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Revisiting the Consumer Psychology of Gold

Implications for Research, Practice, and Policy
Presentation

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Agenda

01

Research Context

02

Research Objectives & Framework

03

Theoretical Analysis

04

Study 1: Consumer Interviews - Method & Findings

05

Study 2: Consumer Survey - Method & Findings

06

Key Insights & Discussion

07

Implications for Research, Practice & Policy

Research Context

What does gold jewellery mean to the Indian consumer?
Adornment · Investment · Status Symbol · Credit Source · Habit - or all simultaneously?

Practice

- Jewellers & retailers possess deep experiential knowledge of pricing, promotions, in-store interactions
- Insights largely experience and intuition driven
- **Limited integration with formal consumer behavior theory**

Policy

- Regulatory focus (e.g., BIS) is largely product-centric: Hallmarking, purity assurance
- Ensures quality and trust
- **Limited engagement with consumer psychology and behavior**

Consumer Research

- Existing research focuses on demand drivers, pricing behavior, and household consumption
- Insights remain fragmented, **without a unified perspective** on consumer psychology
- **Limited application and testing of established consumer behavior theories.**

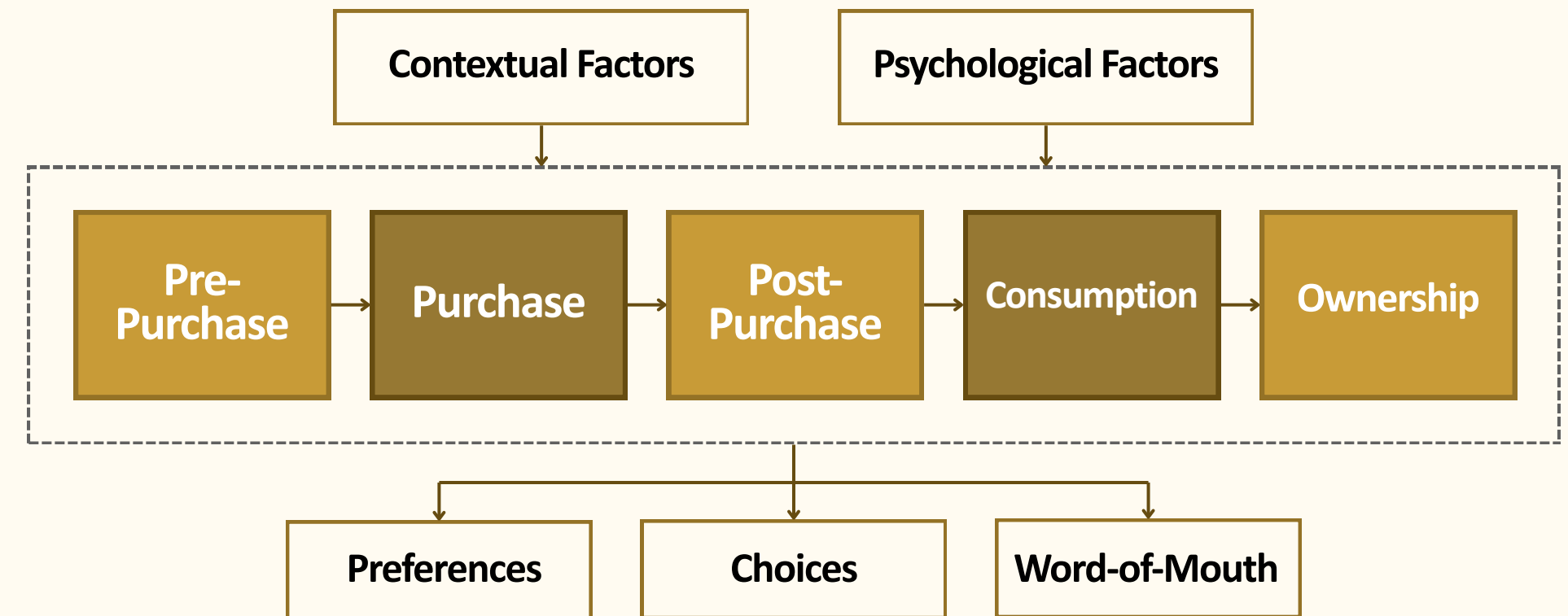
Gap: Absence of a systematic, theory-driven understanding of gold consumer psychology across contexts

Research Objectives & Framework

Research Objectives

- 01** Develop a theory-driven understanding of the evolving consumer psychology of gold in India.
- 02** Determine implications for research, practice, and policy.

The Five-Stage Framework



Multi-Method Research Design



Phase I: Theoretical Analysis

Key theories mapped to each stage of gold purchase & consumption

Pre-Purchase	Purchase	Post-Purchase	Consumption	Ownership
Mental Accounting (Thaler, 1985)	Price–Quality Relationship (Grewal et al., 1998; Monroe & Dodds, 1988)	Cognitive Dissonance (Festinger, 1957)	Identity Theory (McCall & Simmons, 1978)	Extended Self (Belk, 1988)
Choice Construction (Bettman, Luce & Payne, 1998)	Anchoring and Adjustment (Tversky & Kahneman, 1974)	Regret Theory (Loomes & Sugden, 1982)	Conspicuous Consumption (Bagwell & Bernheim, 1996)	Endowment Effect (Marzilli Ericson & Fuster, 2014)
Feelings-as-Information (Schwarz, 2012)	Dual-Process Theory (Chaiken & Trope, 1999)			Attachment Theory (Strahilevitz & Loewenstein, 1998)
	Theory of Reasoned Action (Fishbein & Ajzen, 1975)			
	Risk as Feelings (Loewenstein et al., 2001)			
	Theory of Planned Behaviour (Ajzen, 1991)			

Note: Theories were selected for best theoretical fit; any theory may apply across multiple stages.

Phase II: Consumer Interviews

13

Semi-structured
Interviews

Participant Criteria & Method

Age Range	25 – 65 years
Purchase History	Bought gold jewellery at least once
Income	Upper & upper-middle class
Gender Balance	~Equal men & women
Locations	Delhi, Mumbai, Bangalore, Patna, Kanpur, Thane, Gurugram
Method	Semi-structured; thematic analysis of transcripts

Phase II findings shaped the survey questions in Phase III

Theory Applicability: Key Findings

Theory of Reasoned Action

Strong

Social norms strongly influence decisions, often overriding individual preferences.

Price–Quality Relationship

Weak

Price is not used as a proxy for quality; trust and purity matter more.

Theory of Planned Behaviour

Strong

Purchases depend on affordability and perceived control, not just intention.

Anchoring

Partial

Price awareness exists, but decisions are driven more by trust and occasion than benchmarks.

Mental Accounting

Partial

Gold is mentally separated from regular expenses, but without strict budgeting.

Feelings-as-Information

Strong

Emotional cues during cultural moments guide decisions more than price optimization.

Choice Construction

Strong

Decisions rely on heuristics like brand trust, hallmarking, and preset budgets.

Dual-Process Theory

Partial

Rational decision-making dominates, with emotions influencing smaller purchases.

Theory Applicability: Key Findings

Risk as Feelings

Perceived risk around purity and resale drives preference for traditional gold.

Partial

Regret Theory

Regret is rare as gold is perceived as a safe, appreciating asset.

Weak

Cognitive Dissonance

Dissonance is minimal due to high pre-purchase deliberation and quick rationalization.

Strong

Endowment Effect

Value is driven more by market appreciation than ownership itself.

Partial

Conspicuous Consumption

Display is limited; utility and safety outweigh status signaling.

Weak

Attachment Theory

Attachment depends more on the source (who gifted it) than duration of ownership.

Weak

Extended Self

Emotional attachment exists mainly for inherited or relational jewellery.

Partial

Thematic Analysis: Core Themes

01 Financial Safety Net
Viewed as a reliable, liquid asset for emergencies and future security.

03 Planned & Intentional Purchase
Purchases are pre-decided and budgeted well in advance, not impulsive.

05 Accumulative Purchase Behaviour
Small, repeated purchases over time serve as a long-term investment strategy.

07 Perceived Risk & Safety Concerns
Concerns around theft and purity influence both buying and wearing behavior.

09 Limited Post-Purchase Regret
High planning and perceived value reduce chances of regret after purchase.

02 Cultural & Ritualistic Significance
Deeply embedded in traditions, festivals, and life events like weddings.

04 Brand & Retailer Trust
Consumers rely on reputed brands over local jewellers for assurance of purity and fairness.

06 Emotional Satisfaction & Aesthetics
Gold provides joy, beauty, and a sense of personal fulfilment when worn.

08 Generational Legacy
Gold is passed down as heirlooms, carrying emotional and familial value.

10 Evolving Gold Investment Forms
Increasing adoption of digital gold and non-physical investment options.

Phase III: Consumer Survey

171

Participants

49

Mean Age (yrs)

53.8%

Women

47%

Upper-Middle Class

Survey Design

- ◆ Convenience sampling + snowballing; pilot tested with 5 respondents
- ◆ Online questionnaire; 75% of respondents aged 30–60 years, aged between 20-85 years
- ◆ Social class mix: 11% upper, 47% upper-middle, 42% middle class
- ◆ Informed by Phase I (theory) and Phase II (interview) findings

Phase III: Quantitative Findings

Purchase Behaviour

15%*

have sold their gold

Accumulative buying confirmed, relatively low potential for gold monetization

67%

planned purchase ≥ 1 month ahead

30% planned ≥ 3 months ahead

35%

buy only once every 2–3 years

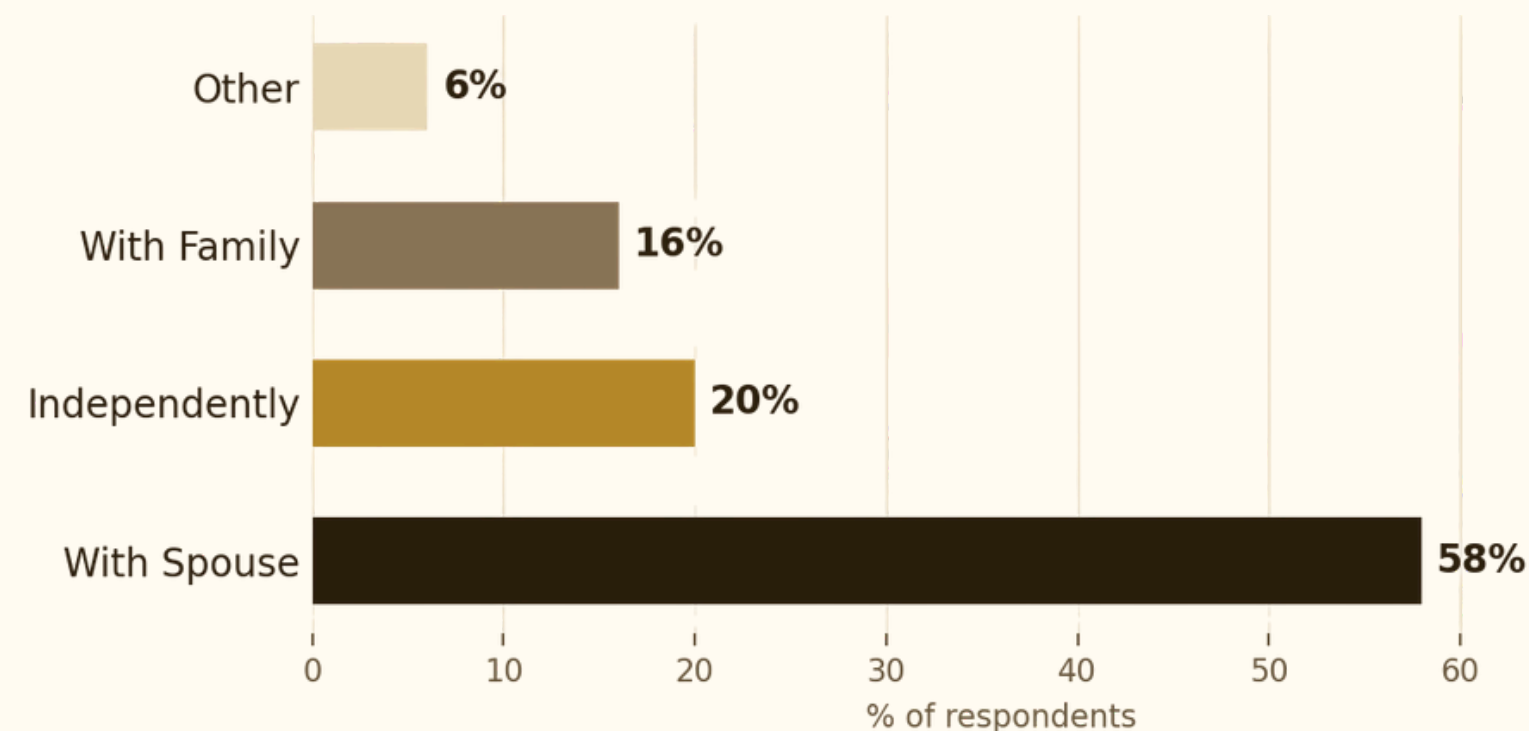
35% buy once an year

54%*

have exchanged jewellery

High ownership inertia, but potential for recycling at jewellers

Who Decides the Purchase?



Notable Gender Differences

Budget Flexibility Men more likely to exceed budget (30% vs 15% of women rated 6+/10)

Emotional Attachment Women: 3.63/5 vs Men: 2.58/5 ($p < .001$)

Emotional Value Growth over Time Women: 3.66/5 vs Men: 3.20/5 ($p = .002$)

Response to Price Rise Women postpone purchase (48%); Men reduce quantity (32%)

*This result largely holds for tier 1 cities. For tier 2 cities, the numbers are higher, at 24% and 65%, respectively, indicating greater possibility for recycling and monetization in tier 2 cities.

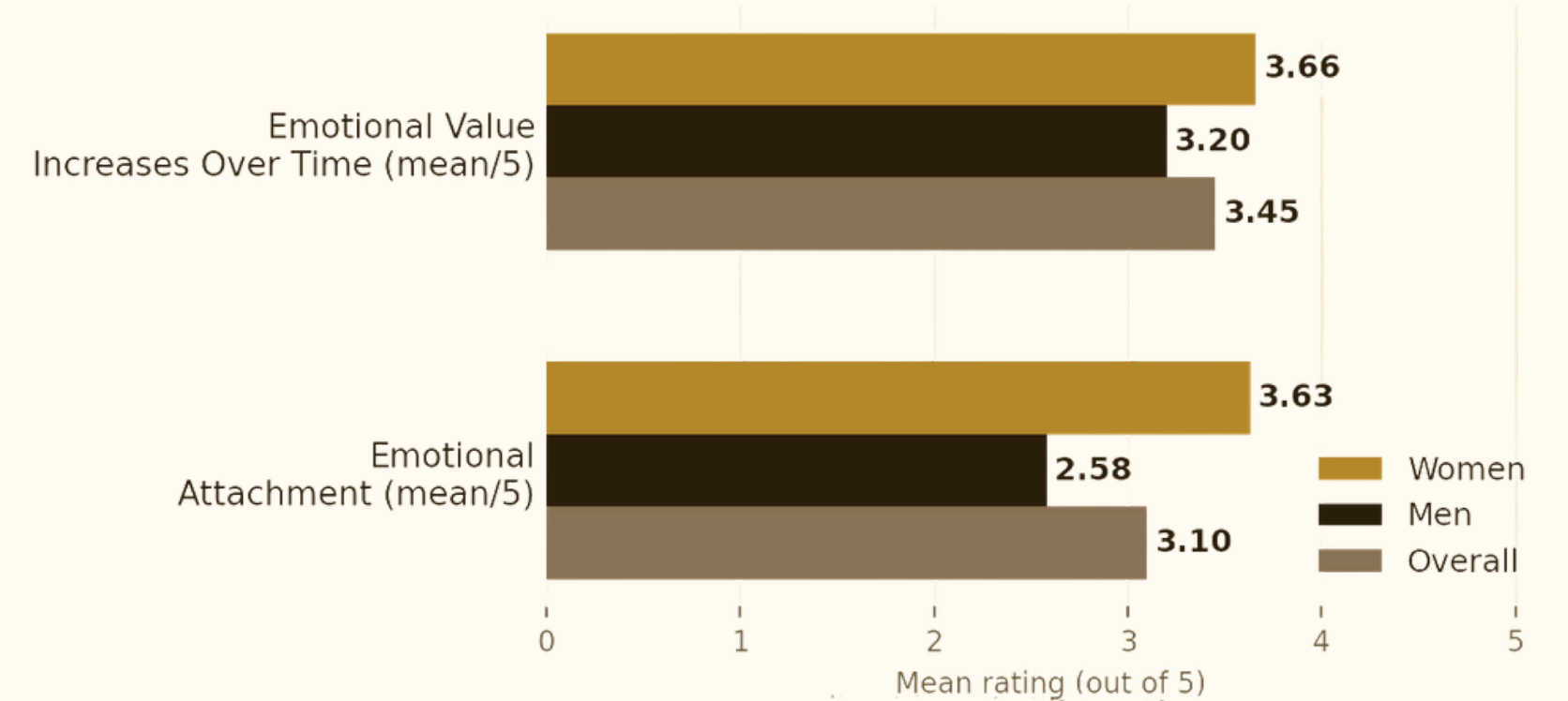
Phase III: Quantitative Findings

Budgeting and Mental Accounting

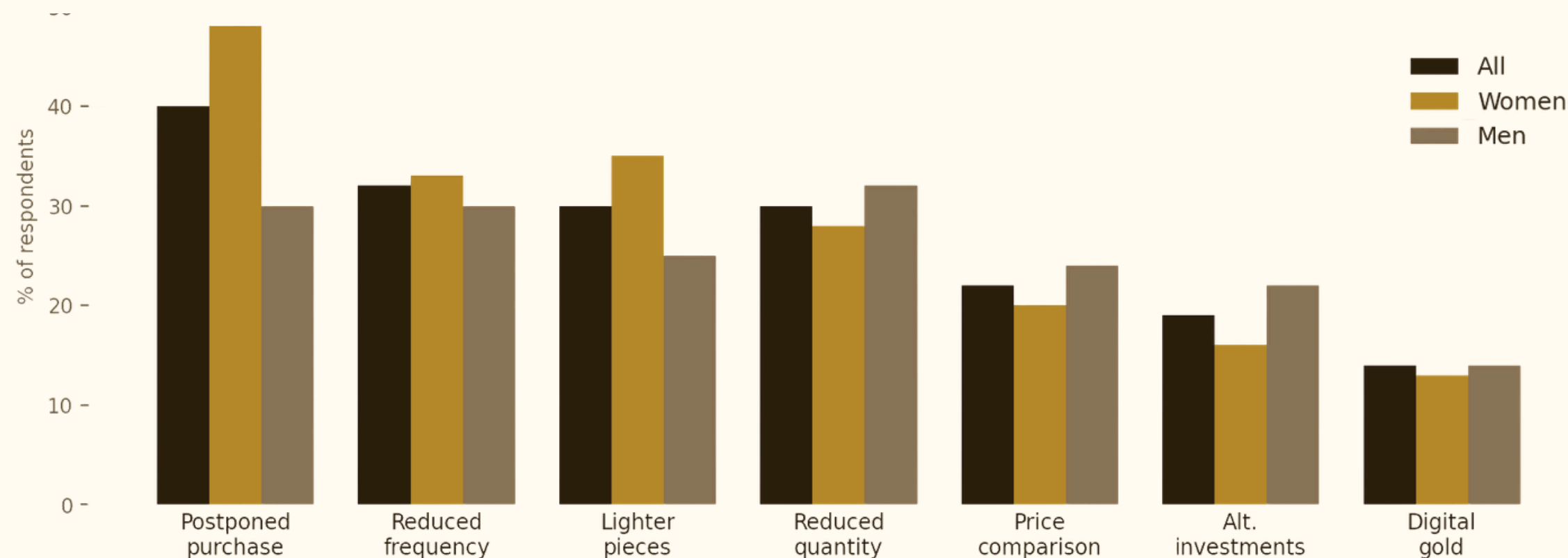
7%	formally set aside money for gold
21%	never exceed their planned budget
71%	allow at least 10% budget flexibility
4.6/10	mean likelihood of exceeding budget

The higher the frequency of purchase, the higher the amount that participants are willing to exceed beyond budget (pearson correlation= .243, 2-tailed sig = .001)

Emotional Attachment to Gold



Impact of Gold Price Rise



Price
≠
Quality Signal

Mean price-quality rating: 2.3/5 - gold price does not meaningfully convey quality to buyers.

'One Word for Wearing Gold': Analysis

Participants were asked: 'What is one word or phrase for what you feel when you wear gold jewellery?'

Status & Wealth

e.g. Royal, Regal, Prosperous, Rich

Beauty & Aesthetics

e.g. Elegant, Glamorous, Stylish, Beautiful

Positive Emotion & Wellbeing

e.g. Happy, Elated, Blessed, Contented

Confidence & Self-Image

e.g. Confident, Proud, Secure, Complete

Cultural & Family Meaning

e.g. Heirloom, Significant, Wedding ring

Investment Perspective

e.g. Appreciating asset, Responsible purchase

! Anxiety & Vulnerability

e.g. Anxious, Insecure, Security concerns

Reserved / Neutral

e.g. Nothing special, Normal, Okay, Usual

Key insight: Safety anxiety while wearing gold - an underreported finding in the literature.

Key Insights & Discussion

01

Theories hold - but imperfectly

Most Western consumer behaviour theories apply partially. Gold's dual adornment+investment nature creates unique departures.

02

Planning, not impulse

Nearly 70% of purchases planned ≥ 1 month ahead. Occasion-based campaigns trigger planned purchases, not unplanned ones.

03

Dyadic decision-making

58% of decisions made jointly with spouse - a lens largely absent from gold consumer research.

04

Accumulative ownership

85% have never sold their gold. Ownership inertia is real-relevant for gold monetisation policy.

05

Gender matters significantly

Women show stronger emotional attachment and greater price sensitivity; men are more budget-flexible.

06

Vulnerability: the hidden emotion

Safety anxiety while wearing gold is significant and underexplored - with implications for industry and society.

Implications for Public Policy

India's gold challenge is not merely financial, it is behavioural, cultural, and emotional. Policies that focus only on restricting demand are unlikely to succeed unless they align with how households emotionally relate to gold.

Reimagining the Gold Monetisation Scheme

Emotional attachment to gold (3.1/5; women: 3.63) and resistance to melting jewellery help explain the weak adoption of GMS. 85% of respondents have never sold gold, indicating emotional guardianship rather than financial inertia.

Policy Direction

- Allow jewellery-form deposits with flexible redemption
- Reduce minimum deposit threshold (10g → 1g)
- Introduce digital gold savings wallets linked to ETFs
- Use organised jewellers as collection nodes
- Use gender-sensitive messaging focused on preservation, not liquidation

Nudging Recycling Over Fresh Imports

85% of respondents have never sold gold and 46% have never exchanged jewellery, contributing to low domestic circulation. At the same time, rising prices are already increasing exchange and lighter-piece purchases.

Policy Direction

- Provide tax-side incentives for formal recycling
- Expand organised exchange ecosystems
- Promote “Gold4India” recycling campaigns
- Reduce reliance on informal recycling channels

Digital Gold & Behavioural Substitutes

Only 14% prefer digital gold despite rising prices, suggesting a positioning rather than adoption problem. Consumers plan purchases months in advance and show high budget flexibility.

Policy Direction

- Promote digital accumulation + physical redemption models
- Position ETFs/SGBs as lifecycle savings tools
- Encourage gold layaway systems linked to jewellers
- Target investment campaigns toward male-led financial households

Implications for Public Policy

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Incentivising Gold Exchange Over Fresh Purchases

Consumers are more comfortable "transforming" gold through exchange than "selling" it outright. Exchange behaviour offers a culturally acceptable way to reduce import dependence without reducing engagement.

Policy Direction

- Incentivise exchange-led sales for organised jewellers
- Offer exchange bonuses and tax relief for formal exchanges
- Launch national "Gold Circulation" campaigns
- Promote redesign and upgrading over fresh accumulation

Occasion-Based Buying & Festive Accumulation

Gold buying during Akshaya Tritiya and Dhanteras is highly planned and culturally embedded. Festive campaigns reinforce accumulation behaviour through aggressive discounts and urgency framing.

Policy Direction

- Encourage exchange-focused festive campaigns
- Moderate excessive accumulation-driven promotional framing
- Promote redesign and circulation during festive periods
- Improve pricing transparency through itemised billing

Consumer Vulnerability While Wearing Gold

Women frequently associate gold ownership with fear of theft and insecurity, especially in tier 2 and tier 3 cities. Gold functions simultaneously as financial security and visible wealth.

Policy Direction

- Strengthen safety infrastructure in high-jewellery-use regions
- Promote insured jewellery ownership and secure storage
- Encourage security-linked services at point of purchase

Implications for Industry Stakeholders

India's gold challenge is not merely financial, it is behavioural, cultural, and emotional. Policies that focus only on restricting demand are unlikely to succeed unless they align with how households emotionally relate to gold.

Exchange Opportunity for Retailers

Consumers resist "selling" gold but are increasingly open to exchange and redesign. Retailers are already seeing exchange-led purchases rise significantly during periods of high prices.

Strategic Implementation

- Reframe exchange as "upcycling" rather than resale
- Build couple-oriented exchange campaigns
- Train staff for trust-led selling
- Position redesign as emotional continuity

Transparency as Competitive Advantage

Consumers do not strongly associate higher price with higher quality (2.3/5). At the same time, 71% are willing to exceed budgets if value is justified clearly.

Strategic Implementation

- Itemise making charges transparently
- Position charges as a justified craft premium
- Explain artisan work and design complexity
- Use transparency as a trust-building differentiator

Refineries & the Circular Economy

India's refining capacity has expanded rapidly, but informal recycling channels still dominate. Organised recycling is becoming increasingly important within exchange-led retail ecosystems.

Strategic Implementation

- Introduce instant purity-assessment technologies
- Build retailer-refinery exchange partnerships
- Participate in future GMS infrastructure

Digital Gold Platforms & Fintech

Consumers plan gold purchases months ahead, but lack structured accumulation tools. Digital gold adoption remains low despite growing behavioural relevance.

Strategic Implementation

- Launch gold SIP and savings-wallet products
- Enable digital-to-physical redemption journeys
- Use trigger-based nudges during salary/bonus periods
- Invest in consumer education around digital gold

Festive Buying & Exchange-Led Retail Campaigns

Festivals reinforce culturally embedded accumulation behaviour and planned purchasing. Retail promotions often intensify urgency and encourage fresh purchases.

Strategic Implementation

- Shift messaging from "buy more" to "exchange & renew"
- Run festive redesign and exchange drives
- Reduce excessive urgency-led discount positioning
- Encourage circulation rather than one-way accumulation

Implications for Future Research

01

Re-examining Mental Accounting in Gold Consumption

- Traditional mental accounting frameworks may not fully explain event-driven gold purchases
- Weddings, festivals, and cultural occasions may override conventional budgeting behaviour

02

Design vs Price Trade-Off in Jewellery Decision-Making

- Consumers demonstrate budget flexibility despite rising prices
- Future work can examine how design aesthetics, craftsmanship, and emotional symbolism interact with price sensitivity

03

Occasion-Based Marketing as a Trigger vs Driver

- Findings suggest festive campaigns may accelerate already-planned purchases rather than create entirely new demand
- Future research can distinguish between timing effects and incremental demand generation

04

Dyadic Decision-Making in Gold Purchases

- 58% of purchases are jointly made with spouses
- Gold buying should increasingly be studied through couple-led and household decision-making frameworks rather than individual consumption models

05

Strengthening the Price–Quality Relationship

- Consumers do not strongly associate higher price with higher quality
- Future research can examine how transparency, hallmarking, and craft-premium framing influence perceived value

06

Gold as Security vs Vulnerability

- Gold functions simultaneously as financial security and a source of physical vulnerability
- Future studies can explore how fear of theft, safety concerns, and social visibility shape ownership behaviour, especially among women

Thank You



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