INDIA
GOLD POLICY
CENTRE

6th Annual Report

2020-2021

6th ANNUAL REPORT

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INDIA GOLD POLICY CENTRE

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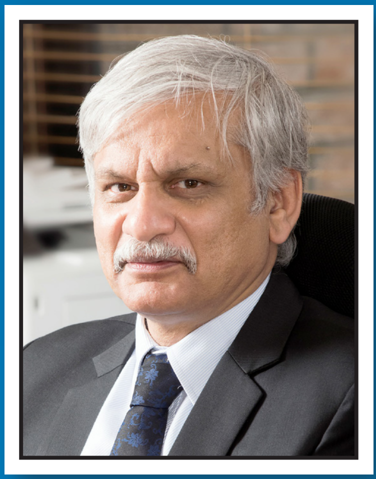
IGPC GOVERNING COMMITTEE



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INDUSTRY REPRESENTATIVE

From the Director's Desk...

Professor Errol D'Souza
Professor of Economics,
Director, IIMA

I am delighted to present the sixth annual report of the India Gold Policy Centre at IIM Ahmedabad.

After years of deliberations on policies, it was heartening to see announcements related to building market infrastructure institutions through appointing a regulator for the International Bullion Exchange and Domestic Gold Exchange, protecting consumers through mandatory hallmarking for jewellery with Unique Identification Number, rationalising the customs duty, and various measures to increase compliance leading to a shift towards the organised trade. We continue with our pursuit to improve excellence in all activities across the value chain by working together with the trade with the aim of creating an incremental and sustainable effect on GDP.

As the pandemic brought the world to a pause, gold reassured its role as an asset of last resort for the public and governments. The steep rise in personal gold loans and central banks getting to do outright sales or doing gold dollar swaps asserted its importance. A recent research paper by my colleagues helped emphasise the role of gold in sovereign credit ratings.

Gold as an asset class typically has risen when real rates decline. This is attributed to gold's opportunity cost being the real return on money which can be measured by roughly by the 10 year yields less the annual rate of CPI inflation. But as economies begin to recover we are left

with the possibility that even if inflation and inflation expectations rise holding gold may not be worthwhile. The inflation that will accompany recovery will be associated with an improvement in real economic activity and in such a situation the rise in real rates does not make gold a satisfactory hedge despite the presence of inflation. As volatility reduces with an exit from the pandemic gold may recede once again from portfolios.

The Indian gold industry has been at the cusp of transition from the beginning of this decade. The growth will be pinned on how the trade embraces the new challenges, builds trust, and uses technology to get ahead in the game. Understanding the shift in consumer preferences and providing a medium to create and preserve wealth will be critical to creating a long-lasting impact. On the operational front more specifically for jewellers and refiners the Basel III norms on Net Stability Funding Ratio is going to pose a bigger challenge with a rise in the cost of financing. That being said, it is an irony when gold is being questioned about its status as a high quality liquid asset.

We look forward to continuing our engagement with the stakeholders and the policymakers on various policy dialogues. As I conclude I wanted to convey my gratitude to all the members from the trade, academic faculty, and government officials who have been very cooperative in helping us take the Centre from strength to strength.

The Year in Retrospect...

Prof. Arvind Sahay,
Chairperson, India Gold Policy Centre at IIMA
Professor of Marketing and International Business, International Economics.

IIMA Prof. MN Vora Chair in Marketing and Entrepreneurship | Chair, NSE Centre for Behavioral Science@IIMA

Exec Ed Program Chair: 1. Pricing for Profit 2. Neuroscience in Marketing 3. Enhancing Sales Force Performance 4. Fintech

This year marks the 50 years since the end of the Gold Standard. It is a time to reflect the importance of gold as an asset class and ask what if the Indian households were not invested in gold.

The first wave of COVID pandemic was a litmus test on the role of gold in household wealth. While businesses operated with lean workforce, increased job losses and unexpected drop in consumption demand, an asset that came to rescue was gold. The surge in sales of old gold and the personal gold loan portfolios of NBFCs and Banks are evidential to the role gold played when government was short of big bang policy responses like many developed and emerging countries.

That brings to the point, what needs to be done to make gold a financial instrument of importance in context to financial inclusion? Suvarana Bharat Abhiyaan, a concept paper by IGPC on mobilising household gold was a start on those lines, followed up by our inputs to revamp the Gold Monetisation Scheme. That being said, the revamped scheme is yet to gain traction which is possible only through building confidence in depositors about not questioning the provenance of gold. Putting gold within a blockchain type framework should increase the attractiveness of gold – in a world that is becoming increasingly digital.

On the market infrastructure end, we signed a MoU with International Financial Services Authority to provide consulting on implementation of the International Bullion Exchange. Further to that we were engaged with the Securities and Exchange Board of India as part of the working group to draft operationalising of the domestic spot gold exchange. Our paper based on data for 48 countries over 20 years, showing that central bank gold reserves mitigated country risk perceptions reiterated the importance of gold at a systemic level. And this year, the nationwide survey of gold consumption of gold in India got underway. This will enable us, for the first time ever, in the coming year, to provide insights on actual retail purchase, consumption, use and flows of gold at a national and regional level. With the survey being an annual activity, policy making on gold will become more informed.

To take forward the interest on Bullion Banking we organised a half day workshop in collaboration with the Indian Banks' Association. It was well attended by all the major Indian banks with license to import bullion. The workshop was to given an introduction to bullion banking, the various products, risk management and the success story of China.

Our position paper on India for Responsible Gold and Blockchain for Indian gold trade found interest among regulators and policy makers, leading to a more detailed discussion on this subject. The signing up of refiners to conduct responsible sourcing audit was a welcome sign.

2021 will be a year that marks the new beginning for Indian gold industry after years of deliberations- mandatory hallmarking, International Bullion Exchange and Domestic Gold Exchange are all a reality now. The growing popularity of Augmented Reality in jewellery retailing ,Phygital Gold, online jewellery retailing are the signs of change. Mandatory hallmarking, in 256 districts to start with, is now finally a reality; this should go a long way in making the industry globally competitive. The window of opportunities opens up for those who embrace this change.

I would like to convey my gratitude to all the trade associations, officers in various ministries of the Government of India and my friends from the trade who have been supportive in helping us take our research and policy related work forward.

ABOUT

India Gold Policy Centre (IGPC)

The India Gold Policy Centre at the Indian Institute of Management Ahmedabad (IIMA) sponsored by World Gold Council is a centre of excellence, conducting cutting edge applied research on the Gold Industry in India that provides insights and suggest ways the findings can be put into execution.

IGPC is sponsored by World Gold Council. It was set up as a result of a collaboration between the World Gold Council and the Indian Institute of Management, Ahmedabad.

Activities of Centre

- Carry out high quality research
- Produce an annual India gold policy report
- Disseminate research through a variety of channels including media outreach, participation in industry conferences, roundtable discussions and/or authored articles
- Engage with government and policy makers about the role of gold in the financial architecture and gem and jewellery industry.
- Develop business case studies on gold's role in the financial system and society
- Build relationships with other leading management institutions and global institutions on gold industry research, including WGC's other global research initiatives.

Themes of Research

The Centre shall focus on multi-disciplinary, thematic, applied research in several key areas relating to the use of gold as a fungible financial asset in India. The themes of research undertaken by the Centre shall be outlined by the Governing Body of the Centre and shall illustratively include, but not be limited to, the following topics:

- Policy on gold industry in India and internationally, including policy frameworks and effective implementation of policies.
- Role of gold in the Indian and global economies; India's role in the global and regional gold markets; India's response to China emerging as a major player and price influencer in the gold market; and gold's role as an asset class in relation to the financial system, including households, banks, and financial companies.

- Consumption patterns and consumer behaviour across geographies and commitments and inflexion points based on cultural attachment of households to gold.
- Putting gold to work for the economy - developing the required framework and incentives to increase domestic supply of gold through recycling and other forms.
- Setting world class standards and creating a robust gold ecosystem in India.
- Desensitising the current account deficit from gold.
- Gold marketing, including demand analysis, branding opportunities, professional marketing, purchase triggers, and other socio-economic aspects.
- Employment in the gold industry; organized and unorganized parts of the industry; and the industry's evolution overtime.
- Identifying the institutional infrastructure underlying and needed to strengthen the India Gold industry, including a gold exchange. a gold bank. accredited refineries. vaulting facilities and hallmarking.

Contents

CHAPTER 1:

Gold Matters

The end of dot plot policy making

The fiscal measures globally as of mid-March 2021 following the pandemic has amounted to $16 trillion globally according to IMF's Fiscal Monitor report. The fiscal deficit[1] as a share of GDP also been on a rise, on a year-on-year comparison, it increased by 11.7% for the advanced economies and 9.8% for emerging economies. The global average of public debt to GDP is estimated to have surged in 2020 to 97% and is seen hitting 99% by end of this year. In essence, the governments are testing the limits of monetary and fiscal policy tools. These policy measures have led revaluation of prices of equities and commodities with every billion that is being added. The total debt of non-financial corporations has increased by $45 trillion in 2008 to near $80 trillion fueled by lower interest rates; notable here is the three-fold rise of same in the emerging economies.

In an ideal scenario gold price should have been on a continuous rise, instead what happened is gold started seeing competition from other assets for liquidity. We are not just talking about the Cryptos- the parallel currency of a 100 million plus community, it is a host of commodities and sovereign bonds. To put that in perspective, more existing homes were sold in 2020 than any year since 2006, giving way to new home constructions. Although average price of new homes is estimated to have increased by $36,000 in the USA due to more than a 100-percentage increase in lumber prices, the new privately owned housing units started is estimated at 1.7 million[2], that is again the highest since 2006; more importantly the rise has been steep from 0.9 million recorded in April'20. Evidently, it leads to demand for copper which has a significant demand for home wiring, and the related commodities. This was not limited to US, we are seeing this across various emerging and developed economies, with a shift in preference for an independent home following pandemic.

The low interest rates have created a significant demand for Sovereign bonds last year. In total 62 countries issued 549 sovereign bonds totaling $691 billion[3]. A large share of this was issued by Latin American, European and Central Asian countries. Time would tell what happens when Fed stops the music, as these bonds will be subject to interest rate risks. Not limiting to it the governance and corruption in these countries can lead to inefficient utilization of funds.

1 IMF Fiscal Monitor Report 2021

2 https://fred.stlouisfed.org/series/HOUST

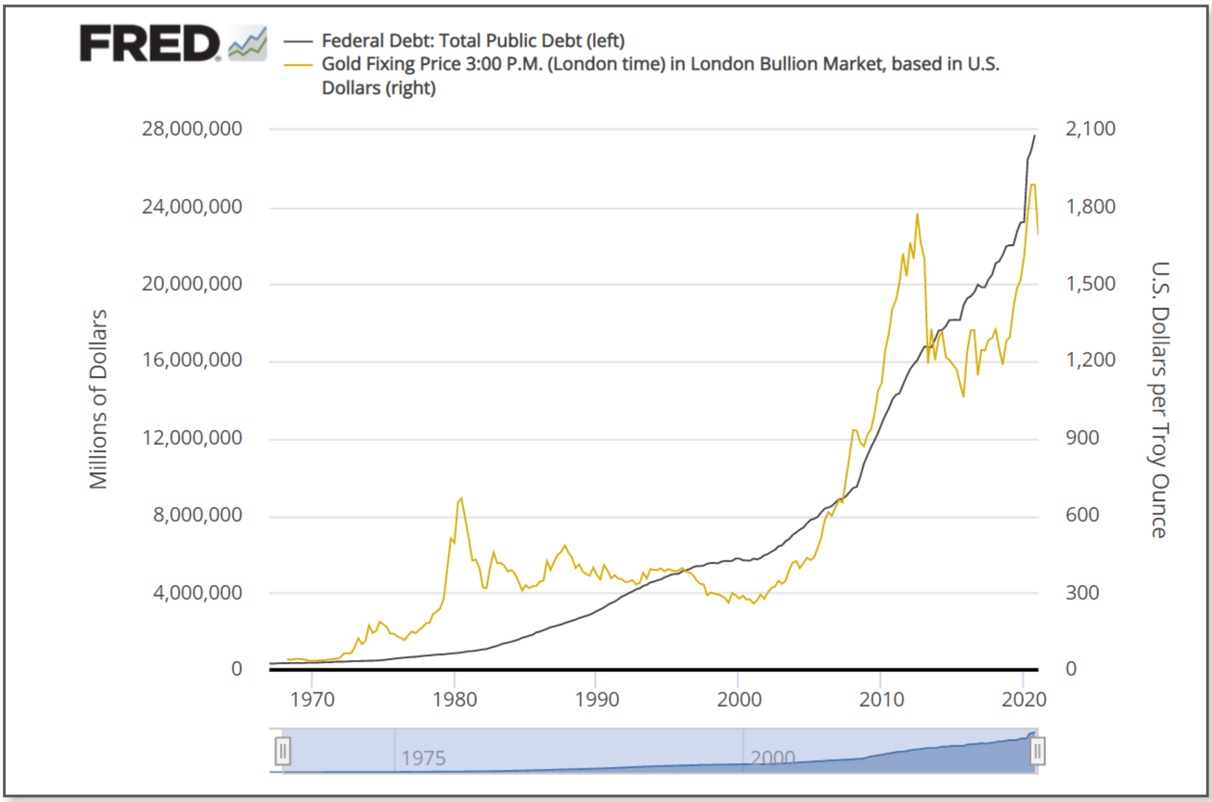
3 European Network on Debt and Development – Report- Sleep now in the fire, May 2021

The crypto currencies market capitalization increased to $2 trillion last year. Crypto currencies, which we believe are less of a currency and more of a coin on casino table, have, however, achieved something of a cult status. A lack of belief in governments and fiat money has helped create the euphoria.

While, before the pandemic there was uncertainty about global economic recovery, the actions by central banks and the governments following the pandemic, have helped to postpone the economic consequences; we have kicked the can down the road a little more.

Fifty years to end of gold standard

A chart that explains the impact on end of the gold standard in August 1971.



Sources: Treasury; IBA

Role of gold in unprecedented times:

A. Indian Gold Loan Business - Shock Absorber

When the governments globally were handing out cash in the hands of public, India followed a different plan. Without much media buzz nationalized banks reduced the interest on personal loan against gold through banks, further a nationalized bank introduced a scheme where one could pay 20% of the value of property using loan against gold and rest 80% through home loan. These incentives during the crisis were reassuring for public at large; their savings in gold, the only liquid asset for many households was able to come help at an unprecedented time.

In August 2020, to mitigate the impact of COVID-19 on households and to allow them to take higher loans against their gold, RBI increased the permissible LTV on gold loans for non-agricultural purposes to 90 percent as against 75 percent earlier, and this relaxation was to be available till March 31, 2021. The move allowed households to take higher loans against their gold and was also positive for banks and NBFCs that deal in gold loans.

Gold loans stood out in banks' loan portfolios in FY2021, both in terms of growth and asset quality. Banks preferred to lend either against highly liquid collateral such as gold or Government guarantee as they feared the economic downturn would affect customers' ability to repay loans. State Bank of India' personal gold loan book jumped four times in six months (up to December-end 2020) to stand at Rs 17,492 crore. Bank of Baroda's (BoB) agriculture gold loan portfolio was up 29 percent YoY to Rs 21,116 crore as of December-end 2020 (Rs 16,325 crores as of December-end 2019). Federal Bank's gold loan portfolio registered a YoY growth of 67 percent and crossed Rs 14,000 crores in the third quarter of FY2021. This was possibly the first time the banks were seeing the power of gold held by households. The consolidated growth was 82% year on year to Rs. 60,464 crores.

Similarly top three Gold Loan NBFCs saw huge growth in their AUMs during this pandemic period as shown in the table. However, it now looks the borrowers struggled to make the repayment with one of the NBFC reporting Rs. 400 crores of gold being auctioned in fourth quarter of 2020-21.

Table 1.1: NBFC AUM

(Rs Crore)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Growth
Muthoot Finance	37,700	40,800	40,500	46,200	49,600	32%
Manappuram Finance	16,200	17,000	17,700	19,700	20,200	25%
IIFL Finance	7,600	9,100	9,500	11,400	12,200	61%

Source: Annual Reports

The pandemic was also a shot in the arm for Online / doorstep gold loan products which was started by NBFCs and Fintech companies. Manappuram Finance was the first company to launch Online Gold Loan in September 2015 and Rupeek Fintech was the pioneer in Doorstep Gold Loan starting operations in 2015. In the last five years, all banks and NBFCs have started offering both products.

B. Central banks gold sales and gold-dollar swap

Central banks in the last financial year bought only 297.6 tonnes and, in June, ending quarter they were net sellers for the first time since Q4'10. This is result of a reaction during major economic crisis which is followed by steep currency depreciation, and the governments see this as the easiest resource to mobilize funds. They sell it with hope of buying it back as the economic situation stabilizes. In this context, research by Mohapatra, Rathi and Sahay using central bank gold holdings data over 20 years across

48 countries and the credit default swap rates as a measure of sovereign default risk, demonstrated that higher gold holdings translated into lower perceived default risk.

In a gold-dollar swap the central bank requests a gold swap from a bullion bank for a defined period. The bullion bank would quote a rate at which it would borrow gold and lends US dollars. Both the transaction legs are fixed simultaneously and so is price of the value of gold. Central banks largely get into this arrangement at time of economic crisis to access dollars at low cost and not all countries have access to the Fed's dollar swap lines. Bank of International Settlements had reported that for year end 2009-10, 346 tons of the Bank's total gold holdings were related to swap operations. For 2020-21 the holdings are estimated to have crossed 500 tons[4], the highest in over a decade.

GOLD BACKED CYRPTOCURRENCY MARKET

Gold-backed cryptocurrency tokens have emerged as a new, commodity-pegged stable coin in the crypto market. Gold-backed digital currencies link one token or coin to a specific quantity of gold (for instance, 1 token equals 1 gram of gold). The gold, like dollars or other fiat currency, must be held in reserve, typically by a third party.

The last few years have seen the creation of block-chain projects that claim to have tokens backed by physical gold. There is a bunch of block-chain networks that claim to leverage physical gold to back certain tokens. For instance, Digi global has a token called DGX, which represents 1 gram of 99% LMBA standard gold, Tether Gold (XAUT) token represents one troy fine ounce of gold. While 30 Gold-Backed Crypto attempts have failed, 77 existing blockchain projects attempt to leverage the precious metal's backing.

No.	Name	Symbol	Price	Market Cap	Volume ($)	Circulating Supply
1	**Bitcoin Gold**	BTG	$33.48	$583,319,733	$108,220,860	17,513,924 BTG
2	**PAX Gold**	PAXG	$1,730.40	$104,325,626	$10,500,218	60,161 PAXG
3	**The Midas Touch Gold**	TMTG	$0.007323	$58,337,059	$4,160,848	7,783,148,456 TMTG
4	**Mirrored iShares Gold Trust**	mIAU	$16.65	$24,455,717	$31,925	1,440,433 mIAU
5	**IG Gold**	IGG	$0.001181	$10,661,392	$31,044	8,856,541,707 IGG
6	**Digix Gold Token**	DGX	$55.25	$4,231,013	$848,702	76,633 DGX
7	**Golden Goose**	GOLD	$0.01779	$2,958,816	$240,770	165,994,209 GOLD
8	**CACHE Gold**	CGT	$55.64	$2,608,528	$136,033	46,860 CGT
9	**Perth Mint Gold Token**	PMGT	$1,733.99	$1,500,660	$11,232	865 PMGT
10	**Golden Pyrex**	GPYX	$0.1579	$800,515	$52,049	9,999,999 GPYX
11	**Digital Gold**	GOLD	$53.22	$724,753	$347,229	13,530 GOLD
12	**Ethereum Gold**	ETG	$0.0186	$375,609	$3	20,199,973 ETG
13	**Gold Mint**	MNTP	$0.1756	$336,351	$0	1,914,997 MNTP
14	**Ethereum Gold Project**	ETGP	$0.00001611	$95,362	$520	5,923,698,545 ETGP
15	**Gold Fund**	GFUN	$0.0005371	$82,688	$99	154,093,551 GFUN
16	**Gold Blocks**	GB	$0.003725	$58,518	--	15,563,873 GB
17	**Gold Poker**	GPKR	$0.001074	$5,648	$65	5,260,826 GPKR
				$794,877,988		

4 https://www.gata.org/node/20824#:~:text=%2D%2D%20discloses%20that%20the%20bank's,to%20%241%2C898.60%20at%20December%2031.

The market cap of the top traded Gold backed Cryptocurrencies is just $794 million, which is almost 0.05% of the total Cryptocurrency Market Cap of $1.73 trillion. When the crypto currencies are positioning itself as a substitute to gold and fiat currency, it would be interesting to see the growth of gold backed cryptos, it is like having legs on both the boats.

Early 90's saw the rise of digital currencies which died with time until Satoshi launched the digital currency in decentralized platform and in a decade market capitalization of some are over the tangible companies. Globally veteran investors and regulators are increasingly concerned about the rise of the cryptocurrencies from being compared to Tulip Mania to a central bank telling public that be ready to lose all your money in crypto.

In India, despite government threats of a ban, transaction volumes are swelling, and 8 million investors now hold 100 billion rupees ($1.4 billion) in crypto-investments, according to industry estimates; no official data is available. Arguably, crypto may over time emerge as a new asset class for investors in addition to gold and other financial instruments.

Gold Outlook

Gold prices has generally been ahead of the inflation, a sharp run in its prices is typically followed by various commodity prices turning higher. It was not different this time with a reflationary trade and commodity prices rising with some of them breaking to new record highs.

The monetary and fiscal stimulus continues to weigh on dollar with the Federal Reserve hinting to continue with zero interest rate till 2023[5]. It has stoked fears of a high inflationary scenario, leading to real rates turning negative- dis-incentivizing to hold deposits with banks. The result was money in hands of public has been chasing every item under the sun, leading to broad based increase in price of commodities and equity indices. This is being evident from the rise in market capitalization[6] in US equities which in a year has increased by 28% and in last five years by 80%. The result being public at large can adapt or hedge themselves to the inflation. Not surprisingly demand for gold[7] in the US in last four quarters that is from start of pandemic has been 11% higher than the average quarterly demand since 2010.The total public debt of US as a percentage of GDP has increased, the falling yield has been supportive to get the economy on track during duress and at a lower funding cost.

The exports from America had increased to the highest ever in 2018 and 2019, and slumped 32% in 2020, attributed to the lockdown following pandemic. However, with current fiscal stimulus and depreciating dollar we should start seeing exports pick up as world learns to live through the new norm. According to an analysis by the CEDA (Centre for Economic Data and Analysis) based on the International labor organization, India's unemployment rate in 2020 was at 7.11%, the highest since 1991. The rise in share of consumption spending to GDP by 10.7% in the last quarter helps assert that slowly businesses are getting back to normal and are incentivizing people to get back to work. The temporary workers are seemingly happy with the Covid pay cheque from the government than working.

5 https://www.bloomberg.com/news/articles/2021-03-17/fed-keeps-zero-rate-outlook-sees-inflation-bump-as-short-lived

6 https://siblisresearch.com/data/us-stock-market-value/

7 Gold Demand Trends, World Gold Council

The share of dollar in global central bank reserves has seen a steady decline[8] according to a research by IMF. It has dropped to the lowest level in 25 years signaling the shift by central banks to other internationally traded currencies and gold. Although the launch of Euro has had its impact leading to the gradual shift by Central Banks, however, it is notable that US dollar is still the most preferred currency[9] for global trade.

The potential shift from being the most preferred currency for trade is where much of the dollar is going to lose value. The factors going to kick off that trend are critical to plot the path of gold's uptrend. The EU and Chinese diplomacy are hinting towards this move, perhaps the Central Bank Digital Currency could be the starting point, where China is already ahead of the developed nations by launching digital yuan.

We believe gold is going to play a central role here facilitating this shift through making the respective countries currencies more credit worthy. Last year's selling by some of the central banks are the real signs of distress which probably the capital markets has not discounted it enough. Reports of record Gold Dollar swap deals in last financial year, are further confirmation about the relevance of gold during stressed time. A recent research[10] by Mohapatra, Rathi and Sahay validated that gold reserves by central banks can have a positive impact on the sovereign ratings.

Looking ahead, on the systemic risk, one is going to be the potential default on sovereign bonds by many countries that issued bonds last year due to interest rate risks is something to be watchful about, the effect of it will be seen a year or two later. Secondly the leveraged buying has contributed significantly to commodity price inflation, how stretched it can get and what happens when the price trend reverses as capacity comes up. There is also a strong link to these prices and the sovereign bonds issued by resource rich producing countries. The deleveraging can have a substantial impact across the board. Investor led demand and portfolio diversification by funds will lead to an increased demand for gold. Jewellery led consumption possibly can see a setback in the months to come due to overall consumer sentiment. Price increased by more than 10% from the recent lows of $1650 per ounce in early 2021 to nearly $1900 per ounce in May 2021 and we expect the price to be volatile and remain in a four hundred dollars range with upside capped at $2100 till March 2022. Pressure should build when the tapering by the US Federal Reserve kicks off followed by interest rate hike by 2023. In 2013 post announcement of tapering gold prices went higher by 3% followed by a 13% fall until the end of it, will not be surprised to see the pattern repeat. This would eventually weaken USDINR and cushion gold prices in India. Among other factors, crypto currencies seem to have seen a temporary peak and the technical on bitcoin are uniformly negative which should have a positive impact on gold prices due to fund reallocation. With revival in economic activity demand for retail gold is expected to pick up. Downward pressure on gold prices in dollar would come from

8 IMF's Currency Composition of Official Foreign Exchange Reserves

9 IMF paper: Patterns in invoicing global trade

10 https://www.sciencedirect.com/science/article/pii/S1544612321002087 Central bank gold reserves and sovereign credit risk

decreased uncertainty in global macroeconomic parameters as the pandemic wanes and a decrease geopolitical uncertainty of US and China reach some accommodation – though this seems unlikely with the latest salvo on the origin of the pandemic being investigated as being in the Wuhan laboratory. The very belligerent tone of the speech of the General Secretary of CPC on the 100th anniversary of the founding of the CPC on July1 is a matter of some concern. The liberal Western world may not have the filters to understand the potential seriousness of this message (for 40 years America thought that the Chinese wanted to be like them)– which may quite probably presage a potential military conflict. After Hongkong, the next piece of unfinished agenda for the Chinese is Taiwan.

CHAPTER 2:

Demand and Supply Trends

Global gold demand falls to lowest in more than a decade

Gold, the second most owned physical asset after real estate witnessed a lower consumer demand across the world, falling by 8% year on year. The numbers provide a mixed sentiment globally on how the consumers viewed to react on prices, while Indian demand decreased by 23% year-on-year, the demand from Turkey, US and China increased by 77%, 26% and 18% respectively. Record high prices and avenues for easily liquidating has always made gold a bet for the days of crisis, not surprisingly the recycled gold numbers hit the highest since 2012-13 globally, so was the collateral market for retail gold loans.

Table 1.1: Gold Demand Highlights

(In Tons)	2018-19	2019-20	2020-21		YoY % change
Gold Demand	4,481.7	4,375.5	3,558.9	▼	-18.7%
Jewelry	2,254.6	1,901.1	1,564.9	▼	-17.7%
Technology	332.9	319.0	310.5	▼	-2.7%
Investment	1,168.4	1,516.7	1,385.8	▼	-0.5%
Total bar and coin	1,086.4	859.8	985.7	▼	-10.5%
ETFs and similar products	82.1	656.9	400.1	▼	-15.0%
Central Banks & other institutions	725.8	638.6	297.6	▼	-8.6%

Source: WGC GDT, IGPC

Table 1.2: Gold supply Highlights

(In Tons)	2018-19	2019-20	2020-21		YoY % Change
Gold Supply	4,645.7	4,853.0	4,569.3	▼	-5.8%
Mine production	3,555.1	3,517.8	3,422.9	▼	-2.7%
Net producer hedging	-57.0	47.9	-111.6	▼	
Recycled gold	1,147.6	1,287.4	1,257.9	▼	-2.3%

Source: WGC, IGPC

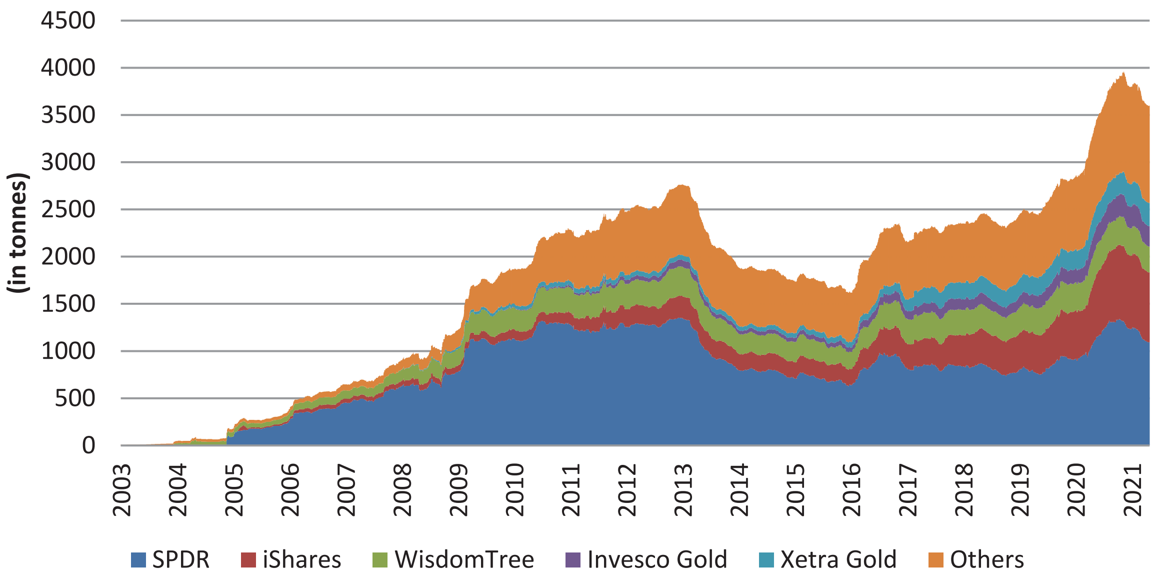
Segment wise demand

1) Investment Demand

Exchange-Traded Fund

With lockdown ETFs becoming the most sought-after avenue to hold gold. In the June ending quarter, the holdings increased the highest ever for a quarter, rising by more than 400 tons, the demand slowed in the quarter that followed. The conclusion of the widely anticipated US election, resulting in a victory for Joe Biden, removed a key element of uncertainty from the market and encouraged some of the shift out of gold ETFs. And the announcement of successful COVID-19 vaccines buoyed wider market sentiment, boosting risk appetite, and prompting a shift into riskier assets like stocks, pushing equity markets in some regions to all-time highs.

Figure 1.1: Gold ETFs inflows in FY2021



Source: Refinitiv, IGPC

Table 1.3: Physically-backed gold ETF AUM by region

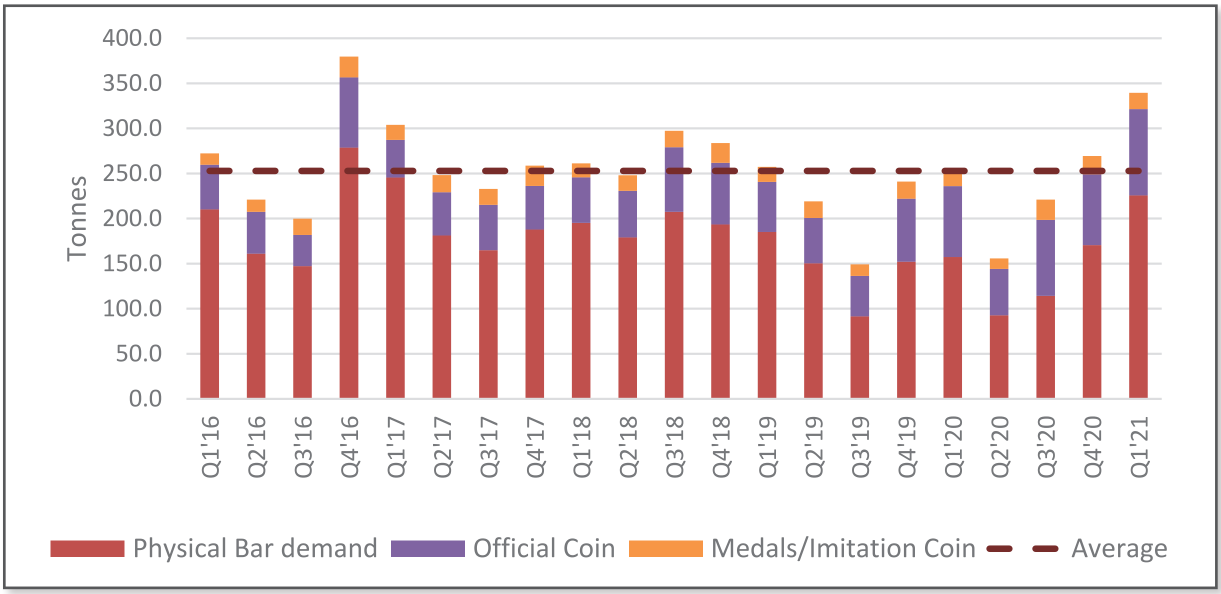
(In Tonnes)	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21		YoY % change
North America	1,568.1	1,898.1	2,089.3	2,003.2	1,857.7	▲	18
Europe	1,464.0	1,552.0	1,606.9	1,572.1	1,520.4	▲	4
Asia	90.7	99.9	119.9	115.2	132.9	▲	47
Other	50.7	59.3	65.4	61.0	62.6	▲	23
Global Total	3,173.5	3,609.3	3,881.5	3,751.5	3,573.6	▲	13

Source: WGC GDT Q1 2021

Bars and Coins

Demand for gold bars and coins drifted lower till 3rd quarter however by March ending quarter with fall in prices in the fourth quarter, demand revived negating the loss and increasing the net demand by 15%.

Figure 1.2: Retail bar and coin investment firmer in FY2021, but below long-term average



Source: WGC GDT 2021

Commitment of Traders

Interestingly last year despite increasing price trend the net long positions saw steep drop from its annual high. The rising 10-year yields were keeping the longs on the sidelines from being overly bullish on prices. In addition, the dislocation in the physical market following pandemic and resulting logistic issues led to an increase in the cost of holding gold in Comex.

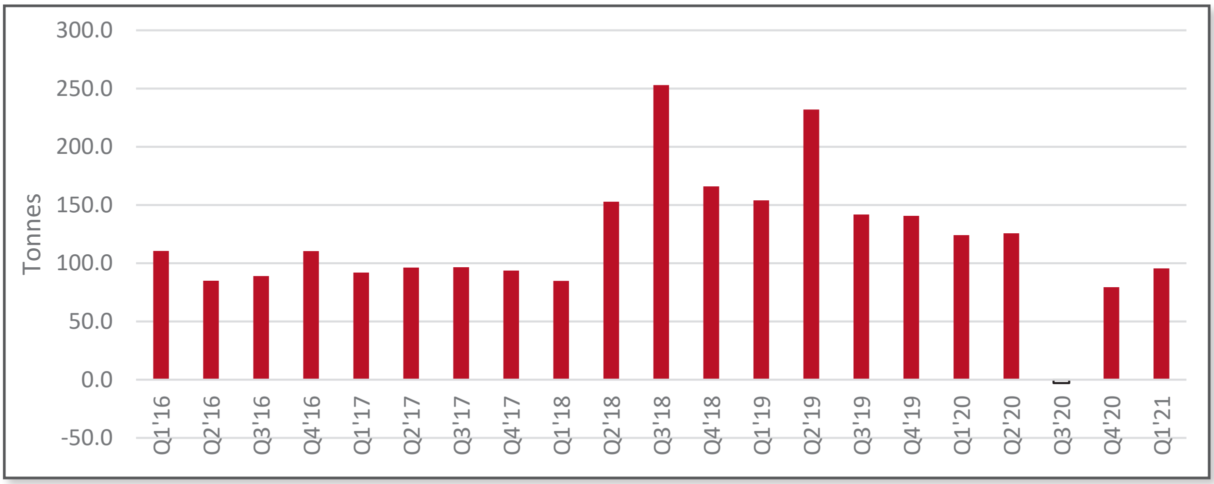
Figure 1.4: Gold US CFTC Holdings

Source: US CFTC, Refinitiv, GFMS

2) Central Bank Demand

Central banks added a net 218.5 tonnes in FY2021, the 11th consecutive year of buying. Still, the buying was lowest in 10 years. As demand was limited to emerging market, central banks looked to improve and diversify their overall reserves.

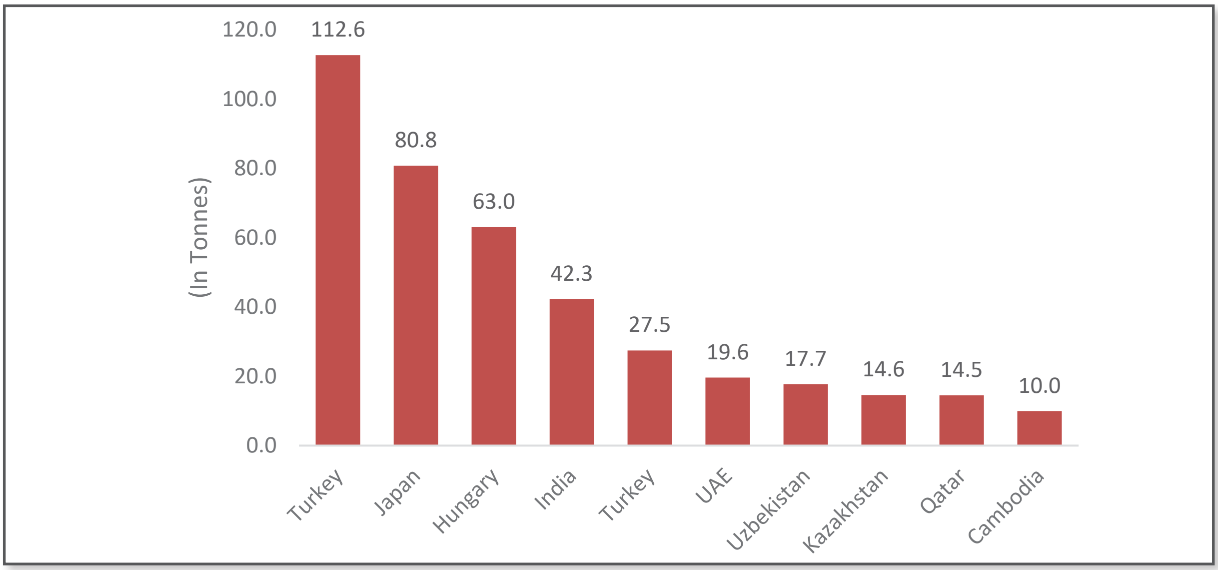
Figure 1.5: Central Bank buying the lowest in ten years



Source: WGC GDT 2021

Turkey emerged as the biggest buyer in FY2020-21, with gold reserves rising by 114.9 tonnes. India central bank was the second-largest buyer by increasing reserves by 23.6 tonnes, followed by UAE, Qatar, Ecuador, and others. Central banks of Mongolia, the Philippines, Columbia, and Tajikistan are among those who were net sellers of Gold in FY2020-21.

Figure 1.6: Top ten Central Bank Gold purchases in FY'21



Source: WGC, IGPC @IIMA

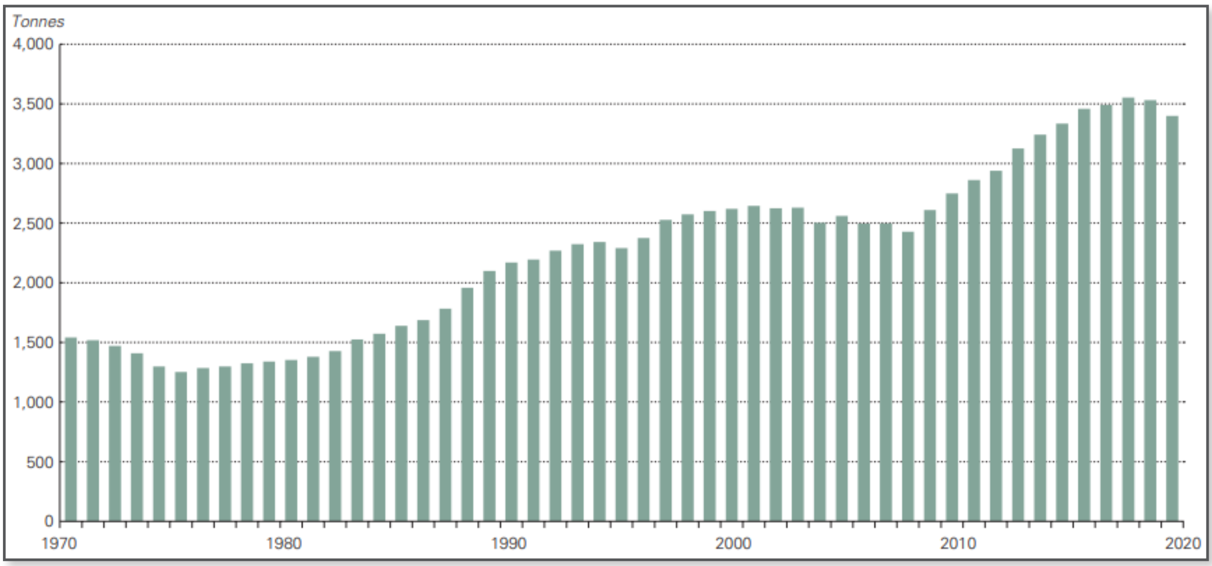
Global Supply Trends

1) Mine Production

Gold mine production totaled 3,423 tonnes in FY 2020-21, 2.7% lower than the same period previous financial year. This was the second consecutive annual decline in production – and the first back-to-back annual drop since 1975 – although the reasons were very different. COVID-19 pandemic interruptions were the main reason for lower mine production in 2020, and the impact varied both geographically and over time. The June ending quarter noticed a steep fall year on year.

Africa and the Americas saw COVID-19 interruptions hit production the hardest in Q1 FY21, while Oceania saw production declining over the year, but this was only partly related to COVID-19. We expect interruptions to mine production from the pandemic to diminish further in 2021, removing a potential headwind to mine production this year. This is likely to be assisted by a return to growth from Grasberg in Indonesia, which was responsible for a large proportion of the fall in global mine supply in 2019. The mine is forecast to increase output as the transition to underground operations progresses.

Figure 1.7: Disruption caused by COVID-19 squeezed mine production to a five-year low



Source: WGC

3) Recycled Gold

There was a modest increase in recycled gold supply despite the price jump. The price level and its rate of change are usually the overwhelming drivers of recycling supply, so given the solid price gains to all-time highs in all key currencies; it is understandable that recycled gold supply increased in FY2021. The surprise came from the degree of the increase, only 0.1% higher y-o-y.

A. Indian Demand and Supply

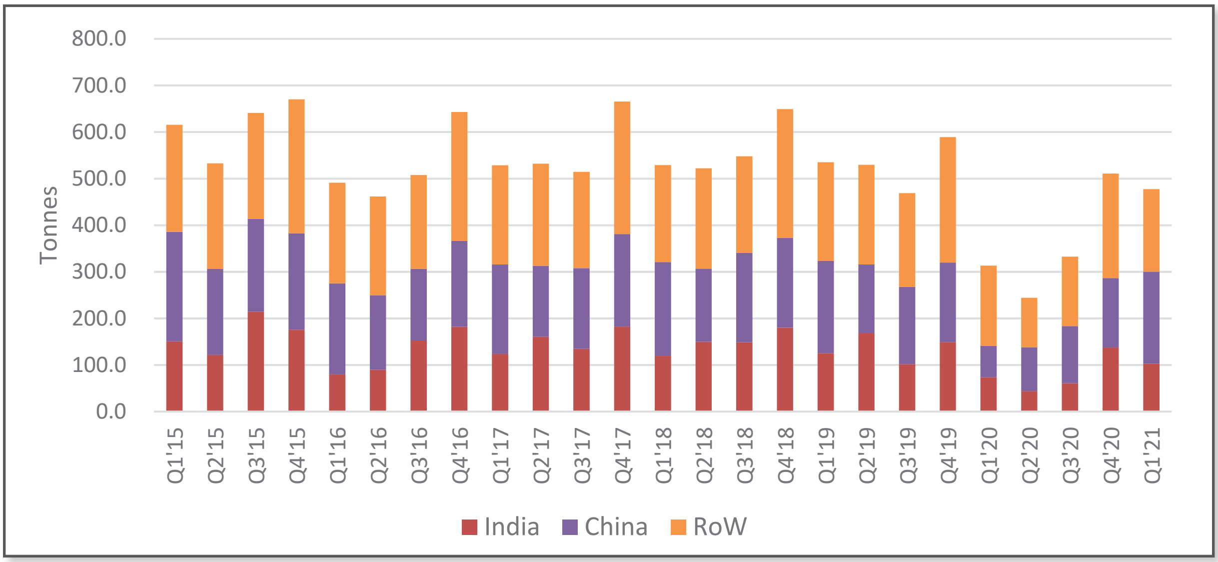
1) Demand Trends

FY2021 marked a new low for Indian gold demand by 42% to 315.9 tonnes. With the easing of lockdown restrictions from September and a reported steady reduction in COVID-19 daily cases, some positive signals of domestic economic recovery came through in Q4. Together with the sharp pullback in the domestic gold price, these factors supported the quarterly recovery in gold jewelry demand. The reopening of the economy and the announcement of successful vaccines also boosted consumer sentiment.

a. Jewelry Demand

Festivals and weddings in Q3 -2020 offered the traditional seasonal boost to jewelry demand, although it remained soft on a historical basis. With the end of *Adhik Maas* on 16 October, sales picked up during Navratri. And during Dhanteras – considered to be an important gold purchase festival – footfall and gold jewelry volumes improved still further, exceeding local industry expectations. Some retailers adopted a strategy of spreading Dhanteras promotions over a couple of days to avoid a rush and help maintain social distancing during the festival. The correction in the gold price during the week of Dhanteras helped demand, but a 32% higher gold price y-o-y was a deterrent for some and, overall, Dhanteras volume sales were lower y-o-y.

Strong jewelry demand in China and India underpinned global strength

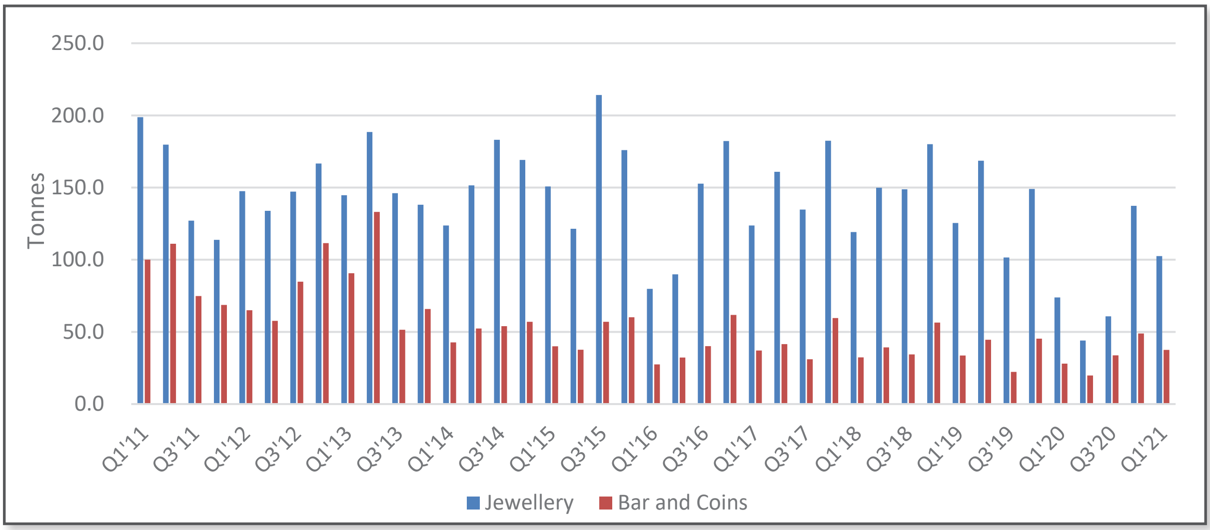


Source: *WGC GDT Q1-2021,* IGPC @IIMA

Pent-up demand from weddings deferred from earlier in the year and rescheduled for Q3- FY21 also provided a fillip to jewelry demand. But, with higher gold prices, consumers preferred gold-for-gold exchange for wedding purchases.

India and China together generated much of the annual decline in gold jewelry volumes; they were similarly influential in driving the quarterly improvement in Q4. Meaningful recovery in either market will bode well for global demand as we head into 2021.

Figure 1.9: Gold Consumer Demand in India



Source: WGC

Resilient rural demand helped support quarterly recovery. Rural demand received a boost in the Q3-FY21 from a good monsoon, with rainfall 9% above the long-term average. Furthermore, relatively low COVID-19 infection rates, higher minimum support prices for crops and expectations of higher Kharif food grain production (0.8% higher y-o-y) also buoyed the rural economy.

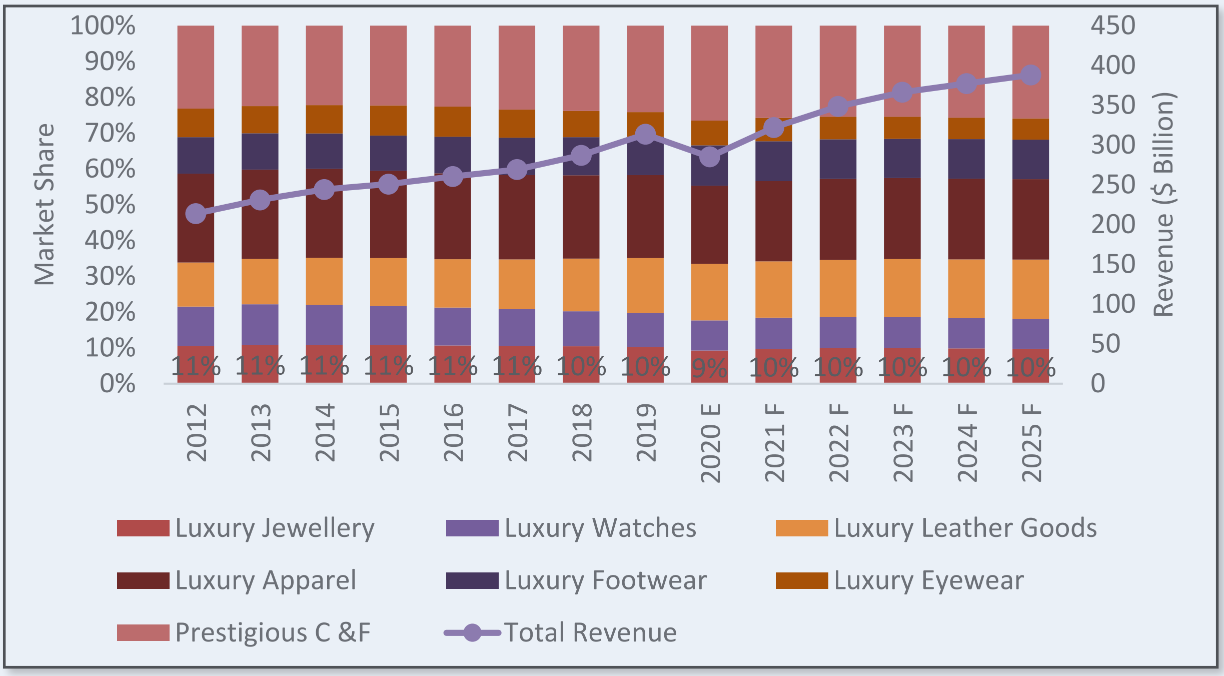
LUXURY JEWELLERY MARKET

Luxury Goods Market consists of seven segments (refer chart below). Its worldwide revenue is expected to be US$321bn in 2021 as per Statista. Luxury apparel, cosmetics and fragrance together constitute 40 to 45% of the revenue share.

Luxury Jewellery (gem-sets, bracelets, necklaces, wrist gems, earrings, brooches etc.) which is also one of its segments constitute around 10% market share and is expected to grow annually by almost CAGR 5% by 2025. Some of the biggest players of this segment includes, Tiffany, Lao Feng Xiang, Titan, Chow Sang and Luk Fook.

Worldwide Luxury Goods Revenue and MarketShare

*Prestigious C&F = Prestigious Cosmetics and Fragrance



Source: Statista, IGPC@IIMA

In an era of rapidly changing trends, producers of Luxury Jewellery have started to monitor and invest in the rising new class of consumers. High-Earners-Not–Rich-Yet (HENRY) the new class of consumers is likely to become increasingly relevant in the times to come.

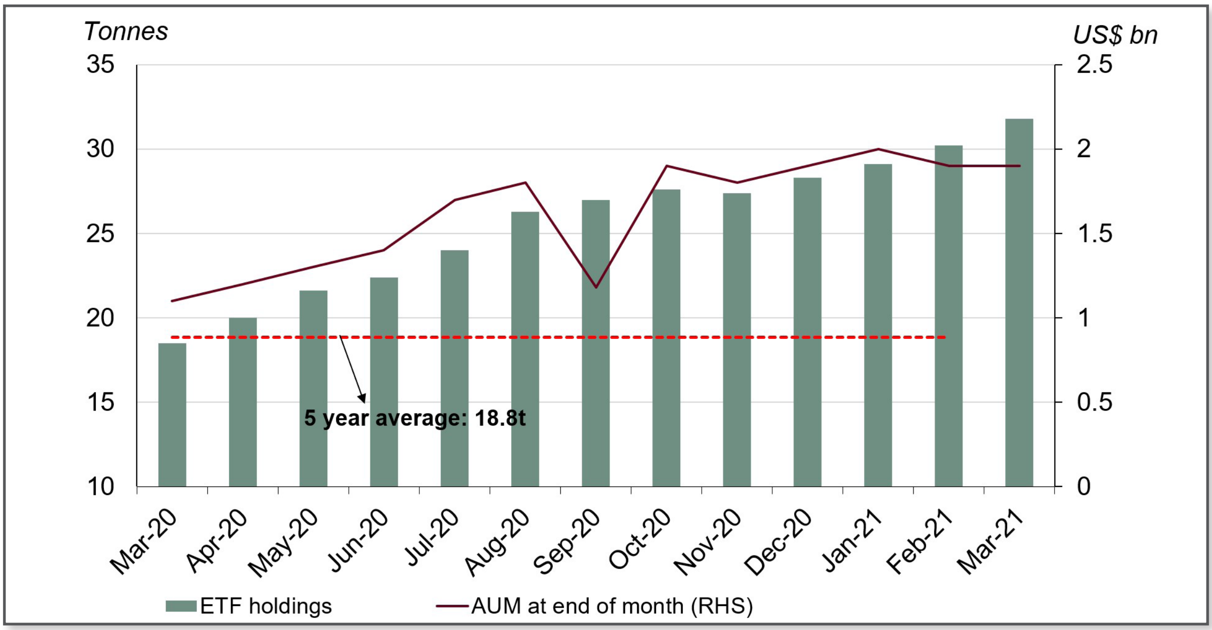
Moreover, emergence of online stores is driving the sale of luxury items. E-commerce is facilitating easy purchase options of products produced at distant places. This, in turn, has contributed significantly to the growth of global luxury jewellery market.

b. Investment Demand through ETF

Indian Investors invested over 6,100 crores in gold exchange-traded funds (ETFs) in 2020-21, as the coronavirus epidemic fueled the purchasing of safe-havens. As per AMFI data, inflows of assets under management (AUM) of gold funds increased from Rs. 7,949 crores to 14, 050 crores at the end of March 2021. And the total holdings in tonnage terms are at 32 tonnes, lower from previous peak of 40 tonnes.

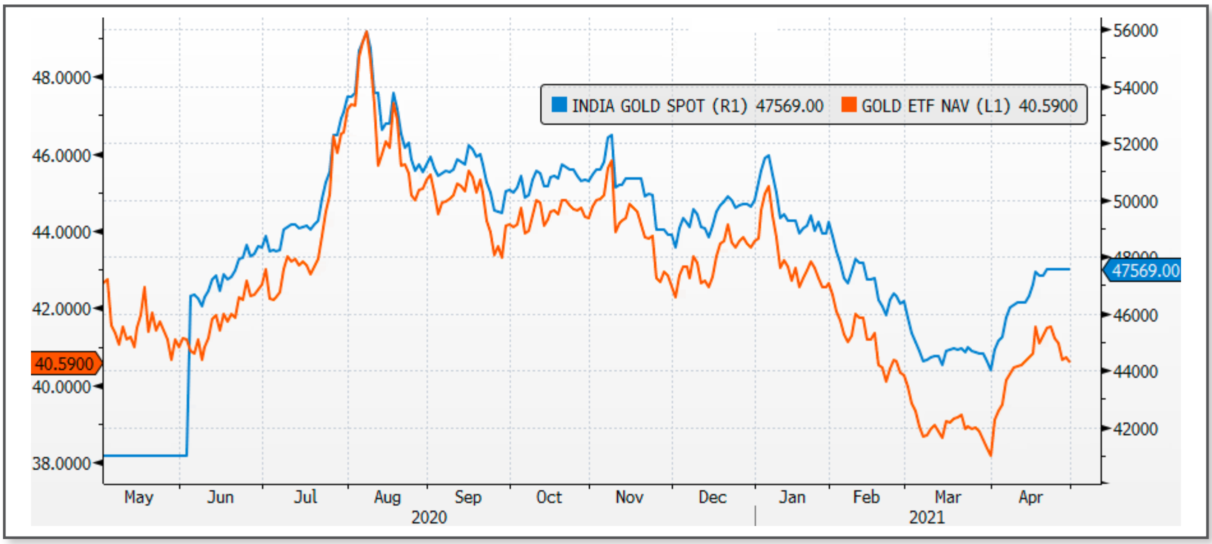
> ***Indian Gold Holdings have gone up by 60% from 18 tonnes to 29 tonnes in FY21***

Figure 1.10: India Gold ETF Holdings



Source: WGC

Figure 1.11: Gold ETF nav vs Gold spot price



Source: Bloomberg

c. Investment Demand through SGB

The sovereign gold bond scheme was launched in November 2015 to reduce the demand for physical gold and shift a part of the domestic savings -- used for the purchase of gold -- into financial savings. Sovereign Gold Bond 2020-21 is issued by Reserve Bank India on behalf of the central government. The Bonds are denominated in multiples of grams of gold with a basic unit of 1 gram and the tenor of the SGB will be eight years with an exit option after the fifth year to be exercised on the interest payment dates.

The bonds are restricted for sale to resident individuals, HUFs, Trusts, Universities, and Charitable Institutions. The minimum permissible investment is 1 gram of gold, and the maximum limit of subscription is 4 KG for individuals, 4 Kg for HUF, and 20 Kg for trusts and similar entities per fiscal (April-March).

There were twelve series of SGB that were open for subscription in 2020-21. All tranches saw an overwhelming interest. Till FY2020, the number of units subscribed was around 310 lakhs (31 tonnes), which almost doubled in FY2021 to 630 lakhs (63 tonnes) equivalent of gold holding. The average Issue price/unit for subscription was Rs. 4926 in FY21 in comparison to Rs. 3,779 in FY20.

Indian Sovereign Gold Bond Holdings grew from 31 tonnes to 63 tonnes in FY21

Table 1.4: Data on Outstanding of Sovereign Gold Bonds (Tranche wise) as on March 2021

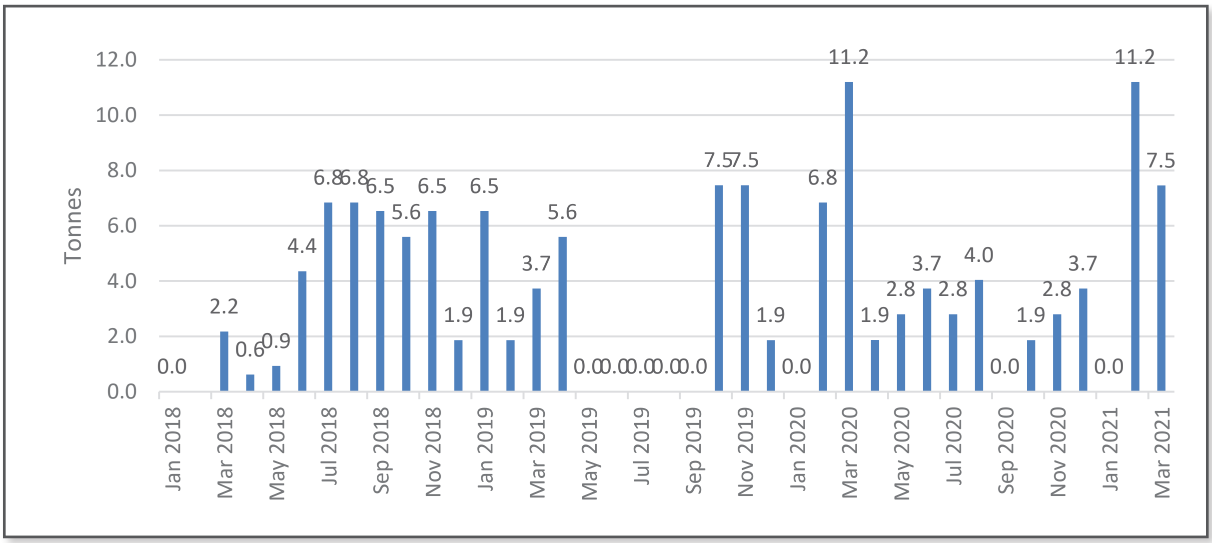
	Avg. Issue price / gram	Number of units (kgs)
2015-16	2,733	4,881
2016-17	3,055	11,388
2017-18	2,932	6,525
2018-19	3,184	2,031
2019-20	3,779	6,131
2020-21	4,926	32,352

Source: *RBI, IGPC @ IIMA*

d. Central Bank Demand

RBI purchased 43 tonnes of gold in the financial year 2020-21(Till March 2021), bringing its total holdings of gold to 696.6 tonnes compared to 653 tonnes in 2019-20. The highest volume was in February as price dropped to lowest in eight months.

Figure 1.12: Indian Central Bank purchases 43 Tonnes of Gold



Source: IMF, IGPC @ IIMA

Supply Trends

Bullion Imports to India increased by 4% despite all the uncertainties in the consumption demand. The first two quarters were devastating for the trade with lockdown, although the pictures of purchases during *Akshaya Tritiya* or even a small window of reopening was seeing pent up demand.

The share of dore to total domestic supply noticed a sharp decline to 27% as against more than 50% in the previous year. The decline is attributed to refinery downtime during lockdown. And unfortunately, due to market design the refiners could not make up for the loss either when demand came back. As a result, the refiners were not able to set the benchmarks in the market. That turned to be a good opportunity for nominated agencies importing refined bullion as the premiums remained firm in the March ending quarter.

Refined bullion imports in last financial year were primarily channeled through SriCity the Free Trade Warehousing Zone, constituting 66% of the total flow. The customs tariff that was being set every fortnight and USDINR every week was one of the key reasons as traders looked for an opportunity to release the metal with change in duty.

Table 1.5: Indian Bullion Supply Estimates

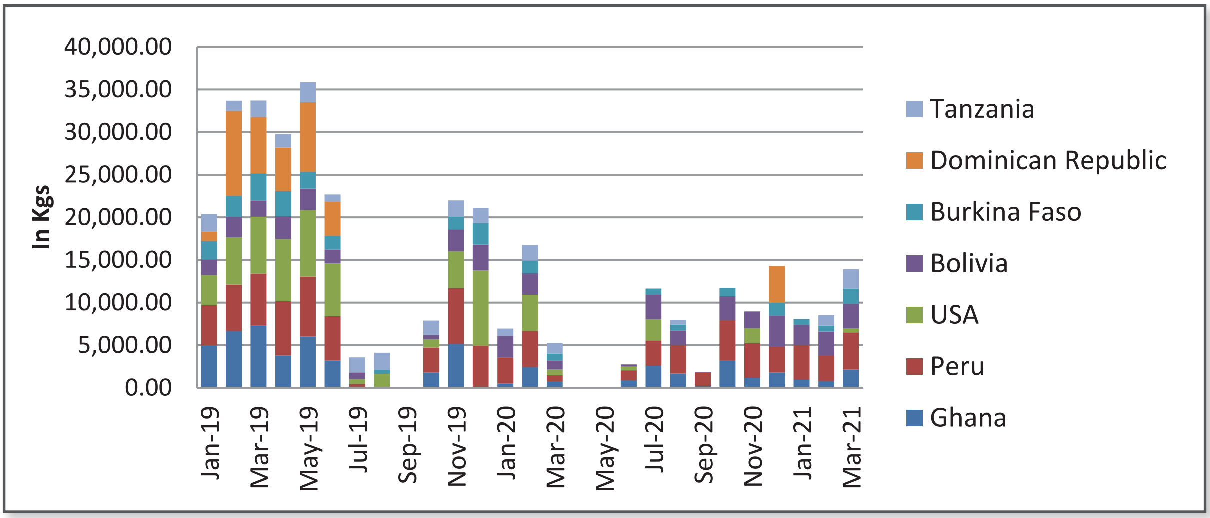
(in Tonnes)	2017-18	2018-19	2019-20	2020-21		YoY %
Gross Bullion imports	804.6	748.3	571.6	592.0	▼	4%
of which Doré	232.1	269.9	176.1	123.5	▼	-30%
Net bullion imports	588.7	479.1	332.5	497.3	▲	50%
Scrap	88.0	89.0	122.0	91.8	▼	-25%
Domestic supply from other sources	8.8	11.9	9.5	8.1	▼	-15%

Source: Refinitiv GFMS; WGC; IGPC

Net Bullion imports= difference between gross bullion imports and gold for exports

Pent-up demand with end of pandemic-induced lockdowns and festivities supported in the Q3-FY2021. A major chunk of demand in December constituted jewelry demand due to the deferred weddings. Another supporting factor was stability in the prices of gold, which made the yellow metal attractive and encouraged imports into the country.

Figure 1.14: Monthly Dore Imports to India

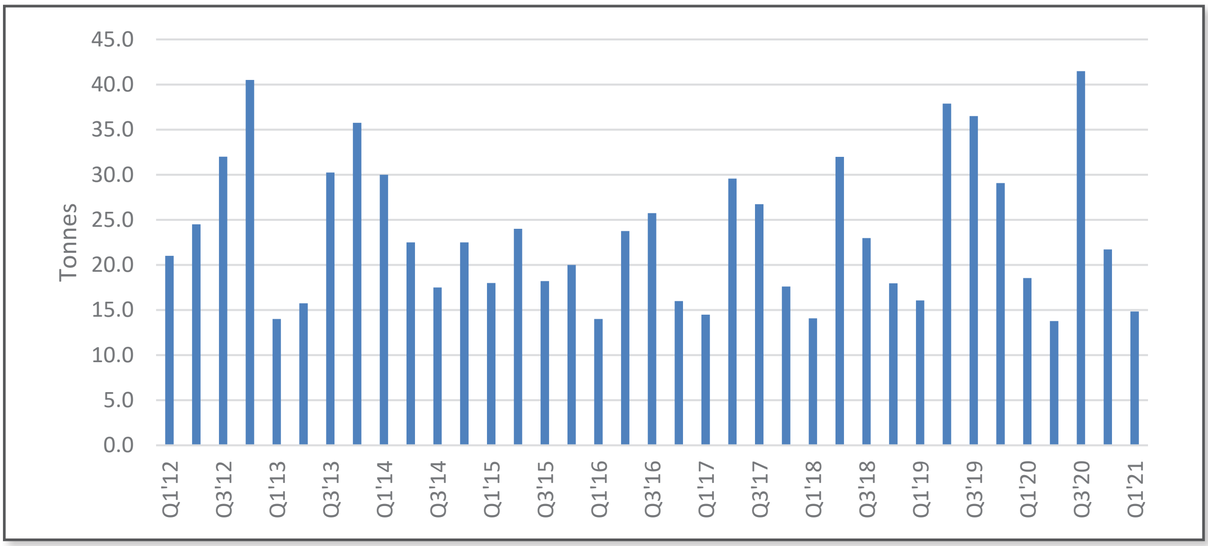


Source: Refinitiv

Scrap Supply

The pandemic related distress sales led to an increase, not limiting to it, the auction of collateralized gold also was seeing a rise as pandemic reduced the ability to settle the loan by borrowers.

Figure 1.15: Indian Scrap Gold Supply



Source: WGC, IGPC @ IIMA

Higher local gold prices in India meant that rather than selling their gold outright, consumers preferred to exchange it for wedding gifting. Further, improved economic activity and a gradual revival in the economy reduced the need for distressed selling during the quarter. One notable theme of 2020 was that Indian consumers used *gold loans to meet their financing* needs rather than gold sales. Also, the strong performance of India's rural economy during the year reduced the need for recycling sales.

4) Growth of Digital Gold

The number of smartphone users in India has grown threefold from 250 million users in 2015 to 760 million in 2021. This has enabled the penetration of digital wallet services that now allow the customer to invest in gold online. Both gold mutual funds and gold ETFs are considered alternatives to physical gold. But it involves customers paying expenses such as expense ratio and other relevant charges to the fund house. But in the case of digital gold, there are no such charges. Hence, digital gold is gaining more attraction these days. Also, what makes digital gold special is that customer can get their holdings exchanged for physical gold and is delivered to your doorstep.

During the pandemic time, Digital gold generated massive interest from Indians who want to continue buying gold for investment, personal use, and gifting during those uncertain times, but have been restricted from going out to buy gold or meet friends and family. Customers are increasingly opting for digital purchases due to the ease of access, affordability, and safety accentuated by the rising trust in payment platforms

Walmart-owned digital payments firm PhonePe emerged as the largest platform for buying digital gold with over 35 percent market share[1]. Other players in the Digital Gold

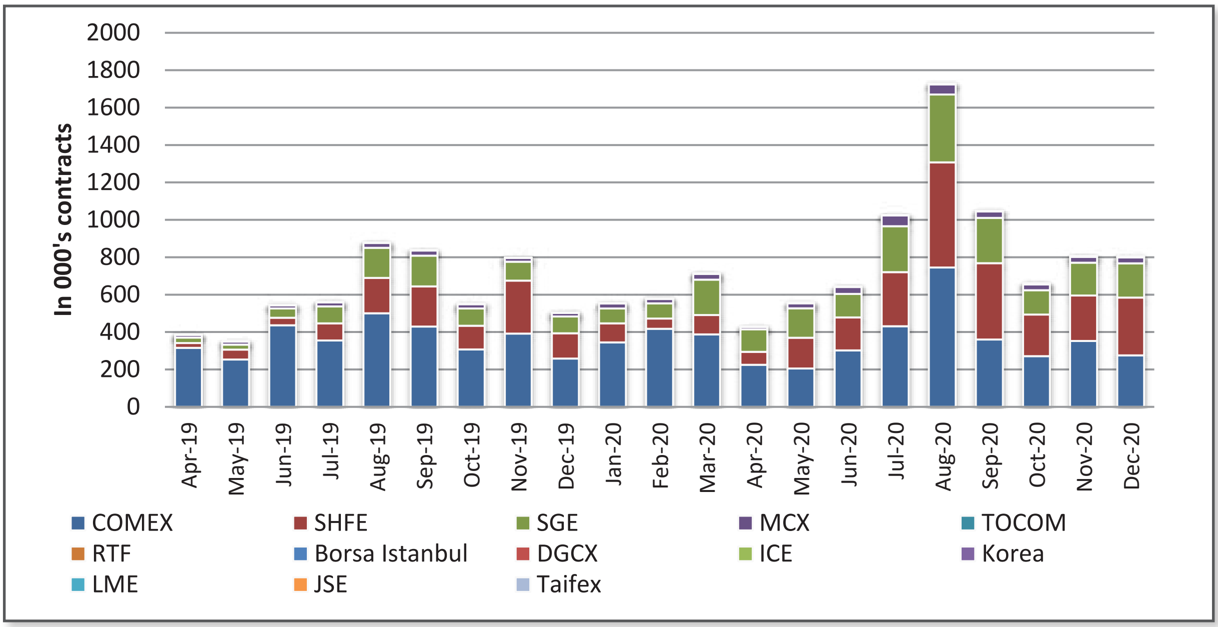
1Retrieved from https://www.business-standard.com/article/companies/phonepe-becomes-largest-platform-for-buying-digital-gold-with-35-mkt-share-120111801308_1.html market like Google Pay, Amazon Pay registered high growth. Alibaba-backed Paytm platform witnessed a 2X increase in digital gold transactions in Apr-Sep 2020. Over 75 million customers transacted 5,000 kg of gold on the platform[2]. Almost 40 percent of these buyers are from smaller cities and towns, which reflect that now people across the country are considering digital gold as a serious investment option.

B. GOLD DERIVATIVE TRADING

1) Exchange Activity

COMEX Gold Volume market share was 63% in FY2019-20 which has drastically reduced to 42% in FY2020-21(Till December). While SHFE and SGE have seen a sharp increase in market share from 18% and 15% in FY20 to 31% and 23% in FY21, respectively. MCX Volume and market share are almost constant around 4% from the last 2 years. August 2020 registered the highest Gold Volume across all exchanges, as prices gold prices climbed to the highest level of $2072.

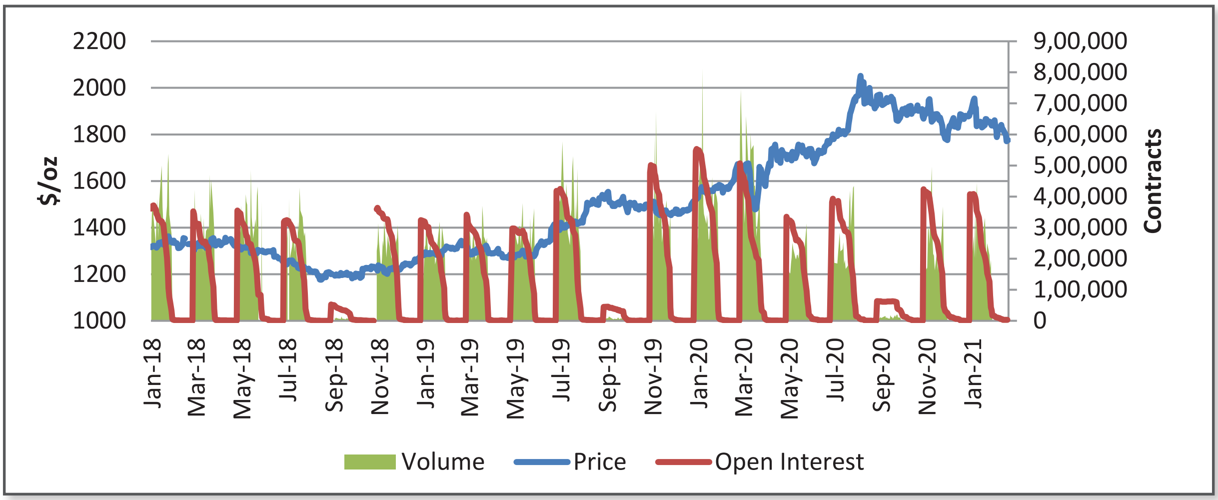
Figure 1.16: Total Gold Monthly Exchange Activity



Source: Refinitiv, IGPC

2 Retrieved from https://www.thehindubusinessline.com/markets/gold/digital-gold-transactions-have-doubled-in-past-six-months-says-paytm/article33083633.ece

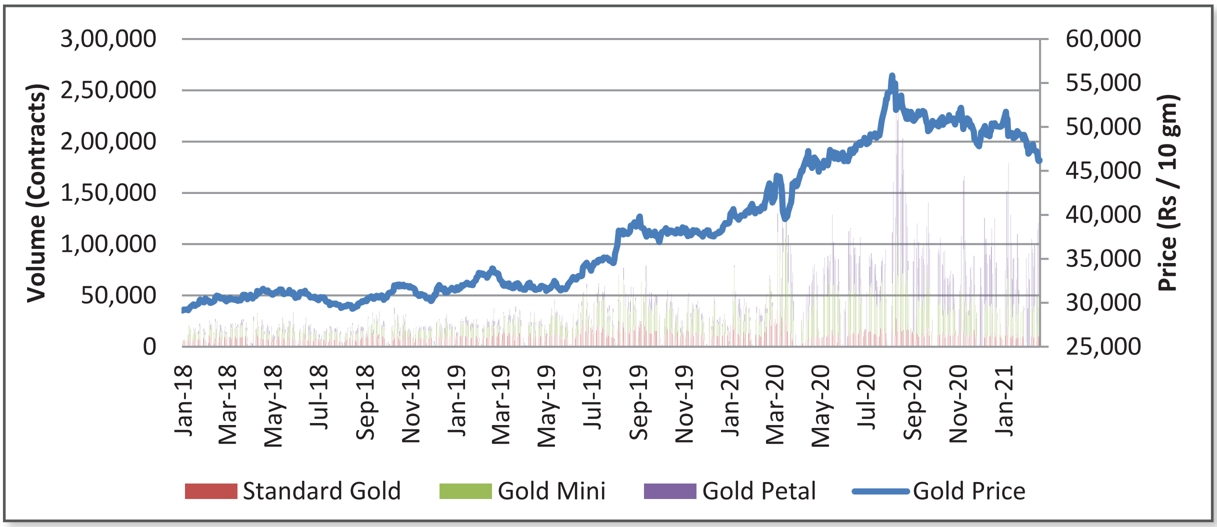
Figure 1.17: COMEX Gold Volume and Open interest



Source: Exchange, Bloomberg, IGPC

MCX 100-gm Gold Mini Contract and 1gm-Petal Contract which had low volumes in FY19 and FY20 saw a surge in volumes in FY2021 with a rise in prices and more small retail participation. In FY20, MCX Gold Petal Volumes (in contracts) was 2x from Gold Mini contracts and 4x from Gold Standard contract as can be witnessed from Figure 1.18. Reflecting the market demand the average daily turnover of MCX to a near-eight-year high of Rs 45,000 crore in August.

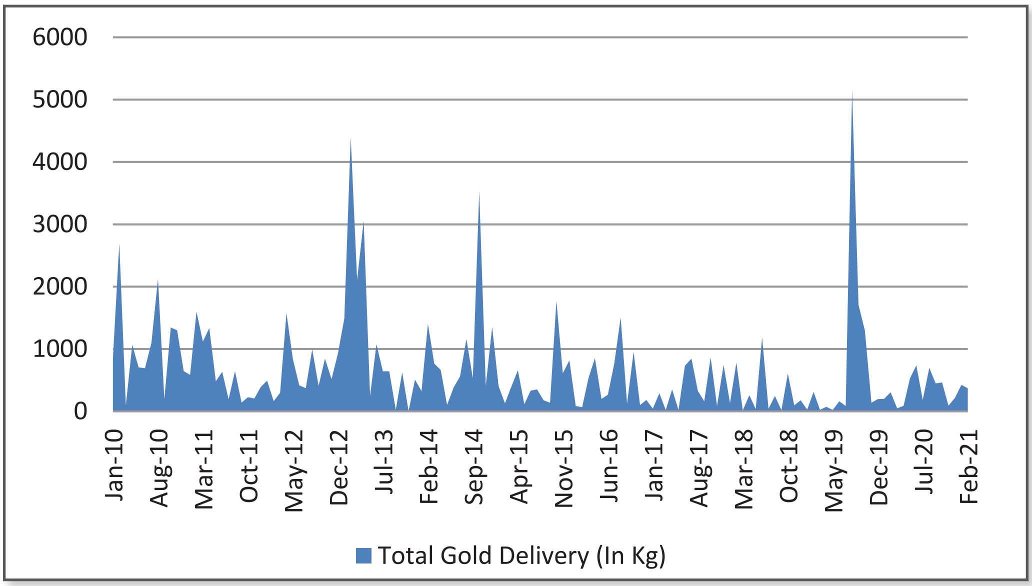
Figure 1.18: MCX Gold Volumes and Open Interest



Source: Refinitiv, IGPC

Delivery Volumes for FY2021 (Till February) were around 4,247 Kgs in comparison with 9400kgs in FY2020.

Figure 1.19: MCX Gold Delivery volumes

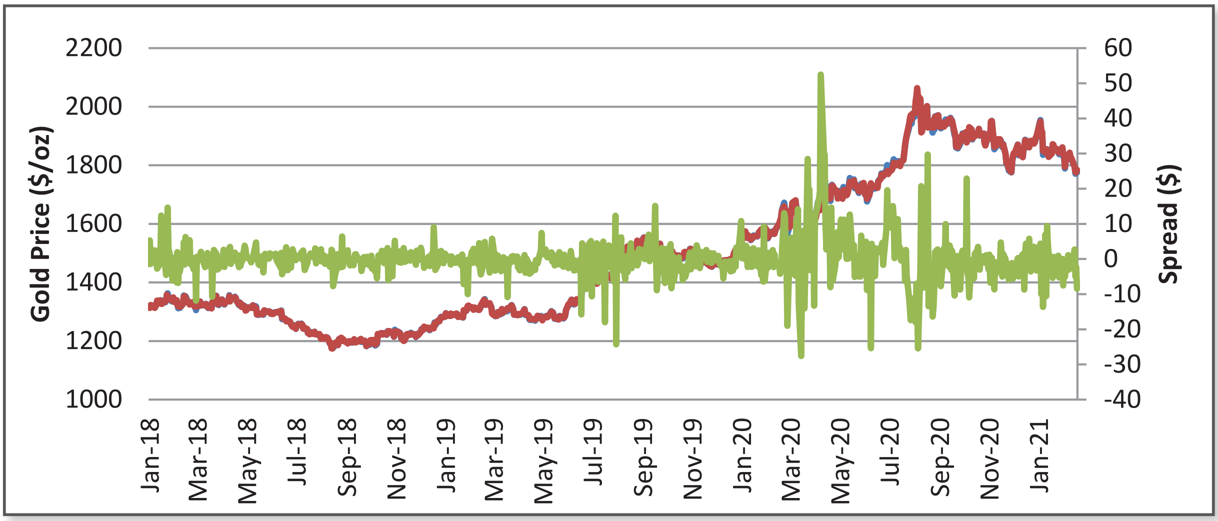


Source: MCX, IGPC

5) Spot and Future Spread

COMEX Gold Spot and Future Spread are generally between +/- $10, but this spread widened to $30-$50 as COVID pandemic lockdown let the spot markets closed from March 2020 to September 2020. Exchanges and F&O markets were all open during this lockdown too so there was a lot of volatility seen in the spread during these six-month periods.

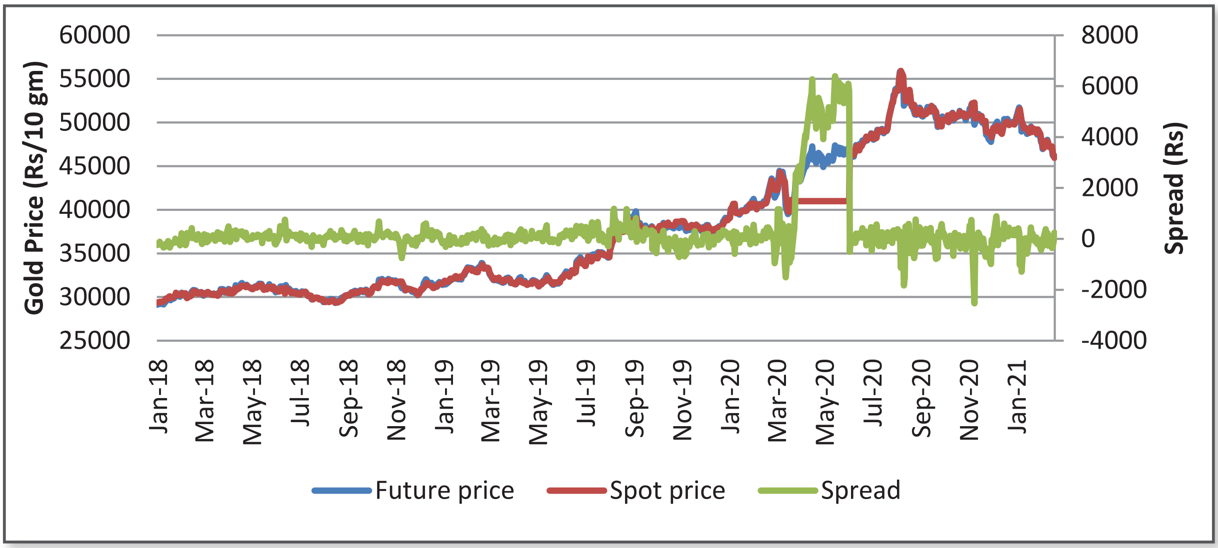
Figure 1.20: COMEX Gold Future and Spot price spread



Source: Exchange, LBMA, IGPC

Huge premiums were also witnessed in Indian gold markets and many traders were seen taking the opportunity to arbitrage between MCX and COMEX where the traders were selling on the COMEX and buying on the MCX, at a disparity of Rs. 1,000 rupees. But due to liquidity problems, a lot of them had to square off their positions because of which we also saw disparity growing to as high as Rs.2,000-2,200 per 10 gram.

Figure 1.21: MCX Gold Future and Spot price spread



Source: MCX, IGPC @ IIMA

As there was a lockdown in India from 25th March to 7th June 2020, all gold businesses were shut, and Spot Gold prices were not decided. So last Spot Gold price decided on 22nd March was Rs 40,989/10gm, which remained unchanged for two and a half months. While Indian Gold Future prices kept on following COMEX Gold parity and gradually rose past Rs 47,000/ 10 gm mark.

Looking ahead, we see a sustained increase in the volumes in the exchange on account of increasing shift to organized business, leading to a shift in hedging from unregulated to regulated platforms. The one-gram contract has seen a good traction among retail investors, the volume in this space is expected to grow with increasing interest to purchase gold online. The steep rise in the Demat accounts in the last financial year will see a spillover effect in trading gold as well. The efforts by NSE, MCX and BSE to get refiners certified for responsible sourcing in line with OECD's guidance and accepting their metal for delivery on exchange will go a long way in developing responsible supply chains.

CHAPTER 3:

Understanding the Indian Urban Gold Consumer

To understand Indian Urban Gold Consumer, we analyze the data of the Consumer Pyramid Household Survey (CPHS). CPHS is the world's largest household comprehensive panel survey, the largest regular household survey in India, and the largest household survey conducted by CMIE tri-annually since January 2014. This database offers a series of estimations of household income, expenses, the pattern of expenses, sources of borrowing, the pattern of investments, and ownership of assets of households in India. The estimations are based on India's largest panel household survey which consists of over 170,000 households from over 300 cities and a hundred rural regions. It is a continuous survey to measure household well-being in India and a longitudinal survey with a large panel sample of 232,000 households surveyed repeatedly over time with four sections and over 600 survey questions: a) People of India$_{dx}$ b) Aspirational India$_{dx}$ c) Income Pyramid$_{dx}$ d) Consumption Pyramid$_{dx.}$

We are considering and focusing only on the Aspirational India$_{dx}$ section. The Aspirational India[1] database explores the notion of consumer behavior and of the latitude that households enjoy through ownership of assets or the availability of basic amenities. Asset ownership includes data on the ownership of eleven kinds of assets as of the date of the survey, purchase of these assets 120 days before the date of survey, and intentions to buy them within 120 days after the date of the survey. Similarly, the database includes investments in financial assets and land and intentions to invest in the next 120 days. Out of the eleven assets class ownership in the survey, our main focus is on the question is whether "Have saved in Gold 120 days before the date of the survey" and "Will save in Gold within 120 days after the date of the survey".

Here we analyze the households who have participated in all **19 CPHS Waves from Jan 2014 unto Apr 2020** and there are 19039 such households, which becomes our sample panel data. The demographic factors namely region, gender, age, occupation, income, education, etc. of those sample Investors and their investment behavior in gold is analyzed. Our focus was on the **Urban Investors who constitute 73% (13923 Households) of the sample data**.

Before doing research and analysis on this sample data, the various grouping of demographics fields of CPHS data was done, to make the analysis simpler.

1 Retrieved from https://consumerpyramidsdx.cmie.com/kommon/bin/sr.php?kall=wshowadv&code=hoiwv_cpdx-&sectid=22

1) Education Grouping

CMIE Education Classification	Education Grouping
All graduate households	Better Educated
Graduate-dominated households	
Graduate-majority households	
Graduate-minority households	
All matriculate households	
Matriculates-dominated households	Moderately Educated
Matriculates-majority households	
Matriculates-minority households	
Households with all illiterates	Least Educated
Households with all literates	
Households with some literates	

2) Occupation Grouping

		Self Employed	High Income Salaried
Income	High	Entrepreneur	Manager/ Supervisor
		Self Employed Entrepreneur	Non-Industrial Technical Employees
		Self Employed Professional	Business and Salaried Employees
		Qualified Self Employed Professional	White-Collar Professional Employees
			White-Collar Clerical Employees
	Low	Daily Wage Earners	Low Income Salaried
		Small/Marginal Farmers	Industrial Workers
		Small Traders/ Hawkers	Wage Laborers
		Agricultural laborer	Support Staff
		Organized Farmer	Retired/Aged
		Homebased Worker	
		Legislature/ Activists / Social Worker	
		Varying monthly income	Fixed monthly income
		Volatility of Income	

3) Gender Grouping

CMIE Gender Classification	Gender Grouping
Only male households	Male-Dominated
Male-dominated households	
Male majority households	
Gender balanced households	Balanced
Female majority households	Female Dominated
Female dominated households	
Only female households	

4) Income Grouping

CMIE Income Classification	Income Grouping
< 3 lakhs	Economic Weaker Section (EWS)
3 to 6 lakhs	Lower Class
6 to 12 lakhs	Middle Class
> 12 lakhs	Upper Class

5) Age Grouping

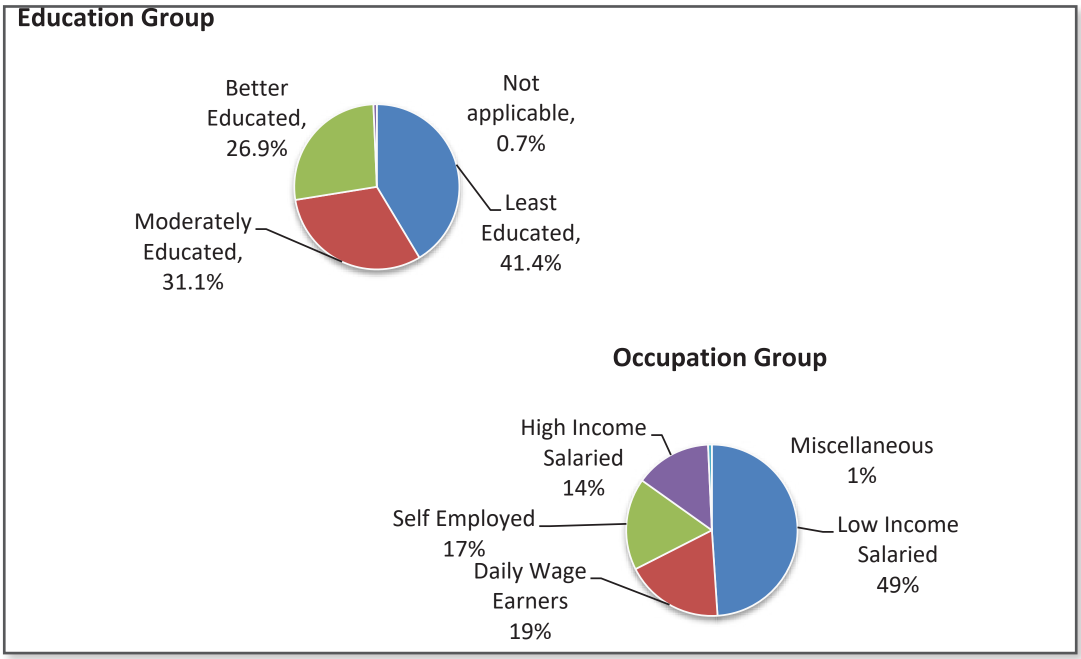
CMIE Age Classification
Children dominant households
Youngsters dominant households
Other households of the young
Grown-ups dominant households
Seniors dominant households
Other households of grown-ups
Balanced households with seniors

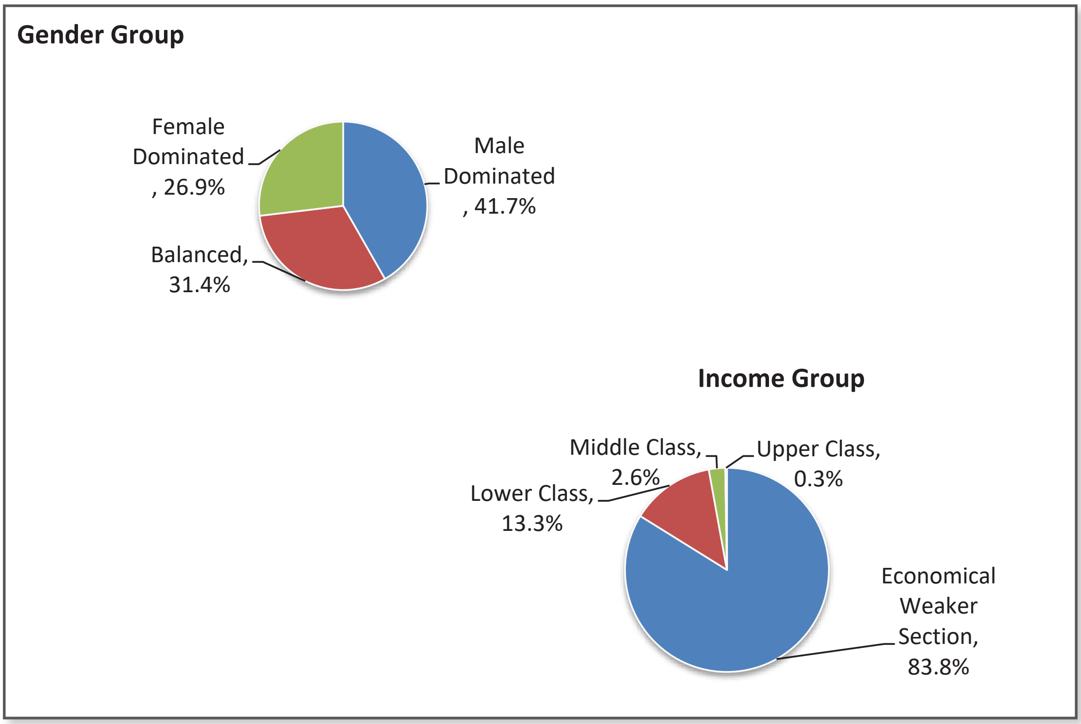
6) Region Grouping

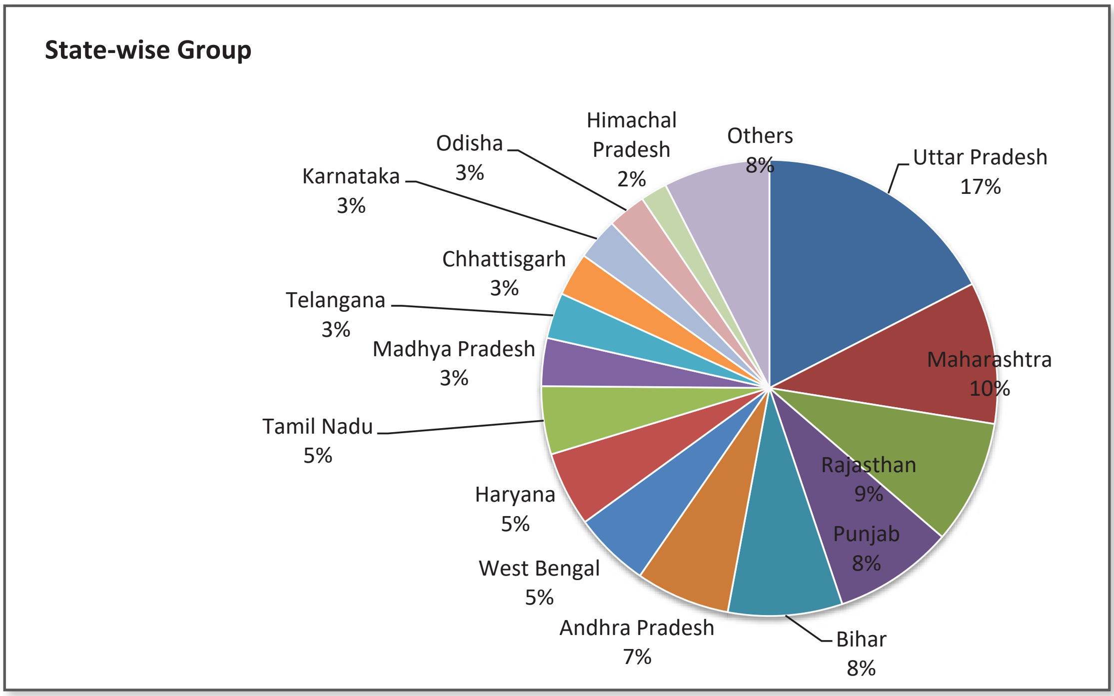
There are 28 states/Union Territories and 509 Districts covered in the CPHS survey through stratified sampling. The type of region indicates whether a household is in Rural regions or Urban regions. So here we are only considering Urban Households and their Investment behavior.

A. Demographics of Urban Households

Figure 3.1: Demographics of sample data







As per the stratified survey of CPHS, and our grouping done, we can see that Least Educated Group and Low Income Salaried has the majority in Education and Occupation Demographics respectively. It can also be observed that more than 83% of Urban Households have an annual income of fewer than 3 lakhs. Moreover, most of the Urban Households are of the young generation with no seniors.

B. Which State/Region contributes to higher investment in Gold

Figure 3.2: State-wise Investment distribution

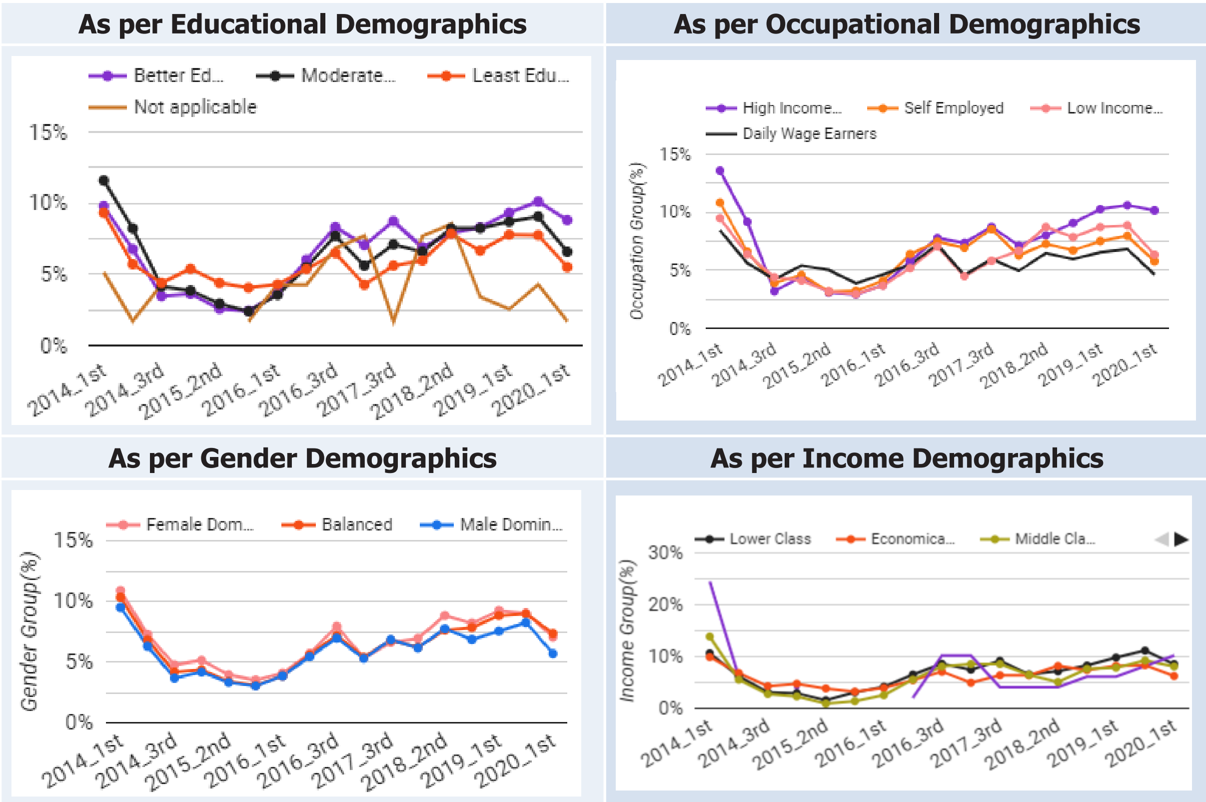
STATE	2015_1st	2015_3rd	2016_1st	2016_3rd	2017_1st	2017_3rd	2018_1st	2018_3rd	2019_1st	2019_3rd	2020_1st
Tamil Nadu	-	2	63	264	84	228	465	717	738	761	611
Rajasthan	27	7	8	28	36	166	107	263	411	371	129
West Ben...	365	382	326	112	45	39	1	4	3	1	-
Haryana	4	55	173	264	308	225	15	9	40	13	58
Uttar Prad...	7	10	16	19	68	99	122	62	27	154	126
Karnataka	111	17	60	167	85	40	30	15	10	15	7
Puducherry	-	-	23	98	16	50	83	143	148	152	98
Bihar	1	3	16	123	110	131	274	45	6	7	7
Odisha	68	26	12	105	44	16	8	7	13	7	12
Andhra Pr...	157	12	2	50	11	120	29	16	25	3	3
Himachal ...	3	1	1	-	-	3	-	9	7	13	8
Maharash...	24	10	26	35	15	21	11	32	38	47	31
Punjab	2	1	-	16	1	29	5	56	61	36	17
Chhattisg...	26	1	2	65	-	-	3	8	10	5	10
Grand t...	853	602	745	1,386	1,015	1,286	1,215	1,429	1,596	1,651	1,249

Source: CMIE CPHS, IGPC

Tamil Nadu, Rajasthan, West Bengal, Haryana, and Uttar Pradesh are the top 5 states, where Urban households invest in Gold

C. Urban Households who have saved in Gold over the time

Figure 3.3: Demographics of households who have saved in gold

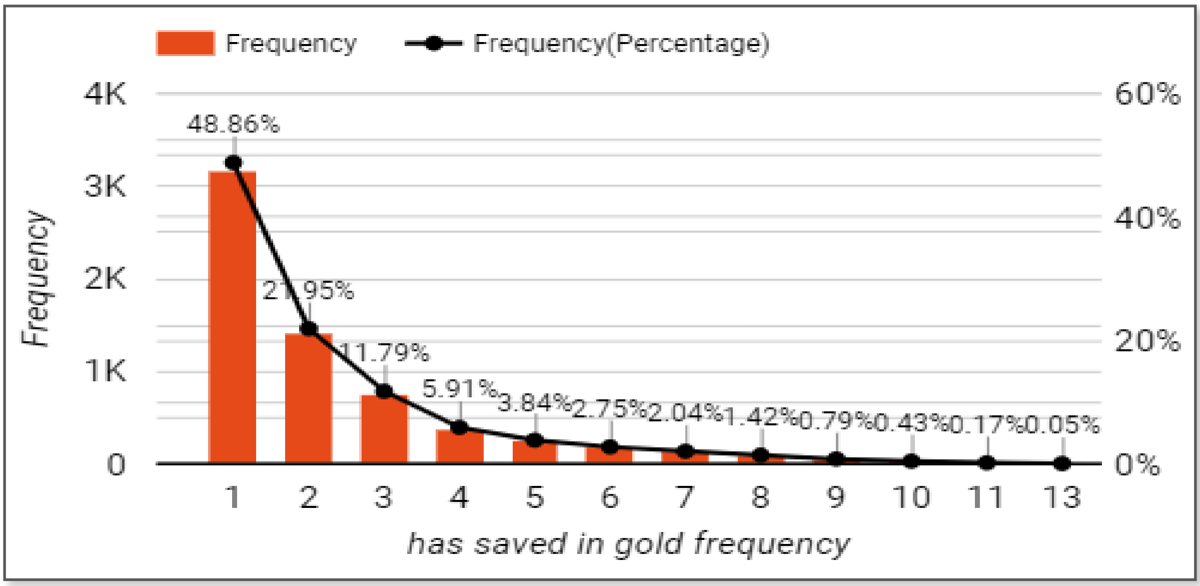


Source: CMIE CPHS, IGPC

As it can be seen from the above charts, those who are from Upper Class, Better Educated with High income with Balanced Gender households are the ones who have saved in Gold in the majority. On average, only 6.5% of the total Urban Households have saved in Gold frequency

D. Frequency of Urban Investors who have saved in gold

Figure 3.4: Frequency of gold investment by households



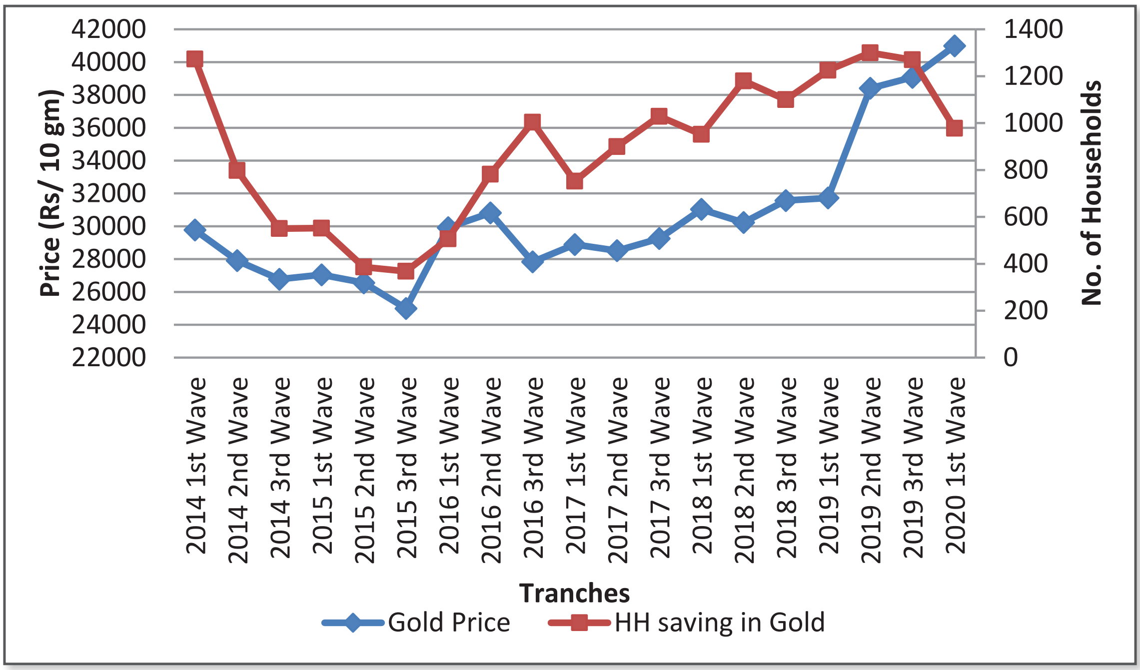
Source: CMIE CPHS, IGPC

Out of 13,923 Urban Households, only 6,478 Households (46.5%) had saved in Gold, other 53.5% of survey Households did not invest in Gold, not even once. As seen in the above chart, out of those who invested, around 49% invested only once, 22% invested twice, 12% invested thrice, and so on in the last 5 years survey results.

E. If the certain price fluctuation in Gold affects the plan to invest

As seen in the below chart, investments in gold were muted till 2015. But as prices picked up in 2016, saving in gold also started rising. Retail and investment demand also picked up with rising prices, which infers that Gold Demand is price elastic in India. Whenever there is a sharp runup in Gold prices, Households resist buying gold, but as prices consolidate at higher levels, people get used to higher levels and start investing again in Gold.

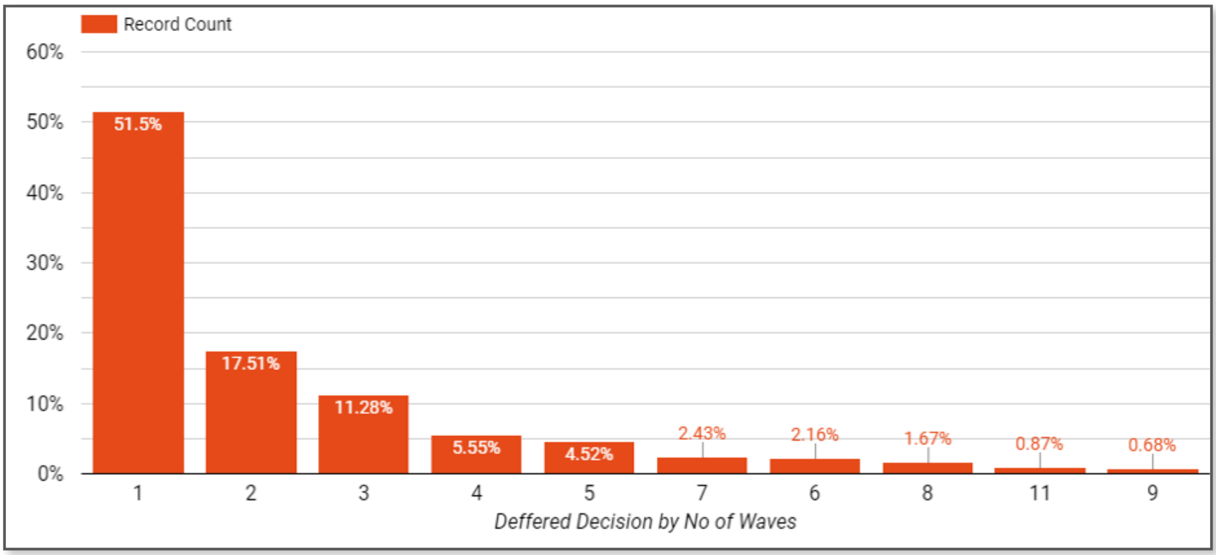
Figure 3.5: Gold Prices and Households gold Investment correlation



Source: CMIE CPHS, IGPC

F. Urban Households deferring their decision for Gold Investment

Figure 3.6:Deferment decision



Source: CMIE CPHS, IGPC

51% of Urban Households deferred their decision for Gold Investment by one wave(4 months), 17% did it for two waves (8 months), 11% did it for 3 waves (12 months). Which helps infer that majority of them on deciding to purchase gold, would go to buy it anytime in the subsequent 12 months. The factors leading to it could be price expectations, and availability of funds.

CHAPTER 4:

Policies shaping Indian gold market

INTRODUCTION

The Union Budget of 1991 marked a decisive and definitive direction for the Indian gold policy – from almost nothing in 1991 to more than 100 MT gold import in 1992 - a new era in which gold imports became quite substantial. With gold imports averaging more than 600 tons annually between 2010 to 2020, the Indian gold journey has been an expression of the personal obsession of the common man with the inherent cultural habit embedded in our collective psyche. The writing on the wall is appears to be evidently simple and palpably straight – whatever be the policy direction: the demand for gold shall be strong and shall rise, in good times and bad. This has been the reality of the last three decades. It would be prudent that our legislative policy and other measures of delegated legislation take this into account. Any policy initiative that does not take on board these aspects, only creates an illusory sense of progress, pushing our policy three steps backward and then two steps side wards, leading to a chaos.

The Gold Control Act 1965 had put restrictions on citizens from owning gold in the form of coins and bars. The then existing holders of gold bars and coins had to have their gold converted into jewellery and the same had to be reported to authorities immediately. Gold smiths and licensed dealers could not own more than 100 g and 2 kg of gold respectively; trading in gold was completely banned, amongst many other stringent measures. However, the repeal of the Gold Control Act did not, for a plethora of reasons end the smuggling of gold into India. Our gold policy has been evolving, if not in a straight line, through many a twists and turns, with some measures pausing the progress and more importantly, the formalisation of the gold sector in India.

With the swift pace of roll out of policy ideas and interventions by the Union Government, initiating the progress in the ***Atma Nirbhar*** way, India Gold Policy Centre (IGPC) has been an integral part of this positive churn, every step in the road traversed in the year 2020-21. Even in the face of the global pandemic, the IGPC kept working in tandem with the policy makers and practitioners in multiple working groups to collate, formalise and make functional, different ideas including the International Bullion Exchange (IBE), Domestic Spot Exchange for gold, revamped gold monetisation scheme and streamlining of the refining industry in India. The concept paper titled "***Suvarana Bharat Abhiyaan***" which was aimed at mobilising household gold for reducing the government's borrowing cost and thereby reduce the sovereign's credit risk, was prepared. A position paper titled '***India for responsible gold***' unravelled how flaws in the policy design dis-incentivises refiners to comply with responsible sourcing guidance, a major area that deserves attention of our policy makers in the immediate future. Coinciding with this release, IGPC organised, in collaboration with the Organisation of

Economic Cooperation and Development (OECD) a workshop on responsible sourcing. For integrating and increasing the role of banks in the way new India would trade gold, IGPC, as a first step, collaborated with Indian Banks Association (IBA) to organise a workshop on bullion banking and explain the scope of business. We have also been involved in discussions with stakeholders across the value chain related to The Retail Gold Investment Principles an initiative by the World Gold Council.

The announcement of the Finance Minister in the Annual Financial Statement 2020 that “with the approval of the regulator, GIFT City would set up an International Bullion Exchange(s) in GIFT-IFSC as an additional option for trade by global market participants”, was undoubtedly a giant leap forward for the Indian gold story. This, the Finance Minister rightly added, “will enable India to enhance its position worldwide, create jobs, and will lead to better price discovery of gold”. It was in the federal budget of 2018 that the then finance minister announced the need to set up spot exchange for gold, revamping of the gold monetisation scheme and steps to recognise gold as a financial asset. With the appointment of Securities and Exchange Board of India (SEBI) as the market regulator for domestic spot exchange for gold, the compliance circuit of our gold ecosystem had come one full circle, a truly positive measure in the right direction.

Intriguingly, way back in the 1990s, if one is to read through the discussion paper by RBI and its visionary leaders at the helm, there was a clear path envisaged to develop the Indian gold market. That was a time when China had not opened their gold market. India unfortunately in this space has been ahead on thoughts but has by 2020 fallen far behind on action. In the following section, we lay out the current situation on the following parameters in two broad areas: the first is related to the flow of gold and consists of (a) Bullion exchanges, (b) refining, (c) hallmarking, (d) recycling and GMS and (e) mining, and the second is related to regulatory aspects of gold and consists of (a) taxation and (b) FATF compliance. Thereafter, we provide our views on the optimum policy parameters that we think the government should be considering, going forward.

Overview of Events Related to the Flow of Gold

Setting up of an International Bullion Exchange, perhaps one of the biggest reforms in the bullion market in India after liberalisation of gold imports, was followed by Government of India notifying the bullion spot delivery contract and bullion depository receipt with underlying bullion as financial products and the related services as financial services under the International Financial Services Centres Authority (IFSCA) Act, 2019. In April 2020, the appointment of the IFSCA to regulate the IBE at GIFT City, undoubtedly marked the new beginning in this episode.

IBE will facilitate creating a world class market infrastructure that would connect India to the rest of the world, while making sure the governance and technological prowess, the key pillars on which it is built, will help integrate India’s gold trading with the international gold community making it a trading and vaulting hub. It will also facilitate standardization of gold inflows into India and create a robust regulatory scaffolding for bullion trade. IBE, it is believed, shall strike an equilibrium to reduce the market inefficiencies that exist in the Indian bullion trade by creating a transparent platform for bullion trading. It is envisaged to achieve efficient price discovery, quality, and services, at par with international standards. The Indian companies shall be greatly benefitted with the setting up of their foreign subsidiaries in the deemed foreign territory which shall facilitate import and export between the Indian entity and their foreign subsidiary. The launch of IBE will be closely watched by all global stakeholders as it shall ensure to be a giant step forward for our gold story.

Unallocated accounts – In March 2021, IFSCA allowed International Banking Units (IBUs) which includes both branches of Indian and international banks operating out of IFSC to open unallocated bullion accounts with authorized members of the London Precious Metal Clearing Limited. This will enable the participants to carry out transactions in derivative and Over the Counter (OTC) markets and will be instrumental to provide liquidity at IBE by facilitating trading and hedging. The measure is expected to facilitate the banks in India to structure their gold lending and savings products, thereby expanding their scope of business by extending financing facilities to refiners and traders.

Development of Domestic Bullion Exchanges – Union Budget 2018 paved the way towards formation of domestic gold spot exchanges, however the announcement of SEBI as the regulator for the same has helped fast track implementation. The Domestic Spot Exchanges (DSE) for gold is expected to take over the transactions once the gold traded at International Bullion Exchange (IBE) is imported into the domestic market. In a way, it will complement the trading operations at the IBE. In addition, DSE will also facilitate with a channel to sell recycled gold on successful implementation of the standards. There is also a requirement to make the trading on the DSE more attractive by exempting the same from GST, a measure that will require the backing of the GST Council. This, if done, shall provide a direct impetus to the functioning of the exchange.

Indian Refining Industry – With a view to promote refining of gold within India, the Bureau of India Standards (BIS) notified the India Good Delivery norms for bullion. It is believed that the market players shall develop a mechanism for facilitation of greater acceptance of Indian refined gold. The initiatives by India's domestic Exchanges viz., National Stock Exchange (NSE), Bombay Stock Exchange (BSE) and Multi Commodity Exchange (MCX) in the context of on-boarding local refiners are worth mentioning. With more refiners getting themselves prepared to comply with the OECD guidelines on responsible sourcing, the domestic refinery landscape looks promising. This is a very major initiative which should positively be recognised and incentivised by the Government in order to ensure that more people adopt the guidelines on responsible sourcing. While there are enough measures in the realm of enforcement, there is very few in the domain of incentivising compliance, particularly when it is not legally mandated in our country, as in the instant case.

Hallmarking - On 15th January 2020, Department of Consumer Affairs issued a gazette mandating that effective 15th January 2021 all jewellery sold in the country must be hallmarked. Due to COVID pandemic, the deadline has been extended to 1st June 2021. Jewellers will be allowed to sell only 14, 18 and 22 carats of gold jewellery. Any violations in compliance with the hallmarking norms would attract penalty. Hallmarking will protect the consumers and create a level playing field for the jewellers who were already complying with the hallmarking provisions. Mandatory hallmarking will help in bringing standardization in the quality of gold and create an atmosphere of trust which is very critical for the development and sustainability of gold jewellery industry. It is strongly believed that this is going to be a technologically intensive and fool-proof mechanism that is being developed to prevent any fraudulent hallmarking. With the difference in definition between gold smith and gold manufacturer vanishing in this new regime and the said gold smiths not being in a position to manufacture jewellery without a license starting June 2021, it is very necessary that the Government walk a tight rope, particularly in the context of small businesses to ensure that this does not lead to the backdoor re-entry of the license raj, particularly in the post-pandemic scenario. It is important that awareness campaigns are initiated along with appropriate checks and balances in place to avoid harassment in the near future.

Recycling and GMS - On 9th February 2021, The Department of Economic Affairs, Ministry of Finance proposed various amendments in the Gold Monetization Scheme and Gold Metal Loan (GML) through an office memorandum. It is expected be followed up by the Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI) and International Financial Services Centre Authority (IFSCA) issuing necessary notifications and master directions in this regard. The proposed amendments put a lot of emphasis on integrating jewelers into the value chain for collection of deposits. The amendments also provide for repayment of GML in physical gold, including Indian Good delivery gold. All the Public Sector Unit (PSU) banks participating in GMS are now permitted to offer GML, which will widen the reach of GML. Earlier, only nominated banks authorized to import gold could offer GML. The option of drawing gold collected by jewelers under GMS for their own consumption as a disbursement under GML, within the authorized GML limits is under examination. If implemented with adequate safeguards, it has a potential to eliminate processes like refining of gold, transportation, and vaulting. That being said, there are various components that require necessary tweaks to make it a success, which was missing when RBI released its amended GMS circular on 5th April 2021[1].

A holistic approach towards mobilizing gold from households was again missing in the revised GMS. The country's economics has changed over a decade, shifting from worrying current account deficit to widening fiscal deficit. However, government's willingness to payout incentives for mobilizing gold at a point when the whole GMS can be operated without financial support from government is indeed surprising.

1 https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=12067&Mode=0

Mining – The Mines and Minerals (Development and Regulation) Amendment (MMRDA) Bill, 2021, passed recently on 28th March 2021[2], will help unleash India's vast untapped mining reserves. The bill can help in unlocking 500 MT of estimated gold reserves in India. As per the bill it has agreed to repay the prospectors with prospecting and reconnaissance license to be reimbursed the cost and place those mining blocks for auction. If this procedure goes without any legal hurdles we expect India's mine production in next seven to ten years rise to atleast 100 tonnes of gold.

Overview of Events Relating to Policy Related to Gold

Taxation – Custom duty (after factoring in Cess) on imported gold bars and dore was raised in the Budget 2020 to 12.875% and 12.21% respectively. The same has been rationalized in the recent Budget 2021. The total duty now stands at 10.75% and 10.09% on gold bars and dore respectively after the inclusion of Cess. While the lower import duty will not only support demand but also reduce unofficial imports, which is staggeringly high in proportion thereby creating a parallel market which is manifesting in greater proportions. More importantly, it will support organized trade by making unofficial trading lesser attractive. A start in the right direction, it is hoped that there are more measures in this direction to ensure that the informal market not just shrinks, but there is an incentive to be in the formal market.

An analysis in India on the decrease in gold imports post any increase of the customs duty rate does not adequately factor in the smuggling estimates. It is very important and necessary for India to recognize and process gold as a capital asset. The measures put in place to curb gold imports to positively impact the current account deficit including the introduction of the 80:20 scheme failed miserably. The 2018 NITI Aayog report 'Transforming India's gold markets', while making a strong case for reduction in gold imports, has not adequately addressed alternatives for a nation that is absolutely obsessed with gold. Hence, there needs to a renewed approach to the gold policy in India today.

A) Import Duty as Percentage of Price – Since Liberalization

Year	Import duty	Import Duty as % of Price	Price (24 karat per 10 grams)	Year	Import duty	Import Duty as % of Price	Price (24 karat per 10 grams)
1990-91	250/10 gm	7.21%	3451.52	2008-09	300/10 gm	2.07%	12889.74
1991-92	300/10 gm	6.98%	4297.63	2009-10	300/10 gm	1.62%	15756.09
1992-93	300/10 gm	7.31%	4103.66	2010-11	300/10 gm	1.14%	19227.08
1993-94	300/10 gm	6.62%	4531.87	2011-12	300/10 gm	1%	25722.42
1994-95	300/10 gm	6.43%	4667.24	Jan-12	2.00%	2.00%	28067.00
1995-96	300/10 gm	6.05%	4957.60	Mar-12	4.00%	4.00%	28067.00

2https://mines.gov.in/writereaddata/UploadFile/mmdr28032021.pdf

Year	Import duty	Import Duty as % of Price	Price (24 karat per 10 grams)	Year	Import duty	Import Duty as % of Price	Price (24 karat per 10 grams)
1996-97	300/10 gm	5.92%	5070.71	2012-13	5.00%	5.00%	30163.00
1997-98	300/10 gm	6.90%	4347.07	Jan-13	6.00%	6.00%	30738.00
1998-99	300/10 gm	7.03%	4268.17	Jun-13	8.00%	8.00%	25640.00
1999-00	300/10 gm	6.83%	4393.56	Aug-13	10.00%	10.00%	26000.00
2000-01	300/10 gm	6.71%	4473.60	2013-14	10.00%	10.00%	29190.39
2001-02	300/10 gm	6.55%	4579.12	2014-15	10.00%	10.00%	27414.55
2002-03	300/10 gm	5.63%	5332.36	2015-16	10.00%	10.00%	26534.26
2003-04	300/10 gm	5.25%	5718.95	2016-17	10.00%	10.00%	29665.28
2004-05	300/10 gm	4.88%	6145.38	2017-18	10.00%	10.00%	29300.08
2005-06	300/10 gm	4.35%	6900.56	2018-19	10.00%	10.00%	31193.41
2006-07	300/10 gm	3.25%	9240.32	2019-20	12.50%	12.50%	37017.91
2007-08	300/10 gm	3.00%	9995.62	2020-21	7.50%	7.50%	48390.00

(**Source :** Price from RBI - https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=19772)

It is common knowledge that the entire black-market supply chain – around 300 MT annually as per many estimates – has been flourishing unabated over the past many years and involves very many violations of the income tax, companies and customs law. This is a predicate offence as per the provisions of the Prevention of Money Laundering Act (PMLA) 2002. A reduction in customs duty, it is rightly anticipated, would decrease the smuggling. And may increase normal imports. There would be a loss of customs duty of about 20,000 crores per annum. Legitimate gold should ideally lead to more internal receipts of tax through GST. More importantly the flourishing of unofficial gold trade is becoming a disincentive for operation of an organized bullion and jewellery trade. This in the near future shall also be a problem going forward from the perspective of responsible sourcing of gold. Getting classified into negative FATF categories would definitely be a threat to economic security.

FATF compliance Notification under PMLA Rules - The Government of India vide a Notification dated 28 December 2020, Ministry of Finance, Department of Revenue, notified dealers in precious metals and precious stones as persons carrying on designated businesses or professions - if they engage in any cash transactions with a customer equal to or above ten lakh rupees, either in a single operation or in several operations that appear to be linked – under the provisions of the Prevention of Money Laundering Act, 2002 (PMLA). It is a significant move, particularly in the backdrop of the Finance Ministry having rescinded (in October 2017) the notification dated 23 August 2017 that notified dealers in precious metals, precious stones and other high value goods having a turnover of rupees two crore in a financial year as persons carrying on designated business and professions under the PMLA. This is a shot in the arm for our country at a time when the Financial Action Task Force (FATF) - an inter-governmental body which sets international standards that aim to strengthen anti money laundering (AML) and counter terror financing (CFT) strategies globally - is set to indulge in mutual evaluation of India in 2021. Six of the FATF's 40 Recommendations (1,22,23,28,32 and 34) have direct relevance for the precious minerals sector and hence this notification was an absolute necessity and was a policy measure waiting to happen. However, two aspects - the definition of the "dealers in precious stones and metals" and the part of the notification pertaining to the cash transaction, equal to or above ten lakh rupees, engaged in by *a* customer, either in a single operation or *in several operations* that *appear* to be linked, warrants clarification. How will a retail jeweler, for example, keep track of the multiple operations in varied jurisdictions over a period of one month? Also, what qualifies as an operation to be linked to the other and will there be any exceptions to these linkages or will the purchase of gold in cash by the same individual be the necessary causal link? Given that the notification has been issued under the stringent anti-money laundering laws, it is necessary that adequate deliberations with all entities in the supply chain and appropriate education on the finer aspects of the same, be necessarily enacted to smoothen the transition to the new era, facilitate a certain degree of handholding in order to avoid unnecessary litigation in this regard.

In view of the above events, what are the policy suggestions that IGPC has going forward, into 2020-21 is the subject of the following section.

IGPC POLICY SUGGESTIONS

We think that the following are some key required actions by the government to enhance the impact of the actions that have already been taken in the sections enumerated above.

BULLION BANKING

Bullion banking forms the scaffolding on which a robust set of transparent transactions even at the retail level can be conducted. We think that creating Market Infrastructure Institutions and facilitating their sustained growth should be part of policy. IFSCA is a great start and the IGPC is proud to have contributed to the effort; however, it will only succeed if there is an infrastructure of bullion banking in the country. In this context the role of banks is also going to be very critical to success. The hesitation to allow banks get into the bullion banking and make that as an important business unit of a bank was visible in the amended GMS released by RBI in April. Central banks have to be risk averse but that doesn't mean an approach with a calculated risk with downside floor levels built into the design should be ignored. There should be a starting point towards creation of bullion banks in the country, an ideal approach would be to allow few select banks be licensed as bullion banks based on their risk management, compliance processes and size of the balance sheet.

BURDEN OF PROOF – TOWN SEIZURES - GOLD

Creating an environment where people are not pushed underground will improve the scale and scope of the industry. It is a matter of fact that most of the emergency-era laws in India have been abolished and many including the draconian Foreign Exchange Regulation Act (FERA) have been repealed and replaced with. However, it is time for certain provisions of the Customs Act, enacted in 1962, in the backdrop of the Gold Control Act to be reviewed. For instance, Section 123 of the Customs Act 1962, places the burden of proof in cases of gold seizures in the town on the person from whose possession it is seized from or on any other person who claims to be the owner of such goods. Gold smuggling, indeed an economic crime, has undergone multiple manifestations in our country over a period of time. However, this provision enacted in 1962, has continued to remain untouched even after the abolition of the Gold Control Act and liberalisation of the gold imports. In addition, given the direct correlation between the level of customs duty on gold and the incentive to smuggle, there is an urgent need to explore the angle pertaining to the economics of enforcement versus the cost of litigation.

In India, gold is not a commodity of business that is engaged in by the big and famous only. The industry encompasses lakhs – if not more – of small and medium businesses, who indulge in job work thereby being the lifeline of employment for millions of people. Town seizures, as they are *colloquially* referred to as, are seizures of gold made from buses, trains, cars or other places and in many cases with incomplete or inadequate documentation. However, even after proper documentation is provided, in most cases, the litigation, gets protracted in very many layered nuances through multiple strands of established hierarchies in the judiciary. This process clogs up both the judiciary and the business of gold transactions.

A lesson from game theory is worthy of adoption at this juncture. Trust, in a market place, is enforced through reputation and retaliation. The Government is right in building a system with the base of a compliance ecosystem that is undoubtedly a necessity to gain a reputation for all the indulgent stakeholders, in the longer run. However, we will do better if we also bury gold control era relics and synchronise all our gold policies in tune with the mind-set of the post-1991 liberalised era.

WHO CAN IMPORT GOLD INTO INDIA?

Similarly, there has been a lot of policy corrections, on the delegated legislation domain, as to who can import gold into India. While it appears settled that import could take place only through the templates of nominated banks and nominated agencies, as notified by the competent authorities, the vacuum in issuance of notifications in this regard on certain fronts by the Directorate General of Foreign Trade (DGFT), Ministry of Commerce has led to multiple litigations. This has once again brought to the forefront, the very question of who should be permitted to import gold into India, to start with? The legislative intent, if streamlined through the synchronisation of notifications by the Customs, DGFT and RBI, shall avoid unnecessary litigation. A holistic view that increases the coordination between different arms of the government is urgently required.

EXPORT FRAUDS AND ROLE OF NOMINATED AGENCIES

Nominated banks and nominated agencies import gold for a small commission and provide the same to the jewellers and gold firms, who are expected to provide value addition and then export the value added gold after due verification by the customs at the port of export. These export documents are then provided to the nominated banks / agencies who have the documents verified by the customs at the port of import in order to avail duty exemption (for the exporters) on the gold imported (against the bill of entry filed in the name of the nominated agency / bank and previously cleared upon submission of a bond / bank guarantees). All is well, that ends well, one would have wanted to believe. Not in this case, at least. In a spate of recent cases registered across India, export frauds, to the tune of many hundreds of crores have been unearthed, which apparently is fraction of the actual cases.

The roles and responsibilities of the nominated agencies viz., customs authorities and exporters have been neatly carved out. The role of the nominated agency / bank is purely that of an "agency". They import gold for supply to exporters, merely being the importers-on-record, against a bank guarantee (which is released after the submission of export documents and completion of foreign exchange remittance). In case of duty-free gold, they are neither the exporters of jewellery nor do they avail duty exemption for their sake. Therefore, it is not fair to fix duty liability on them, many years after their bank guarantees (equivalent to the duty exempted) has been released, particularly after the customs at the ports of import and export have verified and approved the same. While, the law mandates a responsibility upon these nominated agencies to account for the "quantity of duty-free gold imported" or pay duty for the shortfall in quantity not exported within 90 days, an investigation after 3- 4 years, or in some cases even after 5 years, into the illegalities allegedly committed by the exporters (and not any of the subject deficiencies that must have been mandatorily verified by the agencies at the time of release of bank guarantee or bond) causes enormous institutional distress. A time bar needs to be set.

While the law is clear on the mandate of different stakeholders including the nominated agencies, it is unclear why – in the absence of collusion, wilful misstatement or suppression of facts – duty demand to the tune of hundreds of crores are being made from them by way of an extended logic and subsequently they are being penalised for the quality of jewellery or deficiency in export procedure! In the absence of a stakeholder neither handling the jewellery nor having any control over the export procedure, particularly when the export documents are duly attested by customs officials, the case against the nominated agencies are very weak according to legal experts. That, however, does not take away from the fact that a fraud has been committed and the errant exporters, if any, need to be identified and penalized. This requires urgent policy intervention. Without such an intervention, the current incentive for frauds will persist; in addition, it also pushes the nominated agencies to re-evaluate their services to smaller exporters, thereby impacting the genuine exporters in the lot. The genuine exporters may not get gold to execute export orders and this has the potential to adversely impact our exports. Again, a case for how and why policy should protect the honest entities while attempting to punish the wrong doers.

WAY FORWARD

In summary, we have made progress in policy during 2020-21 and we have made policy suggestions for the forthcoming year. There is an urgent necessity to create policy measures that incentivise honest businesses – particularly medium and small entities – especially when they have complied with all the requirements to integrate themselves into the formal markets. The law should always protect the honest first and ensure that they are not subject to any harassment and it is indeed traditional wisdom that honest entities shall always be served justice finally but the road to justice in the Indian judicial system is not only economically unviable but the process itself is so very lengthy and punishing that businesses get disrupted. The delicate trust on which the relationship between the Government and the businesses needs to be built on, needs to be developed and supported in the best possible manner. This trust, sacrosanct in nature, shall be one of the most decisive elements in the success of our gold reforms. Both the government and the industry have a key role in building a trust based eco-system that can help the Indian gold industry achieve its full potential.

CHAPTER 5:

IGPC's Gold & Gold Markets Conference, Feb'21

Day I - February 5, 2021

Left to right: Mr. Sudheesh Nambiath, Associate Vice President, IGPC IIMA; Mr. Haresh Acharya, Director, IBJA; Prof Errol D'Souza, Director IIMA; Mr. Injeti Srinivas, Chairman IFSCA; Prof. Arvind Sahay, Chairperson IGPC IIMA

Welcome address by Prof. Arvind Sahay, Chairperson

Prof. Arvind Sahay, Chairperson India Gold Policy Centre at IIM Ahmedabad

Prof. Arvind Sahay, Chairperson India Gold Policy Centre at IIM Ahmedabad welcomed Mr. Injeti Srinivas, Chairman IFSCA; Prof. Errol D'Souza, Director IIMA; Mr. Haresh Acharya, Director IBJA; Mr. David Tait, CEO World Gold Council, and Mr. PR Somasundaram, MD World Gold Council for the fourth IGPC IIMA Gold & Gold Markets Conference 2021.

With a brief introduction of all the above dignitaries, Prof. Sahay invited Mr. Srinivas to light the lamp and inaugurate the Conference.

Mr. Injeti Srinivas, Chairman IFSCA, lighting the lamp

Inaugural speech by Prof. Errol D'Souza

Prof. Errol D'Souza, Director IIMA

Prof. Errol D'Souza congratulated India Gold Policy Centre at IIM Ahmedabad for completing five years since inception. He expressed his desire to meet the gold industry stakeholders in person, if not for the pandemic.

Recalling his association with RBI, Prof. D'Souza mentioned about the origins of Gold Monetization Scheme and shared a story that was told by him to then Finance Minister of India advocating why gold should not be used for the fiscal deficit. It was a story of a small-town Florence, where around the year 1425, post-plague, the statistics revealed that women survived the plague more than men. This gave rise to the call for dowry. Florence went into war with Milan and got into a deficit with no clues on how to fund that. An idea was given to start a dowry fund where if you have a daughter aged 5, you could lend to the state and the state will return the money with a fairly good interest rate after 10 years. However, the idea was dropped as being infeasible.

Looking at the growth of GMS scheme, Prof. D'Souza said that the scheme was not doing well for various reasons like lack of interest, lack of standards and reluctance on the part of retail holders of gold to deposit. Further, analyzing why GMS and reverse mortgage did not create much interest, he said that one has to look at the behavioral aspects. Individuals prefer to monetize gold and house only after they have exhausted all other means. With this short note, he ended his speech and welcomed all the delegates present online.

Chief Guest, Mr. Injeti Srinivas, Chairman, International Financial Services Centre (IFSCA) and the International Bullion Exchange (IBE)

Mr. Injeti Srinivas, Chairman IFSCA

IFSCA and IBE set to change India's financial markets

Mr. Injeti Srinivas, Chairman IFSCA expressed his satisfaction at the collaboration with IGPC at IIMA. After the Finance Minister announced the setting up of International Bullion Exchange (IBE) at GIFT City, IFSCA intended to have a knowledge partner at the delivery Centre. According to him, gold is a complex sector, which is largely unorganized. To navigate each stakeholder and get the desired outcome, a working group was created that came up with an informative report highlighting the required regulatory and policy challenges and the recommended regulatory scaffolding and action plan.

A brief about IFSCA

IFSCA is a unified regulator with an entire spectrum of financial services including banking, insurance, securities, fund management coming under its purview. While there has been a separate enactment of IFSCA giving it a power of a regulator, it is not a self-contained legislative backing authority. IFSCA has been empowered under 14 Central Acts. It assumes the power of a domestic regulator for all those financial institutions that come under the IFSCA. While there can be more than one IFSCA, at this time GIFT City is the maiden IFSCA. From a foreign exchange viewpoint, it is an international jurisdiction where there is full capital account convertibility.

The primary objective of this authority is that it shall be a gateway for global capital inflows and outflows. All the international financial services originating from India shall come under one umbrella. Secondly, the financial institutions shall have a cost-effective environment, the best regulations, and a good tax regime. Other countries may also come to India for their financial service requirements. One of the initiatives taken towards this is the inclusion of banks in getting volumes in bullion markets.

Post the announcements made by the Finance Minister for setting up the IBE at GIFT city and domestic spot exchanges, the whole system seems to be in place. IBE would act as a gateway for imported dore and imported refined bars in domestic markets. How it is to be mandated like by giving certain tax concessions etc. is being deliberated. It would take care of gold standards, quality, sourcing integrity, etc. to a considerable extent. Efforts would be taken to resolve other issues of the unorganized markets also.

Mr. Srinivas further added that bullion could be a financial product in allocated or unallocated form. NSE, BSE, and MCX are planning towards a collaboration to promote International Bullion Exchange. The entire ecosystem including vaulting facilities, depositories, clearing, and so on have been well-planned and shall soon come into existence. Before actual bullion trading resulting in physical delivery of gold, it shall be preceded by non-physical trading. This will allow banks with an opportunity for trading or hedging of proprietary trades or on behalf of their clients. These can be followed by leasing and spot delivery contracts and at a later stage, forwards and futures can be explored.

The possibilities of designated vaults in other SEZs could also be explored to solve the logistics issue. The domestic exchange shall take care of recycled gold and the domestic trade as there is 25,000 tons of gold and India imports 800-900 tons of gold per annum. If some portion of gold could be monetized, then there could be a reduction in the Current Account Deficit issue and imports too can be reduced. Although the household savings is nearly 17% of GDP hardly 7% comes to the financial sector. 11% goes to the unproductive sector. Even gold is considered an unproductive sector though it is highly liquid. So, there will be a role for Fintech companies to play at the retail level or Treasury operations level to convert this into organized savings.

International Monetary Fund has a list of 4 to 5 countries where gold is stored. And India is one of them. Mr. Srinivas opined that India has prospects of becoming a storage Centre and refinery hub in the future. In this context, IFSCA assigned below tax incentives for the financial sector:

1. Government has assured tax neutrality to foreign funds redomiciled to India at GIFT city.
2. Foreign banks investing in India through foreign portfolio route can set up as an IBU located at IFSC.
3. Non-delivery forwards in INR are a huge business opportunity. Tax exemption will be granted for such business conducted through IFSCA. It will help such business to get transferred from London and New York to India. There will not be any physical presence at IFSCA required to conduct such trade.
4. Leasing, financing, and alternate investment funds shall be announced shortly.
5. IBE will play an important role in promoting the gold sector in India and improving the monetization scope.

Mr. Srinivas concluded that India, with a massive household gold stock, can become a game-changer and bring home tremendous opportunities and benefits by creating a robust and transparent ecosystem.

How the climb to Mount Everest helped shape my views on macro policies and running businesses - Mr. David Tait, CEO, World Gold Council

Mr. David Tait, CEO, World Gold Council

Mr. David Tait, the CEO of, World Gold Council, was invited to share his views on macro policies and the gold sector.

Mr. David imparted a message of aspiration from his life experience of climbing Mt. Everest overcoming obstacle, utter self-belief, total resilience and worthy success. He was lucky enough to climb Mount Everest five times – twice from north and thrice from south. He shared his story of May 2014, when he was hit by a terrifying avalanche during the climb which ripped off his shoulder and suffered severe injuries on his arm, legs and fractured back. Even then, he somehow managed to climb and ascend higher to various camps and summit in the next three days and raise the flag of England. The experience of overcoming obstacles he encountered including a miracle escape from a massive avalanche was really motivating. The message he conveyed was that "Success is always within grasp but often not without enormous pain and sacrifice".

Later, Mr. David shared that there existed a high level of misunderstandings, opaqueness, and distrust in the global gold market. Hence many institutional and high net worth investors are reluctant to allocate capital to gold. In his role as the Chair of the precious metals working group of the Bank of England, the group embarked on challenging expedition but has made great progress where most people thought it was impregnable and impossible to change the stakeholders have shrugged off preconceptions and ignored what was considered impossible and embraced a "can do and must do" attitude for the good of the gold market. The group has been successful in instilling faith and confidence which will ensure a great demand and trust in gold.

He believed that India has become a vanguard of the retail gold investment programs. RGIP's steering committee shall in coordination with the World Gold Council navigate the acceptance of adherence to RGIPs. He was confident in sharing that the Responsible Gold Sourcing initiative will be successful in India and that the domestic spot exchange and IFSCA regulator, adequately demonstrated this.

He highlighted how each announcement by IFSCA was in its own way a rise up to the Summit:

- February 2020 - The Finance Minister announced the International Bullion Exchange at GIFT City.
- June 2020 – Announcement of IFSCA as a unified regulator
- August 2020 - Bullion got recognition as a financial product
- December 2020 - recognition of bullion exchange, clearing corporations, depositories announced.

He added that the International Bullion Exchange shall set a stage for an efficient, transparent, and trusted gold trading ecosystem in India. He stated the need of creating an optimum gold trading infrastructure with all market benefits and value chains. He concluded that no success is achieved without teamwork and with the support of such a great accomplished leader like Mr. Injeti Srinivas, Chairman, IFSCA, there would be no doubt for India to get success in achieving the goal. In his concluding remarks, he congratulated IGPC for doing quality work and wished success to the event.

International Bullion Exchange - perspective from the trade by Mr. Haresh Acharya, Director, India Bullion and Jewellers Association; Director, Parker Bullion Pvt Ltd.

Mr. Haresh Acharya, Director IBJA

Mr. Haresh Acharya began his speech highlighting key steps taken by the Government in the gold sector over the years:

1996 - The government issued the notification to allow the import of gold for open general license.

2003 - First commodity exchange that is MCX, came into existence

2011 & 2012 - The government allowed the import of refined gold dore bars in India

2018 - Government announced International Bullion Exchange at GIFT City

2019 - Announcement of BIS standards announced to make the Indian gold bars globally acceptable

2021 - Announcement of Domestic Spot exchange

He believed that the opening of the scrap market has been a revolutionary step. The International Bullion Exchange too shall change the Indian trade perspective. This will position gold as an asset class. He ended his talk by giving the following suggestions:

- BIS standards may be given international recognition. This will enable Indian gold to compete with LBMA gold products.

- Testing Centres, scrap purchasing Centres, refineries, and export scrap equivalent to LBMA standards
- Bullion passbook system, in compliance with OECD standards to record all imports and exports
- Trade and export system with duty drawback feature
- Digital gold and ETF without GST & customs duty at an international price at IFSCA

The MCX-IIMA awards for excellence in research on gold and how MCX is making good of the changes in the business environment - Mr. P.S. Reddy, MD & CEO, MCX India Ltd.

Mr. PS Reddy, MD & CEO, MCX

Mr. P.S. Reddy shared a few findings on how gold and silver contracts were a boon during the pandemic. It resulted in volumes at par with the previous year despite this being a difficult year. MCX was keen to integrate their platform with the physical market platform and intends to allow the domestic refiners too, to deliver their products on the MCX platform whereby to date only LBMA gold was traded. He further announced the successful empanelment of two refiners to deliver on their exchange platform after they cleared the stringent norms at par with LBMA standards and the audit process.

MCX was keen to participate as a consortium member at the International Bullion Exchange and also keen to have a domestic spot exchange. MCX had delivered 119 tons of gold till now on the exchange platform since inception. They intend the integration of the International Bullion Exchange with domestic spot exchange so that they can have the same price all over the country. They have been eagerly awaiting the day when they could display the tag of ***One nation One Price*** on all the retail jewelry shops. This shall boost customer confidence drastically.

He added the following suggestions:

- Need for a regulation that directs all imports through International Bullion Exchange
- Gold trade may be made mandatory only on the International Bullion Exchange platform.

He concluded that only collective efforts can make the International Bullion Exchange and Domestic Spot Exchange successful.

Session Chair: Prof. Sanket Mohapatra, Associate Professor, Economics Area, IIMA

Paper presentation 1: Gold demand across countries by Prof. Dirk Baur, University of Western Australia; Prof. Balagopal Gopalakrishnan, IIM Kozhikode; Prof. Sanket Mohapatra, IIM Ahmedabad

Prof Dirk Baur, University of Western Australia

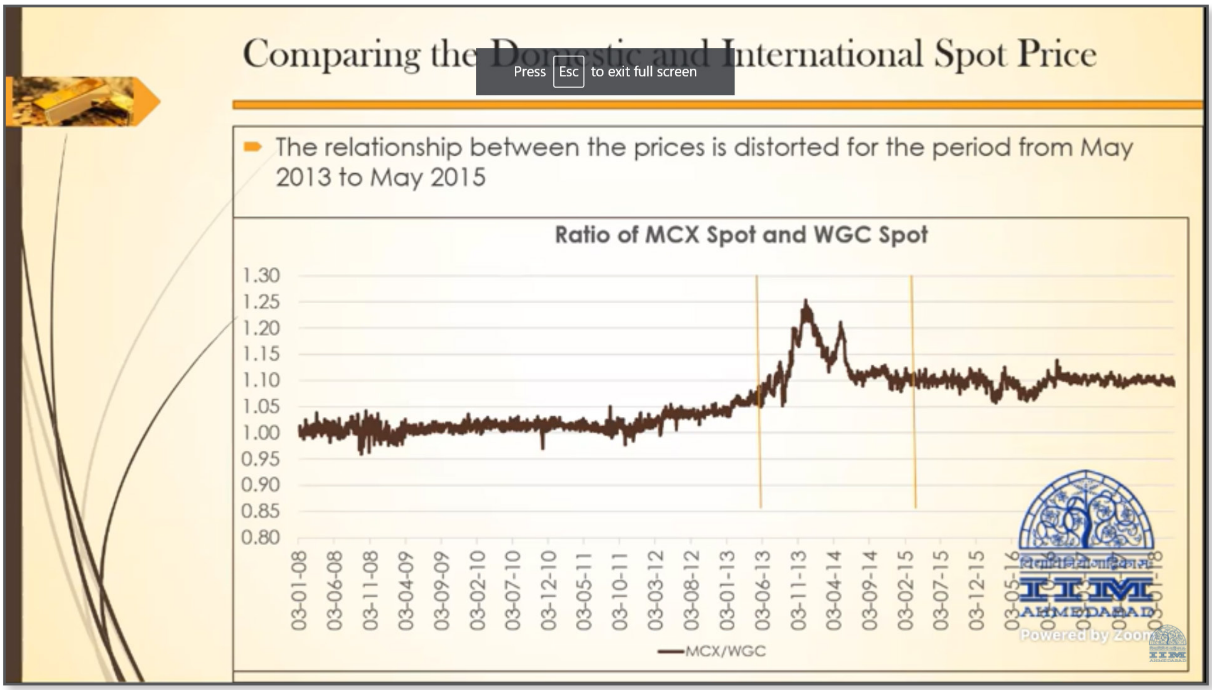
Prof. Dirk Baur presented an econometric model to give an overview of demand for gold; coins & bars; and gold ETFs across countries. He presented a three-stage least square approach that allowed all sources of gold demand to be determined endogenously. The model stated following points:

- Jewelry demand is negatively affected by gold prices and immune to global risk changes
- Bars & coins are positively affected by gold prices and not immune to global risk changes
- Jewelry is used for normal consumption whereas bars & coins are used as a financial asset

- Unlike high-income countries, there is a huge demand for jewelry in middle-income countries
- All countries are treated equally and for a panel data model, no difference is observed from the viewpoint of gold consumption. Each country is treated as a unit
- The GDP effect is much stronger in middle-income countries

It was further proposed to extend the model and look at India and China specifically.

Paper presentation 2. An empirical analysis of efficiency in the Indian Gold Futures market - Dr. Golak Nath, Mrs. Vardhana Pawaskar & Mr. Manoel Pacheco of Clearing Corporation of India



Presentation by Mr. Manoel Pacheco & Mrs. Vardhana Pawaskar

The objective of this paper was to analyse the market microstructure and policy changes in India's gold market. The study empirically tested for the gold futures market efficiency and determined the direction of information flow between the spot and futures markets under various policy regimes. The principle of market efficiency was tested using domestic and global spot reference prices. The study considered the MCX spot price and Reuter's spot price to represent the domestic gold spot prices.

The World Gold Council spot price was used to represent the global spot price. The paper considered the 1-month, 2-month, and 3-month futures contracts for this analysis. A sample period of January 2008 to March 2018 was chosen for the study. The sample was divided into 3 sub-periods: January 2008 - May 2013, June 2013 - May 2015, and June 2015 – March 2018 based on the policy changes as announced from time to time.

A Vector Error Correction Model was estimated to determine the presence of a long and short-run relationship between the markets. For the period, the paper did not find very strong evidence of a co-integrating relationship between domestic and international spot prices. A period-wise breakup indicated that the series of tax and policy measures introduced during the second period temporarily weakened this relationship.

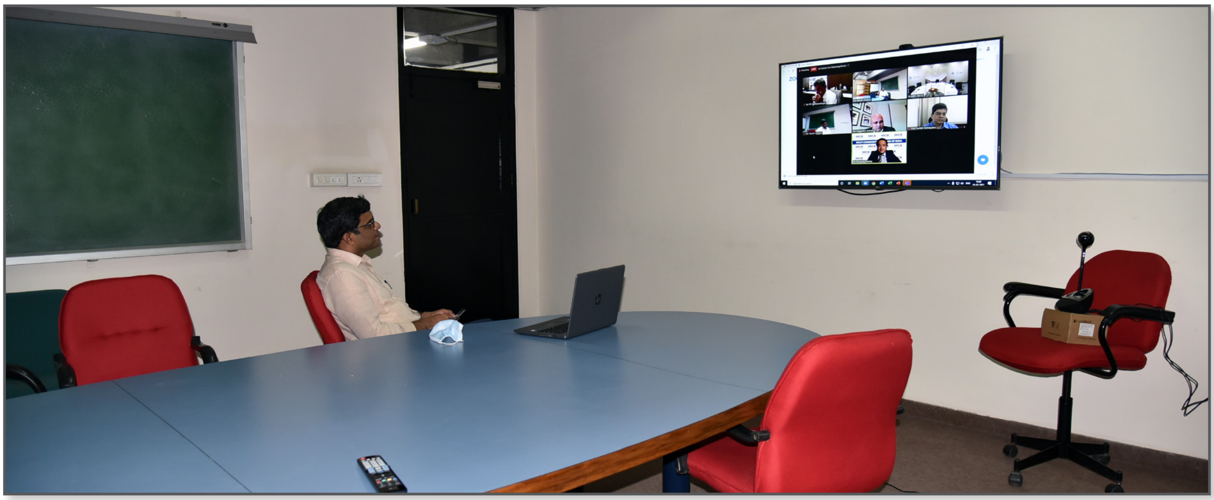
For the futures market, the study did find a long-run co-integrating relationship with the domestic spot market prices. It was found that the daily price discovery process in the gold market ideally takes place in the futures market but not the spot market, since, in almost all scenarios, the study found the domestic spot market prices made either a greater adjustment to the long-run equilibrium level or followed the lead of the futures market prices in totality. A reason as to why the futures market played a dominant role in the price discovery process could be because the gold futures market is an actively traded market with price information made available on a real-time basis. The prices in the domestic spot market on the other hand, being a polled price from only a select group of market participants, do not seem to capture the dynamics of the price discovery process.

The results further suggested that the futures market does not serve as an efficient hedging instrument for the domestic spot price movements but played a better role in hedging the variation of the international gold spot returns.

The results consistently seem to indicate a pass-through from the futures market to the underlying domestic spot market either in terms of the returns or variance. The study failed to see an active role of domestic spot prices in the price discovery process. This could be attributed to the method by which the spot price is arrived at. The two domestic spot rates considered here are based on polling methodology. However, the details of the participants or the methodology of computation of the rates are not provided.

In India, the domestic spot market is scattered based on geographical locations with differential price quotations. Based on the analysis, a policy suggestion would be to create a single organized platform for the domestic spot gold market that would aggregate all participants in both physical gold and financial gold market and help set in place a transparent domestic spot gold price-setting mechanism leading to an efficient price discovery process linkage between domestic spot and futures market. This research, thus, supported the view that IGPC has had for a while.

Panel Discussion 1: How the new products by derivatives exchanges are shaping the gold trade, moderated by Prof Joshy Jacob; Members: Mr. Shivanshu Mehta, Head, Bullion Products, MCX India Ltd. and Mr. Nagendra Kumar, CBO, NSE India Ltd.



Prof Joshy Jacob, IIM Ahmedabad

Mr. Nagendra Kumar, NSE

Mr. Shivanshu Mehta, MCX

Mr. Shivanshu started the session discussing the recently launched product at MCX – Gold Petals Contract. Impressing upon the success of its launch, the focus was on factors leading to its increased acceptance- tamper proof product certification, 1 gm denomination, electronic accumulation on the exchange in Demat form and requirement of not having GST registration. For end investors it provided the SIP sort of functionality too. As of February 2021, small volumes like 35-40 crores a day and daily client participation of 3000, was seen as a good start in the year of launch.

Mr. Nagendra elaborated on NSE Gold ETFs and Digital Gold Business. In February 2020, NSE Gold ETF did volumes of 450 crores and MCX Petal contract 99 crores and from March onwards, when lockdown started, the numbers went up by three times. In January 2021, NSE traded for approximately Rs. 1245 crores and Rs. 600 crores and above for Gold Petals contract. There has been a consistent rise in the volumes of Gold Petals and are 50% to Gold ETF volumes now.

In 2020, NSE Gold ETF got 8.9 lakhs new investors out of which 80% had been trading the first time. The turnover rose by four times. Investors rose to 9 lacs for the first time and of this 70% were from retail, 20% from the prop and 10 % were domestic investors. ETF has been a critical part of the equity segment and constitutes 96% market share with 2,50,000 terminals present all over the country, co-location too is allowed. Big bullion companies also trade with ETFs.

On questioning about price parity on Gold ETF, Mr. Nagendra explained that 10% of trading communities of ETFs are domestic institutional investors. The way ETFs are structured, does not reflect the actual price of the petals contract or spot contract. ETFs are in dematerialized mode. So, they can be stored. If big investors invest in ETFs, they may carry premiums too. However, as of now, there is nothing in support of a statement, there is lack of price parity in ETF. But ETF prices can be correlated with international prices.

All these instruments have their features. If ETFs are compared with other products, they have less liquidity than the futures. Mr. Shivanshu was of the view that Gold Future, Gold ETFs and other products are not comparable because all products have different features and different clientele to invest in. Then if ETF and Gold Futures are to be linked then overall volumes of all Gold contract should be considered which is Rs 18500 Cr a day.

To a question that if the rise in ETF trading and new retail participation, a result of COVID?

Mr. Nagendra replied in relation to how stock markets have been performing. NSE has been rated as the world's largest derivatives exchange for a second consecutive year. It has managed close to 8.5 billion contracts on the derivatives side. On equity segment after COVID-19, 70 lac new PANs got registered. COVID-19 has impacted all classes of people. As people enjoyed the benefit of working from home, there was no expenditure made towards shopping, restaurants, etc., and hence disposable income increased. There was a rally in gold prices. So, if you look at data points, it can be said with some degree of confidence, that COVID has impacted for higher investment in Gold and other asset classes.

Mr. Shivanshu, agreeing to it said that as gold prices rose from 39k to 56k, and silver price doubled, there was an absolute rush towards the asset class creating shortage of metal in the market. Giving his perspective on ways to expand retail market, he said, "these are low-volume driver products". It is like a commitment to the retail industry and creating an organized way of accumulating the asset class. In India, where there is an excellent rural population, gold is accumulated, so such product can create a revolution. It has a presence across India with 1100 Centres and 800 postal codes. The number of terminals are in lacs and there are above 32 lacs clients. So, over the years, retail markets are likely to expand as India have majority rural population and even a domestic helper saves and accumulate in gold, so such a product will create revolution in future."

Discussing about the Options market, Mr. Nagendra explained that at one stage, all three exchanges were running "Options" and did a decent business. NSE has done comparatively well in Options. Because NIFTY is the number one contract in the world. As far as Options are concerned, NSE is a thought leader. The way it started; the engagement model is entirely different. NSE has India's top jewelers. And they structure the needs of the customer. NSE is looking forward to getting financial and other institutions too in the future.

Prof. Jacob asked about the MCX and NSE's experience on India Good Delivery standards and the efforts made by MCX and NSE towards making it a benchmark.

Mr. Nagendra said that as NSE is trying to compete with the existing international benchmark, NSE also plays the role of mini regulator. Customers have faith that NSE has done all groundwork. Every bar to be delivered in the system must have reference sample testing. And refiners may find it a bit cumbersome. At this point, MCX may raise the bar in the interest of the market and explore possibilities whereby associations can pitch on the information of credibility building of refiners by producing acceptable standard bars.

Mr. Shivanshu continued and said that MCX began working on these Indian Goods delivery standards in January 2020. They did visits, had committees, screening audits, technical qualification audits, for finalizing the process of compliance with India's good delivery standards, with IS17278 assaying abilities and machinery-related details. They also ensured that this is a continuous improvement for refineries. And get the good delivery standards published to the market as recently as January 28. It is ongoing compliance with screening audits, surprise audits, checks, at any given time from any voltage stock, and powers to disgorge in form of penalties of a very hefty nature.

If the contracts reflected some premium over the international quality, deliveries of Indian refiners would be possible at premium rates, as the production quality is at par. Quality-wise, the BIS standards are no different from international standards and even the audits conducted are stringent.

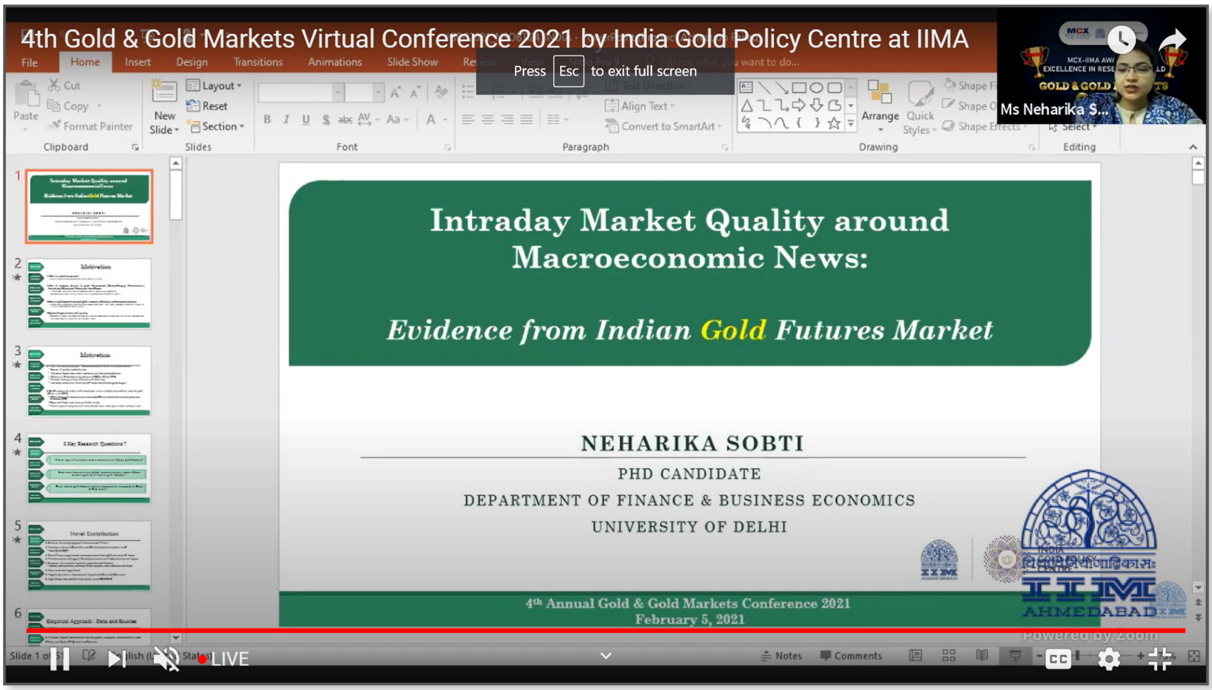
Both the panelists from MCX and NSE concluded by listing the MCX products likely to be launched in future:

- On NSE front, one-gram Gold product to enhance the Petal product
- On MCX front, Bulldex, (an Index product) a combination of benchmark of silver and gold futures. It is basically a contract that is cash-settled, with an intermediate tenor. It carries a portfolio-based approach to commodity derivatives like owning investment approach. It has already hit a volume of 3500 lots and the open interest is 2500 lots. It captures both roll and normal returns.
- MCX is also planning to come up with Silver ETF kind of product.

Session Chair: Mr. Debojyoti Dey, AVP, MCX India

Mr. Debojyoti Dey, AVP, MCX India

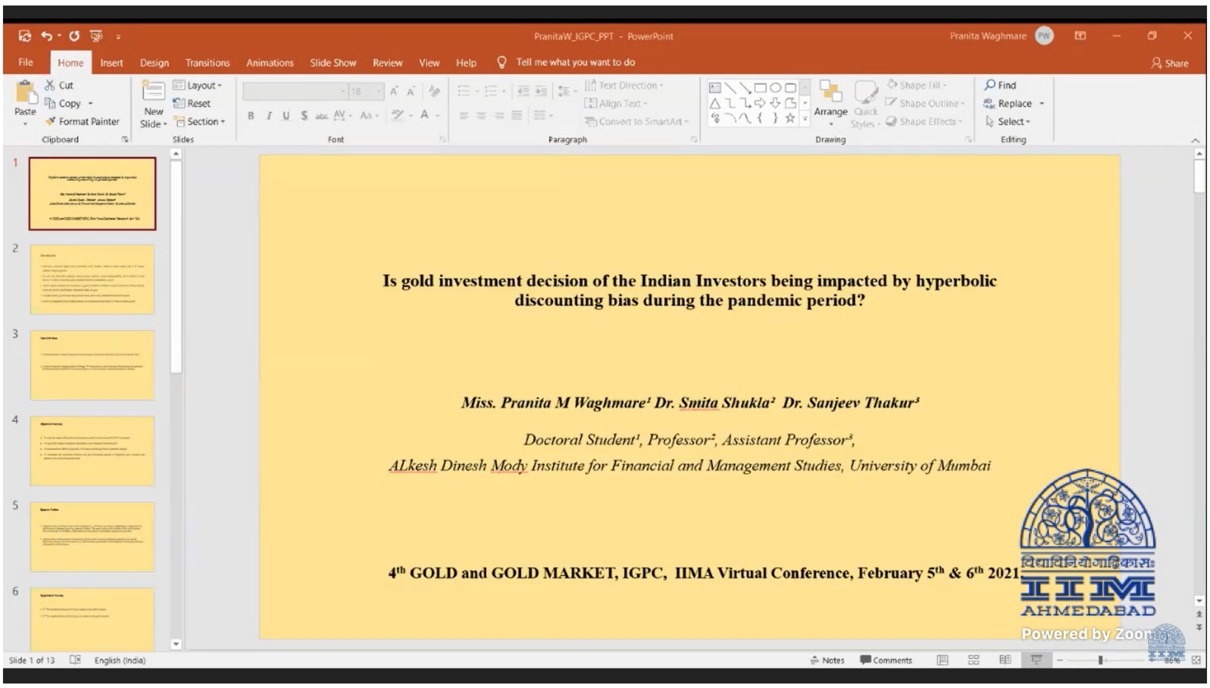
Paper presentation 3. Intraday Market Quality Around Macroeconomic News: Evidence from Indian Gold Futures Market by Ms. Neharika Sobti, Department of finance and business economics, University of Delhi



The study examined the impact of domestic and global macroeconomic news surprises on the intraday market quality aspects namely – returns, trading volume, volatility, effective spreads, order imbalance, and depth of the Indian gold futures market. Using high-frequency data sampled at 5-minutes interval, the effects of total news surprises to assess the asymmetric reaction by examining the impact of positive and negative news surprises. Ms. Neharika observed that six market quality aspects showcase abnormal levels during news intensive trading hours especially factors related to the global macroeconomic news. Liquidity aspects like volume spread, and depth along with volatility are at the highest levels while order imbalance and return are the lowest during news announcement.

The study hypothesised that global macroeconomic news surprises from the US have significant and stronger contemporaneous and post-announcement effects than domestic ones on six market quality aspects of Indian gold futures. It went on to establish evidence in favour of the asymmetric impact of domestic and global news surprises as news with negative surprise has stronger and positive impact on market quality aspects than positive surprises. Concluding the research, she explained that gold futures react negatively to positive economic news and news with positive surprise and vice-versa that supports the safe haven properties of the Indian gold futures market.

Paper presentation 4: Is Gold Investment Decision of the Indian Investors Being Impacted by Hyperbolic Discounting Bias During The Pandemic Period? By Ms. Pranita M Waghmare & Dr. Smita Shukla, Alkesh Dinesh Mody Institute for Financial & Management Studies, University of Mumbai



The study interconnected the volatility in gold demand during the pandemic and hyperbolic discounting function. The paper focuses on the nexus between hyperbolic discounting and gold investors' behaviour changes in the COVID pandemic period. The data analysis section develops the model of beta delta model to understand the gold investor's preferences and the intertemporal choices of gold investors in two different time periods i.e., normal economic situation and economy impacted by COVID 19. The beta delta model has been applied to data collected for this research study. The respondents were asked to rank seven investment alternatives viz; Real estate, Mutual funds, Debt instruments, Equity, Insurance, Physical Gold, and Gold ETF. The study collected the above responses for two situations – a. Normal economy and b. Economy impacted by COVID-19. These two situations represent time inconsistency.

Hyperbolic Gold Investors Preference Choices				
Gold ETF	Beta delta values are higher of count of 3rd and 4th ranks	$u_0(Covid)$ **84.085, 52.05**	***Immediated gratification*** ***Time Inconsistency***	Liquid Asstes
Physical Gold	Beta delta values are higher of count of 1st 2nd and 5th ranks	$u_0(Non\ covid)$ **38.085, 73.43, 21.01**	***Delayed gratification*** ***Intertemporal choices***	Illiquid Assets

The count of 6th and 7th rank respondents indicates that they are impulsive towards both the situations $u_0(Covid)$ *and* $u_0(Non\ covid)$**12.35, 10.675** respectively. Hence, the intertemporal choices could not be defined clearly

The study extracted to show how the hyperbolic discounting bias has impacted gold investment behaviour during the COVID - 19 pandemic and the normal economic situation. The authors find out that the respondents react spontaneously while making the intertemporal choices and they are considering the Gold ETF as the liquid assets during the COVID situation and physical gold as the illiquid assets.

The present bias has been tested positively on data hence the study accepted the alternate hypothesis and rejected the null hypothesis. The paper has the authentic study to understand the changing pattern of demand for physical gold and gold ETF during the pandemic. Henceforth, there are gold investment needs, but it has the impact of temporal discounting, so we can consider that the gold investors are influenced by the present bias and hyperbolic discounting bias has impacted the preference choices of gold investors.

Paper presentation 5. The increasing relevance of ESG policies for success of gold and jewellery business by Mr. Terry Heymann, CFO, World Gold Council

Mr. Terry Heymann, CFO, World Gold Council

Mr. Terry Heymann presented the increasing relevance of ESG policies for the success of gold into business and actions taken at the collateral level. He said that there has been more focus on ESG and sustainability by investors during the pandemic times. The amount of funds directed into ESG type of investments has hugely accelerated over the past year.

The members are the world's leading gold mining companies, and they represent the public listed gold mining companies. The board comprises CEOs of these companies. For them ESG sustainability is important. Also, the entirety of the gold supply chain. There is a need to take steps to minimize ESG risks.

Mr. Terry further described relevant gold mining principles consistent with ESG. World Gold Council has been in the consultation process with external participants, government, and companies up and down the gold supply chain. Now, they have set out 51 individual principles on environmental and social governance. All ESG material issues are associated with gold mining. The market is gaining confidence that if they are sourcing gold from a company it needs to be responsibly mined. Such companies would pass on the assurance to the downstream supply chain that this gold has been sourced via responsible gold mining and produced responsibly. Some encouraging signs are noticed in this context.

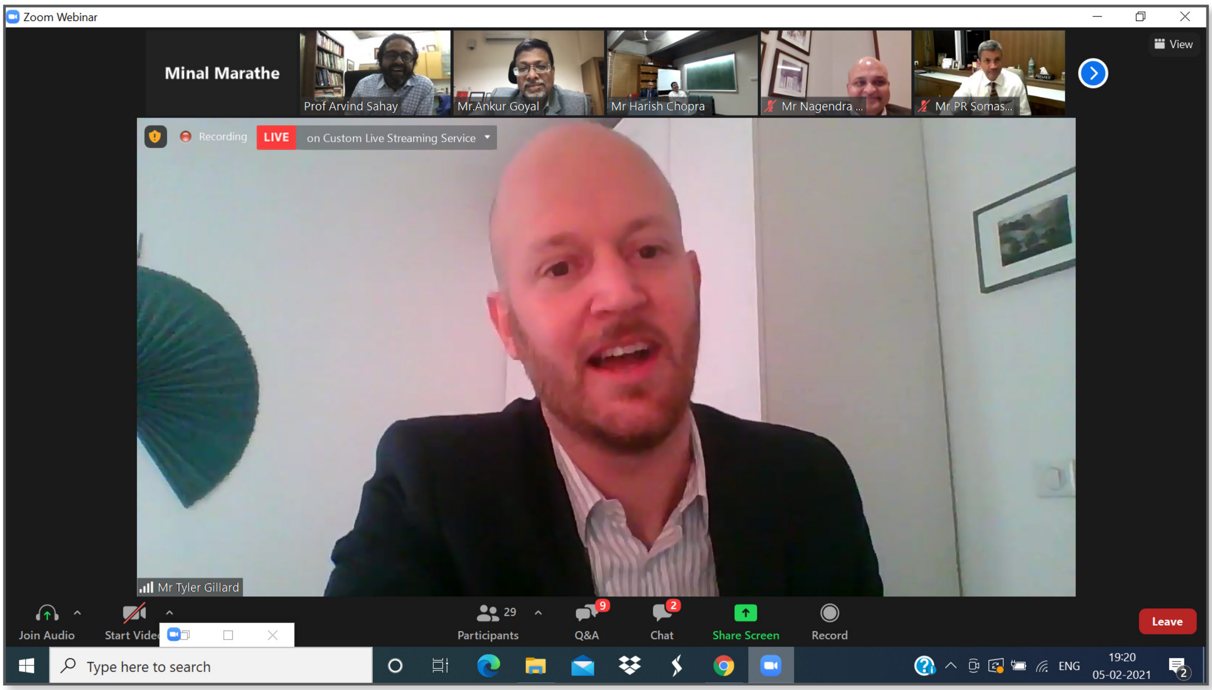
Accordingly, the primary objective of executing these principles is to make it assessable and make easy to understand the responsible gold mining principles. They are put under environmental social governance. The principles of governance are ethical conduct, straightforward to operate responsibly; impact assessment; how to manage the governance in interacting with the participants of the supply chain, and so on. In the social category, safety and health are very important in mining history. Human rights conflict is also a very important aspect and is essentially reflected by OECD. Labor rights and treating the workforce in the right way and working with the community is very essential. And for this, there are 10 umbrella principles and 51 sub principles. They are in process and reflect the importance of mining companies, being engaged with the local community, and working with them. Clearly, if there is no support from the local community, it shall pose a challenge to operate for a long time. And this shall challenge the economic model. For this, environmental stewardship in biodiversity of the land, managing land over generations, long-existing resources and operating them in place, exploration activity, building and closing the mines, and importantly water energy and climate change operating responsibly in all these areas, are important.

Mr. Terry further added by stating that, to place these principles there needs to be an external assurance and that they get disclosed publicly. Supporting the belief that gold mining and the entire gold sector contribute significantly to social and economic development and recognition of icons – 17 gold setups are done in the UN; they are like the two sides of a coin. The whole gold sector in the world needs to behave in a truly responsible manner. Refining, retail, downstream, fabricators also need to act responsibly. A few examples of principles that would help in sustaining social and economic development are –

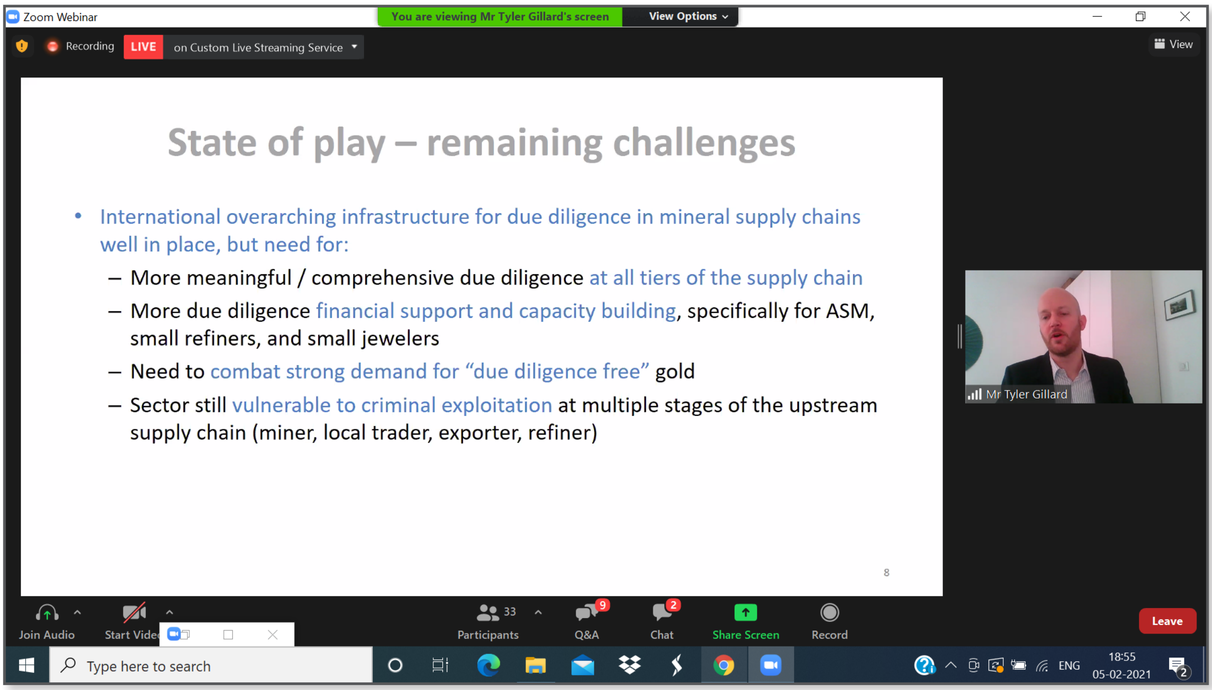
- SDG17 – relating to global partnerships
- SDG 5 – about gender equality
- SDG15 – considers life on land
- Gold's carbon footprint

He concluded that climate change is increasingly driving investment decisions and reshaping approaches to portfolio risk. Because of diverse sources of demand, lack of credit risk, and track record as an effective hedge, gold is likely to perform better than most mainstream asset classes under different climate scenarios.

Ten years of OECD's responsible sourcing guidelines, its evolution and contribution towards making world a better place – a presentation by Mr. Tyler Gillard, Head, Due Diligence, OECD Centre for Responsible Business Conduct



Mr Tyler Gillard, Head Due Diligence, OECD



Mr. Tyler discussed actions undertaken in the last ten years and the progress towards acceptance of responsible sourcing. He said responsible mining in the rise of ESG and responsible sourcing are two sides of the same coin. It has been noted that 35 trillion dollars of assets are being dumped into ESG funds and it has doubled in two years. And this is not only as they are ethical but also because these are resilient investments. He thanked the leadership of NSE and MCX in India for adopting these requirements to protect market stability and doing the right thing.

The OECD guidance is a standard that applies from mine to consumer and tends to have a complimentary responsibility to do due diligence. It links well to the principles of responsible gold mining. If all gold miners work responsibly, it will reduce the burden on the refiners and make gold more marketable. The OECD guidance also focuses on all the environmental and human rights issues. From a supply chain angle, OECD focuses on issues of support to conflict; non-state armed groups; serious financial crimes like bribery, money laundering, terrace financing, human rights abuses including the worst forms of child labor and forced labor. Importantly, due diligence as a sourcing concept is all about progressive improvement. OECD believes strongly in the values of artisanal mining and the jobs to millions of people worldwide which they provide. It wishes to support the growth of jobs in long term. So progressive improvement, not expecting perfection, and taking improvement year on year is the core of the guiding principles.

Mr. Tyler gave a brief overview of actions in the past in this context. The guidance was adopted in 2011 but negotiated in 2009 and 2010. There had been a high-level political endorsement of these standards as the global reference for sourcing from the UN Security Council, central African countries as well. These standards were developed hand in hand with business and society, business across the supply chain representing the large-scale miners, small refiners and jewelers. In 2012, United States adopted section 1502 of the Dodd-Frank Act. This required large publicly listed companies on the downstream side, to undertake due diligence on the source. The United Securities and Exchange Commission mandated those companies to use the OECD framework with due diligence.

In 2016, the Chinese Government adopted the due diligence guidelines and in 2017 the EU adopted these guidelines.

Mr. Tyler mentioned that the positive news coming from India in 2020 about NSE has been great. The biggest drivers of responsible gold sourcing are - creating stability, protecting price volatility, security of supply, and securing access to new markets and protection from legal risks. The focus is on industry programs to adopt at global exchanges. In 2016, many industry programs were lined up in this context namely LBMA, DMCC, Responsible Jewelry Council, and Responsible Minerals Initiative.

Mr. Tyler concluded that responsible sourcing is gradually becoming a market requirement, although there are short-term costs, there is a need of financial incentive for more companies to take this up. He ended by commenting that criminal exploitation of gold such as misuse of gold from money laundering and smuggling and can be reduced through responsible gold sourcing.

Panel Discussion 2: Readiness of Indian refiners for responsible sourcing audit, and exporting refined bullion, panel members – Mr. Ankur Goyal, Vice President, Association of gold refineries and Mints; Mr. Haresh Acharya, Director IBJA and Mr. Nagendra Kumar, CBO, National Stock Exchange.

Mr Nagendra Kumar, CBO at NSE

Mr. Haresh Acharya, Director IBJA

Mr. Ankur Goyal, VP, Association of Gold Refineries and Mints

Mr. Ankur Goyal began the discussion with the difference between the international accreditations laid by the LBMA, DMCC, and OECD Responsible Minerals Initiative and Responsible Jewelry Council. All of them had certain stringent measures and requirements. LBMA and DMCC deal with some financial as well as technical aspects while the RMI and RJC are more on practices followed and due diligence of responsible gold sourcing.

The LBMA accreditation process has pre-audit, testing of samples, technical stage, the process of sending bars to London and after approvals, LBMA accreditation is issued, followed by proactive monitoring and re-testing of bars, which gives continuity to the accreditation. RJC has two aspects – Chain of provenance and Chain of custody. The chain of provenance is used by jewelers whereas the chain of custody gives the assurance of product and materials, achieved by the OECD guidelines of responsible sourcing.

For Responsible sourcing, there is a five-step framework given by OECD –

- Establishing a strong company management system
- Identification and managing the risk in the supply chain
- Designing and implementation of the management system to respond
- Arranging for an independent third-party audit
- Supply chain due diligence

Following this, a basic KYC for the suppliers and a third-party audit is done to check their finance and license, the origin of dore, and the assessment of mining practices. This can be done for both mines and recycled material.

India has 25000 tons of gold and there is a lot of recycled material. LBMA follows a very strong proficiency testing system and the Indian Government Mint is accredited for proficiency testing. In due course, he opined that the hesitation would no longer exist provided refiners are educated in this matter.

Mr. Nagendra Kumar, CBO, National Stock Exchange

NSE successfully empaneled four refiners through the process. He said that the audit has been more a mindset issue. NSE does an onsite technical and process evaluation of refiners and based on the score assigned by the inspector, they take it to the committee. Without disclosing the name of the refiner, and based on the recommendations of the committee, they present the findings. The chair of the committee further takes the call.

Mr. Nagendra added that LBMA not only has a well-defined structure and 5-point principle/guideline, but they have laid out criteria in terms of what the financial requirement should be in terms of capabilities and testing requirements. NSE works closely with RMI and has appointed an internal auditor based on the 5-point principle. They have started the process audit and consider OECD and BIS standards as the base. Whatever findings that these institutions give, they forward it to the committee and await their advice on it.

NSE has done multiple workshops and one on one sessions with the refiners. The 16 set of documents which are to be complied with before the refiners are given an audit date, is a huge stumbling block in the mindset of Refiners. Although RMI is willing to give all the assistance, there is resistance on the part of the refiner.

Further NSE announced that out of 4 refiners, the Bangalore refinery to be on the conferment list, and Augmont Refinery on the active list. There were multiple rounds of inspection and each round had been a cost to the Exchange. However, creating a difference between society and industry had been the objective for NSE.

The fundamental issue noticed is the availability of Dore. Some of the refiners work with small-scale artisans' miners. OECD guidelines do not prevent sourcing from them but there is a Customs issue. The mandate is that the bar should be of a minimum of 5 kg. But if sourcing is done from small miners, as per OECD guidelines where you can source smaller quantities of 2 or 3 kg bars only, you will need to go to an aggregator to comply with the minimum bar requirement of 5Kg. Hence there are structural problems. If the refiners approach larger refiners, they need to be LBMA approved with minimum net worth requirements kicking in. This has been a major challenge. He further urged IGPC to come out with some changes in the guidelines on this, for the betterment of the industry.

Mr. Haresh Acharya, Director, India Bullion and Jewelers Association

Mr. Acharya said, although being a small refinery from 2008 till 2016, they had to follow many compliances to run the small-scale unit. The industry is apprehensive towards RMI audit, with fear of audit queries; cancellation of their license by DGFT; closure of imports, etc.

Over the period, they have been comfortable after continuous interaction with RMI and OECD. They have been doing extensive paperwork. Due to RMI guidelines and processes, there is a fear of being blacklisted by the miners. There is a huge investment, and most refiners were previously bullion dealers. Their investment seems to be at stake as these processes consume time. As a result, many refiners are reluctant to enter this system. He urged the panel to conduct more seminars to educate the refiners further on this.

Closing remarks for the day

Prof. Arvind Sahay, Chairperson IGPC

Prof. Sahay ended the session with a vote of thanks to all participants and thanked them for their patient participation.

Day II - February 6, 2021

Welcome address and IGPC's key projects in 2020 by Prof Arvind Sahay, Chairperson, IGPC at IIMA

Prof. Arvind Sahay, Chairperson IGPC

Prof. Arvind Sahay began second day of the conference with a summary of work done at India Gold Policy Centre in the past five years in research and policy-related matters concerning gold. In 2020, the internal committee at IGPC started writing and exchanging documents with different stakeholders on an ongoing basis. IGPC increased its engagement with policymakers and observed that a written document brings more clarity.

IGPC's first paper was ***Suvarna Bharat Abhiyan***. This paper presented views on how to mobilize household gold to address the looming crisis of tax revenue shortfalls resulting from shutdown due to COVID lockdown. While it was directly related to GMS, the purpose was to reduce the cost of government borrowings and ensuring stability to the sovereign rating. During the process, we realized that the GMS can be run without a penny going out of Govt. pocket. GMS is a very important part of the International Bullion Exchange and Domestic Spot Exchange. The note from IGPC will provide significant inputs on the **Revamping of GMS**. It was good to see support from the banks for our recommendations.

The International Bullion Exchange (IBE) seems to bring massive opportunities to the country. IGPC ramped up the team to engage with the process of setting up the IBE. IGPC worked with the IFSCA on a pro-bono basis for setting up the IBE. Prof. Sahay thanked WGC for supporting IGPC financially, also ensuring IGPC keeps its working as an independent think-tank, to make it capable of executing such projects on a pro-bono basis. IGPC started working on this project in August 2020, submitted a first draft report in Nov 2020 and the final report in Jan 2021.

While working on IBE, we realized gold refining and bullion banking were the two strong pillars of the bullion industry. Lots of efforts have been taken towards bullion banking and in this context, IGPC plans to organize a series of educational programs in association with the Indian Banks' Association.

The other initiatives were organizing workshops with OECD on Responsible Sourcing of Gold and Blockchain-based platform for trading gold in India. Blockchain can increase the transparency of transactions thus building a robust infrastructure. On the research front, IGPC sponsored research on temple gold being done by an anthropologist from IIT Kanpur and a sociologist from IIT Delhi. Other projects include HRM practices in the gold industry and the Central Bank's holding of gold and how it influences the sovereign risk assessment. The gold mining research project is another IGPC initiative. This is going to be on how mining in India can help build better community development in rural areas and employment opportunities. This will be done by Dr. Prabhkar Sangurmath, who retired as an Executive Director of Hutti Gold Mines and is credited with numerous papers on gold mining opportunities in India. Various findings and estimates suggest that the country can produce up to 100 tons of gold annually subject to the removal of regulatory obstacles.

The nationwide survey on gold, in collaboration with PRICE, intends to collect data of 2 lac households, related to purchases, consumption, attitudes, and behavior related to gold. The retail gold consumption has been approximately 60% of gold consumed in the country. Once the database is built, it shall provide necessary facts for better policymaking. The survey is likely to produce robust data on consumer purchase and consumption of gold based on which there can be better policymaking. The insights of the data are assumed to provide new opportunities to the industry as well. The goal of IGPC has been to provide a detailed report of the first annual nationwide survey of consumption by mid of May 2021; this has been delayed due to intense Wave 2 of the Covid pandemic in India since the data are being collected through a face-to-face interviews in a household survey.

He also acknowledged the collaborating work done with CII, being on their panel as an advisory role. He concluded his speech by assuring that IGPC would continue to play a significant role and explore opportunities to make the economy better.

With this, he welcomed the Chief guest of the conference, Mr. Rajaraman K., Additional Secretary at the Department of Economic Affairs. He introduced him as a partner, supporter, and encouraging voice for IGPC, and requested him to share his views on gold and how he sees things moving forward from a policy-making perspective.

How gold policy is taking shape with phased implementation and the way forward for IGPC's research by Chief Guest: Mr. Rajaraman K., Additional Secretary, Department of Economic Affairs

Mr. K Rajaraman, Additional Secretary Department of Economic Affairs

Mr. Rajaraman began his speech by congratulating IGPC, for consistently organizing research in the gold industry for the last several years. He said that IGPC has been taking the bull by the horns, as it has been engaged in an area where not many people are engaged in doing such excellent research. He gave his sincere appreciation for this, hoping to get the research conference in leading the unearthing of change of market behavior, international market and so on.

He suggested that the research findings need to be published in some vernaculars and mainstream media in a way that can be easily understood by a common man. Post-conference, he urged IGPC to write some articles for ordinary investors also. Questions relating to the availability of institutional holdings and the nature of consumer behavior can help in a better policy framework. He urged that the PRICE survey should capture change in consumer behavior post-COVID and hypothesize the possibilities of any shifts. The gold and jewelry industries had joined the recovery path. So, it would be useful to know, how the industry has been recovering and whether any impacts need to be looked at for enabling greater government support, creation of jobs, and so on.

He identified the emergency facet of "Digital Gold". He urged IGPC to do extensive research on this and provide digital gold accumulation possibilities for consumers.

Being an unregulated industry, consumer protection is very important. There is a need for a regulation to protect consumer interest and default risk. He further requested IGPC to publish a paper on this with suggestions for regulators. Over the years, Digital Gold could be perceived as a noble and comfortable way of saving.

According to him, there is a need for an efficient and transparent gold market infrastructure. IGPC is working closely with IFSCA on the International Bullion Exchange. The IFSCA model of regulation may be a good pilot for the country for domestic regulation. The IFSC authority can help in getting the international bullion exchange off the block and the institution can take shape very well. Further, it may lead to the development of trade and commerce in India in an increasing manner.

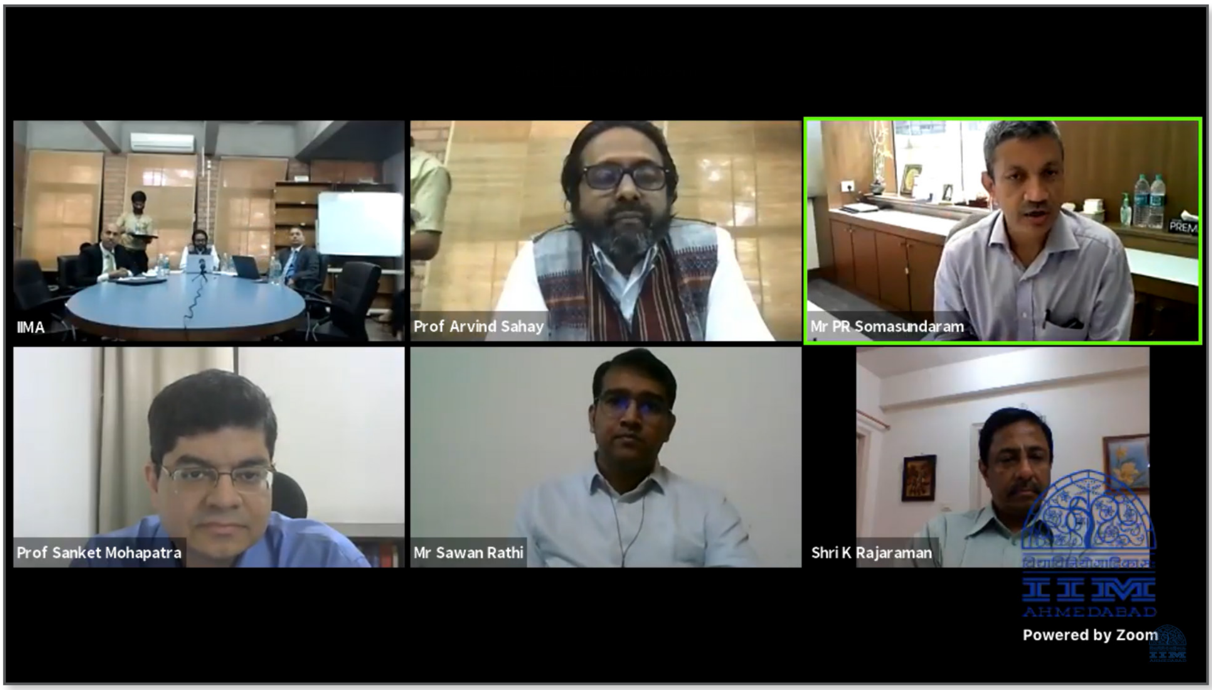
He referred to the recent announcement by the Finance Minister for nominating SEBI, as the gold Domestic Spot Market regulator for the Gold Spot Exchange in tandem with the Warehousing Development Regulatory Authority and added that the amendments to the Act were under process. This would enable domestic markets to become more transparent. Regulations need to be framed towards the Domestic Spot market to enable the regulators to make decisions effectively. India Good Delivery standards need to be mandated in this context.

He highlighted the need to make decisions on bullion banking. More banks should become a part of this initiative. Also, there are some changes in Gold Monetization Scheme, and necessary approvals have been received by the competent authority. The operationalization of these amendments would help in making the deposit process convenient and enable greater transparency and convenience for consumers.

He suggested the need of organizing enormous campaigns to increase consumers' awareness about GMS. There was a request made to IGPC to draft a campaign for GMS and elaborate on ways to bring the product closer to the consumers. He further referred to the budgetary announcements on customs duty on gold and gold dore. The government expected the local gems and jewelry industry to lower production costs and enhance imports. The process needs to be monitored in a way that gives adequate outcomes.

In addition, he stated the need to strengthen the mining industry. Although the possibility of gold mining seemed to be a distant target in the country, the possibility of ramping up of gold refining industry certainly exists. There is a need for a policy paper on strengthening the gold refining industry in the country. The mining industry has been working on generic amendments to the Mines and Minerals Development Regulations Act and will have beneficial impacts on prospects of gold mining in India. He concluded by requesting IGPC to work intensely with the Ministry of Mines concerning gold.

Paper presentation 7. Central Bank Reserves and Sovereign Credit Risk by Prof. Sanket Mohapatra, IIM Ahmedabad; Mr. Sawan Rathi, PhD student IIMA; Prof. Arvind Sahay, IIMA



The objective of the research was to identify whether central bank gold reserves are effective in mitigating the sovereign credit risk. The study was based on the credit default swaps data of 54 developed and developing countries for the last two decades and went on to determine how elastic the sovereign CDS spreads are.

CDS was used in the paper as it is a market-based measure and credit ratings assigned by the major credit agencies come under a lot of criticism. CDS spreads are meant to essentially reflect the risk of default of a country and hence is a reliable measure over credit ratings.

The paper showed that as the central bank's gold increases, the value of the CDS spread decreases. The central bank's gold becomes more important at times of crisis. In periods of high volatility and COVID, a 10% increase in central bank gold causes a 4% decrease in sovereign CDS spreads compared to 3.1% in other periods. During a debt crisis, a 10% increase in central bank gold reserves causes a 13.1% decrease in CDS spreads compared to a 2.5% decline in other periods. The effect of the currency crisis is negative but not significant.

The research work helped emphasize that gold reserves mitigate the effect of crisis episodes (high global volatility, debt crisis, and currency crisis) on sovereign credit risk. And that in an uncertain global economic environment, gold can play a stabilizing role in the nation's external position.

At the end of the session, Mr. Somasundaram put across an interesting point. He mentioned that banks hold gold worth about $30 Billion as collateral against loans. This may be valued as the country's overall reserves just as the dollars in customer accounts are treated. He suggested undertaking a study on this.

Mr. PR Somasundaram, MD World Gold Council

Keynote speech on Scope of Bullion Banking in India and the collaboration with IGPC by Mr. Sunil Mehta, CEO, Indian Banks' Association & former Chairman & MD, Punjab National Bank

Mr. Sunil Mehta, CEO Indian Banks' Association

Mr. Sunil Mehta gave an overview of the bullion banking business and said that the industry is large and well established with an annual revenue estimated at USD 1.5 billion globally. Bullion banking has been a key pillar of the market to build greater trust, efficiency, liquidity, transparency, price discovery across the gold value chain. Because of this, the customers can participate in the bullion market with confidence. The Indian gold market is fragmented and largely unorganized. Indian banks in the bullion business play a limited role in the entire ecosystem. The bullion activity is not considered to be a core activity and is also highly regulated by RBI. RBI authorized scheduled commercial banks (SCBs) to import gold and provide bullion services in 1997. Since then, there has been no significant change in product offerings. Today, although there are 16 commercial banks licensed by RBI to import gold, only few are active. The limited activities of bullion banks are largely attributed to lack of expertise, product offerings, restrictions on bullion banking activities which limit them to act as a channelizing agent in importing bullion into India.

Touching upon the current business model and the limitations with which the banks in India operate, Mr. Mehta explained that India imports gold on a consignment basis from its foreign counterparts. The imported gold is supplied to customers on an outright basis or under Gold Metal Scheme. Other products include gold deposits under GMS, sovereign gold bonds, and loans against gold. The core activities of bullion banking depend on gold imports. The present regulatory framework is restricted. Banks are not permitted to participate on the buyer's side on the domestic physical market. They are also not allowed to participate in commodity exchanges. This restricts their activity to hedge locally or provide liquidity in the exchanges.

Further, banks do not have any freedom to structure the products as per the market need. The gold metal loan can be provided only for a maximum period of 180 days. The banks do not have the flexibility to make changes in this structure, based on the working capital cycle of their client. Also, the GML can be repaid in rupees and not in physical gold. Bullion banks do not get involved in the core bullion business resulting from a lack of infrastructure, technology, and expertise in running the business.

India has a long way to go to explore opportunities for bullion banking. India is far behind as compared to the growth in other countries like Dubai, Singapore, and China despite being one of the largest gold consumers. India with a large number of gold manufacturers, retailers, large refinery base with an annual capacity of 1600 tons needs a comprehensive policy on gold to enable banks to provide bullion banking services at par with global standards and be instrumental in the transformation of the bullion banking business in India.

Currently, Indian bullion operations are largely dependent on imported gold. Allowing banks to source gold locally and participate in the commodity exchange to hedge their physical market exposure will help in creating the required ecosystem. Further, by participating in commodity exchange and opening client accounts, the bullion banks can create brokerage business. Lower gold imports can be achieved by diverting investment demand in gold towards domestic gold-backed financial products and paper gold.

Bullion banks can play a major role in the mobilization of household gold that directly reduces the burden on gold imports. The development of IBE in India would provide lots of opportunities to banks in India. It will provide infrastructure to banks for vaulting, logistics, and trading. The IBE shall help in bringing more efficiencies, better price discoveries, and assurance in gold quality. Being the major liquidity provider, the success of IBE largely depends on the level of participation of bullion banks.

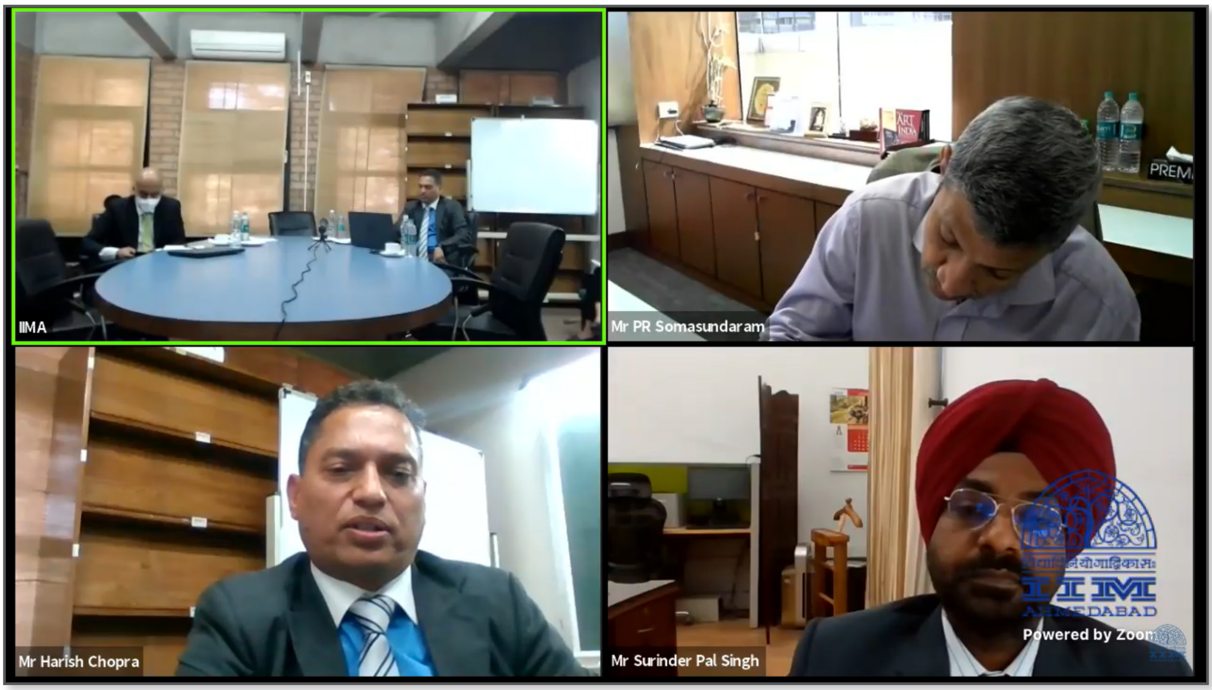
He further suggested that the license of operating as a full-fledged bullion bank should be assigned only to some banks based on the willingness and assessment of their capabilities. This will reduce the number of banks in the bullion banking business. Some of the banks because of their strong branch network may be allowed to act as a business correspondent to source GMS and GML clients and earn fee income. He gave some of the key suggestions to develop strong bullion banking in India –

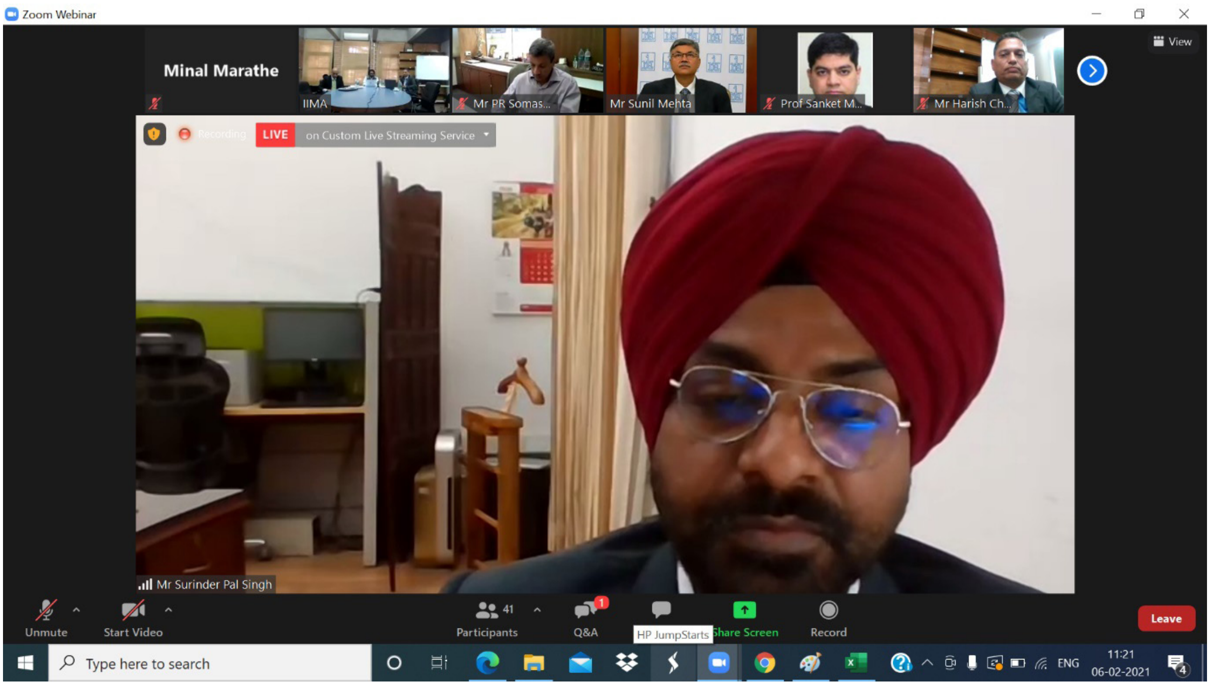
1. Allowing banks to source gold locally and participate in domestic commodity exchanges.
2. Currently, GMS is not that attractive due to the lack of infrastructure and hassles to handle physical gold. Hence the scope of GMS should be enhanced to include local buying of gold.
3. Banks must be allowed to sell minted coins from the monetized gold. This will help banks to partly fund the monetization costs.
4. Bullion banks should have complete freedom to offer innovative deposit products with tenures, terms, and processes solely decided by them.
5. GML is a great tool to finance the working capital requirements of the jeweler. To enhance the GML business in India, banks must be given the flexibility to provide GML based on their working capital cycle even if it goes beyond the limit of 180 days.
6. Banks must be permitted to accept physical bullion towards the repayment of GML.
7. Bullion in bank accounts should be considered for the maintenance of CRR.
8. However, infrastructure creation, connectivity, and other processes require long time horizons. Hence restricting GMS to limited branches with better infrastructure could be more effective.
9. The aim is to develop gold as a financial product and banks to take a larger role. But the asset-liability risk, commodity price risk, and hedging risk cannot be overlooked.

He also stated that the commercial banks need to participate in IBE and offer a range of bullion banking products. India can develop a thriving bullion banking industry in the coming years to support overall economic growth and that a roadmap in this regard needs to be thought of.

He concluded by announcing the organizing of a virtual workshop on bullion banking in collaboration with IGPC @ IIMA to explain the various bullion banking products, risk management, profitability, and overall business plans.

Fireside chat: Taking stock on Gold Monetization Scheme and the way forward by Mr. Surinder Pal Singh, Jt. Secretary, DEA, and Mr. Harish Chopra, Senior Policy Consultant at IGPC





Mr. Surinder Pal Singh, Jt. Secretary, DEA

Mr. Harish Chopra, Sr. Policy Consultant at IGPC started the discussion with Mr. Surinder Pal Singh, Joint Secretary, DEA (JS) stating the session would be mostly a detailed interaction on the Gold Monetization Scheme. However, the discussions did not intend or aim at announcing or indicating any policy directions on part of the DEA or part of the Centre.

Mr. Pal stated that as per their feedback, the process of depositing gold is perceived to be quite complex. Just with a handful of 40 CPTCs, it becomes difficult to get gold deposits. Out of 80 Scheduled Banks, only 9 were operative. People are hesitant due to cultural reasons, as gold under this scheme needs to be melted and this does not go well with the depositors. Also, the interest rates are less than the rupee deposit rates.

Mr. Chopra clarified that the rate of interest on GMS cannot be compared with a Rupee deposit. The depositor needs to be educated that the upside on gold prices will entirely benefit the depositor as the repayment will be made at a price prevailing at the time of maturity. He further added that Gold is considered as a hedge against inflation and volatility in Dollar. The gold prices in India are dependent on the international gold prices in USD and the conversion rate of USD to INR. Both generally carry a premium (~0.5% to 2% on gold and 4% to 6.5% on USD/INR) in the forward market over spot prices. The forward premium is derived based on the expected price at a future date and risk premium for the volatility. For example, if the gold is likely to appreciate by 5% in a year, the actual return on the gold deposited will be the coupon rate of 2.5% plus 5% i.e. 7.5%, which is higher than the Rupee deposit rate.

Mr. Singh stated that the Government was convinced about the scheme and therefore based on the inputs of all stakeholders including banks, CPTCs, refiners, jewelers, and others, it intends to make amendments to the existing scheme, increase CPTCs, and make the deposit process easy or the depositors. To consider more liquidity, government also plans to keep it fungible for instance mortgaging of gold deposits. He requested Mr. Chopra to provide his inputs on subsequent revisions.

Mr. Chopra responded that sustainability is the key to GMS. There is a need for an incentive structure where Government does not have to bear the interest cost but the same must be allowed by the market forces. The role of government is limited only to policy support. There should be a well-thought strategy on what happens to GMS once Government stops taking GMS into its account. Mr. Chopra requested the JS to share the deliberations on the revision of GMS.

Mr. Pal stressed the need to increase the deal flow and easing the deposit process. Jewelers are the focal point for most gold transactions so there is a need to bring them into the value chain.

Mr. Chopra then concluded with the following suggestions:

- A well-defined and documented customer redressal mechanism.

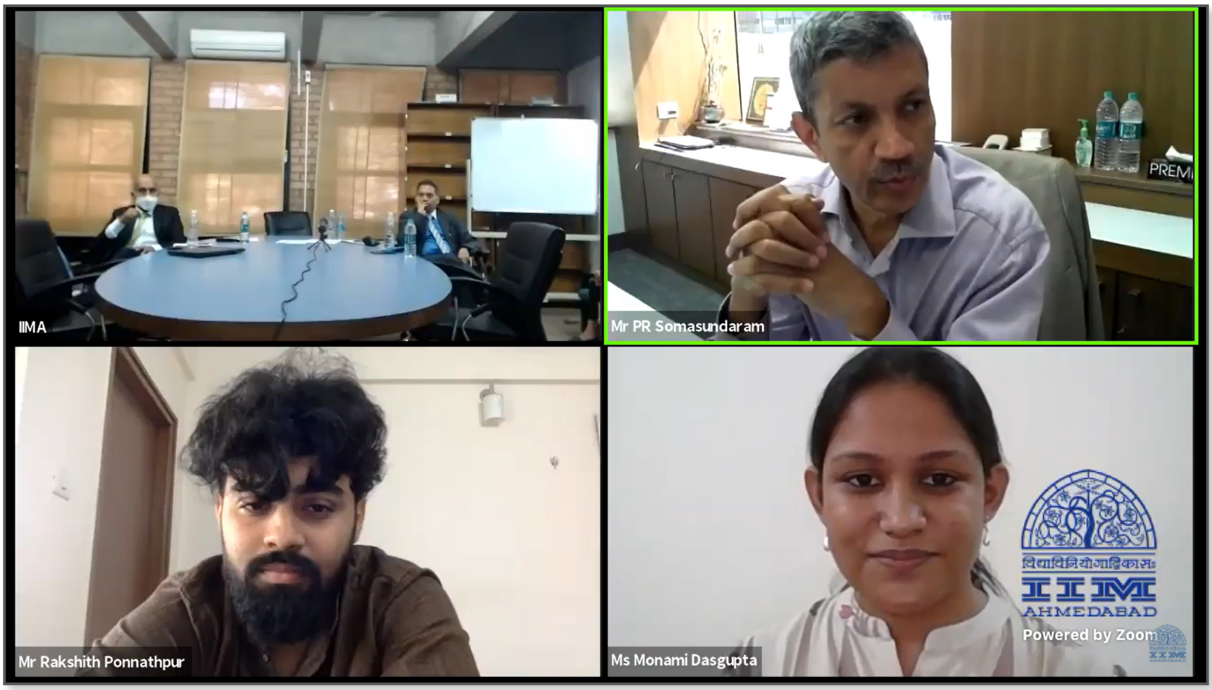
- Devising an appropriate marketing plan.
- A plan on how the monetized gold moves into banks' books for effective management of Asset/ Liabilities (ALM)
- The gold mobilized under MLTGD should not be auctioned instead lent back to banks for further deployment.
- The lending rate under GML should be cost-neutral to the Govt. for the sustainability of GMS.
- There was a need to address the fear of IT inquiries in depositor's minds. Also, a need to motivate retail holders of gold to deposit their gold.
- This makes the scheme attractive for banks, banks should be allowed to buy gold locally and to retail minted coins out of GMS.

The Joint Secretary concluded by saying that precautions must be taken against black gold coming into the system. He thanked IGPC to discuss the GMS and welcomed suggestions for the improvement of the scheme.

Mr. Somasundaram summarized the entire discussion stating that Government's intention to improve the gold industry without hurting it, cannot be missed. Government values the cultural sentiments of the people. Quoting an example of insurance penetration, he stated that it was hardly 2% in the introductory phase and people were reluctant to go for insurance from anywhere else other than LIC. However, the first incentive offered through banks triggered the entire chain and since then banks became aggressive sellers for insurance. Similarly, was the case with Demat.

Thus, incentivizing banks could make a massive change in the entire gold ecosystem. Banks will find a way to make GMS successful. He further suggested that although GMS Scheme is a good idea, the main intention of the scheme is overall recycling and to therefore should have a policy for this.

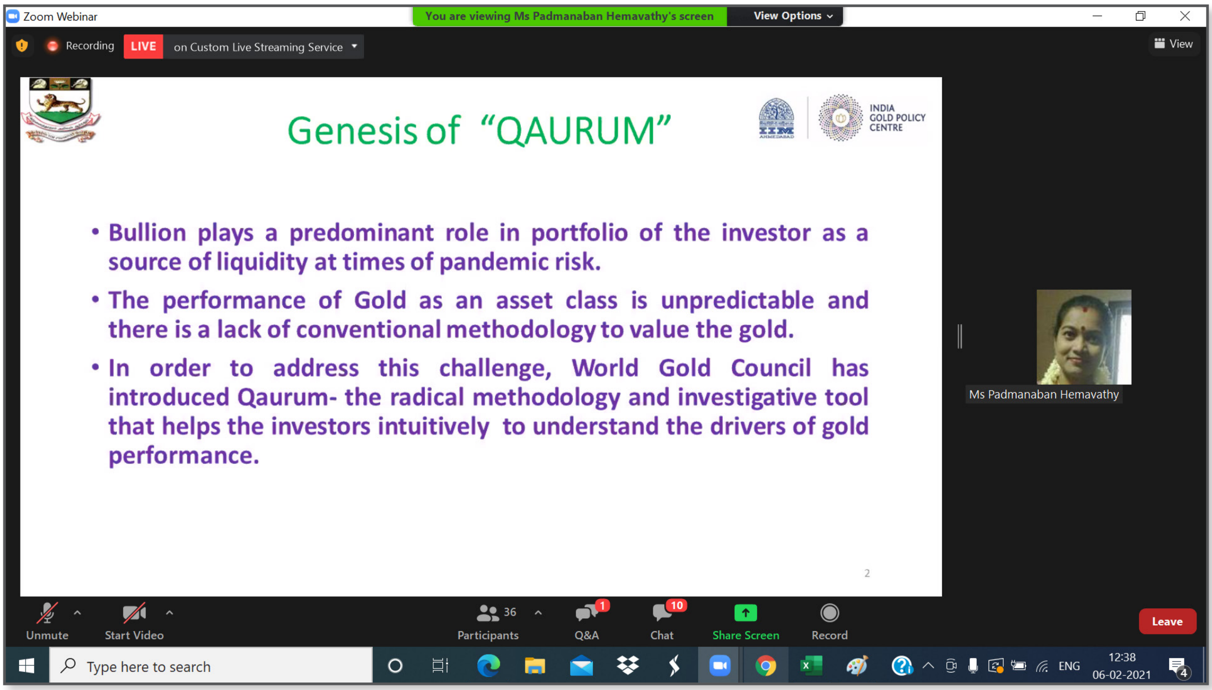
Paper presentation 8. Savings in Gold by Low-Income Households: An Empirical Study by Ms. Monami Dasgupta & Mr. Rakshith S. Ponnathpur, Dvara Research



Indian households, including and especially the low-income households, consider gold as a multi-purpose financial instrument because of its various utilities: to mobilize savings, as a hedge against inflation, and as a collateral for borrowing, apart from other social and cultural factors. Despite this huge demand for gold, products that offer gold-based micro-savings plans for low-income segments were missing. Given the recent push towards digitalization of financial services and financialization of gold, we examine one such digital gold-based micro-savings product introduced by Dvara Smart Gold to a predominantly rural and low-income customer base and explore how customers have invested in it during normal times, unexpected shocks like covid-19 and auspicious occasions like Akshaya Tritiya.

Their observation has been the systematic and consistent manner in which customers have invested in the product, through all these planned and unplanned events. This points to the tremendous scope that exists for well-designed gold-based micro-savings products that match with the cash-flows of low-income households, to encourage them to accumulate savings systematically. The research also identified that demographic characteristics such as family size and a number of female dependents, and financial characteristics such as jewelry owned influence the decision of households to invest in such micro-savings products. Through their analysis of the product and its suitability for the low-income segment, they presented a use case for the government and regulators to consider, so that they can incentivize the market to provide more such innovative micro-savings products that suit the unique needs of and constraints faced by low-income households. Lastly, their study shows there is potential for digital products in rural India, which is still by and large beyond the reach of digital financial products.

Paper presentation 9: The Quest for Insight on Qauram – An Innovative Methodological Gold Valuation Framework For Investors – An Empirical Investigation, a paper by Ms. Padmanaban Hemavathy, Department of Commerce, University of Madras

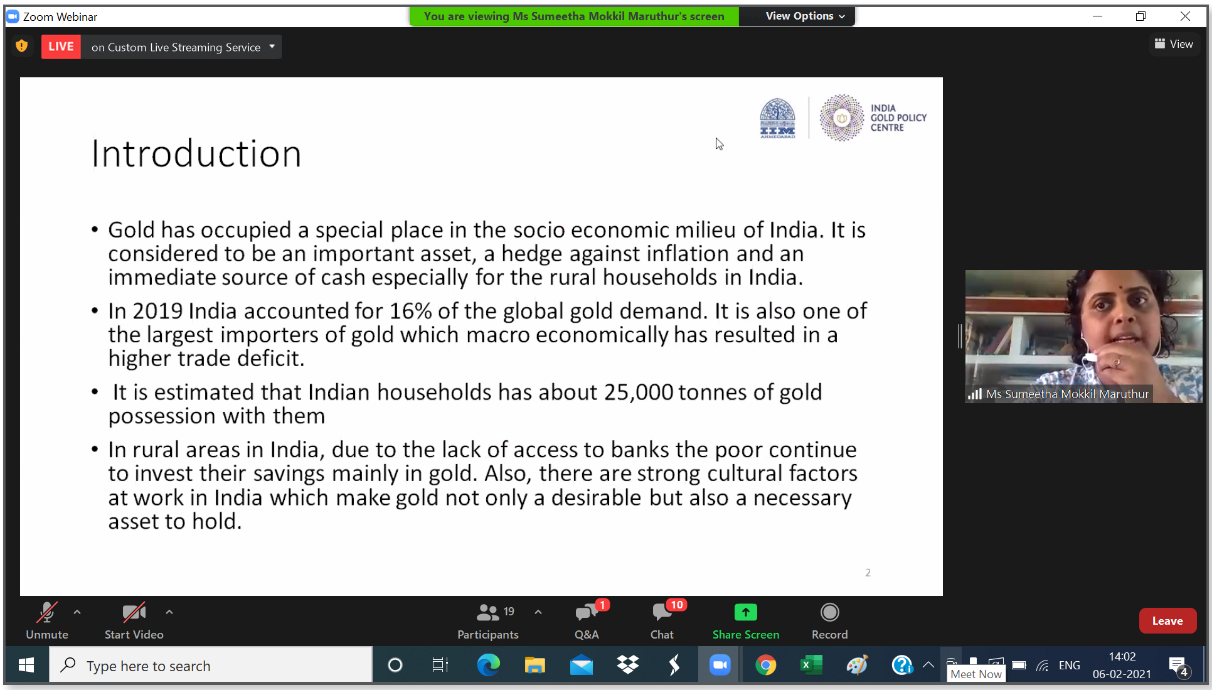


Bullion plays a predominant role in the portfolio of the investor as a source of liquidity at times of pandemic risk. World Gold Council has instigated a radical and innovative web-based investigative and explorative tool called "Qaurum" which is deliberated to contribute to a dynamic quantitative technique to evaluate and explore how bullion may react and respond under diverse macroeconomic and geopolitical conditions. This paper gives a deeper understanding of the factors that bring an urge to explore the insight on Qaurum, An innovative methodological gold valuation framework for the investors. This research work comprehends the significance of Qaurum, a web-based analytical tool for evaluating bullion performance in various macroeconomic scenarios developed by the think tanks of Oxford economists.

The research employing factor analysis was able to list down five predominant factors that explain the need to investigate the insight on Qaurum- an innovative methodological gold valuation framework. The major findings of the research highlight the factor which brings an urge to explore the insight on Qaurum, an innovative methodological gold valuation framework for investors to evaluate bullion performance in macroeconomic pattern taking into consideration the risk and uncertainties associated with the financial markets which are Knowledge factor, Risk management factor, Investors focus factor, Product Flexibility factors, Macroeconomic environment factor.

The study helped to conclude that Qaurum is an effective knowledge acquisition tool that enhances the investor's ability to acquire sound knowledge on the gold valuation framework. Although Qaurum does not play the role of the gold price forecaster, it acts as the game changer to the investors to estimate the implied gold returns and pave the best way for effective portfolio management for the investors at times of risk and uncertainties.

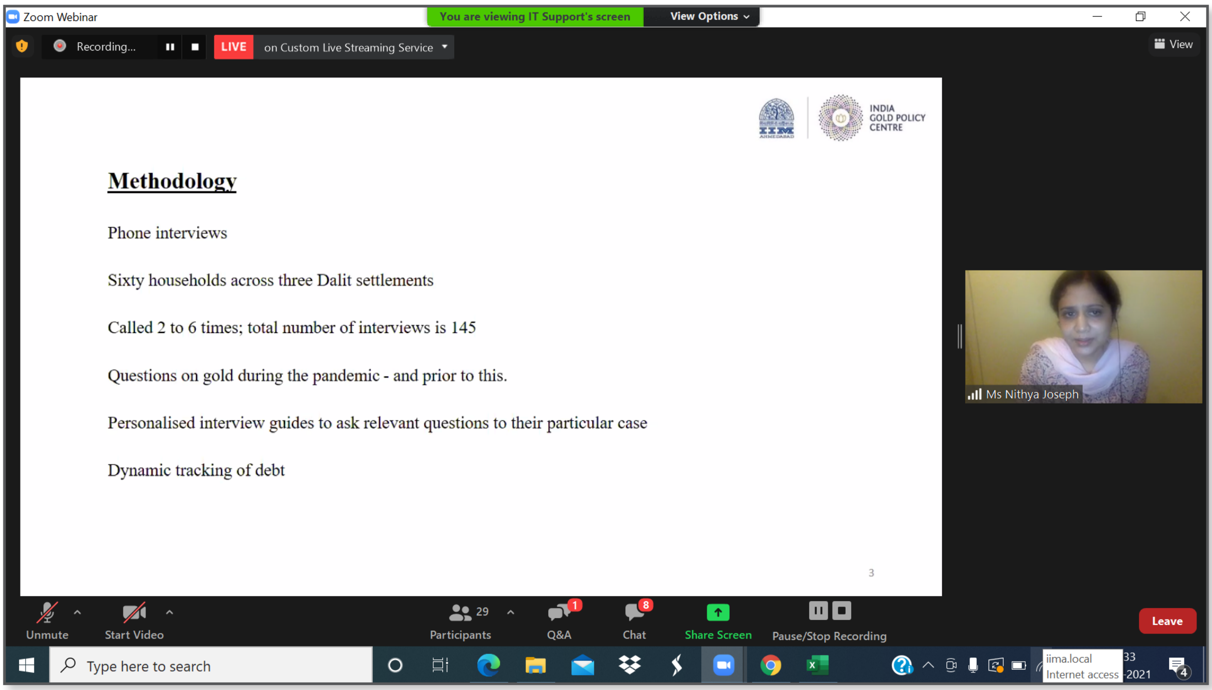
Paper presentation 10: The Growth of Gold Loan Market in India: A Case Study of Kerala by Ms. Sumeetha Mokkil Maruthur, Centre for Policy Research, Cochin



Gold has occupied a special place in the socio-economic milieu of India. As per the RBI study in 2017 on Indian Household Debt, it is seen that about 18% of debt in Kerala is in the form of gold loans, which is the highest for any Indian state. Kerala has the highest per capita consumption of gold and has the highest inflow of remittances among Indian states. Two of the largest NBFCS, Muthoot and Manappuram, which control about 90% of the gold loan market among NBFC'S, have their origin in Kerala. Though these companies were in existence as early as the 1940s, their growth and expansion began post 1998 after the government liberalized policies with respect to the Indian gold loan market. Given this context the paper explores questions on the macroeconomic implications of a growing gold loan market in India, correlation with flow of remittances and gold loan market growth in Kerala, the pattern of growth post-pandemic, and new strategies pursued by NBFCS and banks to ensure robust growth of the gold loan market. The annual company reports of NBFC'S, RBI reports, World Gold Council Reports, Cognizant Report, KPMG Report, Kerala migration Survey were used for secondary data analysis.

In the Kerala context, much of the remittances have gone into house construction, investment in gold, and financial assets. The gold loan market has much growth potential- with increasing return migrants, starting of small businesses, and also with an emerging and robust online market. The World Bank predicts a 22% decline in remittances to India. Gold as collateral, therefore, is now an instrument during distress for return migrants in Kerala and is often used to meet unforeseen emergencies and now slowly been diverted to productive uses like to finance education expenses.

Paper presentation 11: Using Gold to Cope - and coping with Obligations to gift Gold - In the Time of Covid-19 – a paper by Ms. Nithya Joseph, French Institute, Pondicherry

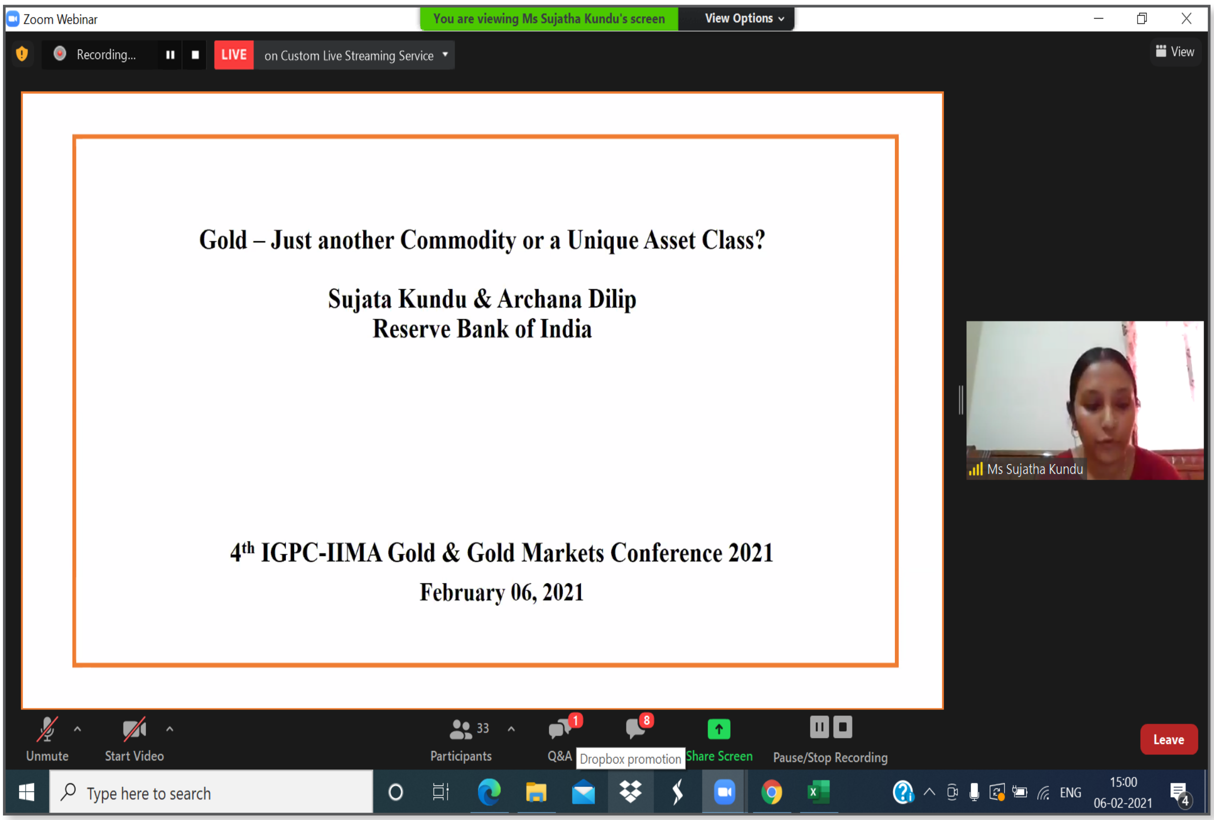


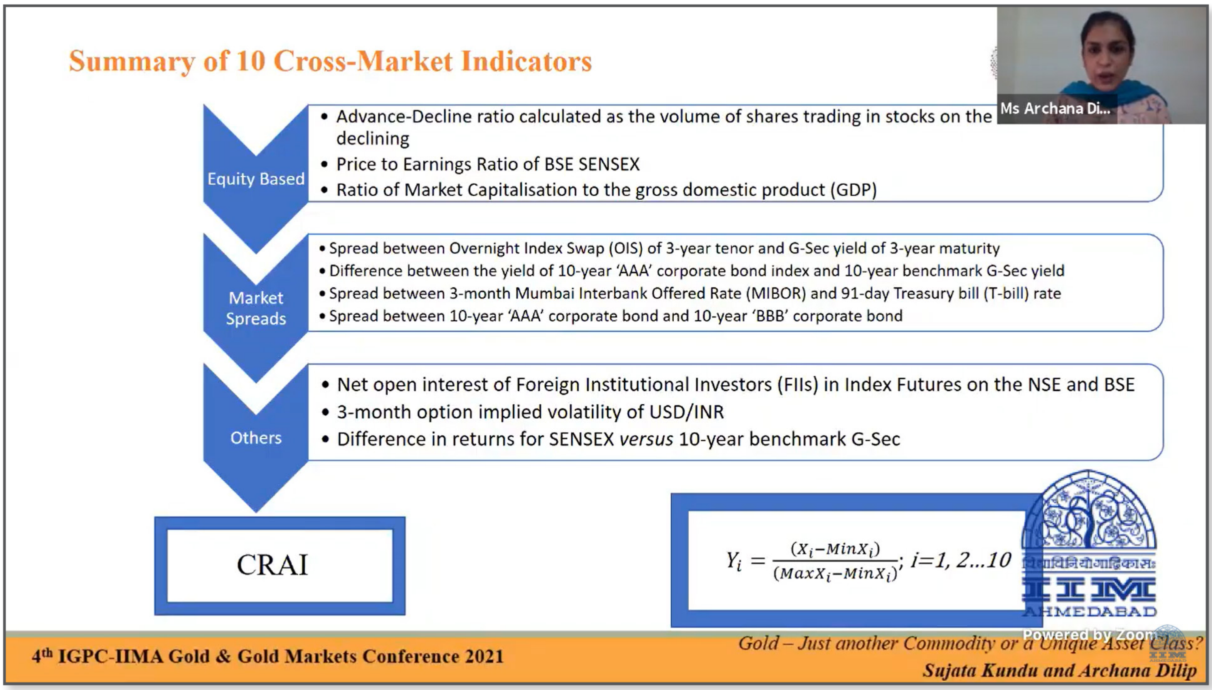
This paper presented the findings of phone-based qualitative interviews carried out in three villages in north Tamil Nadu from March to December 2020. The interviews were designed to understand how households were impacted by the Covid-19 pandemic, the related lockdown and how they coped with it. The data collected is used to discuss the relationship between gold ownership and the ability to withstand the economic shock.

The context of the Covid-19 crisis – which brought a widespread loss of both incomes and access to other forms of credit – reveals the relationship of gold ornaments to the web of debit/credit relationships in which individuals are embedded. Ornaments were mortgaged to cope up at this time of crisis – both to meet basic needs and to repay debt. This was perhaps to be expected, at the same time, precise details of household transactions collected allow an understanding of the different extents of difficulty faced based on several factors – including the sector of employment, asset holdings, previous debt, and social networks.

In addition, it allows a way of mapping previously held and newly incurred debt from a range of sources – both directly involving and indirectly connected – with gold. What was most striking in the accounts gathered, is the non-negotiability in many cases to return gifts made in the form of gold despite the crisis. This shows the rigidity in the system of ceremonial exchange – which is indicative of how secure these gifts – including gold – are as a form of long-term savings. In reverse, it shows the extent to which precariousness can be reinforced when a household has debt in terms of gifts owed. This paper uses this case to engage with the question of what studying the role of gold in debit/credit exchanges adds to the exercise of defining the relationship of gold to currencies in circulation.

Paper presentation 12: Ms. Sujata Kundu and Ms. Archana Dilip, Reserve Bank of India present a paper on – Gold, Just Another Commodity or A Unique Asset Class?





Periods of financial turmoil are generally associated with reduced financial liquidity and erosion of the risk appetite of investors. The emergence and rapid spread of Coronavirus (COVID-19) globally in 2020, triggering a health crisis worldwide, brought back the memories of the global financial crisis of 2007-08. Uncertainties surrounding its progression, severity, and impact engendered significant volatility in the global financial and macroeconomic conditions. Financial and commodity markets witnessed major disruptions while global trade and supply chains suffered major challenges and setbacks on account of the pandemic. A majority of the commodity prices fell year on year, with crude oil prices witnessing an unprecedented contraction since the 1960s. Prices of industrial metals moderated owing to a weakening of industrial activities. However, gold glittered with its prices surging as investors rushed for flight to safety and liquidity through safe-haven assets amid heightened uncertainty. In other words, this implies that the pandemic weighed on the risk appetite of investors, leading them to switch from risky assets (equities) to risk-free assets (gold; treasury bills). Thus, equity markets tumbled all over the world. Under such a global scenario, there has been a renewed interest among researchers and practitioners to study the linkages among gold and other precious metals, commodities, and asset classes like equity and debt.

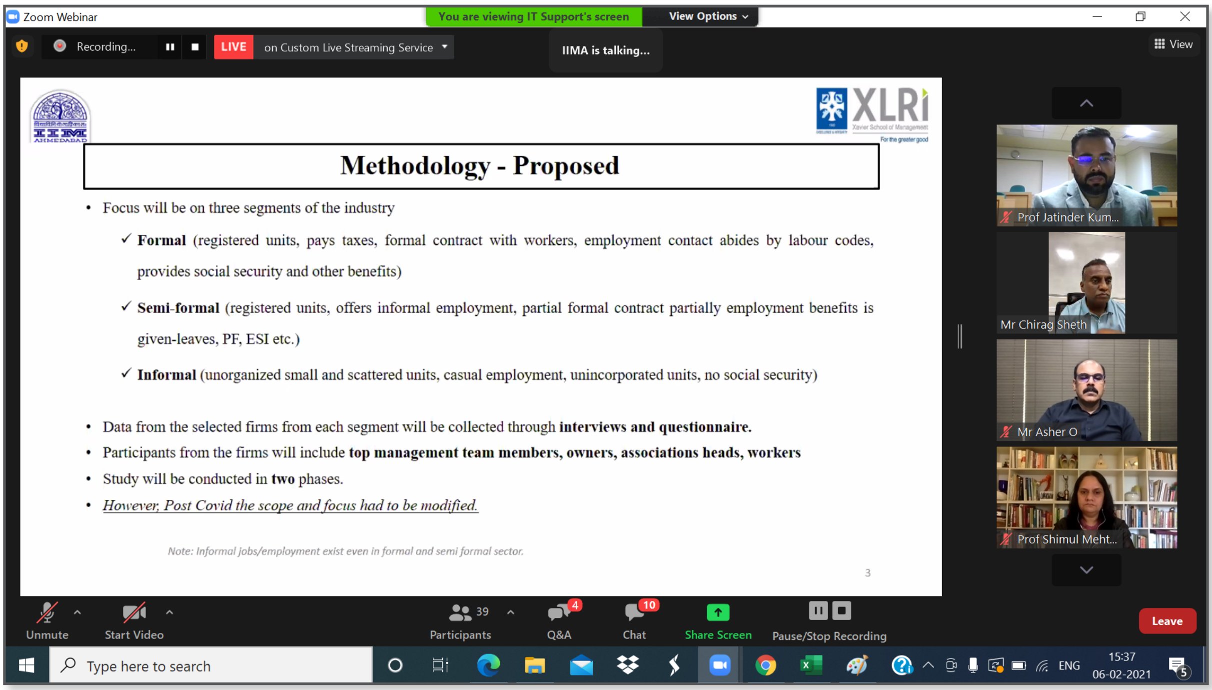
Set against the above background, the primary focus of this paper was to develop an index for investors' risk appetite in the case of India and then analyze the effects of changing risk appetite on commodity prices and various asset classes. Using this index, the paper would attempt to check the impact of the pandemic on the risk appetite of investors and how the risk appetite, in turn, impacts the liquidity of the assets. This is crucial in the Indian context as there are limited studies in this area of research. The paper then moved on to study the linkages between the gold price and the mainstream asset classes, specifically equity and debt, in the Indian context. Theoretically, gold shows no correlation with the mainstream asset classes. However, in times of financial volatility, when the conventional assets are under stress, an inverse correlation may develop between gold and such assets, highlighting the role of gold as a safe haven for investors. Literature suggests that gold behaves as a safe haven only during certain times and against certain assets, primarily equities. The paper investigates that in the Indian scenario and also place a special emphasis to study the behavior of gold and the other assets during the period of the pandemic. It would answer the question as to whether the situation has been any different than such episodes of financial and economic turmoil in the past. Some of the other aspects of the paper would be to look at the relationship between gold and other commodity prices as well.

Ms. Sujata presented the following findings:

- In terms of inflation volatility, gold turned out to be lesser volatile than a majority of the individual commodities and broader commodity indices
- Gold recorded higher real returns across commodity groups
- Gold is a commodity-market follower with its price trailing the price trends in other commodities and the cross-correlation coefficients between gold and other financial assets were not statistically significant
- During the last 60 year's horizon, the super cycle of precious metals occurred with a lag with respect to the super cycles in energy and base metals
- Periods of high and low risk appetite are not persistent and reflect the dynamic feedback mechanism of markets
- Gold outclasses other assets/commodities by providing high returns when CRAI is low, and thus establishes itself as a safe haven asset for investors
- Similarity was seen in the effects of risk appetite on the risk pertaining to gold, silver and SENSEX, and this similarity could be triggered by the increased market activity
- The prevalent uncertainty combined with the proactive fiscal and monetary stimulus measures taken by the government and central banks could have resulted in the mixed market response which in turn caused increased trading

Paper presentation 13: Prof. Biju Varkkey, IIM Ahmedabad & Prof. Jatinder Kumar Jha, XLRI Jamshedpur present a study on HRM Practices, working conditions and labor engagement in the Indian Gold Jewelry Manufacturing Sector

Prof Biju Varkkey, IIM Ahmedabad with his team



Prof. Varkkey stated that the objective of the study is to explore HRM practices, employment relations, and working conditions for labor in gold industry manufacturing units across different segments. Secondly, the findings of the study are expected to develop a framework to increase the HRM effectiveness and labor engagement in the gold manufacturing industry. Based on both the insights, evolve a regulatory, policy and labor management, enterprise-level suggestions in improving working conditions and ensuring businesses sustainability. He further said that HRM and business must go hand in hand, good business requires good HRM and that good HRM helps in creating sustainability.

The methodology adopted for the study: The team looked at three sectors of the industry – formal, informal, and semi-formal. However, the market extensively relies on informal practices. The sector has been operating in clusters all over the country. Employment is casual, there is migrant labor, unincorporated units, and no social security.

Hence, they adopted both quantitative and qualitative methods whereby they conducted exploratory interviews with top management, owners, association heads, and all levels of workers.

The unique feature identified was that in this market which is extremely labor-intensive, both formal and informal laborers co-exist in the value chain. Operations are found to be mechanized and rudimentary.

About the study: A concept of Decent work, evolved in 1919 is used to respond to international labor policy issues. It has four key components – Employment conditions, workplace rights, social protection, and social dialogue.

Findings from the evidence from formal, semi-formal, and informal sectoral firms included the topics of performance management and remuneration/incentives; safety and working conditions.

Suggestions:

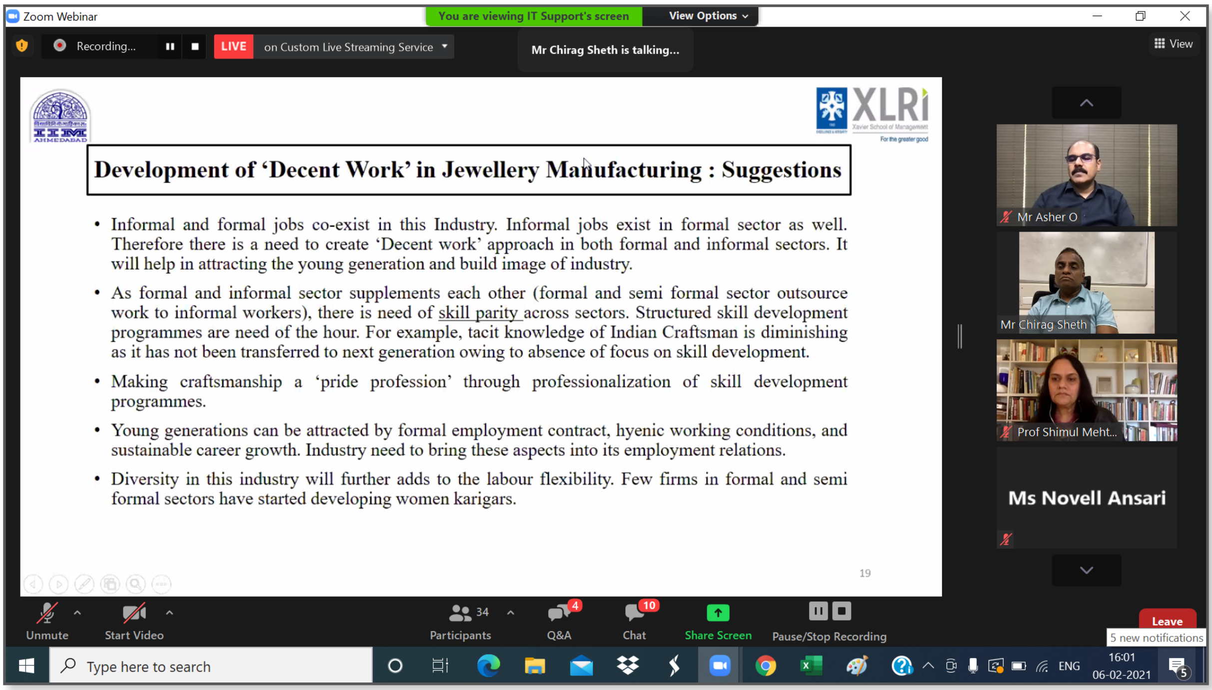
- Development of "Decent work" in the jewelry manufacturing industry:
- Need to create a "Decent work" approach in both formal and informal sectors
- Need for skill parity across sectors.
- Making craftsmanship a 'pride profession' through the professionalization of skill development programs.
- Attract young generations by a formal employment contract, hygienic working conditions, and sustainable career growth.
- Diversity further would lead to the addition of labor flexibility. Also, few formal and informal sectors have developed women *karigars*.

Panel Discussion 3: Mr. K Srinivasan, Gem & Jewelry Export Promotion Council; Mr. D.D. Karel, Gem & Jewelry Council; Prof. Shimul Mehta Vyas, National Institute of Design; Mr. Asher O, Malabar Gold & Diamonds Jewelry

Mr. K Srinivasan, Gems & Jewellery Export Promotion Council

Mr. Srinivasan, GJEPC suggested that responsibility needs to be taken to convert the industry into an organized sector. They have taken the below steps:

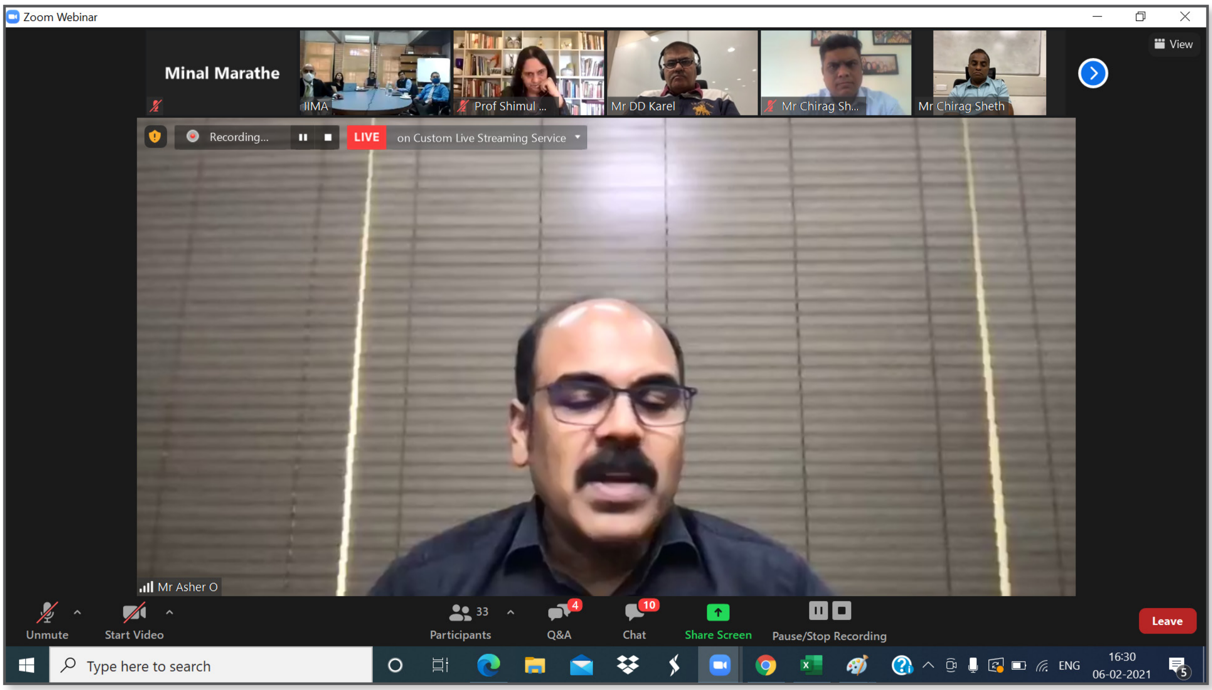
- Coming up with a Jewelry Park
- For each manufacturing sector, they are developing one model workshop. Industry must bring the goldsmiths up.
- Overcome unhygienic conditions etc.



Mr. DD Karel, Gem & Jewelry Council

Comments by Mr. DD Karel:

- The majority of the industry operates on an informal, unfair competitive platform where grey market operators are in an advantageous position.
- There are multiple levels of regulators. He shared a bad experience in a pollution related matter.



Mr. Asher O, Malabar Gold & Diamonds Jewelry

Remarks from Mr. Asher O:

- Need for a retailer to showcase the plight of karigars
- Identifying reasons, why retailers are not addressing the issues of workers
- If customers are shown the working environment where these karigars work, they might think twice before purchase. Some retailers are strongly promoting responsible sourcing, ethically sourced products.
- Workshops being conducted for karigars and goldsmiths to make them understand the importance of being legal, the importance of the products, knowledge on customer aspirations, etc.
- To get respect from the domestic market and Govt. to give due recognition to the industry, the working conditions for workers need to be better from the backend till the front end and well organized.
- The industry needs to showcase the benefits of being organized.

Mr. Chirag Sheth, Principal Consultant-Metals Focus

Suggestions by the moderator Mr. Chirag Sheth, Metals Focus:

- Need for self-regulatory organization, whereby audits are conducted for each manufacturer
- Steps to conduct audits at various levels.
- Efforts to create a happy working atmosphere.
- Unlike the shoe industry where handmade shoes cost more, here it is the opposite. In the gold industry, costs reduce for handmade gold designs. Hence informal sectors need to be educated on this.
- Identify reasons why the next generation is not interested to enter this industry.
- Need for on-the-job training as a conflict is seen between acquiring training vs pursuing formal education. Formal education to train as goldsmith can bring skill parity in a structured way.

Prof. Varkkey concluded that *karigar* development and educating customers for responsible buying is the need of the hour for this industry.

Potential areas for research, inputs from industry leaders

Mr. Surendra Mehta, IBJA

Suggestions from Industry stakeholders on working at IGPC

- Study and research carried out at IGPC was highly appreciated
- Building a user-friendly data library to quickly extract/refer updated data, in connection with the research projects and studies at IGPC
- Having industry interface meetings on a regular basis

Mr. Sudheesh Nambiath ended the two-day Gold & Gold Markets Conference with a vote of thanks to Industry for their valuable suggestions and a word of appreciation for the research papers that provided new insights for both practitioners and academics.

IGPC Team: (Left to right) Prof. Arvind Sahay, Chair-IGPC, Mr Harish Chopra, Senior Policy Consultant IGPC, Mr. Sudheesh Nambiath, AVP-IGPC, Ms. Renisha Chainani, Research Associate IGPC, Ms. Pooja Thakkar, Research Associate IGPC, Ms. Minal Marathe, Research Assistant IGPC)

CHAPTER 6:

IGPC Events and Engagements

OECD webinar, in collaboration with IGPC and IBJA, on responsible sourcing of gold in India on September 23, 2020

The OECD and the India Gold Policy Centre with support from India Bullion and Jewellers Association conducted a webinar on 23 September 2020 (15:00 CET/ 18:30 IST) as a follow up to the 2019 Workshop on Responsible Sourcing of Gold in India. Participants to the event included over 60 stakeholders across the value chain in the gold industry and representatives of OECD aligned international industry programs on responsible sourcing, including from exchanges, refiners, bullion dealers, jewellers, and consumers of gold at an industrial level.

Updates and progress since December 2019 meeting

Ms. Mariana Smirnova, Responsible minerals Initiative

- Provided an overview of support and audits of 3T (Tin, Tungsten, Tantalum) smelters and gold refiners, including the recent addition of mica and cobalt as minerals of interest to the programme.
- Working closely with India: Since December RMI members conducted site visits and in-person meetings with Indian stakeholders, including four gold refiners. They have continued to work with the National Stock Exchange (NSE) regarding its adoption of their responsible sourcing requirements (discussed below). RMI is currently conducting several outreach activities with Indian stakeholders, including a joint virtual auditing workshop with NSE with participation from various refiners in India, and collaboration with LBMA and RJC.

Mr. Rituraj Mukhia from ABB Group:

- Provided the perspective of an Indian based downstream company and attempts at engagement with RMI, local refiners and other supply chain actors. Detailed exchanges were conducted to better understand the refinery concerns and their view of the OECD Guidance. It was understood after the site-visits that refineries in India under NSE can better adopt the standards. ABB noted that it has been working to provide technical assistance as well as implementation of the India gold policy commitments for the last five years. Mr. Mukhia highlighted the importance of reaching out to refiners (particularly smaller operations) to understand their incentives and barriers to adoption.

Mr. Ketan Dhruv, Bangalore Refinery:

- Mr. Dhruv provided the perspective of a refinery that has already undergone a responsible sourcing audit through RMI. Mr. Dhruv highlighted the benefits for companies to make investments into transparency and responsible sourcing, specifically pointing out reduced legal and reputational risks. Mr. Dhruv emphasised the need for greater downstream demand for responsible gold to drive uptake from smaller refining operations.

Key takeaways

Mr. Shivanshu Mehta, Multi Commodity Exchange of India

- Mr. Mehta pointed out that the MCX only accepts bars of gold from LBMA. MCX has a turnover of 2.5 billion USD per day as of now. Expects to expand the base to include select responsible Indian refiners. As a condition, they have laid down the OECD Responsible Sourcing guidelines. They stand committed to this. Responsible Sourcing will remain a priority for MCX.

Mr. Nagendra Kumar, National Stock Exchange of India

- NSE reaffirmed their commitment to responsible sourcing. To trade on the NSE, refiners must be certified by an OECD aligned audit programme within a period of 15 months from the date of empanelment. The NSE guidelines went to the market in July and went live in September. Other exchanges have started following and adopting similar standards. In terms of logistical arrangements, they have appointed an auditor for a six-month audit.

Mr. Surendra Mehta, Indian Bullion Jewellers Association

- The past year witnessed considerable improvement in the responsible sourcing of gold.
- Concerns: What processes can be adopted to include them to be part of responsible sourcing?
- Small refiners should be helped with funding. Smaller audit firms required. There is an increasing need for inclusivity with regards to all the stakeholders including consumers in the supply chain.
- There is a need to generate awareness amongst everyone as part of the process. Some small-scale refiners want to accept the IBJA standard. Jewellery manufacturers should be made aware of the concept of responsible sourcing. If not, what would happen to the 25 000 tonnes of scrap gold?

Ms Nawal Aït-Hocine, Responsible Jewellery Council

- In India, RJC has 53 members, including 3 refiners. It covers all the primary minerals and metals in the manufacturing industry. RJC also covers diamond and gemstones.

- Despite the crisis, there is an increased engagement from members in India in terms of responsible sourcing, labour conduct, etc. They applaud the steps taken by NSE and MCX.
- Self-Assessment process has been very well accepted by Indian members.
- There will be two due diligence workshops scheduled for October and November.

Discussions and key takeaways

- There is a need to reach out to all stakeholders in the supply chain and a better design for inclusive capacity building programmes that are customized to the region, understanding the nature of the refinery, workers, etc. Recycled and scrap gold must also be included.
- It is important to protect the integrity of the complete supply chain. There is a need to emphasise responsible sourcing due to the increase in gold smuggling.
- Possibility of having small consultancies in the countries, affordable auditing sources, awareness processes, inclusive capacity building approaches, access in regional languages, and training could be explored.

Chat box key discussions/ questions and concerns for future analysis

- Scrap gold inclusion: The RMI audit scope does include both mined gold and scrap/ recycled gold. Regarding cost of audits, the RMI first audit is free. RMI does work with local Indian-based auditors, and have financial support for future audits for small refineries for whom cost of audits may be prohibitive.

Audit cost remains an issue in India where jewellers are unwilling to pay even a small fee for BIS hallmark registration.

- Local supply chain is more challenging than dore in India, but it can be made inclusive.
- The Indian Jewellery Retailers need to support this process. They need to see value in having RJC or similar certification, and market the same. Associations need to motivate the large retailers to adopt such standards.
- While scoping small refiners, and the amount of their process could be an important first step, a bottom-up approach in training every refiner and making them aware of the importance of responsible sourcing could also be impactful. Data deficiency remains the biggest issue.

- Multiple service providers and organisations (such as the European Union) are developing or have developed guidance and tools to help companies understand what those high-risk areas (not just countries) are. Find more information about high-risk and conflict affected areas identification here:

  http://www.responsiblemineralsinitiative.org/minerals-due-diligence/risk-management/conflict-affected-and-high-risk-areas/

- Even high-risk countries have built in processes to fall in line with responsible supply chain. They are trying to get into the mainstream. Hence, Responsible sourcing from these countries is entirely possible and is being done.


Media Coverage
સોનાની તેજીમાં રિસાયક્લિંગ બમણું વધશે, ઝડપી તેજીને બ્રેક
Shining bright: Gold offers nearly 50% return in a year
YELLOW METAL HITS A NEW HIGH
Sharp rise in gold prices since March
GIFT City may have exchange after regu
3 exchanges are working towards a common platform and a
Should you take gold loan to manage cash crunch?
All that glitters is indeed gold
ARVIND SAHAY & SUDHEESH NAMBIATH
The relevance of gold to the Indian economy is more than apparent
To remind one of the numbers, if 1,000 tonnes of gold got mobilised, i.e. ₹4,50,000 crore, it is equal to 20% of revenue receipts
Govt cuts imports ta
Undeclared Gold: There may be 'Goldbandi' after note ban !: Zamana Paise Ka with Abhishek Gupta,
Undeclared Gold: नोटबंदी के बाद हो सकती है 'गोल्डबंदी'!: Zamana Paise Ka with Abhishek Gupta, EP-9
जैसे पहले Soviet Union और यूएस के बीच में equilibrium हो गया था, वो equilibrium अभी यूएसए और चीन में नहीं है, जब तक हम वो नहीं जान पाएंगे कि कहा पर वो equilibrium है, तब तक यह uncertainty बना रहेगा और सोना पर upward pressure बना रहेगा
Arvind Sahay
Chairperson, India Gold Policy Centre IIM Ahmedabad
2 Comments · 54 Shares · 125K Views
Govt looks to regulate digital gold schemes
Planning policy push to ramp up refining, too: FinMin official
Gold being an expensive product, it is very essential that quality of regulation be of high order
Clean gold: India must follow OECD sourcing norms, use e-way bill
THE BL INTERVIEW
IGPC to start door to door household survey on gold, will study investment behavior
IGPC to help set up bullion exchange
The India Gold Policy Centre at IIM-A will provide consultancy to establish the exchange
ગોલ્ડ માર્કેટ્સ પર પરિષદ

single bullion
ulator's nudge
lso competing together for international biz

WHAT IGPC SUGGESTED
- High governance standards, a key requirement for gold exchange
- Need for India Responsible Gold Policy and Gold Quality Assurance, among others
- Resident individuals within the $250,000 limit under LRS should be permitted
- A vaulting service provider with IFSC and domestic services required
- The gold exchange must aim to achieve leadership in Asian gold markets
- If 10% of India's gold imports flow

exchanges are currently debating. The discussions also include what would be their share in proposed bullion exchange," said one of the persons close to the development.

The regulator could not be reached for comment; the exchanges, too, did not reply.

The International Gold Policy Centre (IGPC) at IIM-A had earlier recommended setting up bullion exchange at GIFT City IFSC, which is a finance special economic zone (SEZ). The IGPC has been actively pursuing a bullion exchange, among other policy issues.

Since bullion exchange is a niche business for the IFSC regulator is going slow

Why a bullion exchange can be a game changer

RAJESH BHAYANI
Mumbai, 2 September

INDIA'S GOLD ECONOMY
Annual demand for jewellery: 600 tonne
Investment demand: 150 tonne
Imports: 700–750 tonne
45–50 per cent in unrefined form

Existing regulations
As of now, spot trading is not regulated. Sebi only regulates gold futures' trading. However, Indian standards for gold and silver were made applicable from December last year. Until now, only the London Bullion Market Association norms were prevalent.

What the IFSC must do next
These are some matters that the IFSC will need to clarify: Who can set up an international bullion exchange? Will there be only one exchange or multiple? Can it be set up as a segment on the existing GIFT City–based international exchanges, or would it have a separate company? What be the norms for promoters holding, net worth and so on. Regulations are also required for service providers: depository, vault services, financing against gold, trading, clearing and settlement mechanism.

Setting a gold standard

ARVIND SAHAY & SUDHEESH NAMBIATH

Sahay is chairperson and Nambiath, head, India Gold Policy Centre, IIM-A

A common gold standard across India will set the platform for a gold policy

On August 7, gold touched a price of $2,074/ounce in international markets and ₹56,254/10 gm. The geopolitical uncertainty between the US and China means an added layer of uncertainty that will not go away till a new equilibrium is established. Prices in India are 9% lower from the record high, driven by an appreciating rupee. That brings the question of price stability. Gold in dollar terms is still in an uptrend supported by global macro factors, geopolitical uncertainties. However, with the likelihood of depreciating dollar, the price has lost its traction upside. With rising prices and lockdown, jewellers have been struggling to stay afloat. The industry has an annual gold jewellery exports of more than $9 billion and provides employment to at least 3-5 million. Volatile gold prices in the market has shifted from being in a premium of to a discount of $30 in a month's time.

India, thus, needs a coherent gold policy because (a) it is a significant contributor to the CAD—the third largest with an negative flow of $30 billion in the decade to 2020, (b) the gold gets bought as jewellery, and then more than that does not circulate reducing the money available for productive activities and (c) its large employment and rural footprint make it impossible to ignore and allow suboptimal operation on a perennial basis.

Policy requirements from a national perspective are to (a) increase exports and decrease CAD (b) get gold into circulation (c) have more transparency. Under the shadow of the current uncertainties that, after many years of hits and misses, the gold policy is beginning to come together.

To achieve the objectives, four things are required at the... First, there needs to be a common standard for refiners, jewellers and customers should be on these standards. Second, there needs to be a mechanism for the free flow of gold in a transparent manner across banks, refiners, customers, jewellers, standards-setting bodies, etc. Third, there should be a benchmark spot price for gold. On August 7, wholesale prices

SEPTEMBER 2020 Last Updated at 9:26 PM | SOURCE: PTI

Outlook

FSCA inks MoU with India Gold Policy Centre of IMA

Mumbai, Sep 12 (PTI) International Financial Services Centre Authority (IFSCA) and India Gold Policy Centre (IGPC) - IIMA signed an agreement on Saturday to provide expertise to facilitate the establishment of International Bullion Exchange (IBE) in India. Under the memorandum of understanding (MoU), IGPC-IIMA will take a top-down approach by setting the broader vision, developing strategies and creating the operating guidelines for the seamless functioning of the bullion exchange, according to a statement. "We are glad to have such sectoral expertise within institutions like IIMA when we are looking at a project with a vision that has global reach. We are excited about this initiative and looking forward to a fruitful engagement," IFSCA Chairperson Injeti Srinivas said. The IFSCA has been set up by the government to regulate all financial services in International Financial Services Centres (IFSCs) in the country. The IBE is intended to strike an equilibrium in order to reduce the market inefficiencies that currently exist in the Indian bullion trade, thus this move would go on to integrate precious metals trade with financial markets, and create a transparent platform for bullion trading, Srinivas added. "India"s share of global gold consumption is about 20 to 25 per cent. However, even after two decades of the gold market opening up, we still do not have an infrastructure that connects India to the rest of the world. Price discovery and transparency is fundamental to a well-functioning market that can operate at scale. "Creating a market that is connected to the rest of the world is an answer to most of the challenges that gold is said to bring to the economy. IBE is expected to facilitate market development through higher degree of compliance, traceability, and product innovation," IGPC-IIMA Chairperson Arvind Sahay said. PTI SM MR

Disclaimer :- This story has not been edited by Outlook staff...

આઈજીપીસી અને ઈન્ડિયન બેન્ક્સ એસોસિયેશનની ભાગીદારી

મુંબઇ: ભારતમાં ગોલ્ડ ઇન્ડસ્ટ્રી પર અત્યાધુનિક એપ્લાઇડ રિસર્ચ પૂરુ પાડવાના પ્રયાસ અંતર્ગત ઈન્ડિયા ગોલ્ડ પોલિસી સેન્ટર (આઈજીપીસી) દ્વારા પાંચ અને છ ફેબ્રુઆરીએ ગોલ્ડ અને ગોલ્ડ માર્કેટ્સ પર વર્ચ્યુઅલ ફોર્મેટમાં ...

વર્કશોપ ભારતમાં બેન્કો માટે બુલિયન બેન્કિંગ, રિસ્ક મેનેજમેન્ટ, નફાશક્તિ અને એકંદર વેપાર યોજનામાં વિવિધ પ્રોડક્ટો પર ચર્ચા કરવા માટે ઉત્તમ મંચ બની રહેશે. પરિષદ વિશે બોલતાં આઈજીપીસીના અધ્યક્ષ પ્રો. અરવિંદ સહાયે જણાવ્યું હતું કે ...

The Greater India

ECONOMIC TIMES | News
English Edition | E-Paper

...x on gold, silver to 7.5% from 12.5%

KOLKATA: The gem and jewellery industry has got a boost with finance minister Nirmala Sitharaman reducing import duty on gold and silver to 7.5% from 12.5% in the Union budget for 2021-22. This will make gold and silver cheaper for consumers at home and make jewellery exports more competitive in global markets.

The duty on gold dore bar, or impure ... reduced to 6.9%

IGPC flags import of impure gold into India

TGI News — December 15, 2020 in Business

Prof Arvind Sahay, Chairperson, India Gold Policy Centre IGPC speaks on the future of Gold

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INDIA AHEAD

Finance Minister Nirmala Sitharaman and Finance Secretary AB Pandey in a press conference on Monday (Feb 1)

BUSINESS | INDIA

Union Budget 2021: Industry experts optimistic about FM Nirmala's budget

February 1, 2021

...ister Nirmala Sitharaman and Anurag Thakur, Minister of State Finance and Corporate Affairs ... Budget for the financial year 2021-22, which will begin from April 1, 2021 and will end on March ...

...battered by the Coronavirus pandemic has been looking forward to tax cuts for industries that ... of country-wide lockdown while the economic activities, demand and supply-side constraints ... in red. However, RBI remains optimistic and expects the country to bounce back to double-digit ... by the end of FY 2021-22.

...rdance with people's expectations. Government which functions on mantra of 'Sabka Saath, ...hwas' gave new direction to India by announcing Aatmanirbhar package, protecting it from ... economy back on track swiftly," said MoS Finance Anurag Thakur had said earlier.

...entre did not bring any changes to the income tax regime. Later the Sensex soared by 13,300 ... as D-Street celebrated FM's expansionary budget.

...udget presentation announced that the government will be rationalising custom duties on ...ng the cue, precious metal like gold fell by roughly 3 percent after a surprising custom rate cut ...est importer of the yellow metal, has been steadily seeing an increase despite the ongoing ... far not dampened its domestic demand.

...d, Prof Arvind Sahay, Chairperson, India Gold Policy Centre at IIM-Ahmedabad said, "A ...e could contribute to the process of formalization of transactions in gold; such a process is a ...ng the Indian gold industry more robust and to less of a price taker. An international bullion ...ming up in the country. It would be interesting to see how the proposed domestic exchange(s) ...heme of things that facilitates transactions and delivery of physical gold. A systemic approach ...t the intended objectives are achieved. God (or the devil) is in the details. So one would want ...commenting any further. Rationalising the BCD by getting it lower to 7.5% was a commendable ... SWS, takes the total tax incidence to 10.75%, but one needs to note that it is also applicable ...

Patrika Uttar Pradesh

...અને 6 ફેબ્રુઆરીના ...લ વાર્ષિક પરિષદનું ...ને ઈન્ડિયન બેન્ક્સ ...ઈ હતી, જેમાં તેઓ ...સંયુક્ત વર્કશોપનું ...લિયન એક્સચેન્જ ...કરવામાં આવી છે, ...ફળતા પ્રેરિત કરવા ... અથવા ઈમ્પોર્ટિંગ ...સ્ટમ અપગ્રેડ્સ વિશે ... પણ બેન્કોને તેમના

Appendix

WORLD OFFICIAL GOLD HOLDINGS

International Financial Statistics, June 2021*

		Tonnes	% of reserves**	Holdings as of
1	United States	8,133.5	78.0%	Apr 2021
2	Germany	3,361.1	75.0%	Apr 2021
3	IMF	2,814.0	1)	Apr 2021
4	Italy	2,451.8	69.5%	Apr 2021
5	France	2,436.3	65.1%	Apr 2021
6	Russian Federation	2,292.3	22.1%	Apr 2021
7	China, P.R.: Mainland	1,948.3	3.3%	Apr 2021
8	Switzerland	1,040.0	5.6%	Mar 2021
9	Japan	846.0	3.5%	Apr 2021
10	India	695.3	6.7%	Apr 2021
11	Netherlands, The	612.5	67.8%	Apr 2021
12	Turkey5)	526.0	39.7%	Apr 2021
13	ECB	504.8	33.5%	Apr 2021
14	Taiwan Province of China	423.6	4.3%	Mar 2021
15	Kazakhstan, Rep. of	400.4	66.6%	Apr 2021
16	Portugal	382.6	74.9%	Apr 2021
17	Uzbekistan, Rep. of	364.2	60.6%	Apr 2021
18	Saudi Arabia	323.1	3.9%	Mar 2021
19	United Kingdom	310.3	10.2%	Apr 2021
20	Lebanon	286.8	39.5%	Dec 2020
21	Spain	281.6	20.2%	Apr 2021
22	Austria	280.0	55.8%	Apr 2021
23	Poland, Rep. of	228.7	8.3%	Apr 2021
24	Belgium	227.4	40.7%	Apr 2021
25	Thailand	197.5	4.5%	Apr 2021
26	Algeria	173.6	17.2%	Jan 2021
27	Philippines	164.1	8.9%	Mar 2021
28	Venezuela, Republica Bolivariana de	161.2	82.6%	Jun 2018
29	Singapore	127.4	1.9%	Mar 2021
30	Sweden	125.7	12.8%	Apr 2021

		Tonnes	% of reserves**	Holdings as of
31	South Africa	125.3	13.3%	Apr 2021
32	Mexico	119.9	3.4%	Apr 2021
33	Libya	116.6	8.3%	Nov 2020
34	Greece	113.9	59.4%	Apr 2021
35	Korea, Rep. of	104.4	1.3%	Mar 2021
36	Romania	103.6	11.3%	Apr 2021
37	BIS2)	102.0	1)	Apr 2021
38	Iraq	96.4	8.4%	Dec 2020
39	Hungary	94.5	14.7%	Apr 2021
40	Egypt, Arab Rep. of	80.5	11.7%	Apr 2021
41	Australia	79.9	9.4%	Apr 2021
42	Kuwait	79.0	8.7%	Feb 2021
43	Indonesia	78.6	3.3%	Mar 2021
44	Brazil	67.4	1.1%	Apr 2021
45	Denmark	66.5	5.3%	Apr 2021
46	Pakistan	64.6	17.8%	Apr 2021
47	Argentina	61.7	8.7%	Apr 2021
48	Qatar	56.7	7.8%	Feb 2021
49	United Arab Emirates	54.2	2.9%	Mar 2021
50	Cambodia	50.4	14.1%	Mar 2021
51	Belarus, Rep. of4)	50.0	40.3%	Mar 2021
52	Finland	49.1	21.0%	Apr 2021
53	Jordan	43.5	16.0%	Oct 2017
54	Bolivia	42.5	52.6%	Apr 2021
55	Bulgaria	40.8	7.0%	Apr 2021
56	Malaysia	38.9	2.0%	Apr 2021
57	WAEMU3)	36.5	8.6%	Mar 2021
58	Serbia, Rep. of	36.0	12.2%	Mar 2021
59	Slovak Rep.	31.7	19.6%	Apr 2021
60	Ukraine	26.4	5.4%	Apr 2021
61	Syrian Arab Republic	25.8	8.1%	Jun 2011
62	Morocco	22.1	3.7%	Mar 2021
63	Ecuador	21.9	20.9%	Jan 2021
64	Afghanistan, Islamic Rep. of	21.9	13.2%	Feb 2021
65	Nigeria	21.5	3.2%	Jan 2018
66	Kyrgyz Rep.	20.6	43.7%	Apr 2021
67	Bangladesh	14.0	1.8%	Apr 2021
68	Cyprus	13.9	68.1%	Apr 2021
69	Curaçao and Sint Maarten	13.1	31.5%	Feb 2021

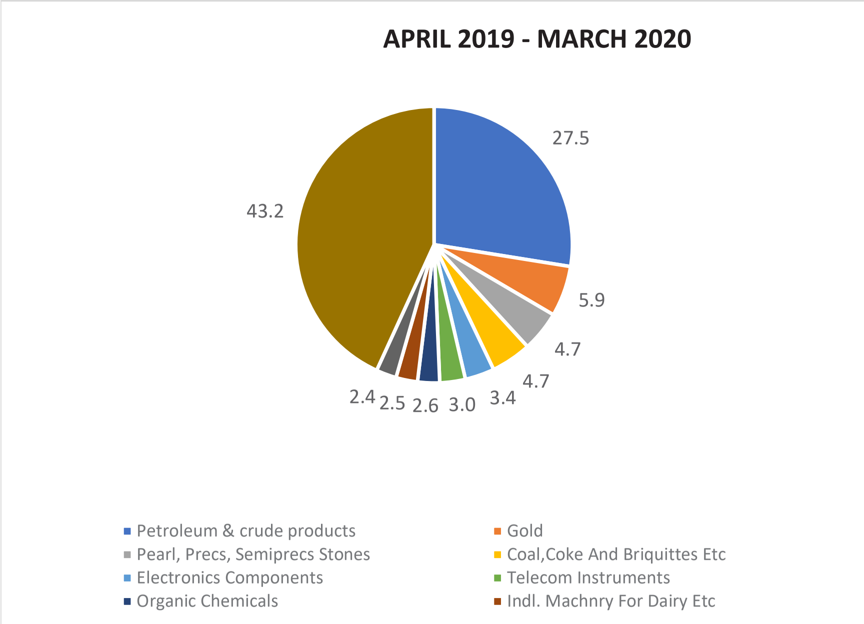
		Tonnes	% of reserves**	Holdings as of
70	Mauritius	12.4	9.5%	Apr 2021
71	Mongolia	10.6	12.3%	Apr 2021
72	Czech Rep.	9.5	0.3%	Apr 2021
73	Ghana	8.7	6.6%	Mar 2021
74	Paraguay	8.2	4.7%	Apr 2021
75	Tajikistan, Rep. of	8.0	24.5%	Aug 2020
76	Myanmar	7.3	5.1%	Mar 2021
77	Guatemala	6.9	2.1%	Apr 2021
78	North Macedonia, Republic of	6.9	8.1%	Apr 2021
79	Tunisia	6.8	4.3%	Mar 2021
80	Sri Lanka	6.7	7.9%	Jan 2021
81	Latvia	6.7	7.0%	Apr 2021
82	Nepal	6.4	3.2%	Mar 2021
83	Ireland	6.0	4.4%	Apr 2021
84	Lithuania	5.8	6.3%	Apr 2021
85	Colombia	4.7	0.5%	Apr 2021
86	Bahrain, Kingdom of	4.7	10.6%	Dec 2020
87	Brunei Darussalam	4.5	7.0%	Feb 2021
88	Mozambique, Rep. of	3.9	5.4%	Mar 2021
89	Slovenia, Rep. of	3.2	13.5%	Apr 2021
90	Aruba, Kingdom of the Netherlands	3.1	14.9%	Feb 2021
91	Bosnia and Herzegovina	3.0	2.1%	Mar 2021
92	Albania	2.8	3.3%	Mar 2021
93	Luxembourg	2.2	10.6%	Apr 2021
94	Hong Kong SAR	2.1	0.0%	Mar 2021
95	Iceland	2.0	1.6%	Apr 2021
96	Papua New Guinea	2.0	4.8%	Jun 2020
97	Trinidad and Tobago	1.9	1.6%	Mar 2021
98	Haiti	1.8	4.2%	Jul 2019
99	Yemen, Republic of	1.6	1.7%	Jul 2014
100	Suriname	1.5	13.5%	Mar 2021
WORLD OFFICIAL GOLD HOLDINGS				
International Financial Statistics, June 2021*				
	Other	**Tonnes**	**% of reserves****	**Holdings as of**
	World6)	35,394.8	1)	Mar 2021
	Euro Area (incl. ECB)	10,772.1	59.5%	Apr 2021
	State Oil Fund of the Republic of Azerbaijan (SOFAZ)8)	101.8	13.5%	Mar 2021

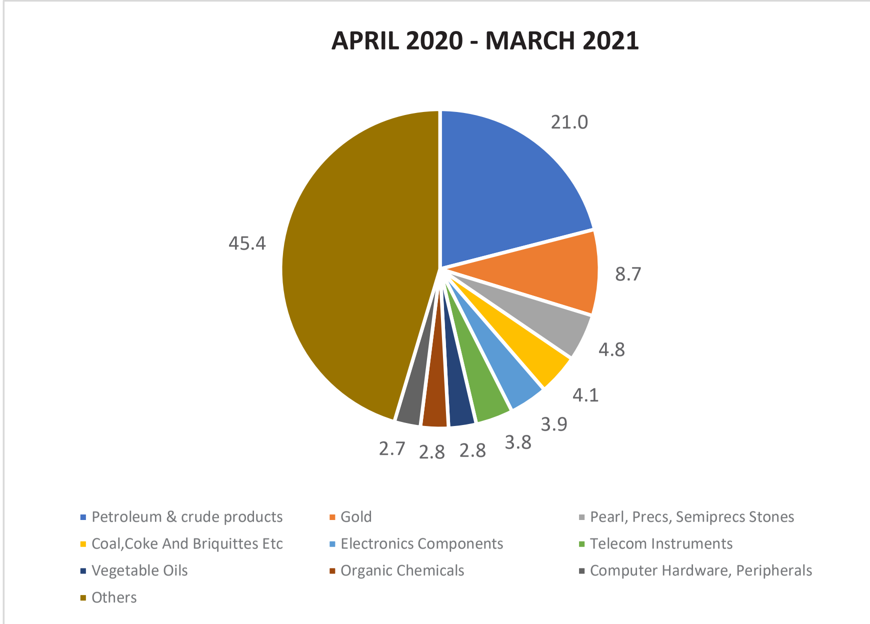
India: Foreign Exchange Reserves & Gold (1959-60 to 2020-21)

Year	Total Foreign Exchange Reserves (USD Mn)	Gold (USD Mn)	Gold (% of Reserves)	Year	Total Foreign Exchange Reserves (USD Mn)	Gold (USD Mn)	Gold (% of Reserves)
1959-60	762	247	32.4%	1990-91	5,834	3,496	59.9%
1960-61	637	247	38.8%	1991-92	9,220	3,499	38.0%
1961-62	624	247	39.6%	1992-93	9,832	3,380	34.4%
1962-63	619	247	39.9%	1993-94	19,254	4,078	21.2%
1963-64	642	247	38.5%	1994-95	25,186	4,370	17.4%
1964-65	524	281	53.6%	1995-96	21,687	4,561	21.0%
1965-66	626	243	38.8%	1996-97	26,423	4,054	15.3%
1966-67	638	243	38.1%	1997-98	29,367	3,391	11.5%
1967-68	718	243	33.8%	1998-99	32,490	2,960	9.1%
1968-69	769	243	31.6%	1999-00	38,036	2,974	7.8%
1969-70	1,094	243	22.2%	2000-01	42,281	2,725	6.4%
1970-71	975	243	24.9%	2001-02	54,106	3,047	5.6%
1971-72	1,194	264	22.1%	2002-03	76,100	3,534	4.6%
1972-73	1,219	293	24.0%	2003-04	112,959	4,198	3.7%
1973-74	1,325	293	22.1%	2004-05	141,514	4,500	3.2%
1974-75	1,379	304	22.0%	2005-06	151,622	5,755	3.8%
1975-76	2,172	281	12.9%	2006-07	199,179	6,784	3.4%
1976-77	3,747	290	7.7%	2007-08	309,723	10,039	3.2%
1977-78	5,824	319	5.5%	2008-09	251,985	9,577	3.8%
1978-79	7,268	377	5.2%	2009-10	279,057	17,986	6.4%
1979-80	7,361	375	5.1%	2010-11	304,818	22,972	7.5%
1980-81	6,823	370	5.4%	2011-12	294,398	27,023	9.2%
1981-82	4,390	335	7.6%	2012-13	292,647	26,292	9.0%
1982-83	4,896	324	6.6%	2013-14	303,674	20,978	6.9%
1983-84	5,649	320	5.7%	2014-15	341,378	19,837	5.8%
1984-85	5,952	325	5.5%	2015-16	355,560	19,325	5.4%
1985-86	6,520	417	6.4%	2016-17	369,955	19,869	5.4%
1986-87	6,574	471	7.2%	2017-18	424,361	21,615	5.1%
1987-88	6,223	508	8.2%	2018-19	411,905	23,408	5.7%
1988-89	4,802	473	9.9%	2019-20	474,660	30,550	6.4%
1989-90	3,962	487	12.3%	2020-21	576,869	34,023	5.9%

Source: https://rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=20118 ; Bloomberg

Market share of top 10 items imported vs total imports





Worldwide Production and Fabrication Data

(Value in metric tonnes)						
	2015	2016	2017	2018	2019	2020
Production						
China	454.1	453.5	426.1	399.7	406.1	407.3
Australia	279.2	290.2	295.0	312.2	325.1	328.8
Russian Federation	249.5	253.6	270.7	281.5	300.8	303.7
United States	216.2	222.0	230.0	253.2	224.8	257.2
Canada	162.5	165.0	175.6	193.0	186.6	196.8
Indonesia	176.3	174.9	154.3	190.0	176.6	160.9
Peru	177.9	168.5	162.3	155.4	152.4	153.9
South Africa	151.0	145.7	139.9	123.5	131.3	129.4
Mexico	141.3	133.3	126.8	121.6	118.3	116.2
Fabrication- Jewellery						
China	832.6	691.4	673.9	688.2	650.8	497.3
India	736.2	454.4	718.1	632.2	522.0	261.1
Italy	84.9	79.3	79.7	74.9	59.8	41.8
Turkey	91.6	77.6	83.2	70.1	65.0	38.2
United States	66.8	66.6	68.1	74.6	74.0	53.5
Indonesia	48.2	43.5	43.5	47.6	45.4	21.8
UAE	41.5	41.7	53.1	40.1	35.3	20.0
S Korea	41.0	40.7	40.4	40.2	37.0	29.7
Saudi Arabia	51.7	40.0	33.5	34.4	33.6	23.4
Malaysia	39.4	33.8	30.2	30.1	29.4	14.0

Source: Refinitive GFMS

Exports of precious metals, stones, diamonds and jewelry 2007-08 to 2020-21

(Rs. In Million)

Year	Total value	Cut & polished diamonds	Gold jewelry	Gold medallions & coins	Colored gemstones	Silver jewelry	Rough Diamonds	Rough diamonds (qty in million carats)
2007-08	837,654.80	571,171.70	223,157.00	-	11,110.50	9,211.10	22,803.20	28.7
2008-09	1,116,114.80	662,246.80	396,001.50	-	11,835.30	10,647.40	35,176.00	30.7
2009-10	1,387,522.90	860,951.70	327,749.60	129,750.70	13,580.10	19,519.00	35,254.20	24.5
2010-11	1,957,358.40	1,285,140.60	352,682.70	224,794.00	14,325.40	25,662.10	51,750.60	33.5
2011-12	2,060,800.90	1,109,267.70	472,796.30	334,703.80	16,472.00	36,772.30	85,137.20	33.9
2012-13	2,126,855.00	947,391.60	712,078.10	284,900.60	35,278.10	50,164.60	85,920.50	35.2
2013-14	2,111,913.00	1,481,852.00	507,388.50	185,645.30	39,097.00	88,987.80	95,559.70	43.3
2014-15	2,213,321.60	1,415,142.80	605,100.30	173,924.70	27,733.90	125,689.40	86,666.70	33.9
2015-16	2,135,946.60	1,354,012.20	561,368.10	344,172.50	28,445.00	194,109.00	76,758.30	30.6
2016-17	2,377,026.70	1,526,825.90	584,649.20	362,437.50	28,166.60	269,232.50	100,559.10	30
2017-18	2,107,850.80	1,529,087.30	623,812.10	127,080.50	27,854.90	218,121.80	92,002.10	38.1
2018-19	21,65,021..00	1,665,731.10	832,384.60	61,260.80	27,907.80	59,033.50	94,792.30	30.1
2019-20	2,042,407.90	1,320,152.50	842,708.10	54,698.60	22,696.90	119,557.50	78,419.10	21.3
2020-21	1,522,002.00	1,203,020.40	354,831.70	18,349.80	13,773.00	171,630.30	24,487.70	17.33

Source: GJEPC Trade Statistics

Imports of precious metals, stones, diamonds and jewelry 2007-08 to 202021

(Rs. In Million)

Year	Total value	Rough Diamonds value	Rough Diamonds (Qty in million carats)	Rough diamonds unit Rs/ carat	Cut & Polished diamonds	Gold bar (for exports)	Gold jewelry	Rough colored gemstones	colored gemstones	silver bar
2007-08	741,505.40	399,215.00	171.5	2,327.10	222,520.00	89,496.10	17,088.70	5,994.60	2,767.30	796
2008-09	1,033,441.70	350,412.50	118.8	2,950.10	406,382.90	210,769.40	13,363.30	4,814.20	4,464.20	1,194.90
2009-10	1,348,625.10	427,331.10	149.9	2,851.70	547,466.40	340,186.00	15,343.60	5,543.30	6,808.80	1,458.20
2010-11	1,919,820.70	545,642.70	154.2	3,538.80	947,256.50	382,450.80	22,133.90	6,818.30	5,538.40	1,900.70
2011-12	2,012,384.70	722,218.90	131.5	5,490.40	683,564.00	502,833.40	70,693.90	6,954.10	14,053.90	3,897.10
2012-13	2,031,934.00	809,925.20	148.4	5,458.10	302,008.90	604,708.10	250,193.40	11,277.80	27,762.30	2,809.90
2013-14	1,871,098.90	1,003,772.70	162	6,195.50	395,859.70	336,495.40	34,959.40	14,447.80	19,723.50	2,360.80
2014-15	1,908,534.60	1,022,350.90	146.2	6,993.20	405,435.90	325,626.30	22,238.90	17,395.00	48,678.70	1,936.70
2015-16	1,586,549.80	919,705.30	138.4	6,645.00	181,277.00	265,367.40	18,972.20	24,241.70	68,804.80	2,593.40
2016-17	1,925,130.90	1,144,764.00	153.3	7,466.80	176,493.20	283,624.10	18,079.90	38,256.40	95,815.00	3,218.80
2017-18	2,030,227.70	1,217,445.40	187.7	6,487.40	144,076.40	367,036.20	18,004.00	56,688.90	35,169.60	3,467.90
2018-19	1,839,833.10	1,095,237.90	165	6,637.60	92,684.90	548,059.50	20,405.10	23,900.90	27,624.90	2,649.50
2019-20	1,726,372.20	921,688.10	151.47	-	121,982.20	553,837.30	20,324.80	17,690.10	37,304.50	2,879.20
2020-21	1,215,383.40	801,957.50	125.90		161,101.10	110,486.7	19,363.30	12,916.90	41,886.90	3,049.80

Source: GJEPC Trade Statistics

India's Gold Imports and Gold Price: 1971 to 2021

Financial year ending March	Volume in tonnes	Rs per 10 grammes	$/ounce, LBMA Price	Financial year ending March	Volume in tonnes	Rs per 10 grammes	$/ounce, LBMA Price
1970-71	217.0	185.0	36.8	1996-97	433.0	5,070.7	375.5
1971-72	176.0	200.2	43.0	1997-98	672.0	4,347.1	316.9
1972-73	110.3	242.6	64.9	1998-99	387.6	4,268.2	292.3
1973-74	63.6	369.3	115.8	1999-00	417.8	4,393.6	279.6
1974-75	15.7	519.2	166.4	2000-01	410.2	4,473.6	272.1
1975-76	26.2	545.2	149.5	2001-02	434.4	4,579.1	277.7
1976-77	33.8	549.8	126.6	2002-03	574.0	5,332.4	325.5
1977-78	40.5	637.9	157.6	2003-04	594.5	5,718.9	377.6
1978-79	45.2	791.2	208.3	2004-05	523.0	6,145.4	413.9
1979-80	10.9	1,158.8	405.4	2005-06	320.0	6,900.6	476.6
1980-81	8.3	1,522.4	584.9	2006-07	417.1	9,240.3	628.4
1981-82	25.4	1,719.2	421.0	2007-08	441.1	9,995.6	765.8
1982-83	60.0	1,722.5	401.4	2008-09	631.4	12,889.7	867.2
1983-84	53.0	1,858.5	404.2	2009-10	846.2	15,756.1	1,023.0
1984-85	94.5	1,983.9	340.0	2010-11	917.8	19,227.1	1,293.5
1985-86	123.4	2,125.5	327.8	2011-12	1,028.5	25,722.4	1,644.9
1986-87	88.4	2,323.5	383.3	2012-13	915.4	30,163.9	1,653.5
1987-88	99.2	3,082.4	458.8	2013-14	608.2	29,190.4	1,326.7
1988-89	135.0	3,175.2	422.0	2014-15	903.4	27,414.6	1,247.4
1989-90	172.5	3,229.3	384.8	2015-16	959.8	26,534.3	1,147.4
1990-91	170.0	3,451.5	374.6	2016-17	765.4	29,665.3	1,258.0
1991-92	190.0	4,297.6	357.4	2017-18	953.2	29,300.1	1,285.3
1992-93	384.0	4,103.7	338.4	2018-19	979.9	31,193.4	1,263.2
1993-94	354.0	4,531.9	373.4	2019-20	720.0	37,017.9	1,462.2
1994-95	345.0	4,667.2	382.8	2020-21	651.2	47,970.7	1,824.8
1995-96	406.0	4,957.6	389.4				

Note: India started importing unrefined gold (dore') in large quantities from 2012 thus the volumes include unrefined gold. The dollar payout is only on the gold content in the total dore' volume

Source: https://www.rbi.org.in/scripts/PublicationsView Economic and Political Weekly, February 20 1999, "Consumption of gold in India, Trends and determinants" by A Vaidyanathan Prices: MCX Average spot price; Spot Gold price from Bloomberg

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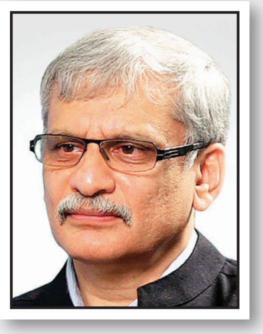

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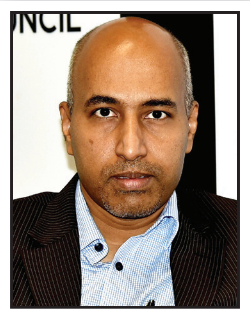

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