

## Role of Benchmarking

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The paper discusses the need for benchmark pricing of gold in India, due to the lack of a standardized pricing mechanism and significant variations in gold prices across different markets and platforms. Gold demand in India is driven by factors like demographics, income, and inflation, with rural areas dominating consumption. Financialization of gold is increasing, but is still low compared to physical holdings, impacting import dependence and financial products. Benchmark pricing plays an important role in providing transparency and accounting for volatility resulting from demand-driven factors. The paper thus aims to develop a theoretical model for more accurate gold price benchmarking by emphasizing the need for market information to derive a fair price. The proposed solution involves using a theoretical spot price based on historical trade data and the convenience yield curve of gold.