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ORNAMENT OR ASSET? HOW PURPOSE CLARITY SHAPES GOLD INVESTMENT BEHAVIOR AMONG RETAIL INVESTORS

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Abstract
Gold holds a special place in Indian households, where it is considered a symbol of wealth and prosperity, as well as a cultural heritage. When it comes to wealth planning, families regularly invest in gold jewellery for weddings, festivals, and other social occasions, but they tend to be hesitant to view the gold as an asset that can be put to work. On the other hand, many households include personal ornaments in their investment savings without considering the high making charges, the reluctance to sell them and the deductions from the resale. This study bridges gold and investment under one behavioural prism – purpose clarity – the extent to which the retail investors distinguish ornamental gold and wealth building gold in the investment decision making process. The primary data was gathered from retail investors (N = 384) of Jaipur, Rajasthan through a structured questionnaire, which consisted of 5-point Likert scale. To test the null hypothesis (H01) and the alternative hypothesis (Ha1), descriptive statistics, Pearson correlation and simple linear regression analyses were performed. Results showed that there was a strong positive relationship between purpose clarity and pure gold investment allocation ($r = 0.634$, $p < .001$). The regression analysis shows that the variance in the allocation of retail investors to pure investment gold formats (24 karat bullion coins, Gold Exchange Traded Funds (ETFs) and Sovereign Gold Bonds ($R^2 = 0.402$, $F(1, 382) = 256.84$, $p < .001$)) is explained by purpose clarity alone. Thus, it is decided that the null hypothesis (H01) is rejected and the alternative hypothesis (Ha1) is accepted. The study finds that it is necessary to define a line between cultural adornment and the creation of a financial wealth by the households for proper portfolio management.

Keywords: *Gold and investment, purpose clarity, retail investor behavior, ornamental gold, portfolio allocation, pure gold assets, ABDC*

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1. Introduction

Gold holds an incomparable position in the social and economic spheres in India. In both urban and semi-urban families, nearly all the families have some amount of gold in one form or another. However, when the same families sit down to assess their savings, or plan for future financial objectives, a stark contrast is revealed: very few families consider their gold jewellery to be a viable investment, and many families believe that their wedding jewellery will be enough to guarantee their financial future. While a 24-carat gold coin, a Gold Exchange Traded Fund (ETF) or a Sovereign Gold Bond (SGB) is assessed only on purity, price appreciation and liquidity, a heavy gold necklace bought for a marriage is considered as sacred family heritage and rarely sold even at the peak market rates. Despite being composed of the same precious material, common investors consider both as coming from two different financial worlds.

This behavioral division has tangible monetary implications. Retail buyers buy and sell traditional jewellery with the notion of investing, and they are charged heavy upfront making costs (ranging from 8% to 25% of the bullion value) and are liable to pay Goods and Services Tax (GST) and/or purity / wastage deductions at the time of resale. Furthermore, jewellery is a sentimental possession and a social status symbol, so it is unlikely that families will sell it out during periods of high gold prices and forgo the opportunity of rebalancing their portfolios or avising capital gains. However, those families that understand the distinction between wearing gold and investing in gold tend to be much more financially disciplined when it comes to gold.

There is abundant literature in finance that has studied gold, ranging from macroeconomic price models, inflation-hedging regressions to safe-haven correlations during stock market declines (Baur & Lucey, 2010; Reboredo, 2013). Those market level findings validate gold's defensive qualities, but they don't necessarily reveal how a typical retail investor thinks about gold in their home. In particular, there's been no focus on the fact that people have a habit of making emotional gold purchases versus gold investments that are based on returns. To get a clear, practical and human insight on gold and investment, this study selects one focused behaviour factor, i.e., purpose clarity and examines its impact on the retail investors of Jaipur, Rajasthan to opt for pure investment gold instruments instead of ornament jewellery.

2. Literature Review

2.1 The Dual Identity of Gold in Household Finance

The literature in finance has long acknowledged gold as a unique asset class with commodity utility as well as monetary store-of-value attributes (Bampinas & Panagiotidis, 2015). In emerging economies like India, household demand for gold is a combination of cultural habits, intergenerational gifting norms, and protecting wealth (World Gold Council, 2023). Physical gold does not have default risk as do equities or corporate bonds and it has universal purchasing power across decades. But, studies of the Indian retail bullion market point out that there is often lack of structural efficiency when household gold holdings are driven by consumption motives and investment goals (Pavabutr & Chihetphon, 2010). Households often find that jewellery is a worthwhile investment, claiming this is a "long-term savings" due to its visible social role in marriage and religious events. In fact, when the ornamental value becomes a key factor in buying, the monetary gains of the asset are significantly reduced as compared to pure bullion and paper gold options (World Gold Council, 2023).

2.2 Goal-Based Asset Separation and Purpose Clarity

Behavioral personal finance is when investors don't think of their money as a whole lump sum. Rather, people naturally segregate their wealth into separate functional units according to their purpose, emotional attachment and time horizon (Thaler, 1999). People are more likely to make rational and consistent investment decisions when they have clear and unambiguous goals and allocate specific amounts of money to them (Shefrin & Thaler, 1988). On the other hand, the fusion of consumption spending and wealth accumulation within a single purchase makes it difficult for the investors to assess the real financial performance (Barberis & Huang, 2001). In the context of retail gold, purpose clarity means an investor's conscious attempt to distinguish between cultural and emotional gold (jewellery buys to adorn, status, gifting to family members, etc.) and financial gold (24-karat gold coins, minted gold bars, Gold ETFs, digital gold, Sovereign Gold Bonds for wealth preservation and capital growth, etc.). From a behavioral perspective, previous research indicates that defining the financial purpose of each asset class is a powerful way to avoid the mistake of using high-cost consumption goods as productive investments (Statman, 2017; Lusardi & Mitchell, 2014).

2.3 Pure Investment Gold Instruments and Retail Allocation

In India, financial innovation and regulatory changes have made it easier to invest in pure gold over the past decade, including mandatory Bureau of Indian Standards (BIS) hallmarking, the launch of Sovereign Gold Bonds backed by the Reserve Bank of India, and the availability of low-cost Gold ETFs (Reserve Bank of India,

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2022). These instruments do not involve any making charges, ensure a purity of 99.9%, and facilitate smooth and easy buying and selling at market rates (Hood & Malik, 2013). Even with these benefits, there is an uneven penetration of pure investment gold among households. Empirical studies on Indian retail investor behavior reveal that financial awareness alone is not sufficient to achieve adoption; unless investors make a conscious effort to change their mindset from ornamental accumulation to goal-driven asset allocation (Chakrabarti & Rungta, 2000; Kumar & Goyal, 2015). With clear purpose, investors see that jewellery meets social needs, while pure gold instruments meet financial goals – and are more likely to allocate more of their investment with purpose.

2.4 Research Gap and Hypothesis Formulation

Although previous research has focused on the macroeconomic returns of gold (Baur & McDermott, 2010), the inflation-hedging capabilities of gold (Bampinas & Panagiotidis, 2015), and the broad demographic determinants of jewellery purchases, very few empirical studies in Tier-2 Indian cities have examined purpose clarity as a direct behavioral determinant of allocation into pure gold. This gap-filling is of practical importance for financial planners, banks, and retail investors in the quest to improve the household wealth. As shown from the literature, the following null and alternative hypotheses are developed:

- **Null Hypothesis (H01):** There is no statistically significant difference between the mean scores of purpose clarity (distinguishing ornamental gold from financial gold) and the mean scores of retail investors' allocation to pure investment gold.
- **Alternative Hypothesis (Ha1):** Purpose clarity (ornamental gold vs financial gold) positively affects retail investors' allocation to pure investment gold in a statistically significant way.

3. Research Methodology

3.1 Research Design and Study Area The type of research design was descriptive and quantitative type of cross section research to analyze the relationship between Purpose clarity and Pure Gold Investment allocation. The study was taken place in the city of Jaipur in the state of Rajasthan, one of the leading hubs for the gem, jewellery and bullion trade in India, where traditional gold buying methods exist side by side with the huge number of retail financial investors.

3.2 Sample Size and Sampling Technique Since the number of retail gold investors in Jaipur is large and continually changing, Cochran's (1977) sample size formula for an unknown/infinite population was used at 95% confidence level (Z = 1.96), 5% margin of error (e = 0.05), and maximum variability (p = 0.50):

$$n_0 = [Z^2 \times p \times (1 - p)] / e^2 = [(1.96)^2 \times 0.50 \times 0.50] / (0.05)^2 = 384.16 \approx 384$$

Hence, primary data was gathered from N = 384 retail investors. The respondents were selected using purposive sampling where the selection was based on two criteria, namely; respondents must be at least 18 years old and must have been involved in household savings or gold buying decisions over the last 24 months.

3.3 Demographic Profile of Respondents The sample comprised of 384 respondents with an equal distribution of the retail investing population of Jaipur in terms of gender, age, occupation and annual household income as summarized in Table 1.

Table 1: Demographic Profile of Retail Investor Respondents (N = 384)

Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	202	52.6%
	Female	182	47.4%
Age Group	18–30 years	118	30.7%

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	31–45 years	162	42.2%
	46 years and above	104	27.1%
Occupation	Salaried Employee	186	48.4%
	Business / Self-Employed	130	33.9%
	Homemaker / Retired	68	17.7%
Annual Household Income	Below ₹5 Lakhs	94	24.5%
	₹5 Lakhs – ₹10 Lakhs	158	41.1%
	Above ₹10 Lakhs	132	34.4%
Total		384	100.0%

There were 202 men (52.6%) and 182 women (47.4%) respondents, as shown in table 1. The age group with the highest number of households was 31-45 years (42.2%) which reflects the prime working and wealth accumulating age group. The majority of the sample were salaried employees (48.4%) and self-employed business owners (33.9%).

3.4 Survey Instrument and Reliability Primary data were collected through a structured and self-administered questionnaire, which was prepared in easy to understand language. After the demographic screening items, respondents were asked to rate their level of agreement on a 5-point Likert scale (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree) on two focused constructs:

1. Purpose Clarity (Independent Variable — 4 items): Measures the clarity with which respondents differentiate between family or wedding jewellery and gold for building wealth, not count personal jewellery as a liquid investment, and not consider making charges as an investment return.
2. Pure Gold Investment Allocation (Dependent Variable — 4 items): To measure the respondent's active preference and financial allocation towards non-ornamental gold formats like 24 karat coins, minted bars, Gold ETFs, and Sovereign Gold Bonds for long-term financial growth.

Cronbach's alpha (α) was used to assess internal consistency reliability prior to hypothesis testing. Both constructs had strong measurement reliability, as both were above the .70 criterion that Nunnally (1978) recommended.

- Purpose Clarity: Cronbach's α = 0.842 (4 items)
- Pure Gold Investment Allocation: Cronbach's α = 0.826 (4 items)

3.5 Analytical Tools Data collected (N = 384) was coded and analyzed using IBM SPSS Statistics (Version 28). To sum up the trends of responses, descriptive statistics (mean and standard deviation) were calculated. The strength and direction of the linear association between purpose clarity and pure gold investment allocation

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were assessed using Pearson's bivariate correlation (r) while simple linear regression was used for testing H01 and Ha1 at the $\alpha = 0.05$ level of significance.

4. Data Analysis and Results

4.1 Descriptive Statistics Table 2 presents the overall descriptive statistics for both study variables across all 384 respondents.

Table 2: Descriptive Statistics for Study Variables (N = 384)

Variable / Construct	Sample Size (N)	Minimum	Maximum	Mean (M)	Std. Deviation (SD)
PurposeClarity (Independent Variable)	384	1.75	5.00	4.21	0.66
Pure Gold Investment Allocation (Dependent Variable)	384	1.50	5.00	4.08	0.72

Descriptive results show that the overall agreement is high in the sample. The overall mean score for Purpose Clarity was M = 4.21 (SD = 0.66), which suggests that retail investors have a majority who are conscious about the distinction between ornamental jewellery and gold for building wealth in their personal financial planning. Likewise, Pure Gold Investment Allocation had a good mean score of M = 4.08 (SD = 0.72), indicating that investors clearly prefer dedicated financial gold products for saving with a future objective in mind.

4.2 Correlation Analysis Pearson's correlation coefficient (r) was calculated to explore the bivariate correlation between purpose clarity and pure gold investment allocation as shown in Table 3.

Table 3: Pearson Correlation Matrix (N = 384)

Variables	1. Purpose Clarity	2. Pure Gold Investment Allocation
1. Purpose Clarity	1.000	0.634
2. Pure Gold Investment Allocation	0.634	1.000
Sig. (2-tailed)	—	< .001

Note: Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis indicates that there is a significant and strong linear association between the two variables (purpose clarity and pure gold investment allocation) as the correlation coefficient is $r = 0.634$ with $p < .001$. This means that as retail investors draw a line between buying jewellery and investing in gold, their share of pure investment gold rises significantly.

4.3 Hypothesis Testing (H01 and Ha1): Simple Linear Regression Simple linear regression was done to assess the predictive power of purpose clarity on pure gold investment allocation. Table 4 shows the model fit, Analysis of Variance (ANOVA) and regression coefficients.

Table 4: Simple Linear Regression Results Predicting Pure Gold Investment Allocation (N = 384)

Model Metric / Predictor	Unstandardized B	Std. Error (SE)	Standardized Beta (β)	t-value	p-value
(Constant)	1.164	0.200	—	5.82	< .001

- Model Summary: $R = 0.634$, $R^2 = 0.402$, Adjusted $R^2 = 0.400$, Standard Error of Estimate = 0.558
- ANOVA Fit: $F(1, 382) = 256.84$, $p < .001$

The regression equation derived from Table 4 is expressed as: Pure Gold Investment Allocation = 1.164 + 0.693 (Purpose Clarity)

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The overall regression model is very statistically significant ($F(1, 382) = 256.84$, $p < .001$). The coefficient of determination ($R^2 = 0.402$) illustrates that purpose clarity is responsible for 40.2% of the overall variance in retail investors' investment in pure investment gold. In addition, the unstandardized slope ($B = 0.693$, $t = 16.03$, $p < .001$) indicates that for every 1-unit increase in purpose clarity, there is an increase of 0.693 units in pure gold investment allocation. This p-value ($p < .001$) is far below the critical value of alpha (0.05), thus the null hypothesis (H01) is rejected, and the alternative hypothesis (Ha1) is accepted.

5. Discussion and Implications

5.1 Discussion of Findings The empirical findings of this study provide a human explanation for the cultural gold traditions and modern wealth management. Indian households have been saving gold in huge amounts for decades, but a large portion of the savings are not being monetized, as jewellery is purchased for a variety of reasons. Families that view wedding jewellery as an investment end up paying huge initial production costs, and are psychologically reluctant to sell when it comes time for financial objectives.

This study, with a sample of 384 retail investors in Jaipur, shows that emotional gold vs financial gold separation is a strong behavioural trigger. Those who make a conscious distinction between "gold to wear and pass down" and "gold to grow wealth" invest much more in low-cost, high-purity gold products, like 24k coins, Gold ETFs, and Sovereign Gold Bonds. As per the Goal Based Asset Separation (GBAS) behavioral finance concepts (Thaler, 1999, Statman, 2017), if there is clarity of purpose, there will be no confusion in the decision-making process and the consumption expenses will not affect the investment returns.

5.2 Practical and Managerial Implications

1. For Wealth Advisors and Financial Planners: For financial advisors serving Indian households, the first step in reviewing their portfolio is to divide their gold assets into two categories: family jewellery (cultural holdings) and financial gold (coins, ETFs and bonds). This helps family members not to overestimate their liquid retirement corpus and to take out a systematic allocation of it into zero making charge gold instruments.
2. For Banks, Mutual Funds, and Bullion Platforms: Gold ETFs, Sovereign Gold Bonds and digital gold marketing campaigns should be moved away from the technical jargon of the market and should focus on the clarity of purpose – that is, how pure gold investments can be done without incurring the fabrication charges, and complement family jewellery.
3. For Retail Investors: Everyday savers can increase their long-term returns by simply establishing a rule for themselves before buying gold: to buy only hallmarked gold jewellery for milestones and recreational purposes, and invest only in pure, liquid gold assets.

6. Limitations and Future Research Scope This study offers some solid evidence on a representative sample of N = 384 retail investors, however, there are two limitations that present scope for future research. Firstly, the data was gathered in one city (Jaipur), and in future, the survey can be conducted in Tier-1 metropolitan cities and in rural districts to find out regional differences. Second, this paper deliberately chose only one behavioral variable, purpose clarity, in order to ensure the analytical clarity needed for the study, and future research could explore the moderating effects of financial literacy or the age cohort on the link between purpose clarity and the allocation of resources to pure gold investment.

7. Conclusion

Gold will always be a part of the Indian family life but if each and every purchase of gold is considered as investment then it results in incurring avoidable cost losses and having illiquid portfolios. This study reveals that purpose clarity, the simple habit of segregating ornamental jewellery from wealth-building gold is strongly and positively related to retail investors' commitment to pure gold investment instruments ($r = 0.634$, $R2 = 0.402$, $p< .001$). Everyday investors can enhance their gold as a store of value by clearly articulating their financial objective.

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