

Household's Perception and Expectation from India's Gold market-Evidence from RBI Consumer Confidence Survey

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The research explores the relationship between consumer confidence and the gold market in India. This study makes use of the Reserve Bank of India's Consumer Confidence (CC) Survey from 2012-2023, considering the current situation index (CSI) and future expectation index (FEI). The CC survey is a compilation of certain important dimensions, which help in establishing the relationship between consumer confidence and gold investment in India. The study findings reveal an asymmetric association between households' optimism (pessimism) and gold investment in India. The relation is found to be more noticeable during major economic shifts and changes in the gold regime and regulations. Households' CSI explains gold investment with optimism; a decrease in the current perception led to a rise in overall gold demand. However, the household's future expectation contributes marginally to gold investment. The MCX-based gold price and consumer confidence hold important links; a rise in the current situation (future expectation) results in the rise of the gold price, while holding an asymmetric relation during 2012-14 and 2012-20 the period of study. The study's findings are found to be consistent with previous research that suggests that consumer confidence significantly impacts asset prices, particularly gold, due to its influence on investor sentiment. Based on the Rational Expectations Permanent Income Hypothesis (REPIH), consumer sentiments driven by market expectations are believed to influence their choice of investments (precisely, gold) and hence the pricing of this shiny precious metal. The study concludes that households' disciplined investment in gold despite a rise in its price draws the attention of policymakers to work more on the financialization of gold products. Further, agencies and financial institutions are suggested to work on financial literacy and financial inclusion to moderate household perception and expectations in the gold market.