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IMPACT OF RISING GOLD PRICES ON HOUSEHOLD INVESTMENT PATTERNS: A CASE STUDY OF NASHIK CITY

Dr Nutan Nana Thoke¹ and Prof Supriya Prasad Daware²

¹Navjeevan Institute of Management affiliated to SPPU, Nashik, India, nutan.sai@gmail.com, 9823555580

²Navjeevan Institute of Management affiliated to SPPU, Nashik, India, spdaware28@gmail.com, 9158930146

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ABSTRACT

This study explores how fluctuating gold prices influence household investment behaviour in Nashik, a growing urban centre in Maharashtra, India. Known for its rich cultural traditions and rising urbanization, Nashik presents a unique demographic blend where gold is both a cultural necessity and an investment asset. This research analyses changes in investment preferences from physical gold to digital forms among Nashik households amid recent gold price surges. Findings suggest a gradual shift in behaviour, especially among younger and financially literate populations, while traditional attitudes remain prevalent among older and rural-linked groups.

KEYWORDS: Gold, Household Investment, Covid-19, digital gold.

INTRODUCTION

Gold has long held deep cultural and financial significance in Indian households, symbolizing prosperity, security, and tradition. In cities like Nashik, where rapid urbanization coexists with a strong cultural heritage, the role of gold continues to evolve. Known for its religious significance, agricultural economy, and a growing middle class, Nashik provides a compelling context to study household investment behaviours in relation to gold. The city hosts a wide range of jewellery establishments, from renowned brands like Bafna, PNG, Mayur Alankar, Dande Jewellers, Kalyan, and Malabar to traditional small-scale vendors in areas such as Saraf Bazar, reflecting the diverse nature of gold markets. Since the COVID-19 pandemic, gold prices have seen a steady and significant rise, reaching unprecedented levels of ₹1 lakh per 10 grams. This persistent increase in gold prices has led to shifting patterns in household consumption and investment, warranting a closer examination of how families in Nashik navigate these changes.

This research aims to explore how the rising prices of gold have influenced household investment decisions in Nashik. Specifically, the study seeks to examine the extent to which households are shifting from traditional physical gold purchases to digital alternatives such as Gold Exchange-Traded

Funds (ETFs) and Sovereign Gold Bonds. Given Nashik's unique socio-economic landscape, the study also aims to identify key demographic factors including age, income levels, education, and family structures that shape household preferences for gold as an investment option. By understanding these patterns, the research will contribute to a deeper understanding of evolving investment behaviours in a city that bridges tradition with modern financial practices.

LITERATURE REVIEW

Gold has long been an integral part of household savings and investments in India, acting as both a consumption good and a financial asset. Several studies have explored the dual role of gold in the Indian socio-economic landscape, highlighting how cultural traditions and market trends influence investment decisions.

According to the **World Gold Council (2023)**, India remains one of the largest consumers of gold globally, with demand driven by weddings, festivals, and investment purposes. However, the report also notes an emerging trend where younger investors, especially in urban centres, are exploring digital gold products such as **Gold Exchange-Traded Funds (ETFs)** and **Sovereign Gold Bonds (SGBs)** due to their convenience, safety, and potential for returns without the risks of physical storage.

The **Reserve Bank of India's (2022)** Annual Report emphasizes how fluctuating gold prices have impacted household investment patterns, particularly in post-pandemic India. It suggests that high gold prices have deterred bulk purchases, prompting a shift towards smaller denominations and digital alternatives.

Sinha (2021), in a study on semi-urban Indian households, found that cultural values often outweigh purely financial considerations when it comes to gold purchases. For many families, gold continues to serve as a form of social security, often used during life events like weddings or as collateral for loans. However, Sinha also notes that rising financial literacy and access to digital platforms are slowly changing the gold investment landscape in tier-2 cities.

The **Securities and Exchange Board of India (SEBI, 2022)** highlighted the growing interest in regulated gold products like Sovereign Gold Bonds among urban and higher-income groups. It emphasizes that trust in formal financial channels, combined with rising gold prices, is encouraging diversification away from purely physical forms.

Studies such as **Sharma (2020)** and **Kumar (2019)** further support these findings by indicating that while rural and older populations continue to rely on physical gold, urban younger populations are more receptive to digital products due to factors like ease of transactions, safety from theft, and

transparency. However, challenges like limited awareness, cultural inertia, and perceived risk of new financial products remain significant barriers to widespread adoption.

This literature suggests that while cultural factors remain strong drivers of gold demand in India, economic shifts, technological advancements, and rising gold prices are nudging households towards new forms of gold investments. Nashik, as a city experiencing rapid urbanization alongside deep-rooted cultural practices, presents a valuable context to explore these evolving patterns.

Objectives:

- To examine the impact of rising gold prices on household investment decisions in Nashik.
- To study shifts between physical gold purchases and digital alternatives (e.g., Gold ETFs, Sovereign Gold Bonds).
- To identify socio-economic and demographic factors influencing investment behaviour in Nashik.

Research Methodology:

- **Location:** Nashik City
- **Sample Size:** 100 households
- **Sampling technique:** Stratified random sampling.
- **Data Collection:** Structured questionnaires covering income, education, gold ownership, and investment preferences.
- **Tools:** Descriptive statistics, cross-tabulation, and chi-square test to identify correlations.

Variable:

- **Independent:** Gold price trend, income level, education, age.
- **Dependent:** Type of gold investment (physical/digital), frequency of purchase, purpose (consumption vs. investment).

RESULTS AND DISCUSSION

The findings indicate that **68% of respondents** acknowledged a noticeable change in their gold purchasing habits due to rising prices. While **45% reported a decrease in the quantity of physical gold purchased**, around **23% mentioned a complete shift towards smaller, affordable gold items such as coins or light jewellery**. The study suggests that the sharp price increase, especially post-COVID-19, has made families more cautious, often deferring large gold purchases for weddings or religious occasions.

Data reveals a growing awareness and interest in **digital gold alternatives**, though adoption remains relatively limited. **28% of respondents** reported exploring digital options like Gold ETFs and Sovereign Gold Bonds. Among them, younger, educated respondents in the **25-40 age group with higher income levels** were more inclined to opt for digital gold, citing benefits such as transparency, ease of transactions, and safety. However, **72% still preferred physical gold**, primarily due to cultural and emotional attachments, as well as a lack of complete trust or familiarity with digital products.

Analysis of socio-economic factors using **cross-tabulation and chi-square tests** indicates significant correlations:

- **Income Level:** Higher-income households are more likely to diversify into digital gold, while lower and middle-income groups predominantly continue with physical gold due to limited financial flexibility.
- **Education:** Households with higher educational qualifications demonstrated greater awareness and adoption of alternative gold investment options.
- **Age:** Older respondents (above 50) preferred traditional gold investments, while younger respondents showed an openness to digital formats.
- **Purpose:** For most, **cultural and ceremonial needs (55%)** still drive gold purchases, while **45%** consider gold primarily as a financial investment.

CONCLUSION:

The case of Nashik reveals a transitional phase in household investment behaviour concerning gold. While traditional patterns persist due to cultural significance, there's growing awareness and adoption of modern financial products. Rising gold prices have acted as a trigger for this evolution, especially in urban and educated segments of the population.

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