Journal of Animal Environment

(E-ISSN 2717-1396, ISSN 2717-1388)

Original Research Paper

The Role of Gold as a Safe-Haven Asset during Periods of Economic Uncertainty: An Empirical Analysis of Retail Investors

Mr. Gurusamy k

Research Scholar, S.I.V.E.T. College, Gowrivakkam, Chennai-600 073

ABSTRACT

Gold has long been viewed as a safe-haven asset due to its capacity to maintain wealth and mitigate investment risks during times of economic instability. Economic disturbances stemming from inflation, geopolitical tensions, currency variations, financial market fluctuations, and global crises have solidified investors' inclination towards gold as a dependable investment option. This research investigates the function of gold as a safe-haven asset from the viewpoint of retail investors by analyzing secondary data sourced from research journals, government publications, financial reports, and institutional studies. The research employs a descriptive design to assess how economic uncertainty influences gold investment behavior and to evaluate investors' preferences among different types of gold investments, such as physical gold, Gold Exchange-Traded Funds (ETFs), Sovereign Gold Bonds (SGBs), and digital gold. The results demonstrate that gold remains an effective hedge against inflation and market volatility while offering benefits for portfolio diversification. Additionally, the study highlights a rising preference among retail investors for Gold ETFs and digital gold, attributed to their convenience, liquidity, and security. Despite the presence of alternative investment options, gold continues to be a vital element of long-term investment portfolios due to its stability in uncertain economic climates. In conclusion, gold maintains a crucial role in wealth preservation and risk management, establishing it as a favored investment choice for retail investors during times of economic turmoil.

Keywords: Gold, Safe-Haven Asset, Economic Uncertainty, Retail Investors, Gold ETFs, Sovereign Gold Bonds, Digital Gold, Inflation, Portfolio Diversification, Wealth Preservation, Investment Behavior, Financial Market Volatility.

INTRODUCTION

Gold has historically been acknowledged as one of the most dependable and valuable investment assets within the global financial landscape. Unlike various financial instruments, gold has intrinsic value and has traditionally functioned as a store of wealth, a medium of exchange, and a safeguard against inflation. In times of economic uncertainty—such as during financial crises, high inflation, geopolitical conflicts, currency depreciation, and market volatility—investors frequently redirect their investments towards gold to safeguard their wealth. This trend has established gold as a safe-haven asset, as it is typically anticipated to maintain or appreciate in value when other financial assets face significant downturns. In recent years, economic uncertainty has become increasingly prevalent due to factors such as the global financial crisis, the COVID-19 pandemic, geopolitical tensions, rising inflation, fluctuating interest rates, and disruptions in global supply chains. These events have led to instability in stock markets, diminished investor confidence, and heightened demand for relatively safer investment options. As a result, gold has garnered significant interest from both institutional and retail investors in search of financial security and portfolio stability.

BACKGROUND OF THE STUDY

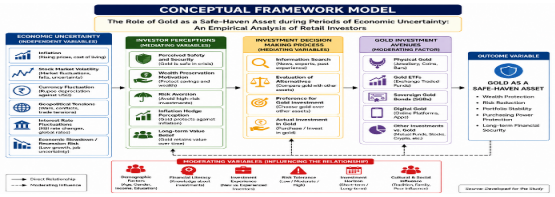
Gold has historically been viewed as one of the most dependable financial assets for safeguarding wealth during times of economic instability. Throughout history, investors have sought refuge in gold as a safe-haven asset amid financial crises, inflation, geopolitical tensions, currency devaluation, and stock market fluctuations. In contrast to many financial assets that experience significant value changes during economic downturns, gold has typically shown the capacity to maintain or even enhance its value, making it an appealing investment choice for both institutional and retail investors. In recent years, global economic conditions have become increasingly unpredictable due to factors such as the COVID-19 pandemic, rising inflation, interest rate changes, geopolitical conflicts, and instability in financial markets. These circumstances have intensified investor apprehensions about the security of traditional investment options like equities, mutual funds, and fixed-income securities. Consequently, many investors have diversified their portfolios by allocating a portion of their investments to gold, perceiving it as a safeguard against inflation and a reliable store of value during challenging economic times. Retail investors, in particular, have demonstrated a growing interest in gold investments due to their accessibility through various investment channels, including physical gold, gold exchange-traded funds (ETFs), sovereign gold bonds (SGBs), digital gold, and gold mutual funds. The increasing availability of these investment avenues has made gold more convenient and affordable for individual investors. However,

***Corresponding Author:**

Received: 25th July, 2026 | Revised: 26th August, 2026 | Accepted: 30th August, 2026 | Available Online: 2nd September, 2026

(DOI): 10.70102/AEJ.2026.18.7s.30

despite the rising popularity of gold, retail investors vary in their perceptions, investment goals, risk tolerance, and understanding of gold as a safe-haven asset.



India has historically upheld a robust cultural and economic connection with gold. Beyond its importance in social and religious practices, gold is a key component in household savings and investment choices. In times of economic uncertainty, Indian retail investors frequently boost their gold investments to safeguard their wealth against inflation, currency devaluation, and risks associated with financial markets. Therefore, it is crucial for investors, financial advisors, and policymakers to comprehend the factors that drive these investment decisions. This research, titled "The Role of Gold as a Safe-Haven Asset during Periods of Economic Uncertainty: An Empirical Analysis of Retail Investors," aims to explore the perceptions and investment behaviors of retail investors regarding gold in times of economic instability. The study intends to assess whether investors view gold as a viable safe-haven asset, identify the determinants influencing their investment choices, and analyze gold's role in portfolio diversification and wealth preservation. The outcomes of this research are anticipated to enrich the existing literature on investment behavior and offer valuable insights for improving investment strategies during times of economic turmoil.

REVIEW OF LITERATURE

1. Emmrich and McGroarty (2013) investigated the inclusion of gold in institutional investment portfolios by assessing its effects on portfolio diversification and risk-adjusted returns across various time frames. Their findings revealed that the appeal of gold as an investment asset has fluctuated over the decades. Evidence from the 1980s and 1990s indicated minimal advantages of holding gold, whereas data from the 2000s showed that a small allocation of gold significantly enhanced portfolio performance. The authors noted that gold's significance increased notably after the 2007 global financial crisis, as it offered diversification benefits and served as a safeguard against economic uncertainty. Among the different types of gold investments, physical gold bullion consistently yielded better risk-adjusted returns compared to alternatives like gold exchange-traded funds (ETFs) and gold mining stocks. The study concluded that institutional investors could bolster portfolio stability and mitigate overall risk by integrating a modest portion of gold into their diversified investment strategies.
2. Manzli et al. (2025) explored the hedging and safe-haven properties of Bitcoin and gold in relation to blue economy and green finance assets during significant global crises, such as the COVID-19 pandemic and the Russia–Ukraine conflict. The research utilized Dynamic Conditional Correlation (DCC), Asymmetric Dynamic Conditional Correlation (ADCC), and Generalized Orthogonal GARCH (GO-GARCH) models to analyze the dynamic interactions among these assets. The results indicated that both Bitcoin and gold act as effective safe-haven assets, although their effectiveness differs across various asset classes. Gold demonstrated stronger hedging and safe-haven characteristics, especially against specific blue economy and green finance indices, while Bitcoin offered enhanced diversification advantages for certain assets. Of the three models employed, the GO-GARCH model yielded the most precise evaluation of hedging effectiveness. The study concluded that gold continues to be a dependable asset for portfolio protection during times of economic and geopolitical instability, underscoring its importance in sustainable investment strategies.
3. Salisu et al. (2025) investigated how uncertainties in the oil and energy markets affect the volatility of gold returns by employing the GARCH–MIDAS model. The research focused on daily gold returns alongside monthly indicators of oil market uncertainty, oil price uncertainty, and global energy uncertainty, covering the period from January 1969 to October 2022. The results indicated that increased uncertainty in the oil and energy sectors significantly elevates gold return volatility, suggesting that investors are more inclined to seek gold during times of market distress. Additionally, the study demonstrated that gold acts as a reliable hedge against uncertainties in the oil and energy markets, reinforcing its status as a safe-haven asset. Both in-sample and out-of-sample analyses validated the robustness of the findings across various measures of energy uncertainty. The authors concluded that gold continues to be a vital tool for portfolio diversification in times of increased energy market risk and economic uncertainty, offering essential

insights for investors and policymakers in the realm of financial risk management.

4. Su, Chi-Wei, et al. (2022) explored the role of gold as a safe-haven asset during times of global uncertainty by analyzing the correlation between the World Uncertainty Index (WUI) and gold prices. The research utilized the Quantile-on-Quantile (QQ) method to understand the dynamic relationships between varying levels of uncertainty and fluctuations in gold prices. The results indicated that the influence of global uncertainty on gold prices is not uniform; it changes depending on market conditions and levels of uncertainty. In times of increased economic and political instability, gold typically showed positive price trends, reinforcing its status as a safe-haven asset. Nevertheless, the study also identified cases where this relationship diminished or turned negative, suggesting that gold does not consistently offer reliable protection against uncertainty. Furthermore, the authors proposed that variations in gold prices could act as a barometer for global risk sentiment. The study concluded that while gold is a significant asset for portfolio diversification and risk management, its effectiveness as a safe-haven asset is contingent upon the type and severity of global uncertainty.

STATEMENT OF PROBLEM

In India, retail investors are persistently investing in gold via jewellery, coins, ETFs, Sovereign Gold Bonds, and digital platforms. Nevertheless, the investment environment has transformed considerably due to financial digitalization and greater access to alternative investment avenues. While gold has historically held significance, it remains uncertain if retail investors continue to depend on gold during times of economic instability or if their interests are transitioning towards other financial instruments.

OBJECTIVES OF THE STUDY

1. To analyze the current perception of retail investors toward gold as a safe-haven asset.
2. To examine the impact of recent economic factors such as inflation, market volatility, and currency fluctuations on gold investment decisions.
3. To identify the preference of retail investors among different gold investment options such as physical gold, Gold ETFs, Sovereign Gold Bonds, and digital gold.
4. To assess whether gold continues to act as a hedge against inflation and market risk from the perspective of retail investors.

METHODOLOGY

This study is based on a **descriptive research design** and uses only **secondary data** collected from reliable sources such as research journals, books, government reports (RBI, SEBI, World Bank), financial websites, newspapers, and annual reports. The data is both qualitative and quantitative in nature and has been gathered through documentary analysis and online research methods. All information is selected based on its relevance, reliability, and authenticity, and is systematically organized for analysis.

RESULT AND DISCUSSION

Indicator	2023	2024	2025	Trend
Gold Price (₹/10g, 24K)	₹61,800	₹77,900	₹99,200	↑ Increasing
Inflation Rate (India CPI)	5.65%	4.95 %	3.50 %	↓ Decreasing
RBI Repo Rate	6.50%	6.50 %	5.50 %	↓ Decreasing
USD/INR Exchange Rate	₹82.70	₹84.80	₹86.10	↑ Increasing
NIFTY 50 Index (Year-end Approx.)	21,700	24,000	24,850	↑ Increasing
Gold ETF Assets Under Management (₹ Crore)	28,500	41,000	63,000	↑ Increasing

Gold ETF Net Inflows (₹ Crore)	2,700	8,400	15,600	↑ Increasing
Consumer Confidence Index	97	95	91	↓ Decreasing
Economic Uncertainty	Moderate	High	High	↑ Increasing

Table 1: Key Economic Indicators Influencing Gold Investment in India (2023–2025)

Indicator	**COVID-19 Period (2020–2021)**	**Current Period (2025–2026)**	**Interpretation**
Gold Price (24K, ₹/10g)	₹48,500 – ₹50,000	₹99,000–₹1,00,000	Gold prices have approximately doubled, reflecting continued safe-haven demand. (cleartax)
Economic Uncertainty	Very High	High	COVID-19 created severe uncertainty; geopolitical tensions and inflation continue to support demand for gold. (Business Standard)
Inflation Rate (India CPI)	~6.2%	~3.5%	Inflation has moderated, but gold remains attractive as a hedge.
RBI Repo Rate	4.00%	5.50%	Interest rates are higher now than during the pandemic.
NIFTY 50 Performance	Highly Volatile	Relatively Stable	During COVID-19, stock market volatility encouraged investors to shift toward gold. (Business Standard)
Retail Gold Demand	Declined initially because of lockdowns	Strong investment demand through ETFs and digital gold	Physical demand fell during lockdowns, while investment demand has strengthened. (World Gold Council)
Gold ETF Investment	Significant increase	Record inflows	Retail investors increasingly prefer ETFs over physical gold. (World Gold Council)
Preferred Gold Investment	Physical gold and ETFs	Gold ETFs, Digital Gold, Physical Gold	Investors now have more diversified investment options.

Main Investment Motive	Wealth protection during the pandemic	Hedge against inflation, geopolitical risks, and portfolio diversification	Gold continues to be viewed as a safe-haven asset. (Business Standard)

Table 2: Gold as a Safe-Haven Asset: A Comparative Analysis of COVID-19 and Current Economic Conditions

FINDINGS

The examination of secondary data reveals that gold remains a crucial safe-haven asset during times of economic instability. The key findings of the research are:

1. Gold prices have surged significantly from around ₹61,800 per 10 grams in 2023 to approximately ₹99,200 in 2025, demonstrating robust investor confidence amid uncertain economic circumstances.
2. Even with a decrease in India's inflation rate, retail investors still favor gold as a safeguard against inflation, geopolitical risks, and volatility in financial markets.
3. There has been a notable increase in investments in Gold ETFs, with Assets Under Management (AUM) and net inflows showing consistent growth, indicating a trend towards digital and paper gold investments.
4. While physical gold remains favored for cultural and traditional purposes, younger investors are increasingly leaning towards Gold ETFs and digital gold due to their convenience and liquidity.
5. The depreciation of the Indian Rupee against the US Dollar has led to higher domestic gold prices, enhancing gold's appeal as a means of wealth preservation.
6. Gold has consistently outperformed many traditional investment avenues during times of significant economic uncertainty, especially following the COVID-19 pandemic and amidst global geopolitical tensions.
7. Existing research consistently affirms gold's effectiveness as a portfolio diversifier and safe-haven asset, although its efficacy can vary based on market conditions.

SUGGESTIONS

Based on the findings, the following recommendations are proposed:

1. Retail investors are advised to allocate an appropriate percentage of gold (approximately 5–15% of their portfolio) to mitigate investment risk and enhance diversification.
2. Investors should explore Gold ETFs and Sovereign Gold Bonds as alternatives to holding substantial amounts of physical gold, as these options offer greater security, reduced storage expenses, and enhanced liquidity.
3. Financial institutions and government bodies ought to implement investor education initiatives that emphasize the advantages and risks associated with various forms of gold investment.
4. Investors are encouraged to avoid concentrating solely on gold and instead maintain a well-rounded portfolio that includes equities, bonds, mutual funds, and gold.
5. Policymakers should persist in advocating for regulated digital gold investment platforms to foster transparency and safeguard investors.
6. Investors need to keep an eye on macroeconomic indicators such as inflation, interest rates, exchange rates, and geopolitical events prior to making investment choices.
7. Future research could incorporate primary data from retail investors in various regions to gain deeper insights into the behavioral aspects of gold investment.

CONCLUSION

Gold remains one of the most reliable safe-haven assets during times of economic instability. The research indicates that economic disturbances such as inflation, geopolitical tensions, currency volatility, and fluctuations in financial markets prompt investors to boost their gold investments. Despite the rapid growth of modern investment options, gold continues to be a vital part of diversified investment portfolios due to its capacity to safeguard wealth and mitigate financial risk. The rising interest in Gold ETFs, Sovereign Gold Bonds, and digital gold reflects a shift in investor preferences towards more convenient and secure investment methods while still trusting gold as a long-term asset. In summary, the study finds that gold effectively acts as a hedge against uncertainty and remains a significant investment path for retail investors aiming for financial stability.

REFERENCES

1. Emmrich, Ole, and Francis Joseph McGroarty. 'Should Gold Be Included in Institutional Investment Portfolios?' *Applied Financial Economics*, vol. 23, no. 19, Oct. 2013,pp.1553–65. *DOI.org(Crossref)*, https://doi.org/10.1080/09603107.2013.839858.

2. Manzli, Yasmine Snene, et al. 'On the Hedge and Safe-Haven Abilities of Bitcoin and Gold against Blue Economy and Green Finance Assets during Global Crises: Evidence from the DCC, ADCC and GO-GARCH Models'. *PLOS ONE*, vol. 20, no. 2, Feb. 2025, p. e0317735. *PLoS Journals*, https://doi.org/10.1371/journal.pone.0317735.
3. Salisu, Afees A., et al. 'Energy Market Uncertainties and Gold Return Volatility: A GARCH – MIDAS Approach'. *Australian Economic Papers*, vol. 64, no. 3, Sept. 2025, pp. 320–29. *DOI.org (Crossref)*, https://doi.org/10.1111/1467-8454.12396.
4. Su, Chi-Wei, et al. 'Will Gold Always Shine amid World Uncertainty?' *Emerging Markets Finance and Trade*, vol. 58, no. 12, Sept. 2022, pp. 3425–38. *DOI.org (Crossref)*, https://doi.org/10.1080/1540496X.2022.2050462.