertainty and inflation, but it may underperform when economic conditions are stable, and stock markets are strong. The key factor influencing gold's performance is its ability to act as a store of value when other investments appear too risky or yield less return. Gold also serves as a safe-haven asset during geopolitical crises or financial market volatility, offering protection against the erosion of purchasing power. Moreover, its historical significance and cultural importance have solidified its status as a reliable store of value over millennia. Gold's limited supply and its low correlation with other assets make it a valuable tool for portfolio diversification. While it may not always offer the high returns of stocks or other high-risk assets, it provides stability and helps balance the risks inherent in broader investment strategies. Ultimately, for investors seeking a dependable and long-term store of value, gold remains a compelling choice.

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