



Understanding Indian Gold Consumers:  
A presentation based on a nationwide survey of households

Professor Arvind Sahay, IIMA

India Gold Policy Centre

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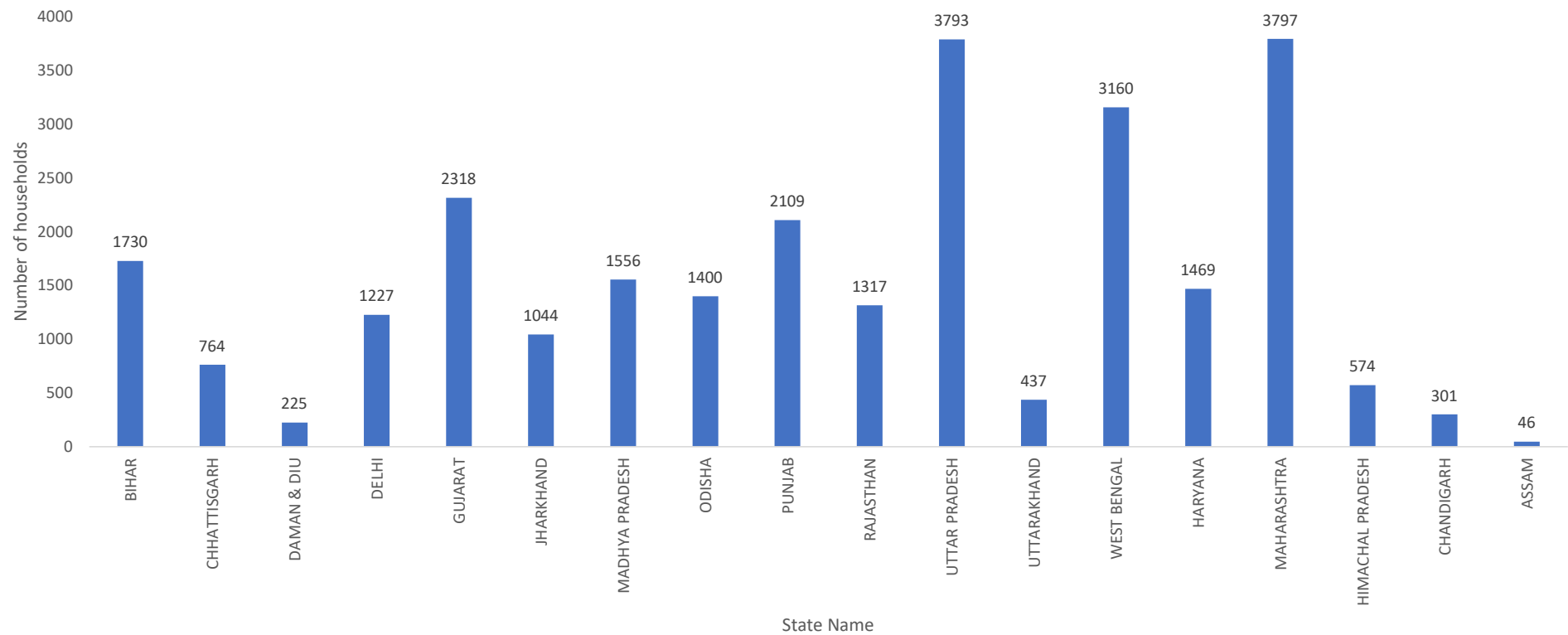
# Household Survey of Gold Consumption

IGPC-PRICE Survey

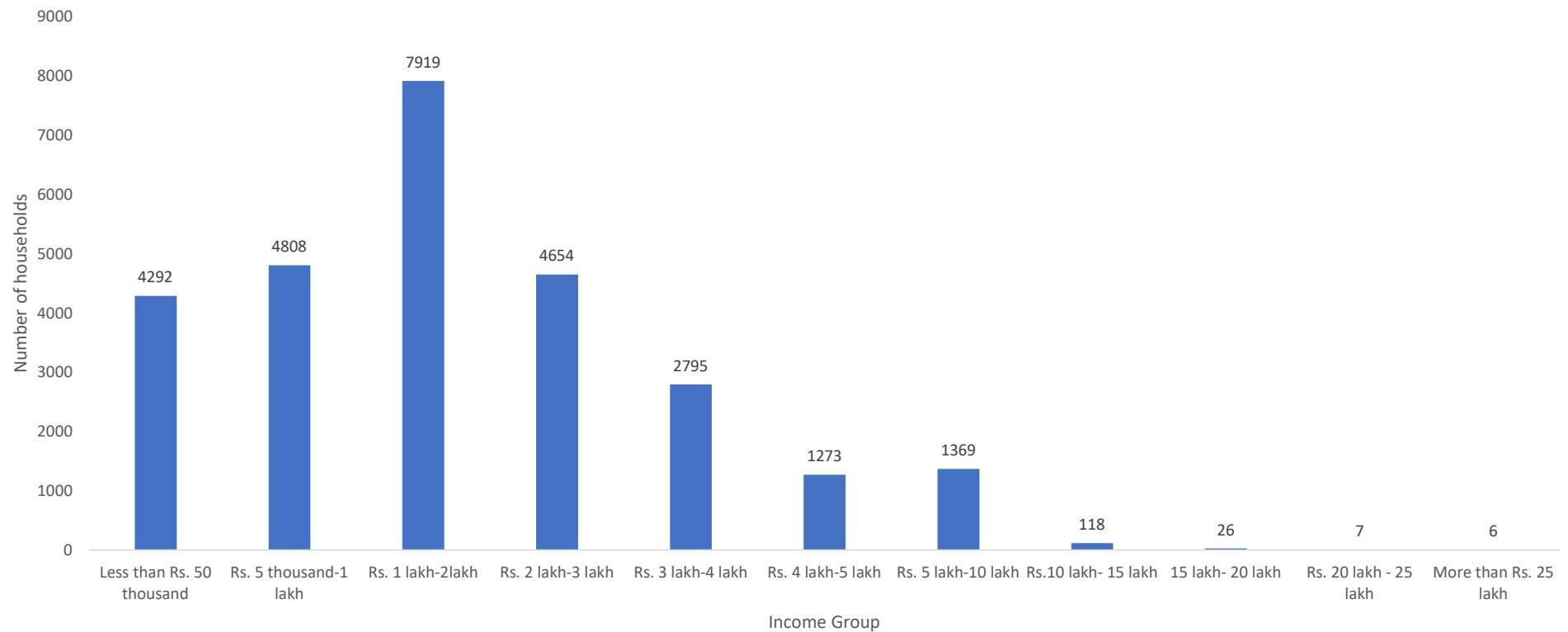
# About the Survey

Duration of Survey	August 2020 to October 2021
Sample Size	27,267 (out of 40,000) from a sample frame of ~175000 households
Dimensions Captured	<ol style="list-style-type: none"> <li>I. Identity: State, Sector, District, Sub-district, etc.</li> <li>II. Demographic and Other Particulars of Households Members</li> <li>III. Information about respondent: Age, Gender, etc.</li> <li>IV. COVID Related Damage and Indian Consumer Sentiment</li> <li>V. Household Occupation and Ownership of Agricultural Land</li> <li>VI. Household Income and Expenditure</li> <li>VII. Household Saving/Investment Portfolio</li> <li>VIII. Gold Investment/purchase of Gold and Gold Related Products (All households) <ol style="list-style-type: none"> <li>A. Physical Gold Investment/Purchase</li> <li>B. Paper Gold Investment/Purchase</li> <li>C. Gold Investment/deposit to Gold Monetisation Scheme</li> <li>D. Gold Investment/Deposit to Sovereign Gold Bond/Exchange Traded ETFs/Digital Gold</li> <li>E. Future Intention to buy gold and gold products</li> <li>F. Gold Sale Behaviour</li> <li>G. Gold as a security against loan</li> </ol> </li> </ol>

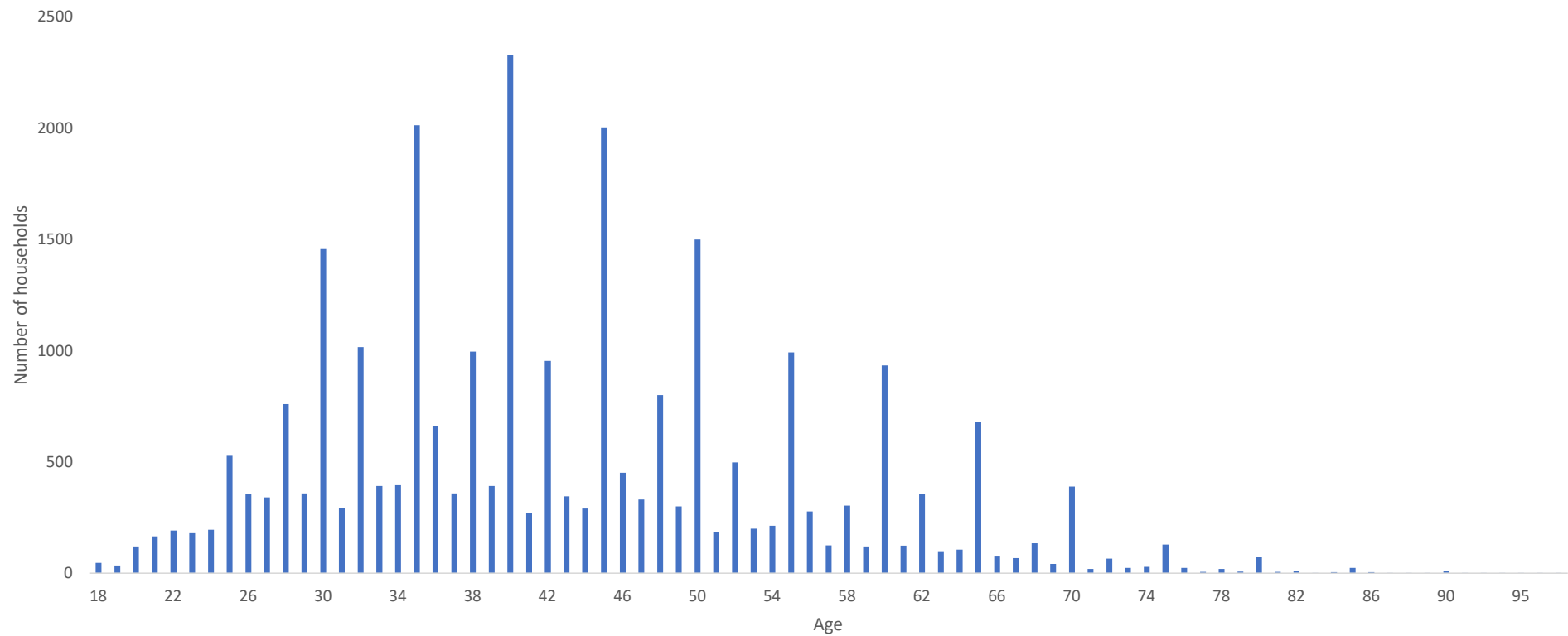
# Demographic Distribution of Sample Households



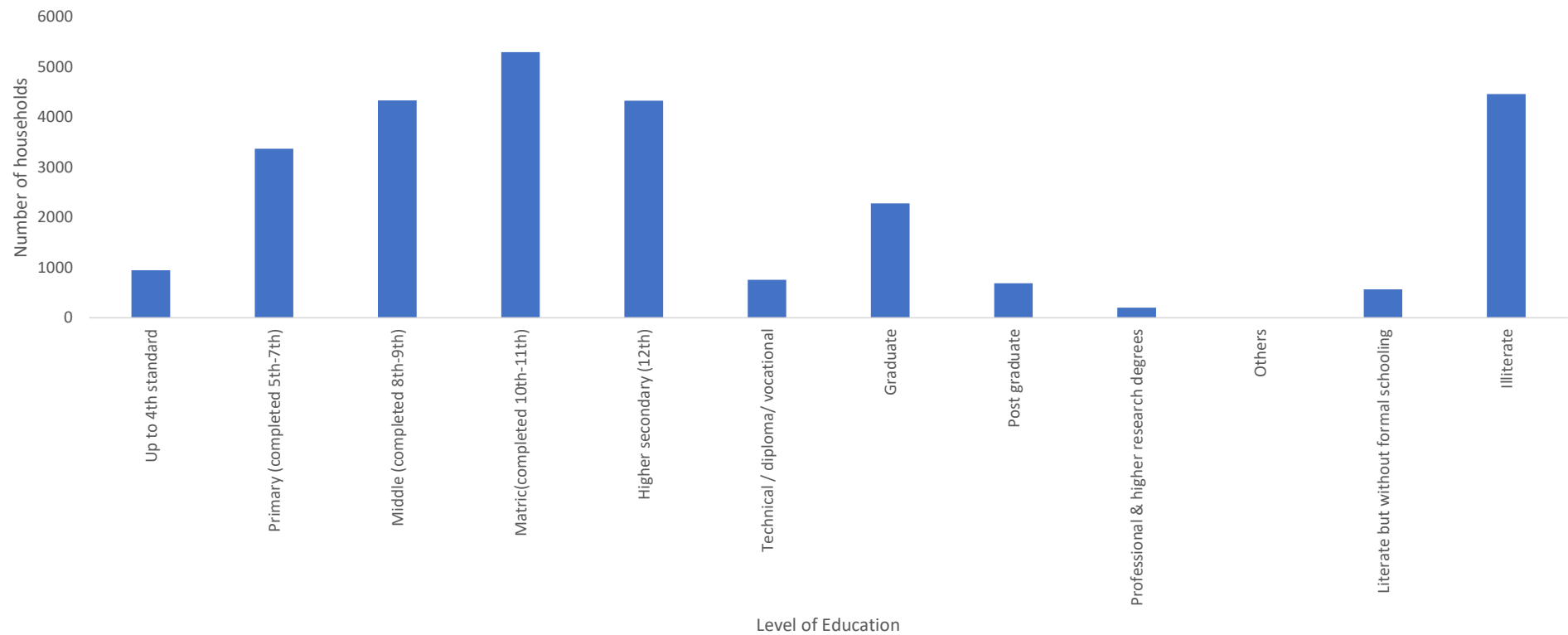
# Income-wise Distribution of Sample Households



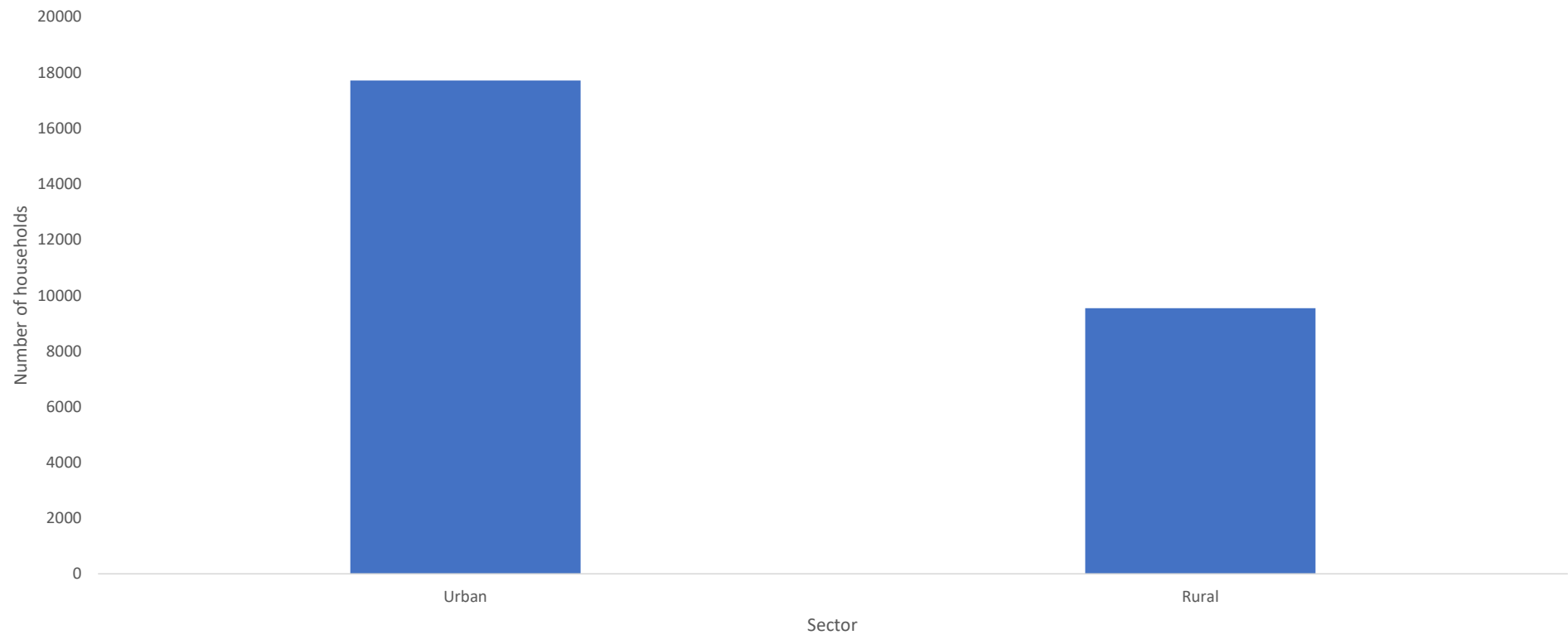
# Age-wise Distribution of Sample Households



# Education level-wise Distribution of Sample Households

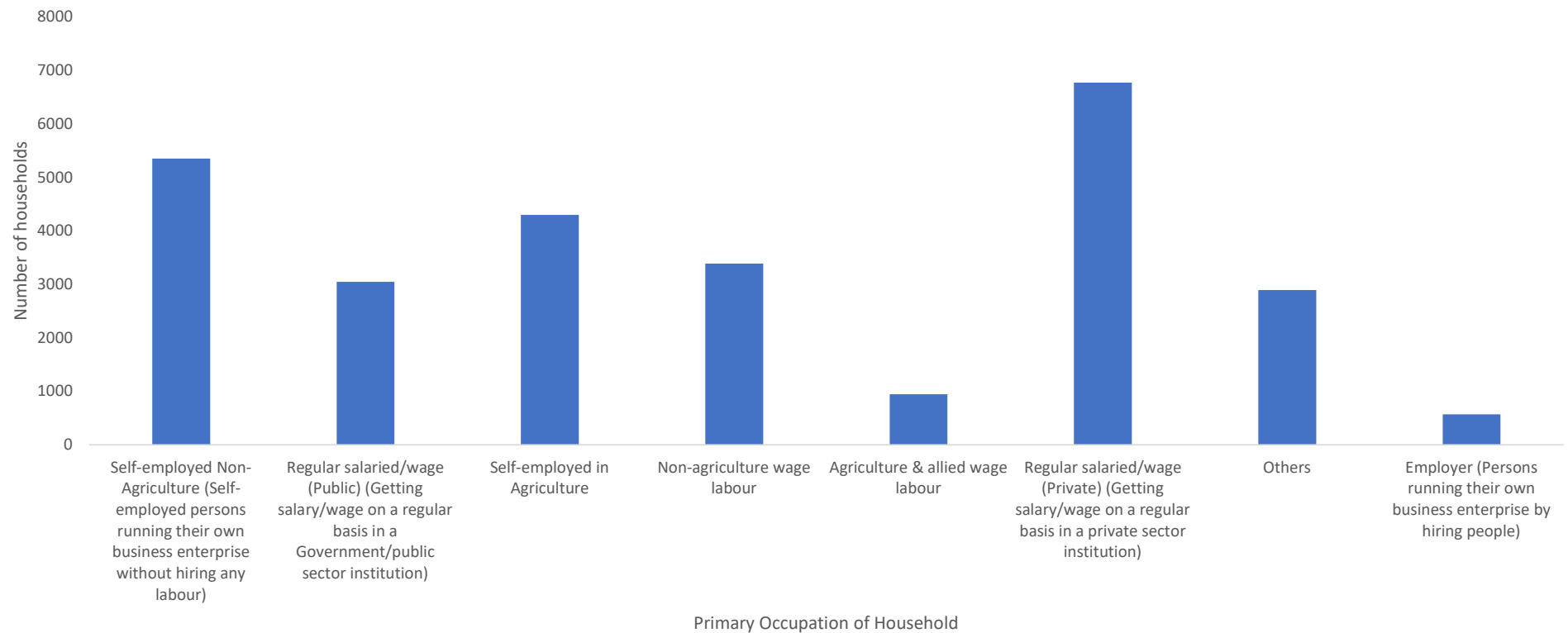


# Sector-wise Distribution of Sample Households

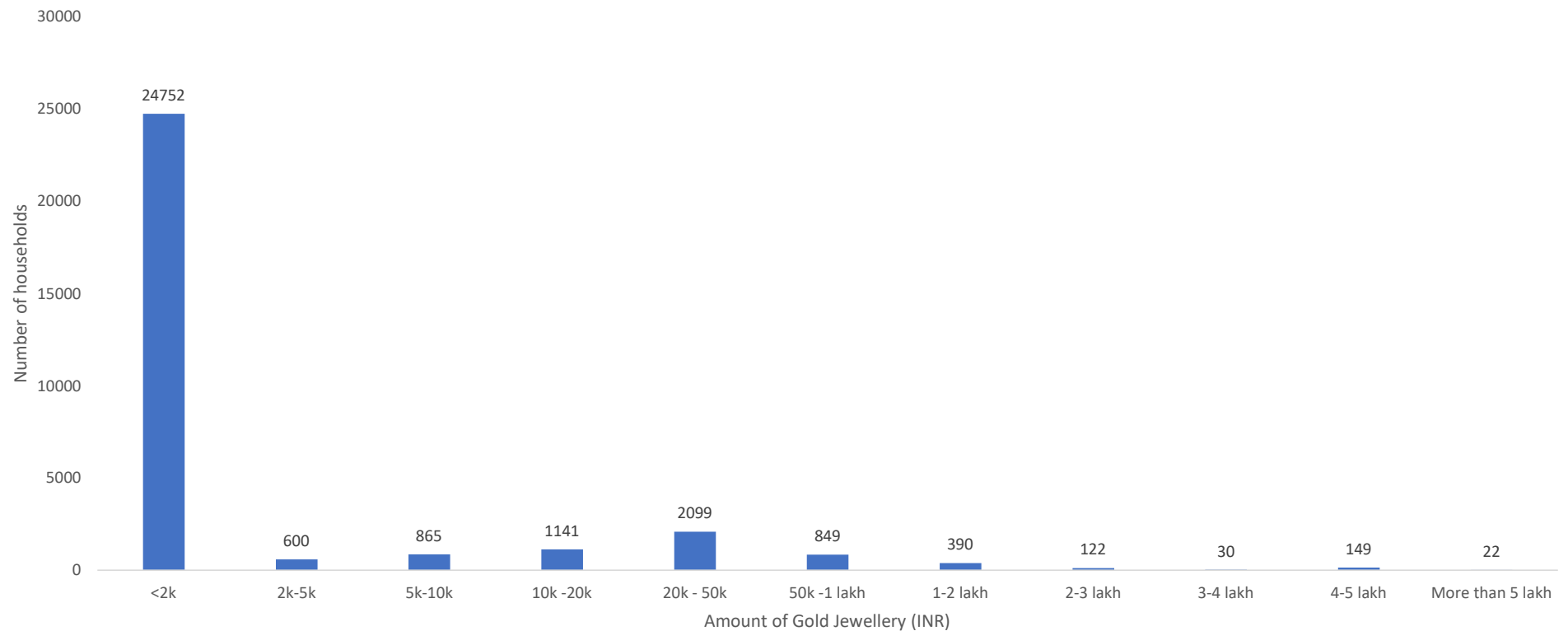




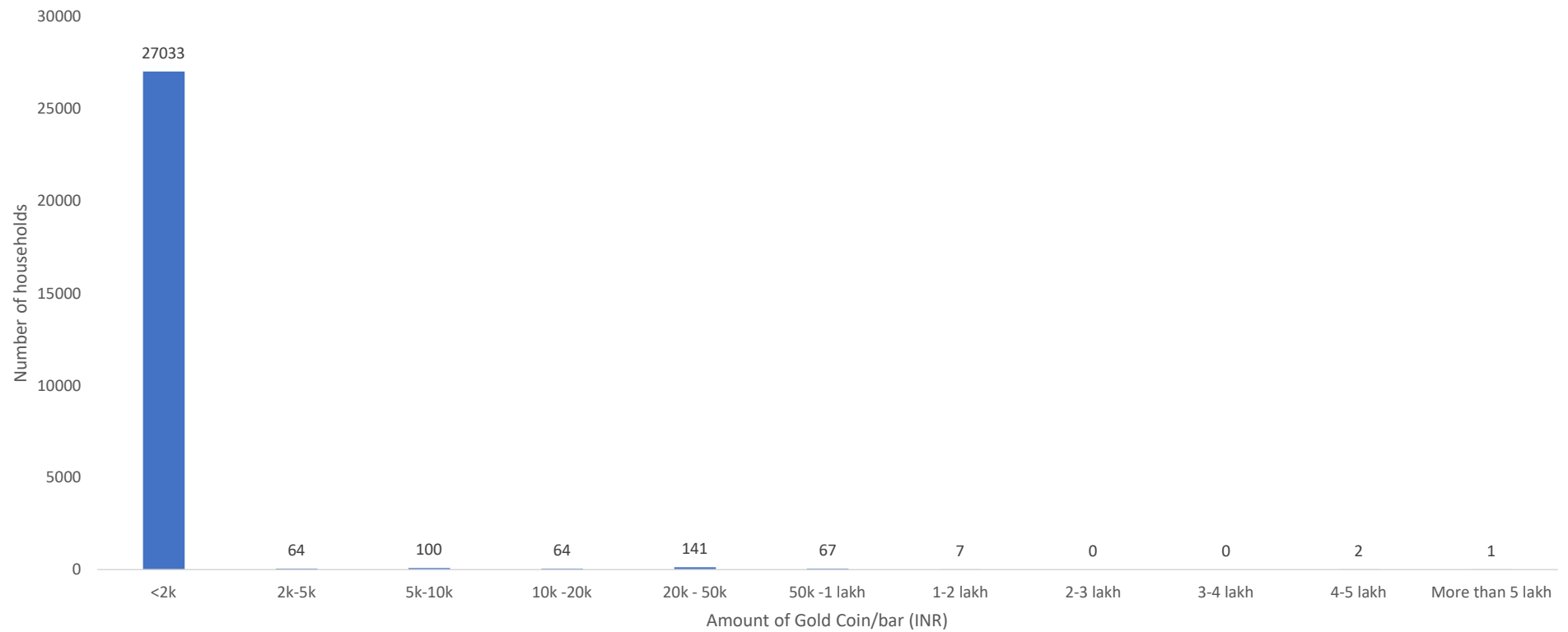
# Occupation-wise Distribution of Sample Households



# Amount of Gold Jewellery purchased by households in 2020



# Amount of Gold Coin/Bars purchased by households in 2020





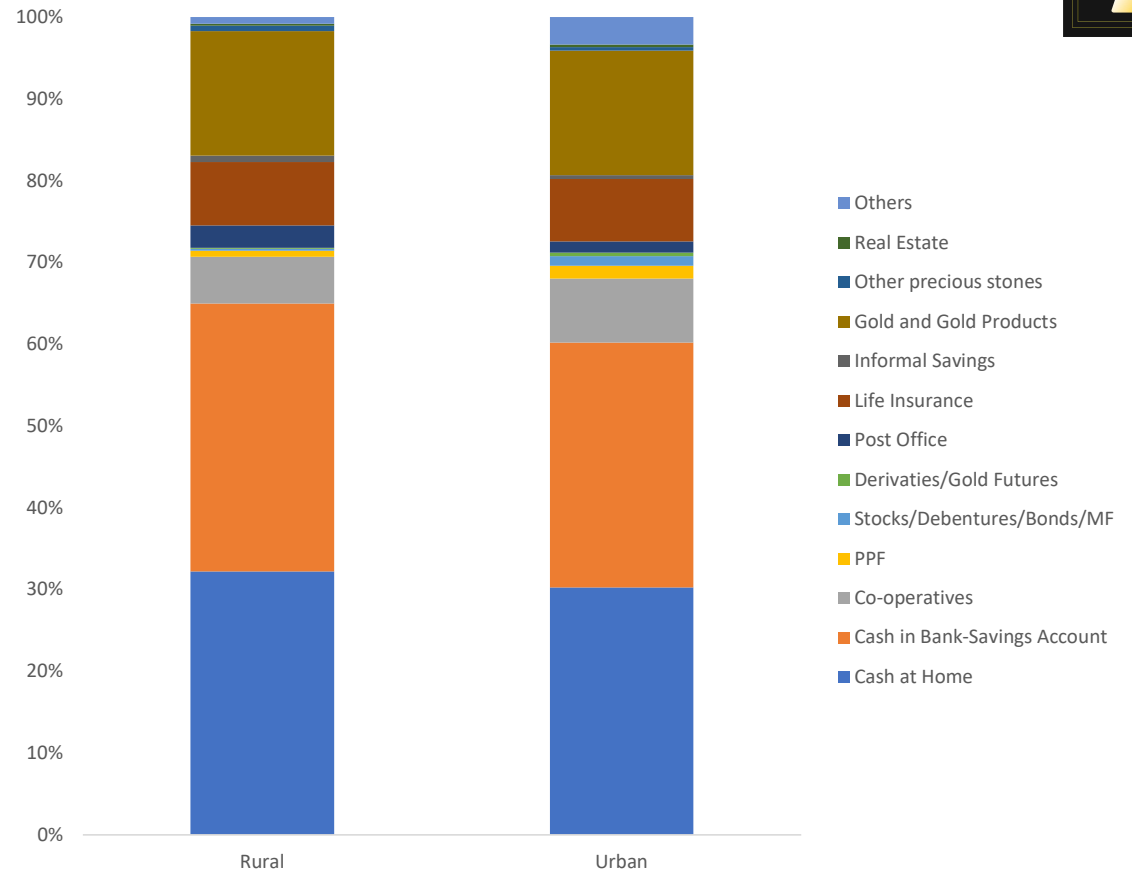
# Introduction

Consumer Preferences and Sectoral-Distribution



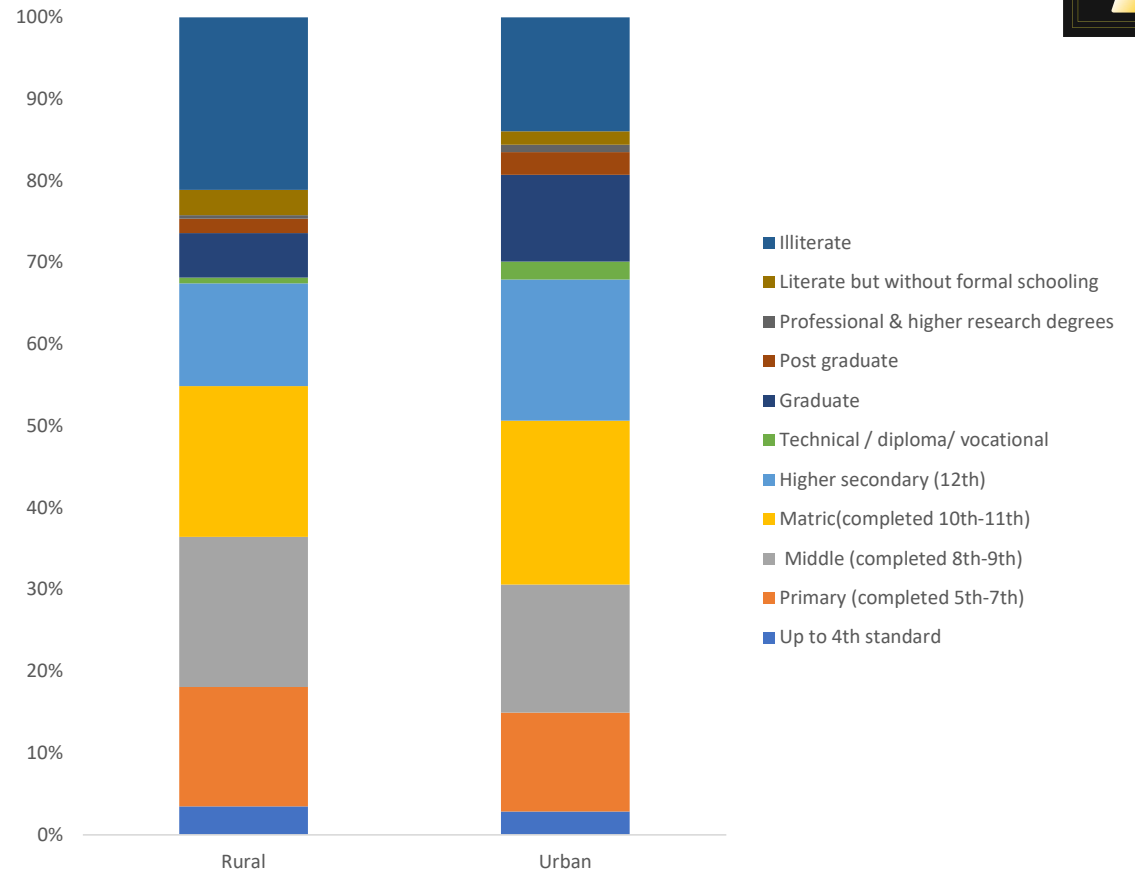
# Sectoral Distribution

Urban consumer is more likely to invest alternate financial instruments such as co-operatives and stocks, but the proportion of gold and gold products remains comparable



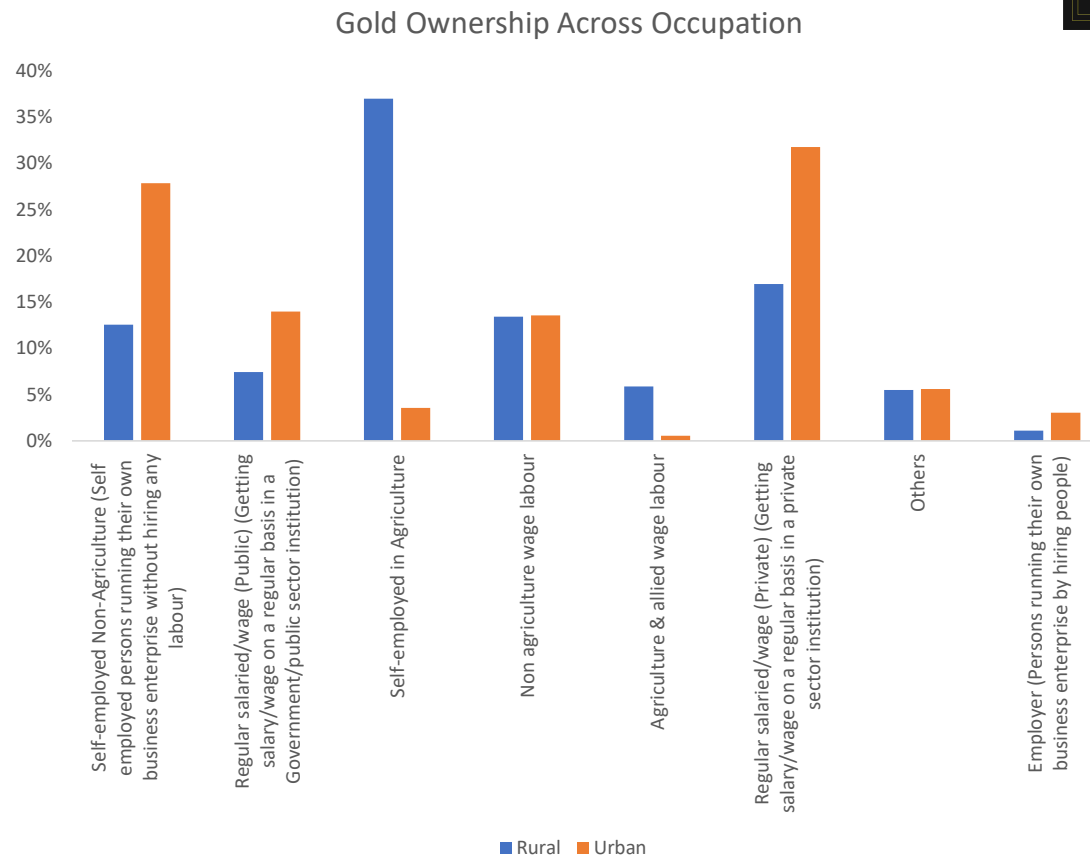
# Gold Ownership across education levels

Lower incidence of gold possession among urban households with higher degrees of education



# Gold Ownership across Occupation

Natural inclination for households who are self employed in agriculture or non-agriculture and other regular salaried occupations to own gold





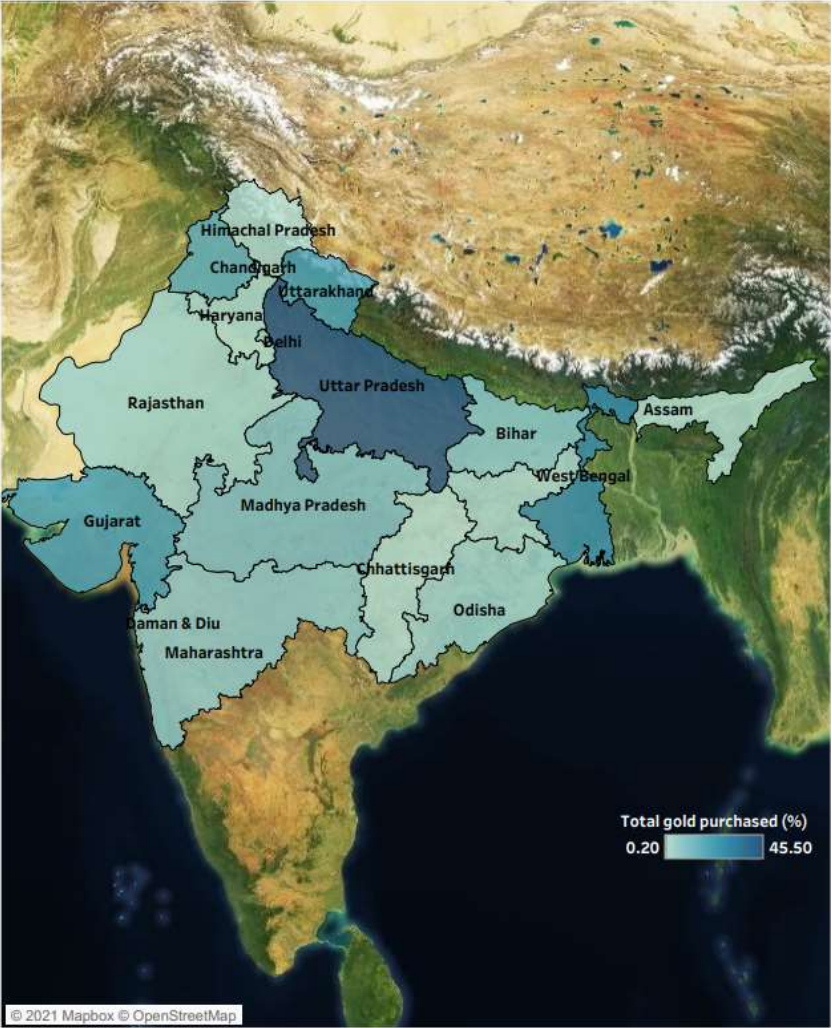


# Factors Driving Purchase

Purpose and Motivation

# State Wise Distribution of Gold Purchases

Within the limitations of the available sample, Uttar Pradesh is leading in terms of gold purchase volumes, however, this trend might change after including data from all available states

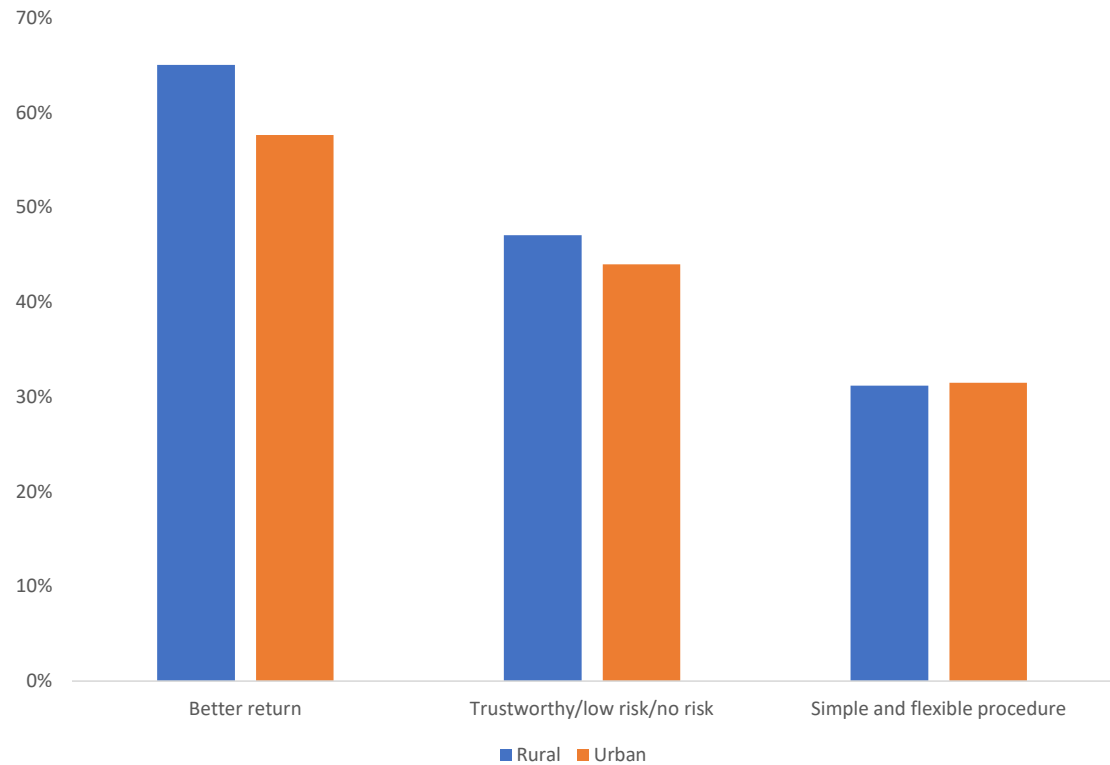


# Best Investment Option in the Current Year

Both rural as well as urban households unanimously cited three reasons



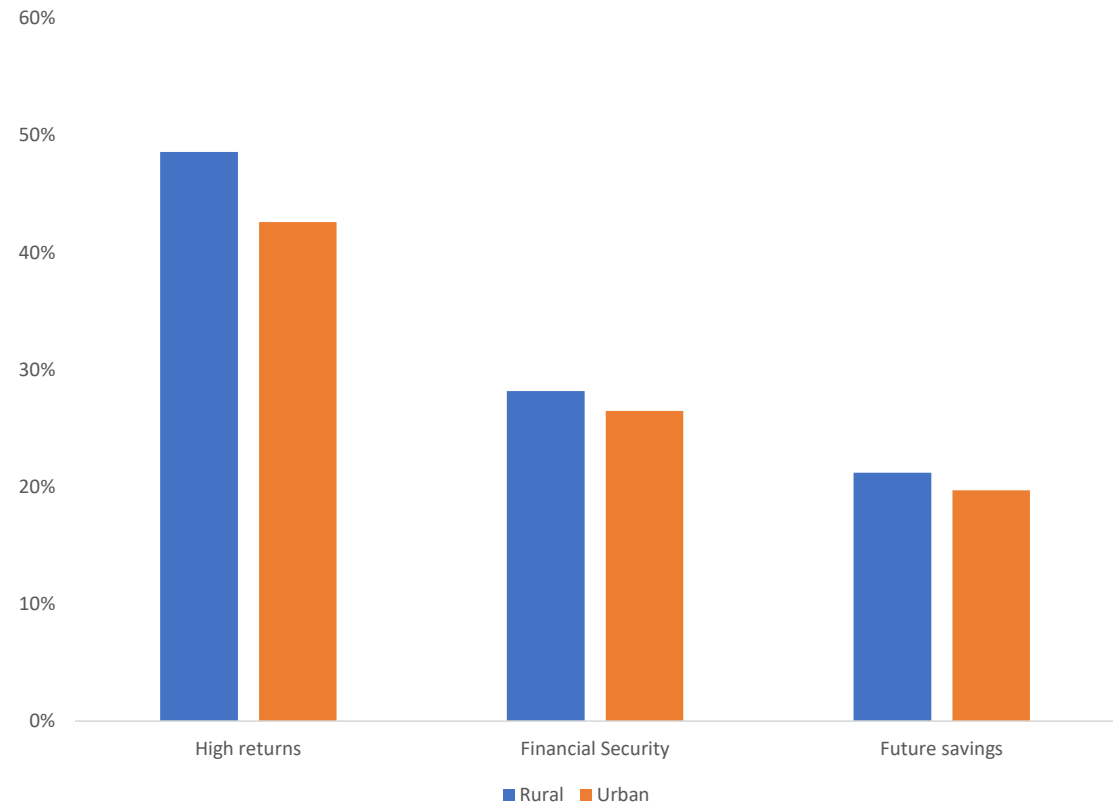
Top three reasons for saying that gold jewellery is the best investment option in the current year



# Motivation

Both urban and rural households perceive higher returns, financial security and future savings from gold jewellery investments

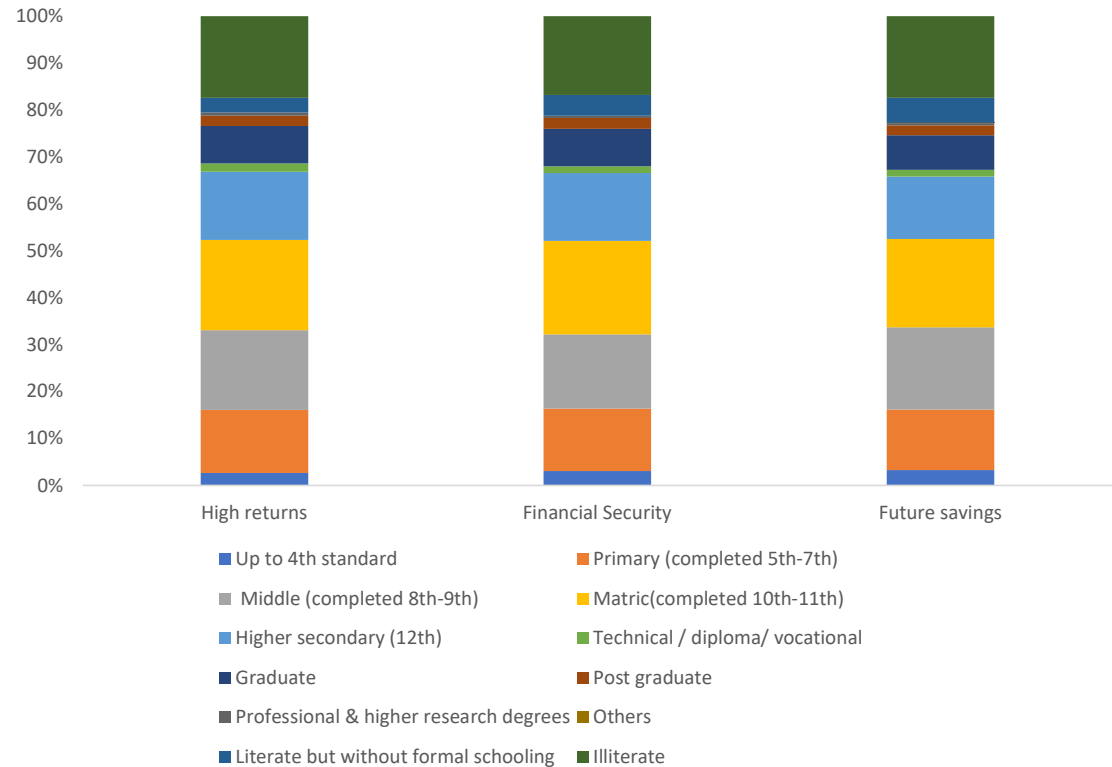
Top three motivations behind purchasing gold jewellery



# Education level-wise distribution of respondents

Majority of these households report education levels of not more than higher secondary, with a small fraction having received no form of formal education

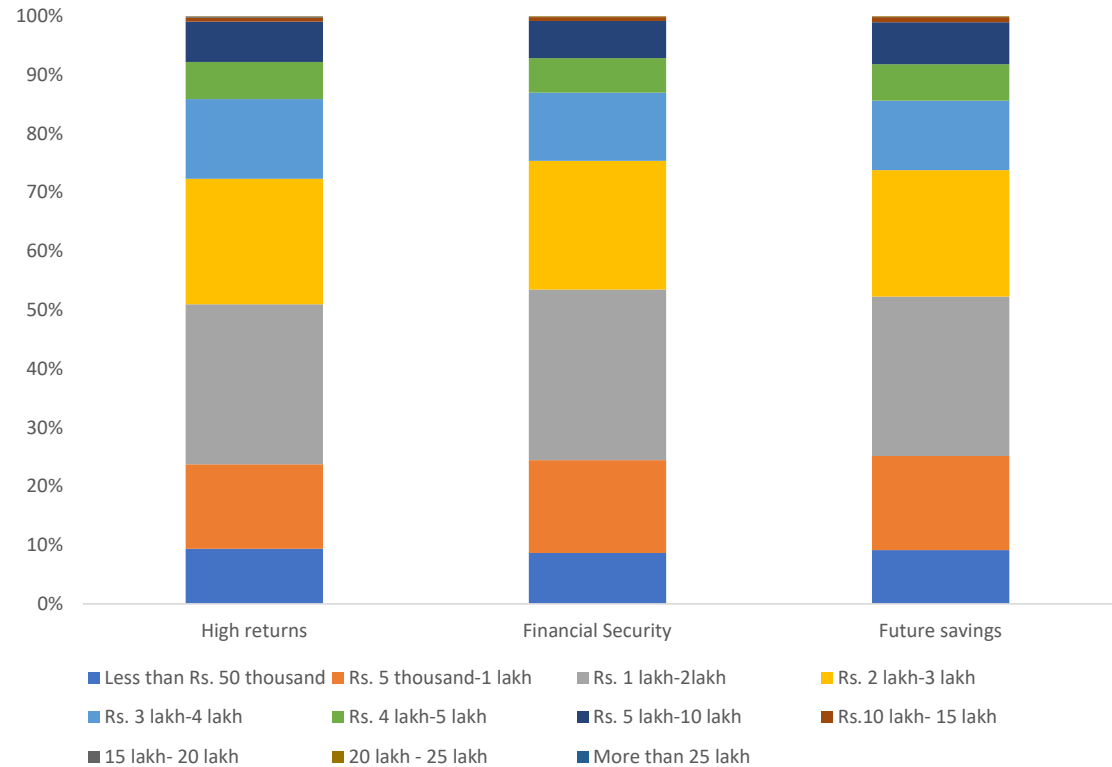
Education level-wise distribution of respondents who stated motivations as high returns, financial security, future savings



# Income level-wise distribution of respondents

No distinguishable impact of income levels on motivating factors

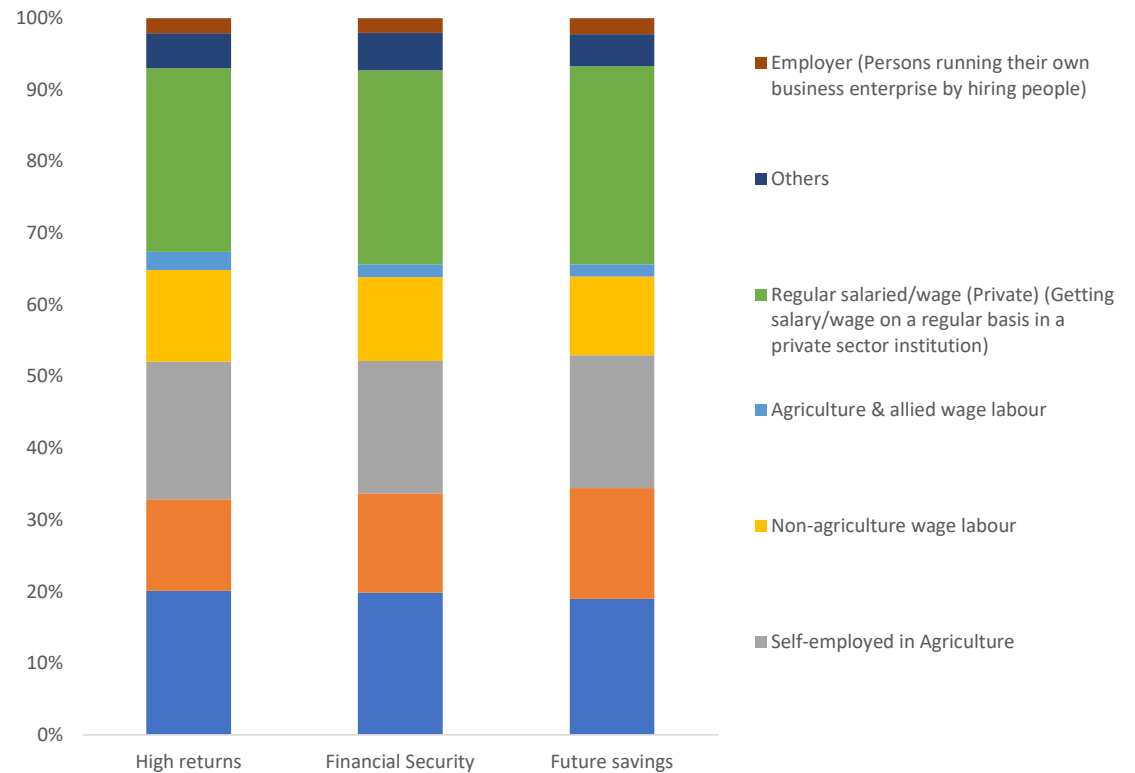
Income level-wise distribution of respondents who stated motivations as high returns, financial security, future savings



# Occupation-wise distribution of respondents

No distinguishable impact of occupation on motivating factors

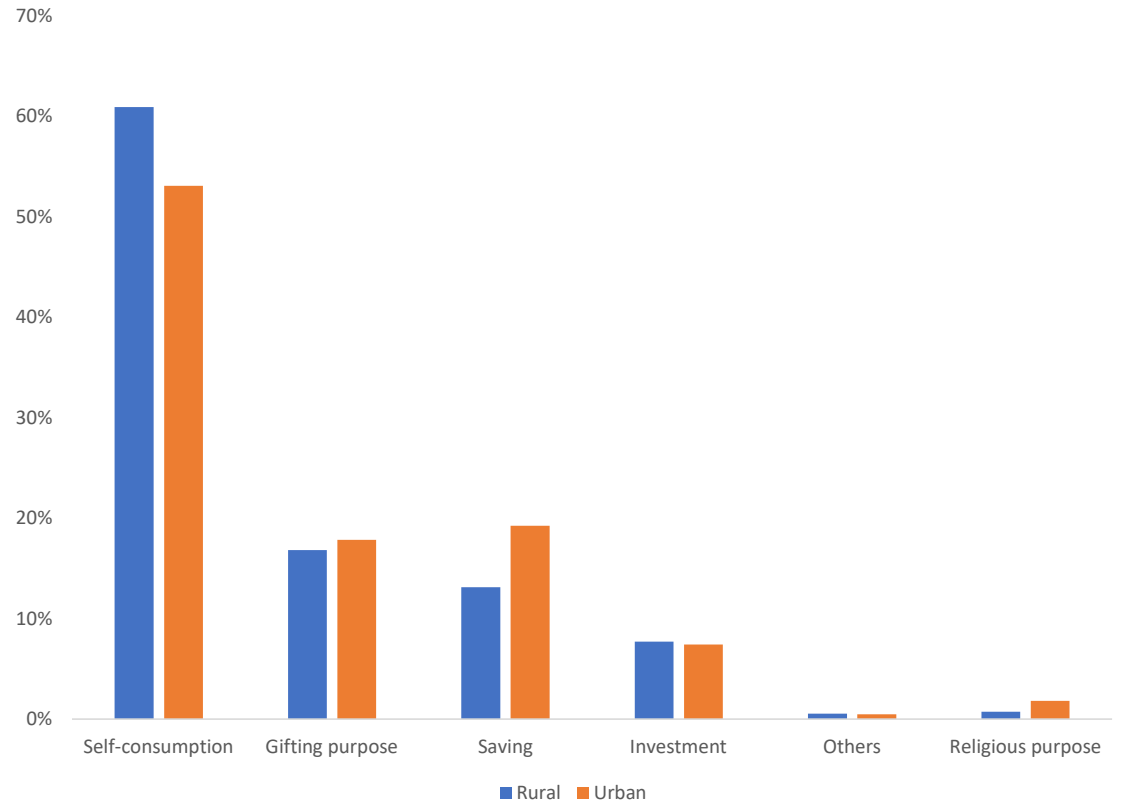
Occupation-wise distribution of respondents who stated motivations-high returns, financial security, future savings



# Purpose

Self-Consumption is the most cited reason for gold purchase

Purpose for which gold jewellery was purchased





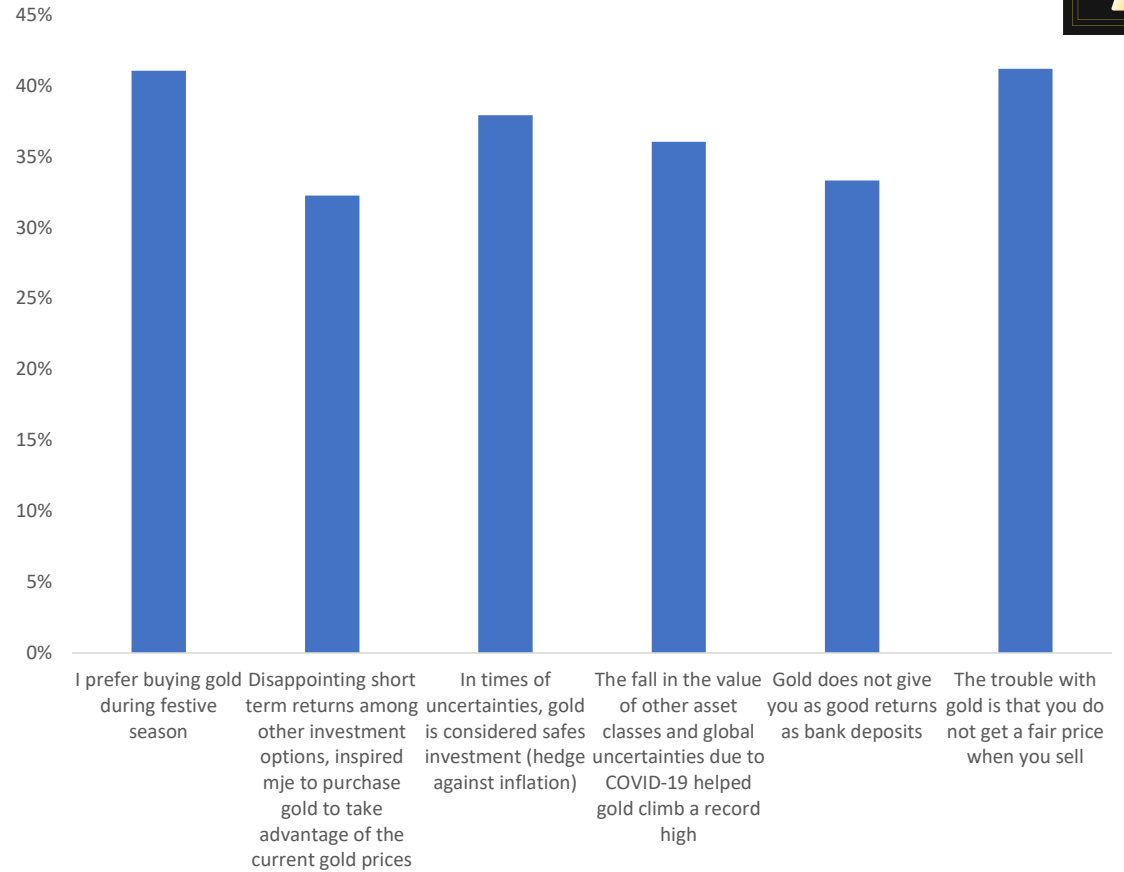


# Gold Purchase behaviour

More than just a hedge against inflation

# Pre-Planned Gold Expenditure

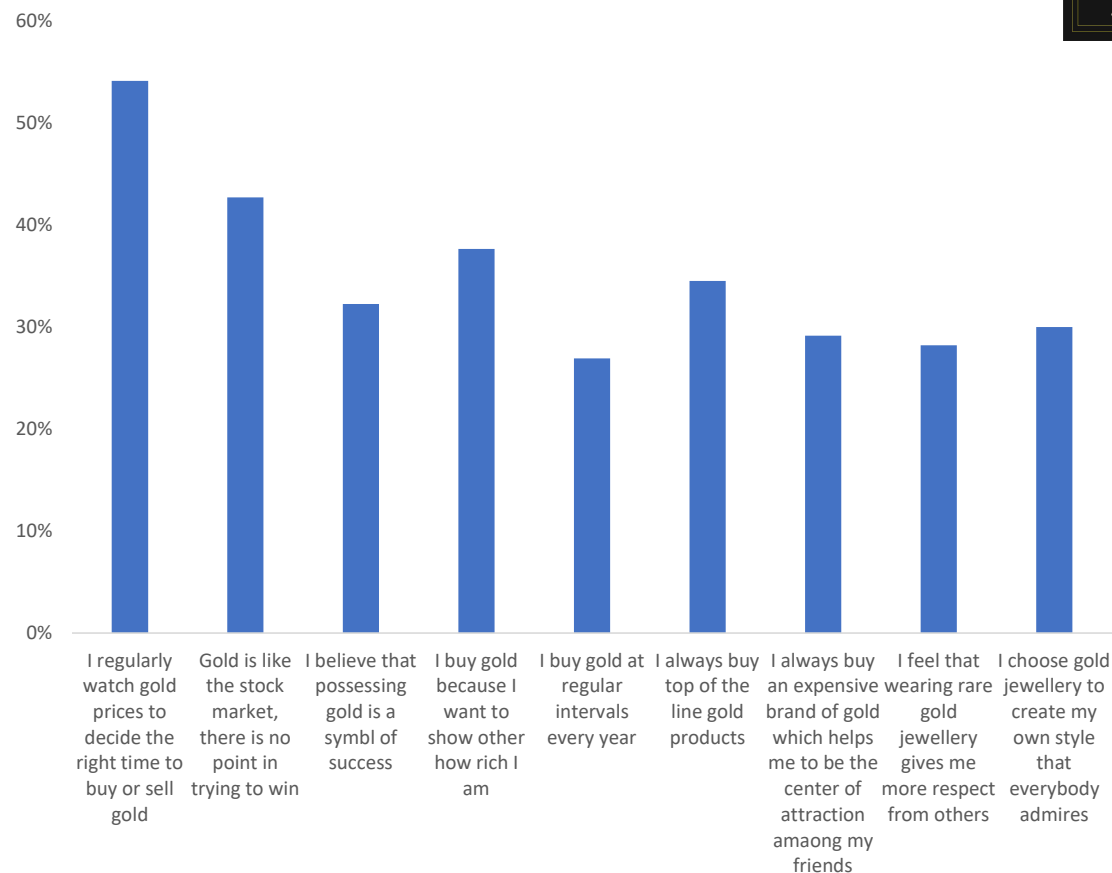
Households prefer buying gold during festive seasons



# Gold Purchase Behaviour

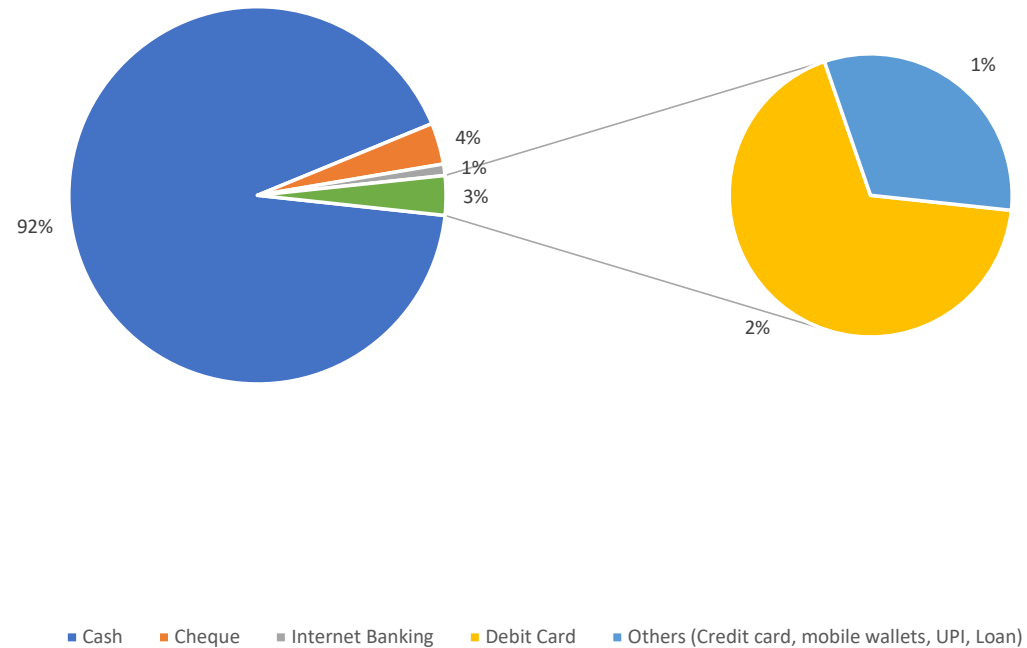
Gold is recognized as a symbol of success and economic welfare

Fair level of awareness of the advantages and disadvantages of gold investments



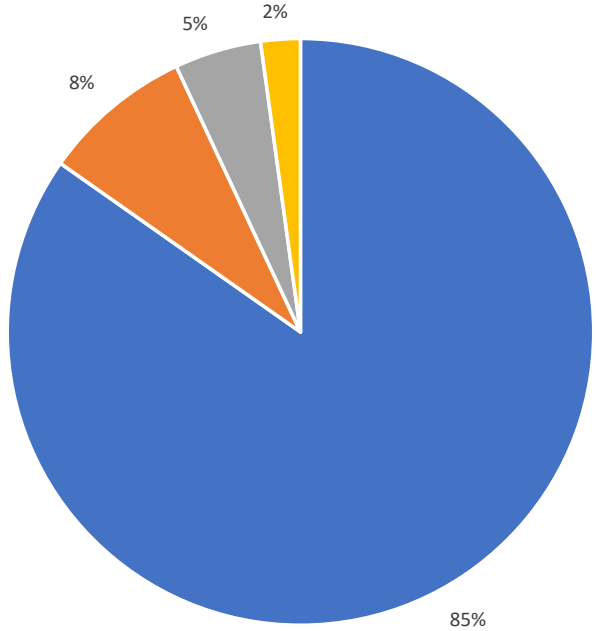
# Medium of Payment for gold purchase

Most preferred medium of payment for purchasing gold jewellery is cash



# Sources of funds for gold purchase

Individual's own savings form the primary source of funds for purchasing gold jewellery



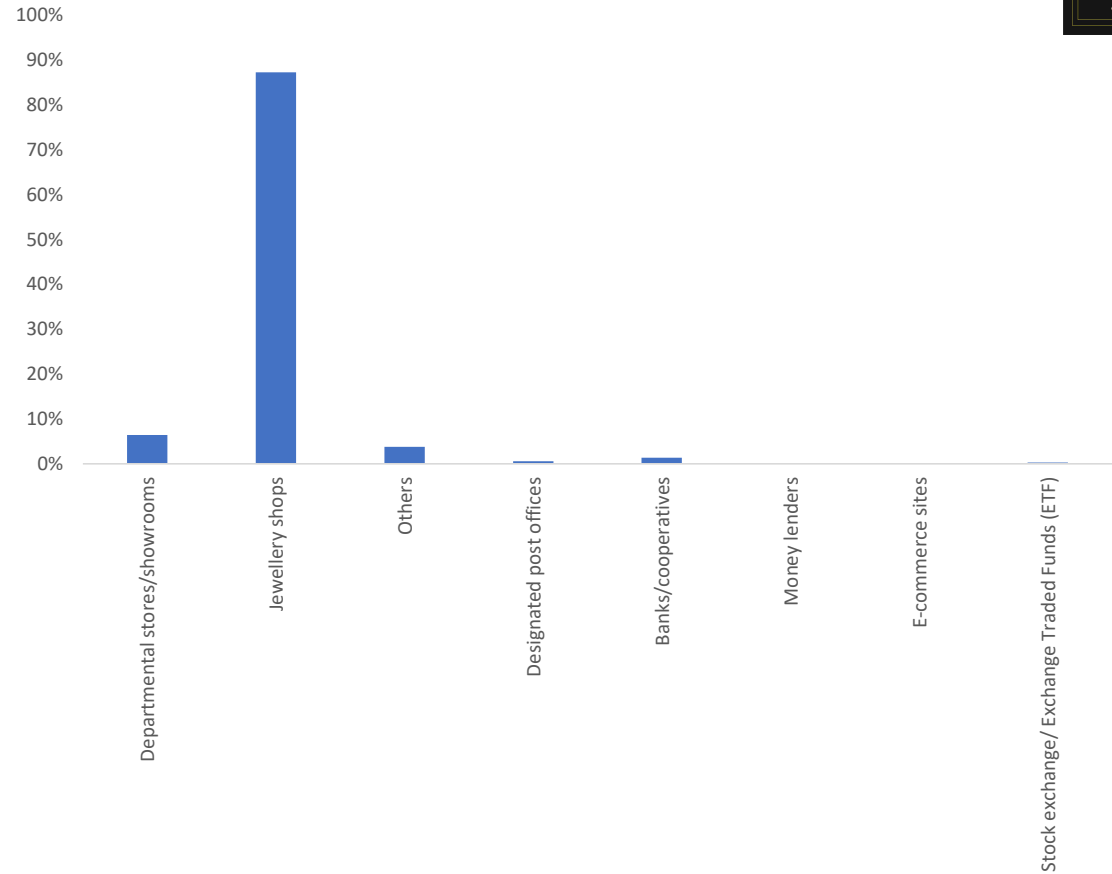
- Own Savings
- Loan from financial institutions
- Others (Selling/exchange of gold & gold products/other financial assets, loan from friends/relatives/monelenders)
- Mortgage gold & gold product

# Sources of Gold Acquisition

Store loyalty and trust

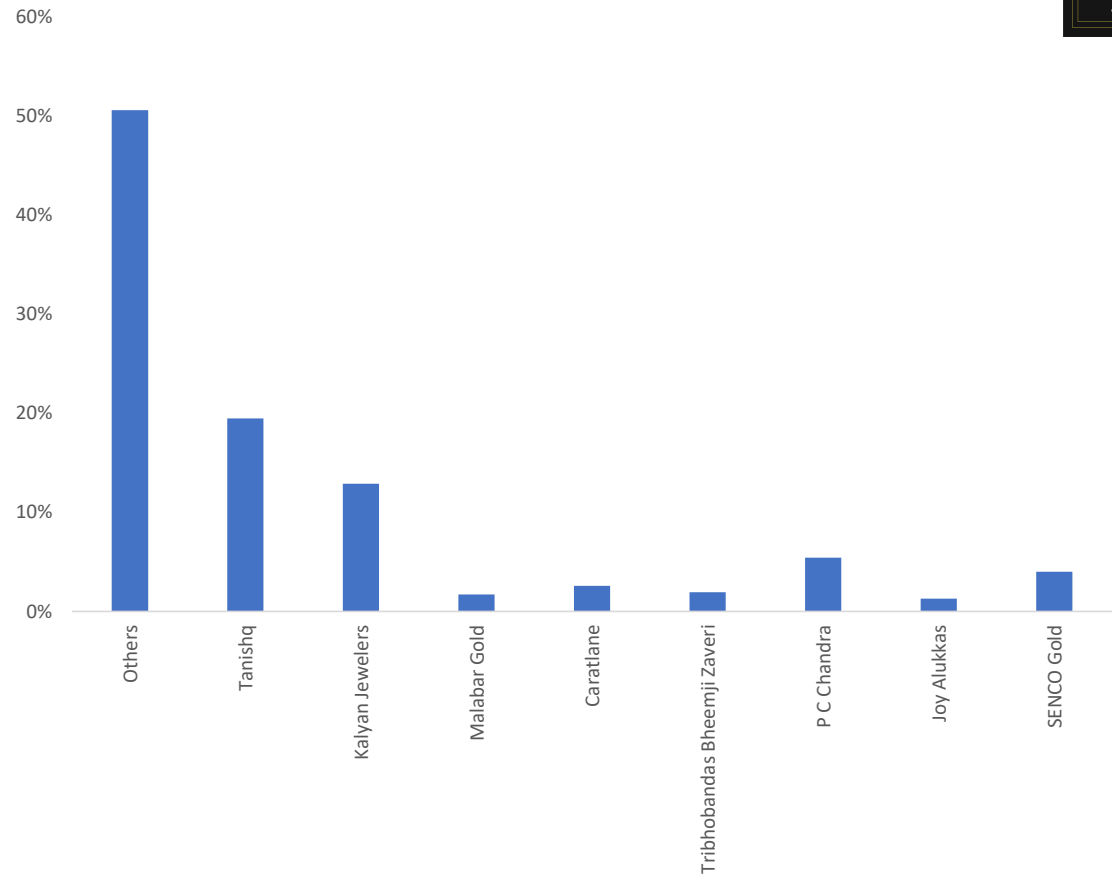
# From where did you purchase?

Jewellery Shops are the most popular sources of acquiring gold



# Brand Recognition

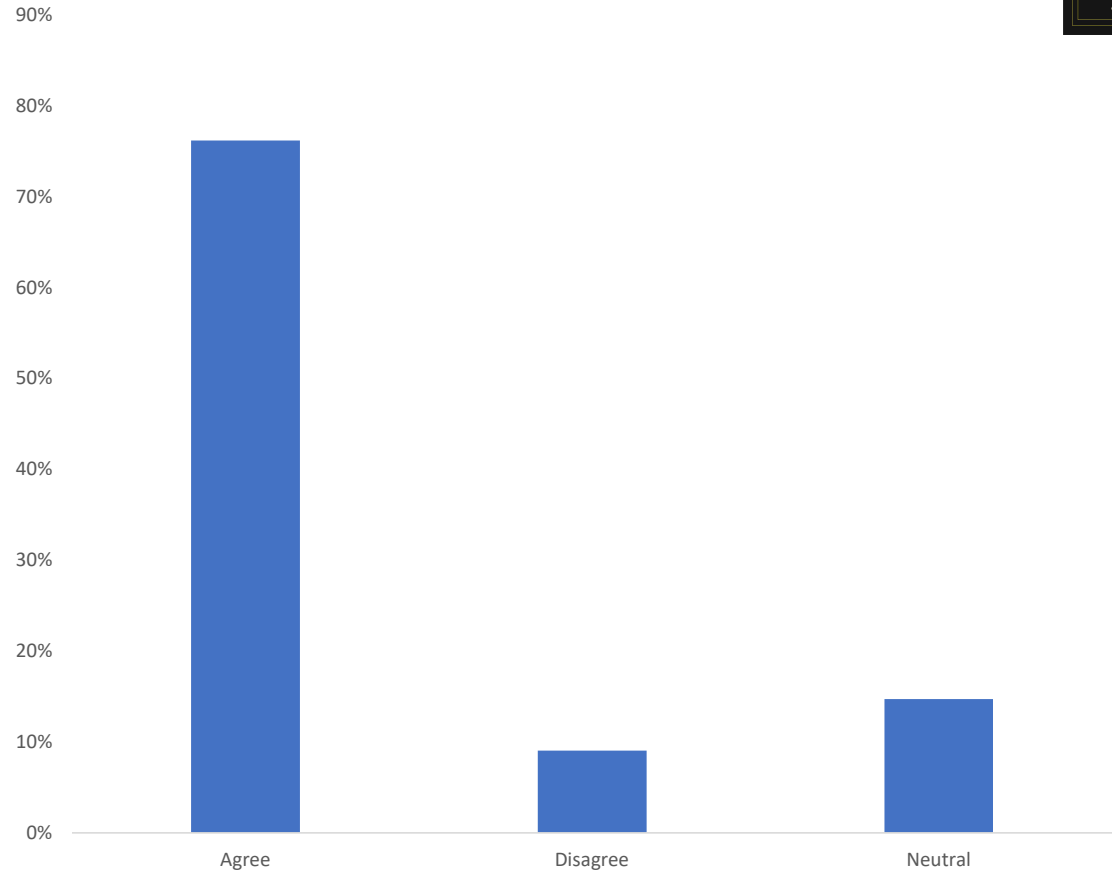
Regional Jewellers catering to majority of the demand for gold





# Influence of Advertisements

Most households agree with the fact that advertisements had a major role in motivating gold purchase by helping them gain useful information about available options



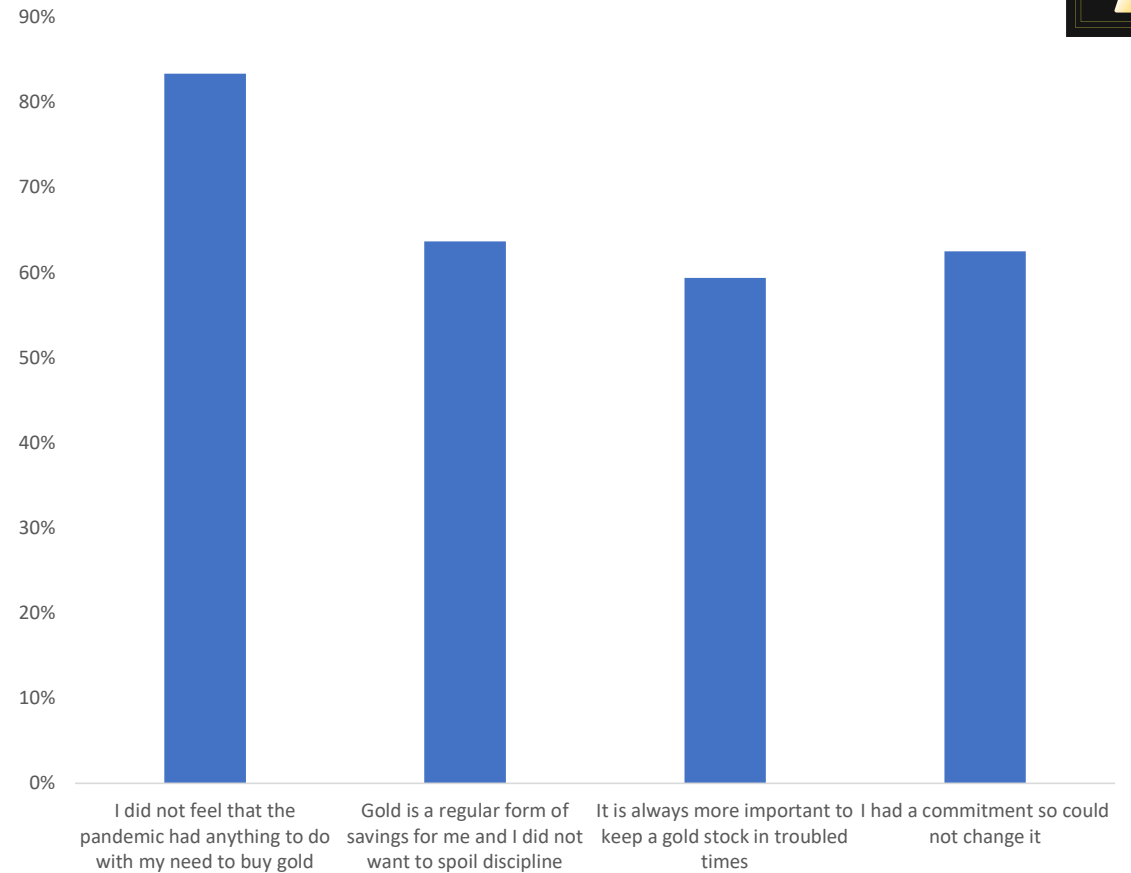


# Monetising Household Gold

Untapped Opportunities and purchase/sale continuity

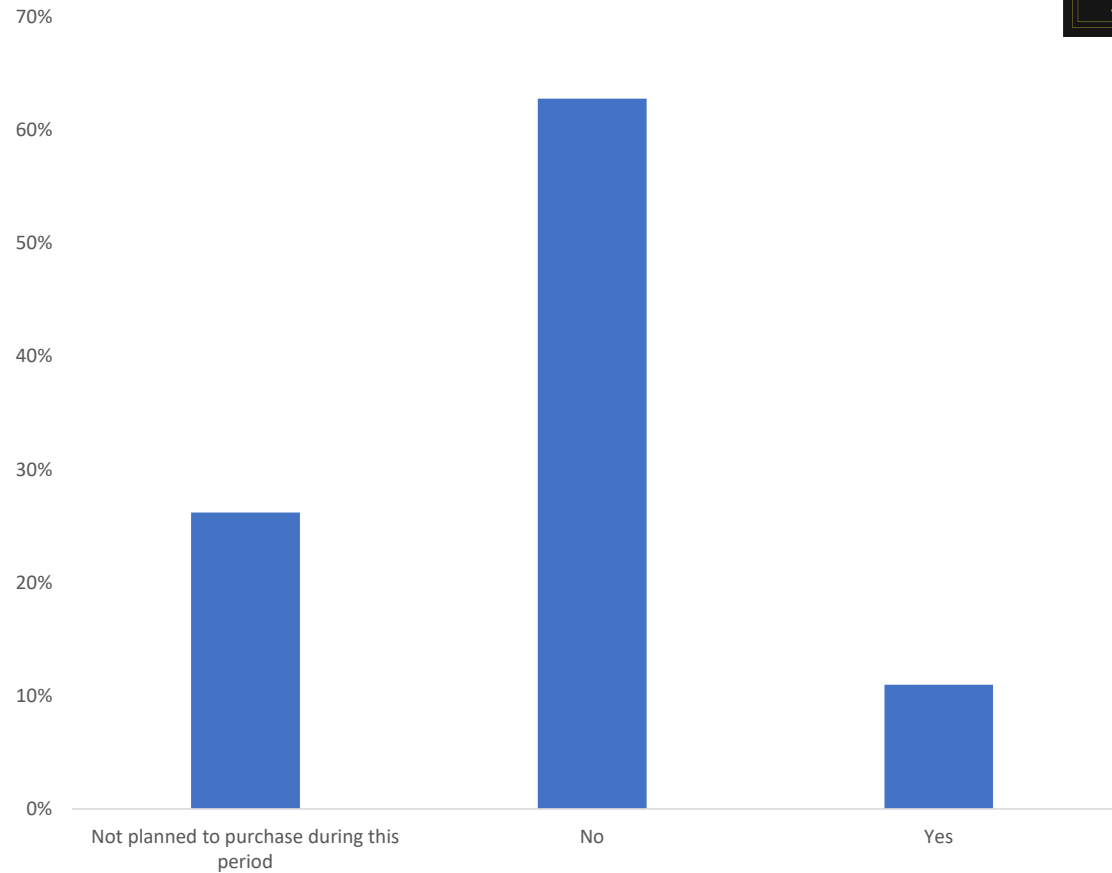
## Household sentiment regarding gold as a pre-planned expenditure

Most households feel that knowledge of the COVID-19 pandemic did not affect the planning process for gold expenditure



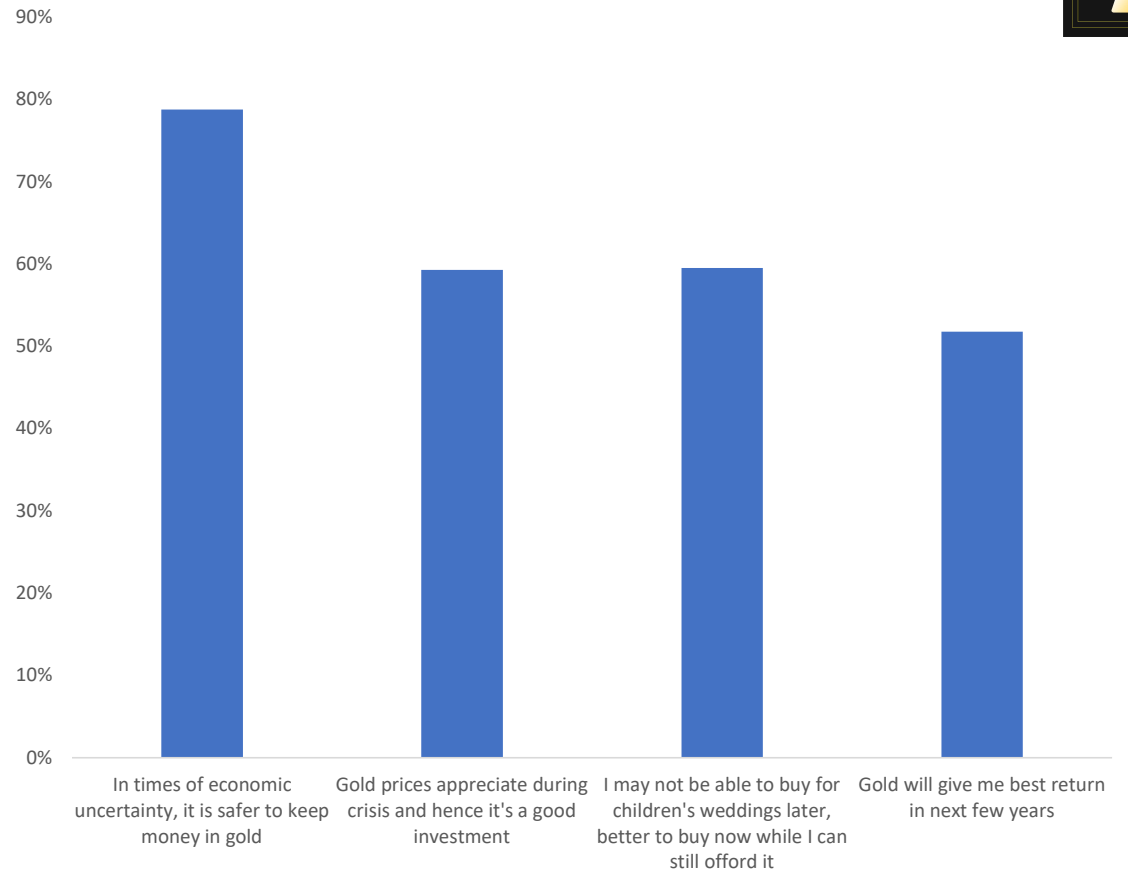
# Willingness to purchase gold after April 2020

Most households were unwilling to partake in gold expenditure



# Gold purchase as a result of COVID

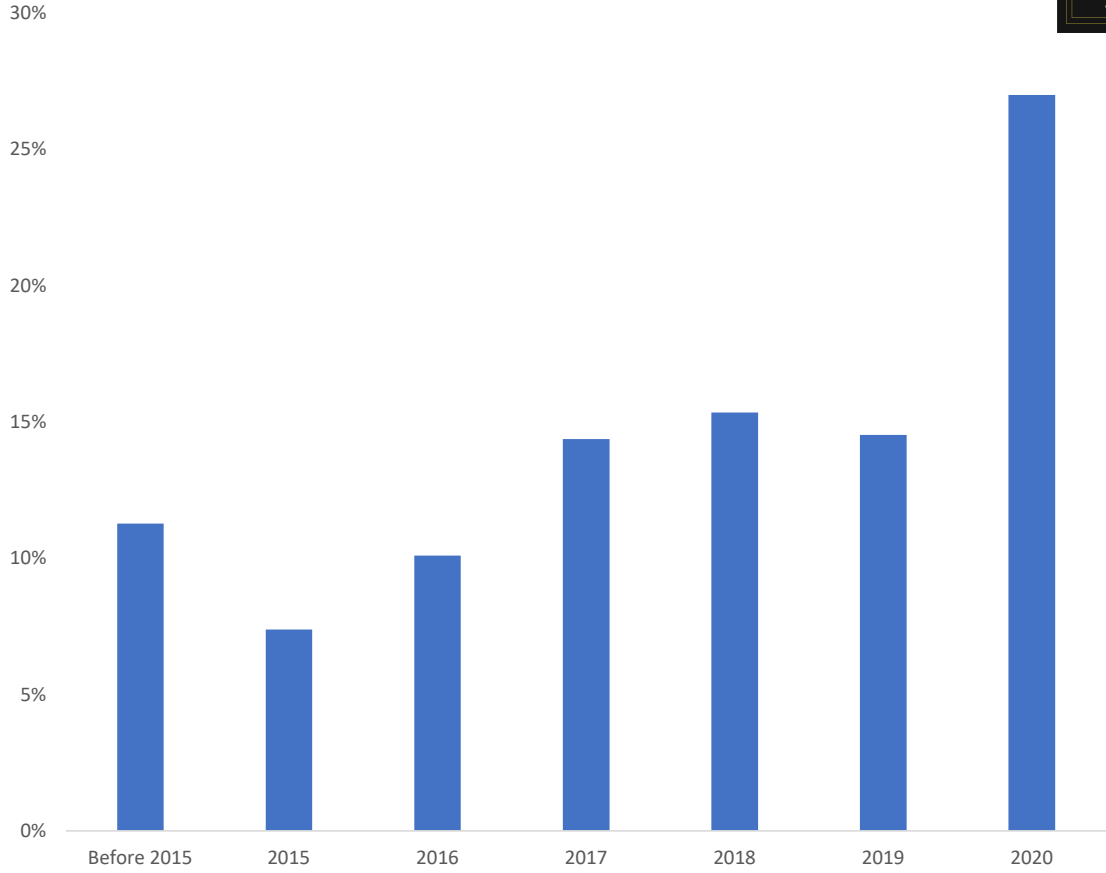
In addition to acting as a safeguard against the economic uncertainties created by the pandemic, households also purchased gold because of social insecurities





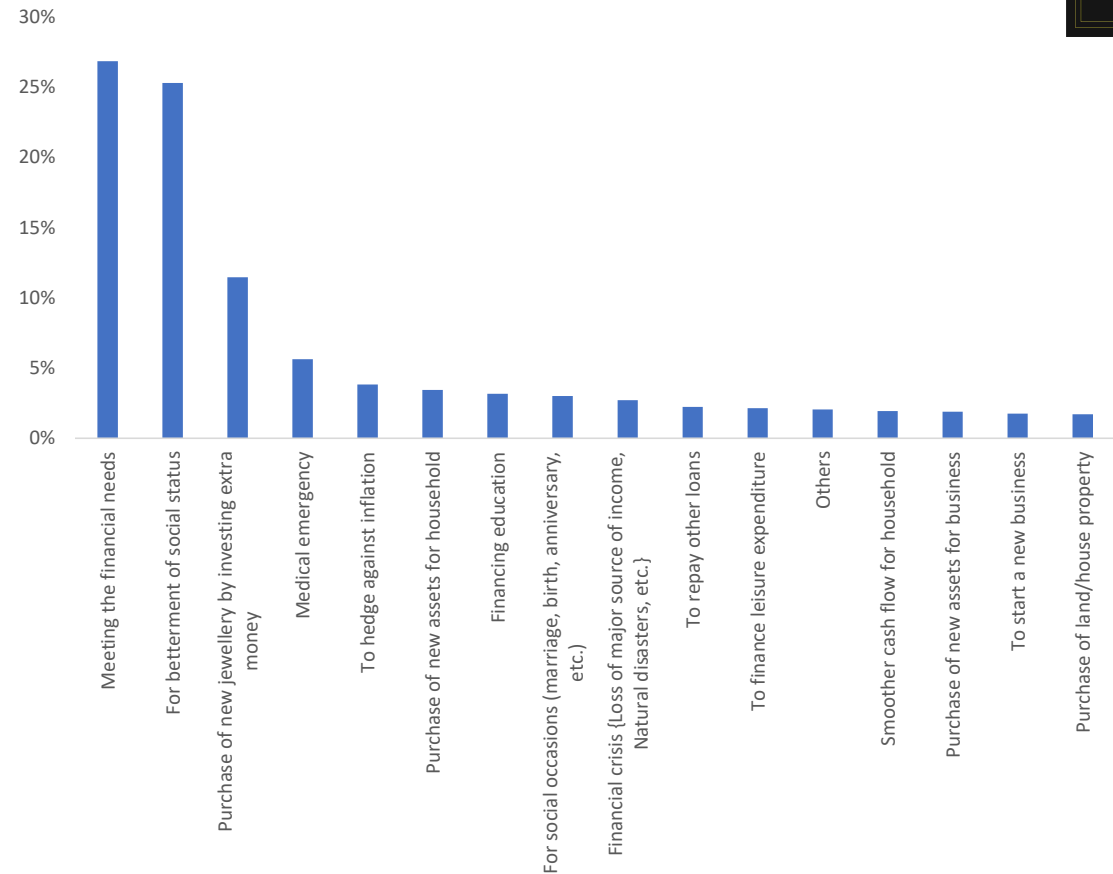
# Time period of Gold Jewellery Sale

Some households found themselves selling their gold jewellery as a means to meeting urgent financial and medical needs in 2020



# Reasons for selling gold jewellery

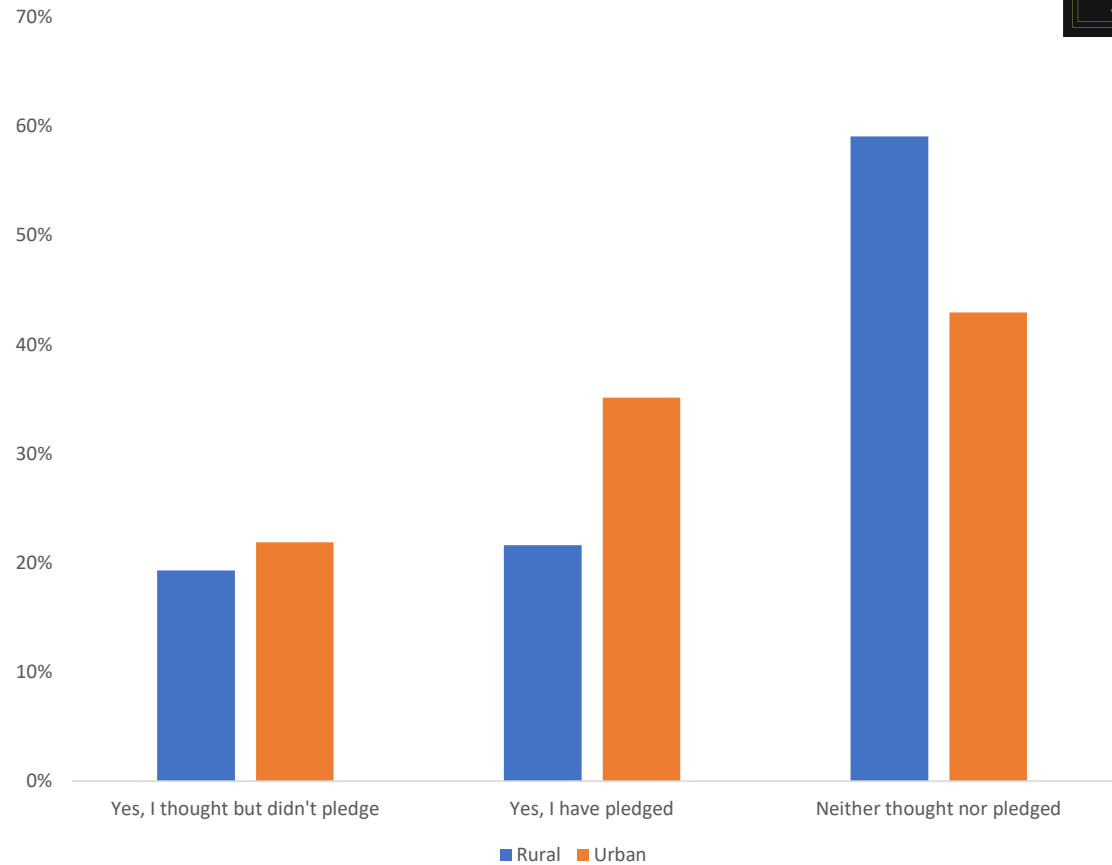
Meeting financial needs and betterment of social status supersedes all other reasons for selling gold jewellery





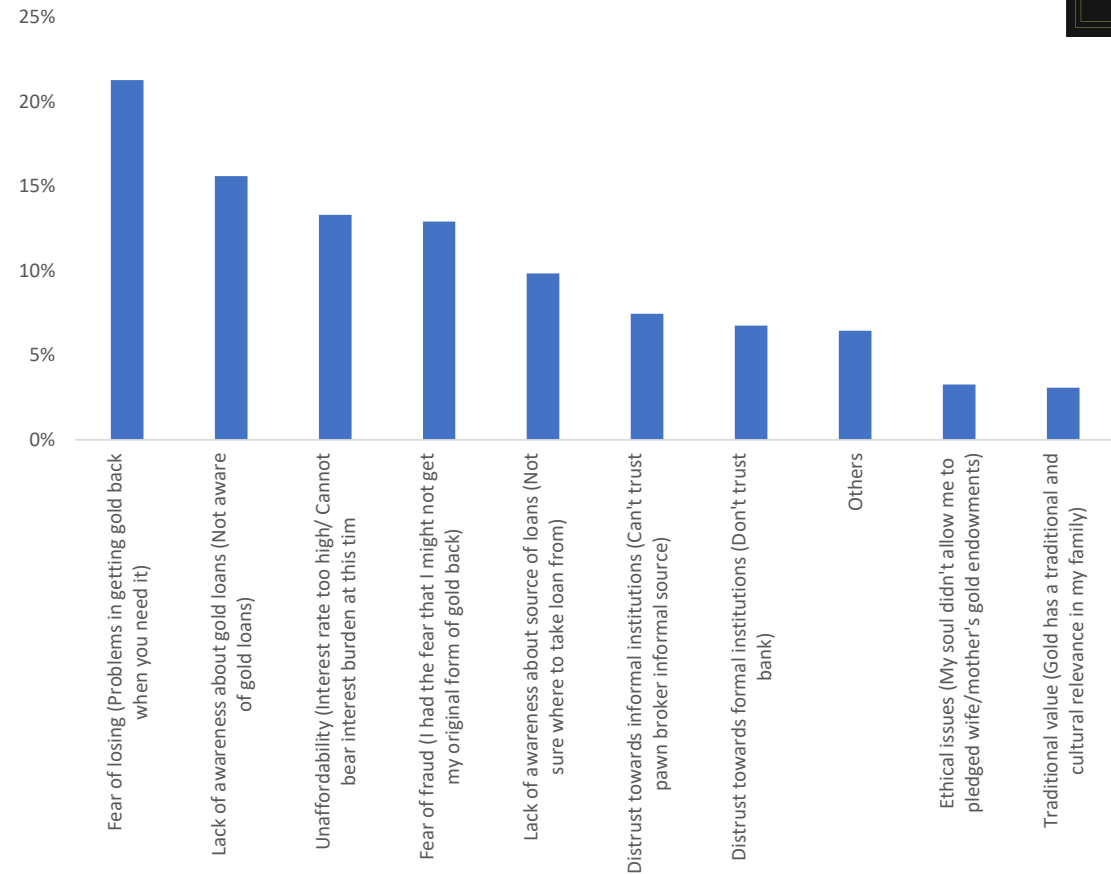
# Willingness to take a loan against gold jewellery

Most households did not consider pledging their gold jewellery instead of selling it



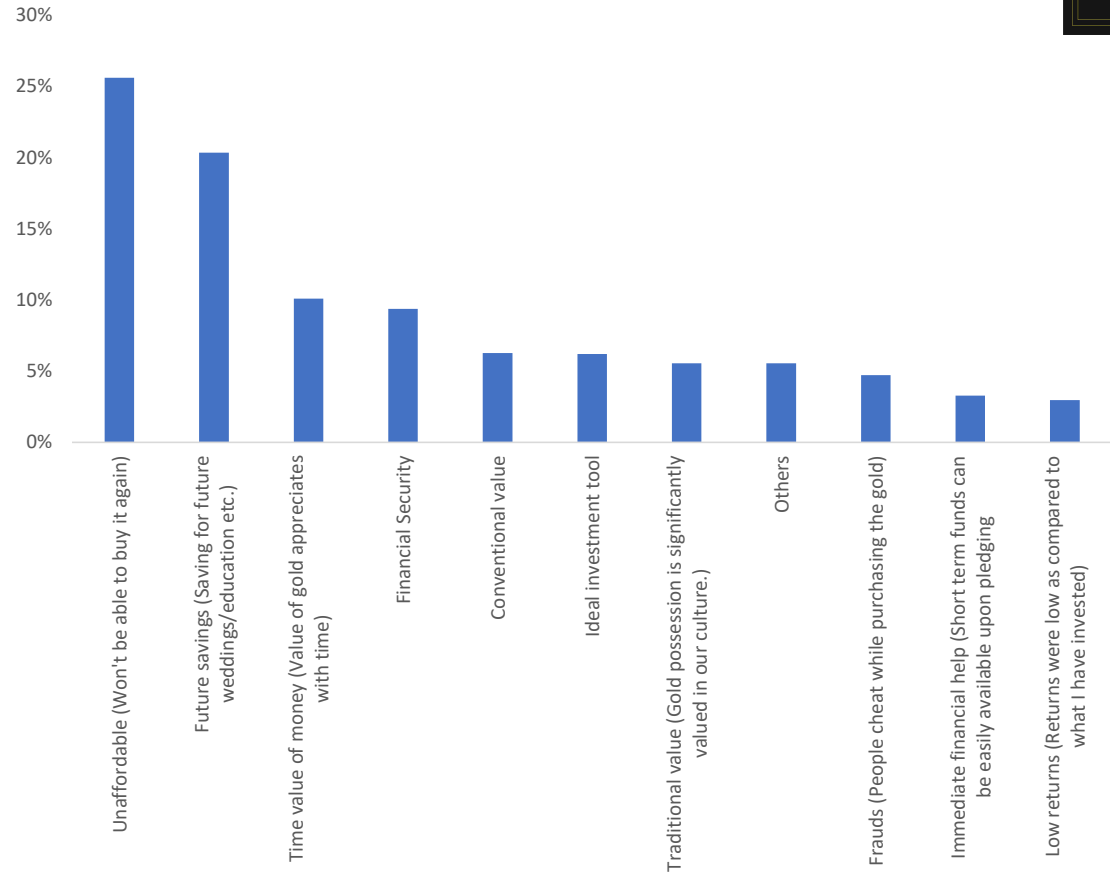
## Reasons for not pledging

Social Stigma attached to unwillingness to part with gold jewellery endowments, in addition to distrust in the gold loan infrastructure



## Reasons for not selling

Among households who decided not to sell their jewellery, but instead take a loan against it, justify their economic incapability to buy it again, along with using it as future savings for social occasions

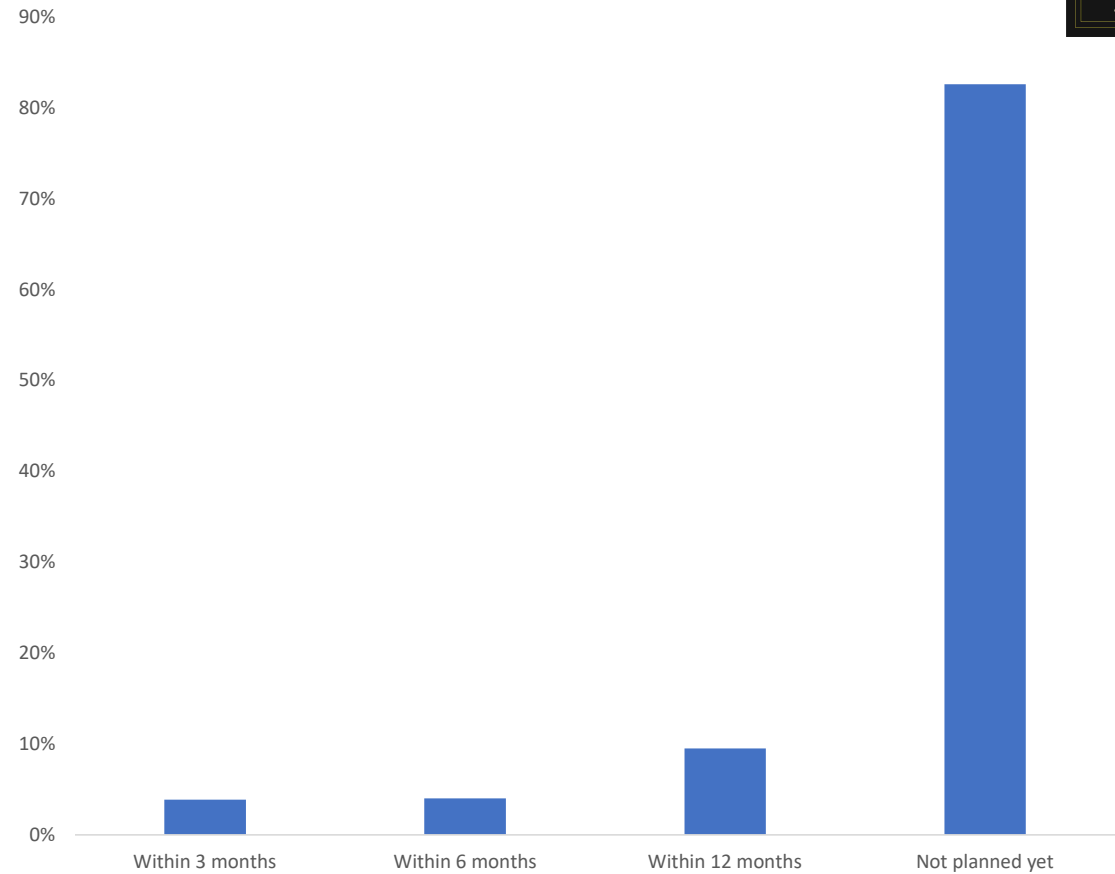


# Future Intentions to buy gold

Gold as a store of value in the future

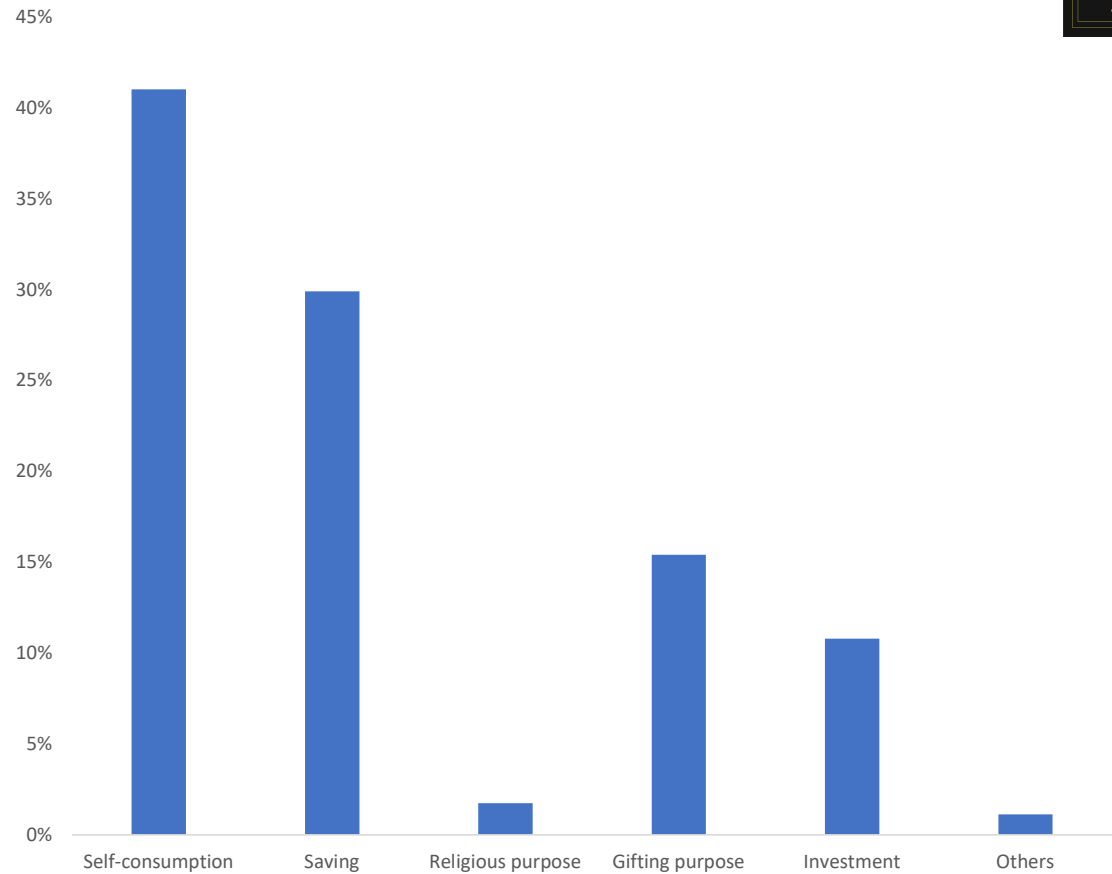
## Time Period of Future Gold Purchase

The pandemic has created uncertainties about future gold purchases, but has not affected willingness



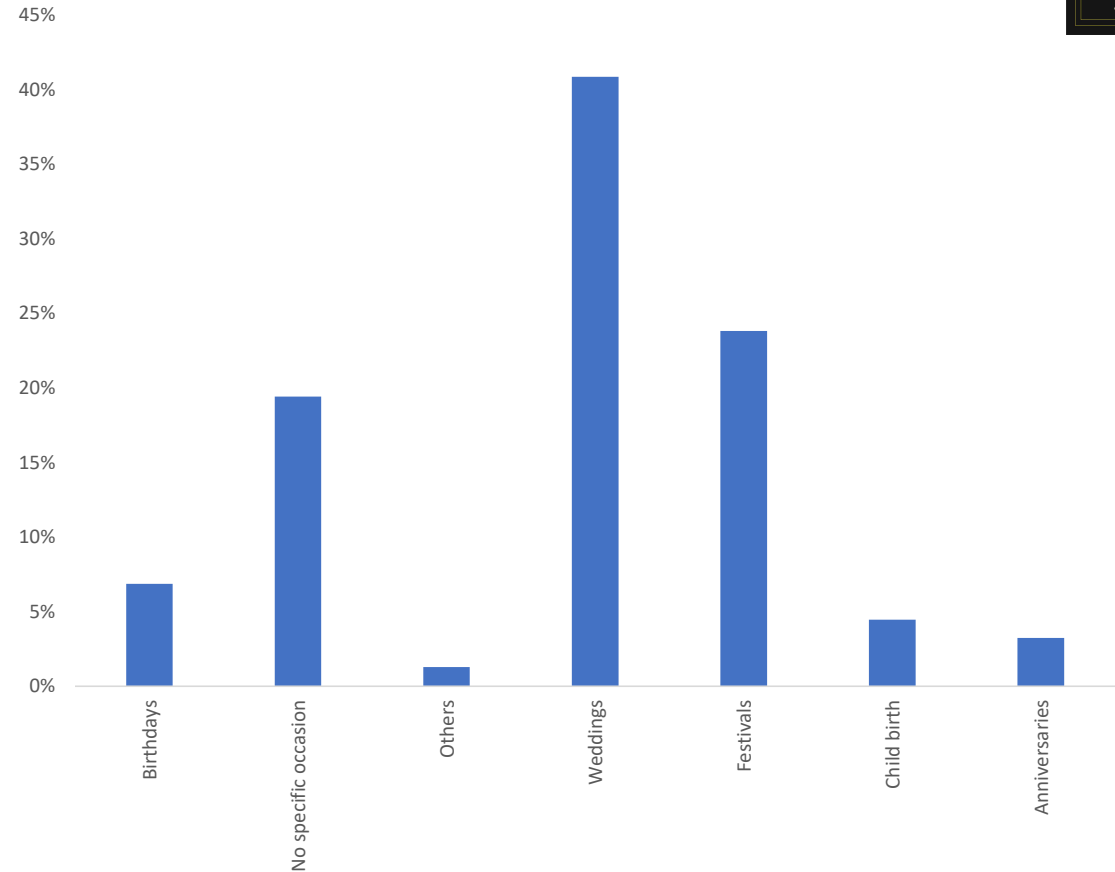
# Purpose of Future Gold Consumption

The most cited purpose for future gold consumption remains self-consumption, followed by savings and gifting



# Major Occasions for purchasing gold in the future

The most common occasions for future gold purchases are weddings and other festivities





# Gold in the Age of QE

With focus on Cryptocurrencies



# Comparing various asset classes across time

**sp500\_marcap** = monthly average market capitalization of S&P 500 (source: Bloomberg)

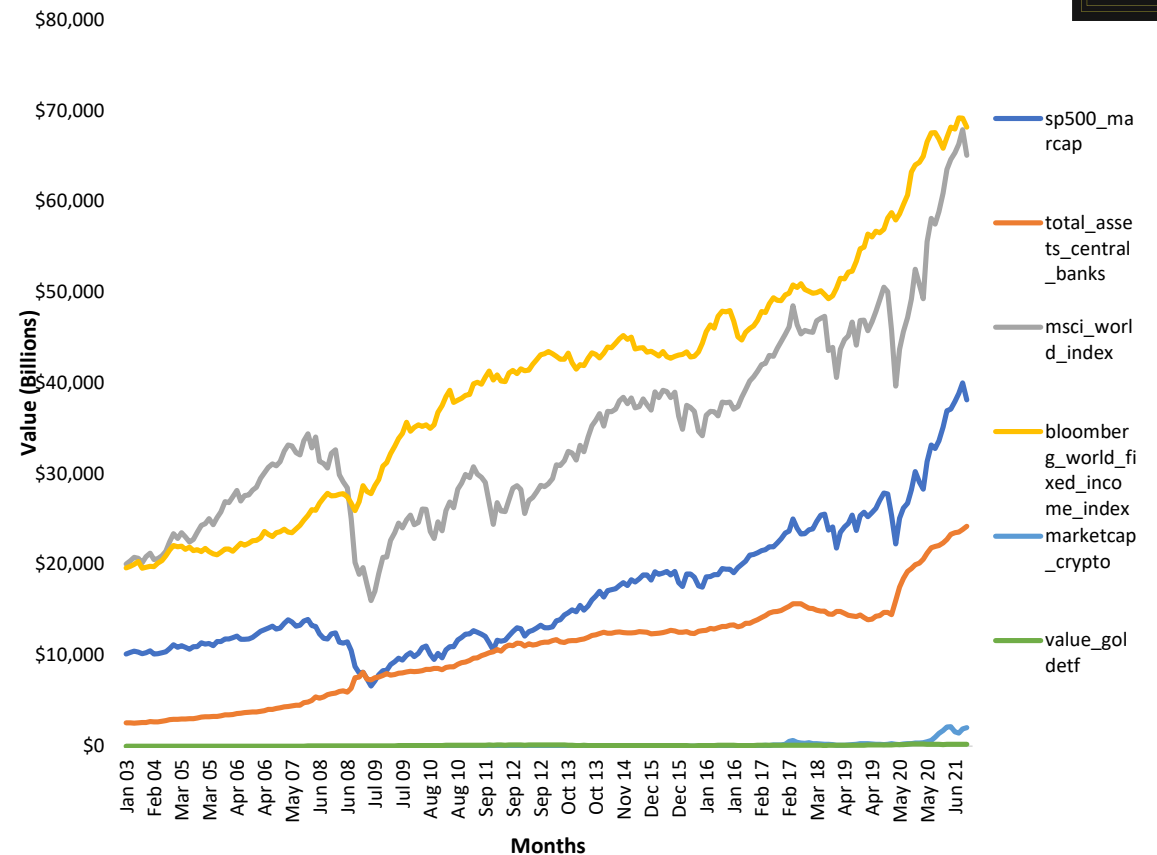
**total\_assets\_central\_banks** = sum of monthly average of total assets with ECB, FED and PBC (source: Bloomberg)

**msci\_world\_index** = average monthly market capitalization of MSCI World Index which covers equity markets across the world (source: Bloomberg)

**bloomberg\_world\_fixed\_income\_index** = average monthly market capitalization of Bloomberg Global Aggregate Index which measures Global investable debt from 24 currency markets; index includes treasuries, government related, corporate and securitized fixed rate bonds from both developed and developing markets (source: Bloomberg)

**marketcap\_crypto** = Average monthly cumulative market capitalization of all the cryptocurrencies calculated using weekly data (source: Statistica)

**value\_goldetf** = Correspond to the total assets under management (AUM) of gold-backed ETFs and similar products at the end of each month



# Correlation Matrix

We observe that market capitalization of cryptocurrency is highly positively correlated with total asset size of central bank balance sheet (0.84) which can be an indication of effect of QE on market capitalization of cryptocurrencies.

It is also interesting to see that AUM in Gold ETF and market capitalization of cryptocurrencies is highly positively correlated (0.63). This might be interesting for the conjecture where crypto is believed to be a competitor asset class of gold in terms of being a safe asset.

	tipsyi~d	sp500_~p	total_~s	msci_w~x	bloomb~d	market~o	value_~f	dollar~x
tipsyield	1.0000							
sp500_marcap	-0.3955	1.0000						
total_asse~s	-0.5634	0.9520	1.0000					
msci_world~x	-0.3551	0.9938	0.9387	1.0000				
bloomberg_~d	-0.5671	0.9513	0.9576	0.9288	1.0000			
marketcap_~o	-0.4871	0.7991	0.8361	0.8038	0.7823	1.0000		
value_gold~f	-0.8056	0.5665	0.7039	0.5267	0.7635	0.6318	1.0000	
dollar_index	0.0045	0.6253	0.4888	0.5866	0.5062	0.2045	0.0048	1.0000

**sp500\_marcap** = monthly average market capitalization of S&P 500 (source: Bloomberg)

**total\_assets\_central\_banks** = sum of monthly average of total assets with ECB, FED and PBC (source: Bloomberg)

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**Dollar\_index** = ICE measured dollar index which measures the general international value of USD



# Concluding Statements

Policy Implications

- Is the industry taking efforts to identify the gaps that are making gold less preferred among urban consumers? Sales in value might have increased for most jewellers, but that is more to do with prices and not volumes
- If people are at large buying gold jewellery as a saving instrument, is it not wise to save in bullion rather than jewellery?
- There is still more to be done to make gold fungible and liquid
- Mandatory hallmarking is also seen to reduce the differentiating factor between corporates and family run jewellery stores
- It is time to create a market of digitized certificate of gold holdings

