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## Gold as a Cultural and Investment Asset: An Empirical Study of Household Behaviour in Wayanad

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### ABSTRACT

Gold has traditionally occupied a unique position in Indian households, functioning simultaneously as a cultural symbol and a financial asset. In regions like Wayanad, Kerala, gold ownership is deeply embedded in social customs, rituals, and economic security strategies. This study examines the dual role of gold as both a cultural and investment asset, focusing on household behaviour in Wayanad. Using primary data collected from households, the study analyses patterns of gold purchase, motivations behind gold holding, and the socio-economic factors influencing such decisions. A chi-square test is applied to evaluate the relationship between demographic variables and gold investment behaviour. The findings reveal that while cultural motives remain dominant, investment considerations are increasingly shaping household decisions. The study contributes to the understanding of rural and semi-urban financial behaviour and offers policy insights for financial inclusion strategies. Furthermore, it highlights the evolving nature of household asset preferences in the context of changing economic conditions and financial awareness.

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### 1. Introduction

Gold plays a significant role in the Indian economy, particularly in household financial portfolios. Unlike many financial assets, gold in India is not merely a store of value but also a symbol of wealth, status, and



cultural identity. In Kerala, and specifically in Wayanad district, gold ownership is closely tied to traditions such as marriage, festivals, and inheritance.

India is one of the largest consumers of gold globally, and this demand is largely driven by household consumption rather than industrial use. In rural and semi-urban areas like Wayanad, gold often serves as a form of informal savings and insurance against economic uncertainties. Households prefer gold due to its liquidity, universal acceptance, and ability to retain value over time.

In recent years, the perception of gold has evolved. Alongside its cultural importance, gold is increasingly viewed as a hedge against inflation, a safe investment during economic uncertainty, and a liquid financial asset. This transformation raises important questions about how households balance cultural obligations with financial decision-making.

Additionally, the rise of alternative financial instruments, digital banking, and government-backed investment schemes has begun to influence traditional saving patterns. However, despite these developments, gold continues to dominate household portfolios, especially in regions where financial literacy and institutional access remain limited.

This study aims to examine how households in Wayanad perceive and utilize gold, analysing whether gold is predominantly a cultural necessity or an investment choice. It also seeks to understand the socio-economic dynamics that shape these preferences and how they reflect broader changes in financial behaviour.

## **2. Objectives of the Study**

1. To analyse the cultural significance of gold among households in Wayanad.
2. To examine gold as an investment asset in household portfolios.
3. To identify factors influencing gold purchasing behaviour.
4. To evaluate the relationship between socio-economic variables and gold investment decisions using a chi-square test.
5. To assess whether changing economic conditions are influencing traditional gold consumption patterns.

## **3. Research Questions**



- Is gold primarily held for cultural or investment purposes in Wayanad?
- What socio-economic factors influence gold ownership?
- Is there a significant association between income levels and investment motives?
- How does financial awareness affect the perception of gold as an investment?

#### **4. Review of Literature**

Previous studies have highlighted the multifaceted role of gold in Indian households. Research indicates that gold demand in India is driven by cultural traditions, especially marriage-related expenditures. However, recent literature suggests a shift towards financial motives, including portfolio diversification and risk management.

Baur and Lucey (2010) found that gold acts as both a hedge and a safe haven asset during periods of financial instability. Similarly, Ghosh et al. (2004) demonstrated that gold provides protection against inflation in the long run. These findings reinforce the idea that gold is not only culturally significant but also financially relevant.

Studies focusing on Kerala show that high remittance inflows have contributed to increased gold consumption. The inflow of income from abroad, particularly from Gulf countries, has enhanced the purchasing power of households, leading to higher investments in gold jewellery and bullion. Scholars have also observed that rural households tend to rely more on gold as a savings mechanism due to limited access to formal financial institutions.

Moreover, behavioural finance literature suggests that emotional and psychological factors play a significant role in gold investment decisions. Cultural attachment, social prestige, and intergenerational wealth transfer influence household preferences beyond purely rational financial considerations.

Despite these insights, there is limited empirical research focusing specifically on Wayanad, making this study particularly relevant. The district's unique socio-economic characteristics, including its tribal population, agricultural dependence, and remittance economy, make it an interesting case for analysing gold-related behaviour.

#### **5. Methodology**

##### **5.1 Research Design**



The study adopts a descriptive and analytical research design. It combines qualitative insights with quantitative analysis to provide a comprehensive understanding of household behaviour.

## 5.2 Data Collection

Primary data was collected through structured questionnaires administered to 120 households in Wayanad. The questionnaire included questions related to income, education, occupation, gold ownership, and investment preferences. Secondary data was obtained from journals, reports, and government publications.

## 5.3 Sampling Technique

A simple random sampling method was used to ensure unbiased representation. Households from both rural and semi-urban areas were included to capture diverse perspectives.

## 5.4 Variables Considered

- Independent variables: Income level, education, occupation
- Dependent variable: Purpose of gold holding (cultural vs investment)

## 5.5 Analytical Tools

The study employs percentage analysis and chi-square tests to interpret the data. These tools help in identifying patterns and relationships between variables.

## 6. Chi-Square Econometric Model

Hypothesis:

- Null Hypothesis ( $H_0$ ): There is no significant association between income level and purpose of gold holding.
- Alternative Hypothesis ( $H_1$ ): There is a significant association between income level and purpose of gold holding.

Formula:

$$\chi^2 = \sum [(O_i - E_i)^2 / E_i]$$

Where:



-  $O_i$  = Observed frequency

-  $E_i$  = Expected frequency

Application:

A contingency table is constructed with income groups and purpose of gold holding.

Income Level	Cultural Purpose	Investment Purpose	Total
Low Income	30	10	40
Middle Income	25	20	45
High Income	10	25	35
<b>Total</b>	65	55	120

After calculating expected frequencies and applying the chi-square formula, the computed value is compared with the critical value at a chosen significance level (e.g., 5%).

Result Interpretation:

If  $\chi^2$  calculated  $>$   $\chi^2$  table value  $\rightarrow$  Reject  $H_0$

If  $\chi^2$  calculated  $\leq$   $\chi^2$  table value  $\rightarrow$  Accept  $H_0$

The results indicate a significant association between income levels and investment behaviour, suggesting that higher-income households are more likely to view gold as an investment asset.

## 7. Results and Discussion

The findings of the study reveal the following:

- Cultural Importance: A majority of households still purchase gold for cultural reasons, especially for weddings and festivals. Gold continues to symbolize social status and financial security.
- Investment Behaviour: Higher-income and educated households increasingly view gold as an investment. They are more aware of price trends and market conditions.
- Gender Dimension: Women play a crucial role in gold-related decisions, reflecting its cultural association with security and empowerment.



- Income Influence: The chi-square test confirms that income significantly influences whether gold is held for cultural or investment purposes.
- Changing Trends: Younger households are more inclined to consider gold as part of a diversified investment portfolio rather than solely a cultural asset.

These findings highlight a transitional phase where traditional motives coexist with modern financial considerations. The coexistence of these motives suggests that gold will continue to play a dual role in household portfolios for the foreseeable future.

## 8. Policy Implications

- Financial literacy programs should emphasize alternative investment options to reduce over-reliance on gold.
- Government schemes like sovereign gold bonds can be promoted in rural areas.
- Strengthening banking access in Wayanad can shift savings from physical gold to financial instruments.
- Awareness campaigns should highlight the risks associated with excessive gold investment, such as price volatility.
- Encouraging digital financial inclusion can help households diversify their savings and investment patterns.

## 9. Limitations of the Study

- The sample size is limited to 120 households.
- The study focuses only on Wayanad, limiting generalization.
- Responses may be influenced by personal bias.
- The study does not account for long-term price fluctuations of gold.

## 10. Conclusion

Gold continues to be a vital component of household behaviour in Wayanad, reflecting both cultural traditions and emerging investment preferences. While cultural motives dominate, the increasing recognition of gold as a financial asset signals a shift in economic behaviour. The application of the chi-



square test confirms that socio-economic factors, particularly income, play a crucial role in shaping these decisions.

The study underscores the importance of understanding the dual nature of gold in designing effective financial policies. As financial markets evolve and access to formal banking improves, the role of gold may gradually transform. However, its cultural significance ensures that it will remain an integral part of household decision-making.

Understanding this duality is essential for policymakers aiming to promote financial inclusion and efficient resource allocation. Future research can expand this analysis by incorporating larger samples and exploring regional comparisons.

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