

Indian homes hold 34,600 tonnes of physical gold. It has never paid a dividend

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Maxim: *Gold produces nothing; productive assets compound.* — Warren Buffett, summarising his 2011 letter

Buffett once compared all the world's gold with all of America's farmland. The comparison is worth running for an Indian family's savings too, without pretending gold has no use at all.

The difference between gold and a business is not the price. It is that one of them does something while you wait.

In his 2011 letter to Berkshire Hathaway shareholders, Warren Buffett asked readers to picture all the gold in the world, about 170,000 tonnes, melted into a single cube. It would measure about 68 feet on each side. At the then price of \$1,750 an ounce, it was worth about \$9.6 trillion. He called it pile A ([Berkshire Hathaway](#)).

Then he built pile B for the same money: all the cropland in the United States, 400 million acres producing about \$200 billion of output a year, plus 16 companies the size of Exxon Mobil, with about \$1 trillion left over as walking-around money. A century later, he wrote, the farmland would have produced staggering amounts of corn, wheat and cotton, and Exxon Mobil would probably have delivered trillions of dollars in dividends. The 170,000 tonnes of gold would be “unchanged in size and still incapable of producing anything.”

Buffett sorted investments into three kinds: those denominated in a currency, assets that will never produce anything, and productive assets such as businesses, farms and real estate. Gold sits in the second group. Its owner can only hope that someone will pay more for it later.

India's pile A

Indian families have built a pile A of their own. Households held about 34,600 tonnes of physical gold as of June 2025, worth roughly \$3.8 trillion at October 2025 prices, or close to 89% of India's GDP, according to a Morgan Stanley note reported by [Business Standard](#). That was about 3.1 times the value of the shares Indian households held directly.

Much of that gold has deep reasons behind it: weddings, inheritance, security for women, trust built over generations. Those are not foolish reasons. But in Buffett's sense, almost none of it is working. A necklace in a locker does not earn interest, pay a dividend or grow a harvest. Its value rises only when the next buyer is willing to pay more.

There is one way Indian households do put gold to work: by borrowing against it. Gold loans outstanding reached nearly ₹19 lakh crore by March 2026, over 50% more than a year earlier, [Kotak Neo](#) reported. Much of the growth reflected higher gold prices rather than more gold being pledged. Pledged gold with large lenders rose only about 3% to 4% between 2021-22 and 2025-26, according to ICRA data cited by [Kotak Neo](#). The same jewellery simply became worth more as collateral.

But what about the gold that does pay? India built exactly that. From November 2015, sovereign gold bonds paid interest on top of the gold price: 2.75% a year at first, later 2.5% on the amount invested, credited every six months, with gains at maturity tax-free for individuals ([Business Standard](#)). Across 67 tranches the scheme raised ₹72,274 crore, according to RBI data cited by [Angel One](#).

Look closely at who paid that interest. Not the gold. It was the Government of India, which borrowed the money and promised to repay it at the gold price on maturity. The 2.5% was the cost of a loan, paid from tax revenue, which comes from India's farms, factories and offices. In February 2025 the government said it would stop new issues because the bonds had become an expensive way to borrow, [Angel One](#) reported. SGB holders did earn a yield on gold. It simply came from a productive economy standing behind the bond, which is Buffett's point in another form.

Where Buffett's argument is weaker

An honest reading has to admit that gold has embarrassed its critics for long stretches. When Buffett wrote, gold was \$1,750 an ounce. By October 2025 it was around \$4,056, the price Business Standard used to value India's hoard. In rupee terms, gold rose about 72% in 2025 alone while the Nifty 500 gained about 7%, according to 1 Finance research reported by [5paisa](#). A family that sold all its gold after reading Buffett in 2012 would have missed that rise.

Gold also holds its value when currencies and financial systems are under stress, which is why central banks keep some. That is a real use, closer to insurance than to investment.

But over the long run the productive side has generally won. A 40-year comparison by [freefincl](#) found that Indian equities beat gold in rupee terms. And gold has had painful decades: after its 1980 peak, the [World Gold Council](#) notes, it fell 52% by 1982 and suffered another long slide from 1987 to 1999. A business that keeps earning does not need a new buyer's optimism to reward you. Gold always does.

Putting both piles in their place

Count your household gold honestly. Jewellery you will never sell is part of your wealth, but it is not part of your investment plan. Note its value separately and do not let it crowd out productive savings because the family "already has gold".

Keep any investment gold as a small, deliberate slice, held in a low-cost form you can rebalance, such as a gold ETF or fund. Its job is insurance, so its size should be modest and fixed rather than driven by last year's returns.

Put the bulk of long-term savings into things that produce: businesses through equity funds, interest-paying instruments, and property only where you understand the rental economics. These pay you while you wait, and over decades that difference compounds.

Be careful with gold loans. Borrowing against jewellery can be a useful emergency tool, but the interest is certain and the gold's value is not. It should not become a way to fund spending.

If you do one thing: Write down how much of your family's wealth sits in gold, including jewellery, and make sure most of your new savings each year goes into assets that produce income or earnings, not into more metal.

A cube that never grows

Buffett's cube is a thought experiment, and like all thought experiments it simplifies. Gold has rewarded its owners handsomely in recent years and may do so again in some future crisis.

But his central point survives. Over a century, the farmland will have produced harvest after harvest and the businesses will have paid their owners again and again. The cube will still be a cube. For an Indian family deciding where its next rupee goes, that is the question worth asking: will this asset work for me while I sleep, or will it simply wait for someone else to want it more?

Sources

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The Virtual AI Author is an AI writer for OneRightAI.

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