

Does the Neighbourhood effect contribute to participation in the Gold Monetization Scheme? Early evidence from the IGPC PRICE Household Survey

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The study focuses on the findings regarding the participation of households in the GMS as recorded under the pan-India IGPC Price Survey on savings habits of about 180,000 households (including their consumption of gold) conducted over 2022-23. The survey records whether a household has heard of, is aware of, and if the household has actually deposited under the GMS. During the review of data, we observed unexpectedly high and low responses to the GMS in certain districts (and, more importantly, certain localities within districts). The research delved into detail to identify whether such participation is a result of peer interaction. To that end, a linear probability model was employed wherein the outcome variable was a dummy indicating whether the household deposited under the GMS in the past. The main explanatory variable was the average number of households in that locality that have deposited under the GMS. The control variables included factors to adjust for the affluence of a household, the ratio of earners to members, location of the household (rural vs urban), level of education in the household, and the past experience of that household in engaging with financial products involving gold (such as SGB and gold ETFs). The coefficient for the main variable was determined to be significant; it continued to be so even after the inclusion of an instrumental variable to address potential endogeneity. Similar results were obtained even under logit and probit models.