



Is gold a luxury (rich man's) product?

Understanding through ICE 360° Surveys, PRICE

PRICE Research Team

February 07, 2020 at IHC, New Delhi

People Research on **I**ndia's **C**onsumer **E**conomy (**PRICE**)

(An independent not-for-profit 'Think Centre')

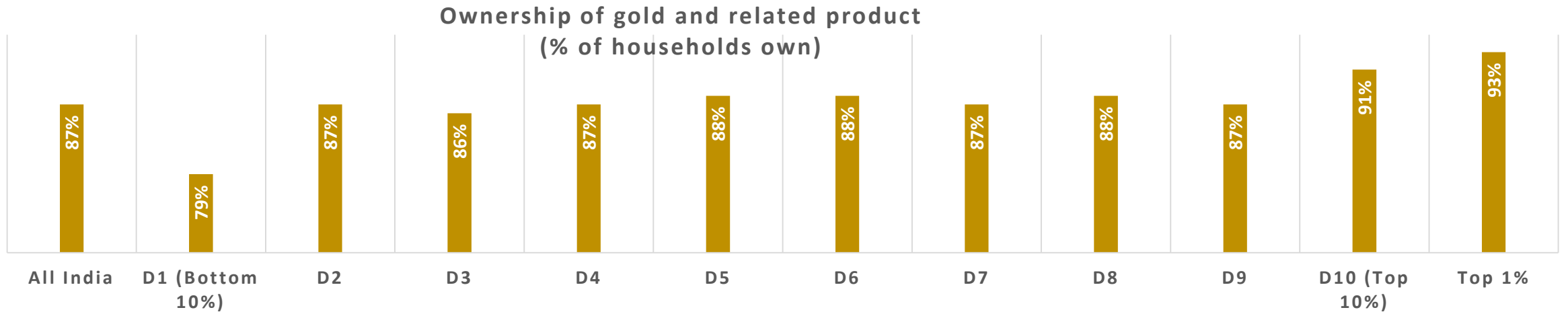
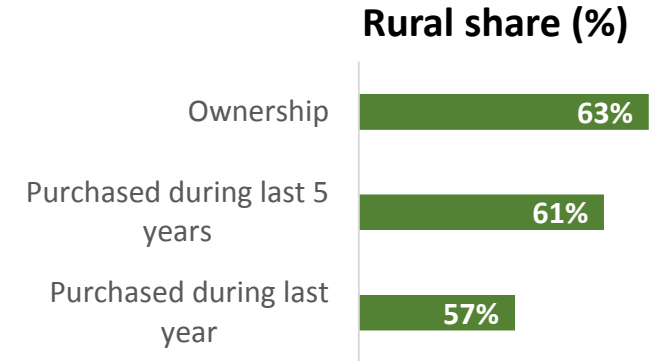
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Data Source

- PRICE's ICE 360 Surveys (2014 & 2016)
- A comprehensive pan India surveys of households
 - That followed the best international survey practices
 - Probability sample (Multistage stratified random sample design)
 - Covering all major states (25), Rural and Urban India
 - Sample size of 60,332 Indian households
 - **Rural** – Districts (165)-----Villages (1,271)----Households (24,333)
 - **Urban** – Towns/cities (487)----Blocks (1,801)----Households (35,999)
- Questionnaire based approach
 - One-on-One / Face-to-face interview

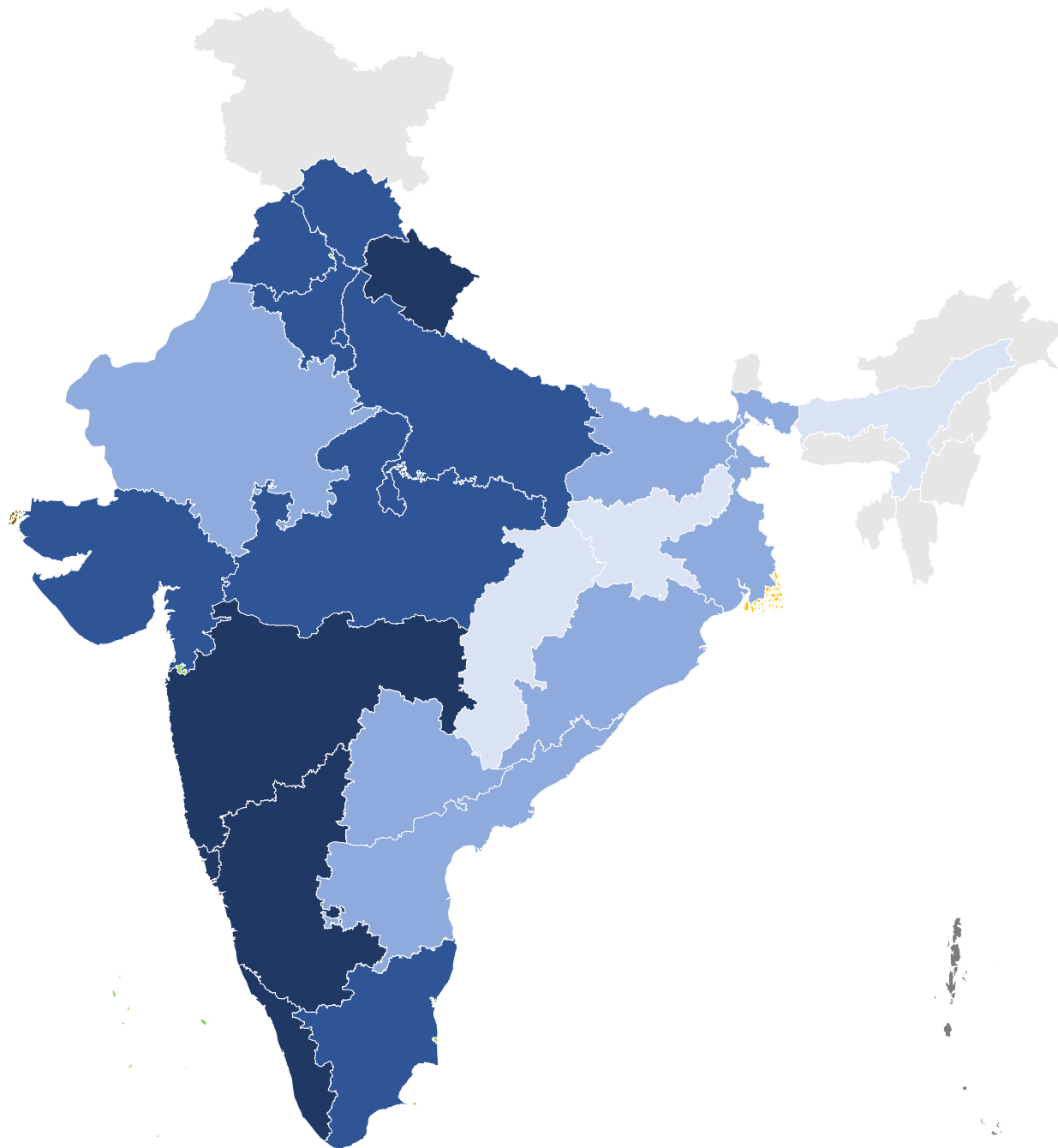
Ownership of gold is almost evenly spread across all income classes – Rich vs. poor

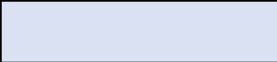



- Gold consumption in India is a universal phenomenon across income classes. Overall, 87% of households owned some amount of gold in the country.
- One in every two households in India purchased gold in the last five years.
- In 2015-16 alone, 13% households reported purchasing some amount of gold.
- Share of rural India is significant.



Q: Do you or any member of your household own gold in the following the form of Jewellery, coin/bar or paper gold? (1-Yes, 2-No)?

Households in Southern and Western states are leading the way...



Gold Penetration (%, 2011-16)	
	<20%
	20-40%
	40-80%
	>80%

Occupation profile & Gold purchase

	Occupation	Description	Households (Million, All India)	Rural share (%)	PCI Index (All India=100)	Households (%, All India)	Gold buying households (%)
Self-employed	Cultivators	(Agr. and related activities...)	55	94%	82	20%	22%
	Petty traders	(Hawkers, street vendors etc.)	10	45%	89	4%	2%
	Shop owners	(Retailers, wholesalers etc.)	40	45%	120	14%	16%
	Professionals	(Doctors, lawyers, CA etc.)	3	42%	372	1%	1%
Salaried	Grade 4	(Peon, gardener, Driver etc.)	47	43%	124	17%	20%
	Clerical	(Clerk.)	3	27%	193	1%	2%
	Supervisor	(Head constable, teachers etc)	4	24%	226	1%	3%
	Junior executive	(Non-gazetted officers)	3	23%	238	1%	3%
	Senior executive	(Gazetted officers)	1	18%	485	1%	1%
Labour	Labour (Ag.)	(Farm labour)	18	88%	41	7%	6%
	Labour (Non-Ag.)	(Construction labour etc.)	71	71%	71	25%	17%
	Others	(Rent, pension etc.)	25	72%	105	9%	6%
TOTAL			280	66%	100	100%	13%

Gold buyers are almost mirror population...

Purchasing power, source of earning, education level and location combine to drive 3 gold consumer archetypes exhibiting varying gold buying behaviour...



43 Mn
7 Mn (16%)

POOR RURAL

- **Avg. HHD Income:** INR 2L
- **Occupation:** Over 70% are Small & Marginal Farmer & Labour
- **Education:** Less than 20% completed higher secondary
- **Location:** Over 70% resides in under-developed areas



167 Mn
83 Mn (50%)

MIDDLE INDIA

- **Avg. HHD Income:** INR 5L
- **Occupation:** Nearly 60% are Medium farmer, Grade 4, Shop owners
- **Education:** 40% completed higher secondary
- **Geography:** Nearly 50% resides in emerging rural & small towns



71 Mn
63 Mn (90%)

MIDDLE CLASS & RICH

- **Avg. HHD Income:** INR 15L
- **Occupation:** Over 60% are Large farmers, Officers, Professionals, Businessmen
- **Education:** Over 60% completed higher secondary
- **Geography:** Over 60% resides in metros, boom towns & developed rural

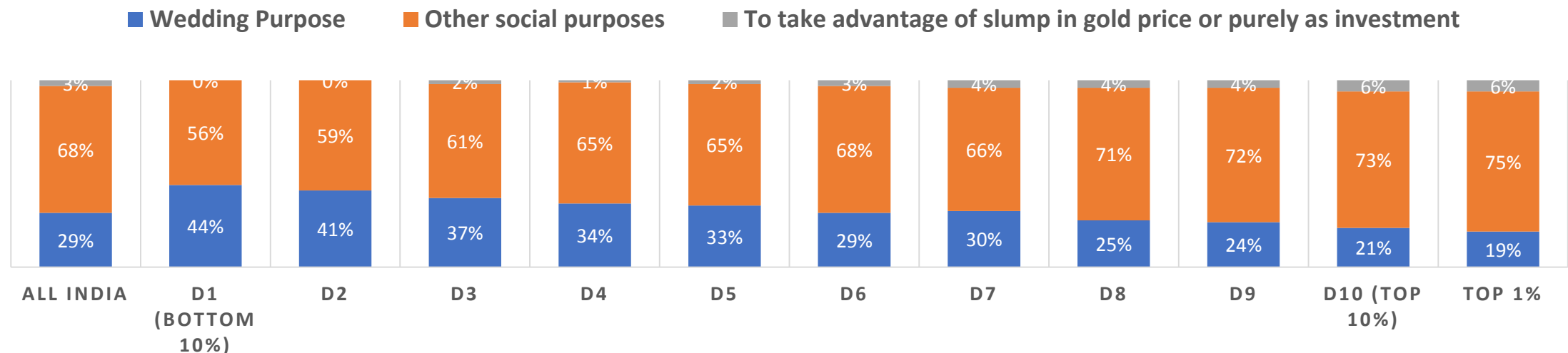
Although the marriage is the major occasion for purchase of gold **But...**

- A significant share of households across income classes purchased gold during weddings...
- ...But a much higher proportion purchased gold for **“other social purposes”**

“Other social purposes”

- Gifts
- Personal use
- To enhance social status
- To offer for worship
- Festivals such as ‘Dhanteras’

Reasons for purchase of gold
(% Of gold buying households in the last five years)

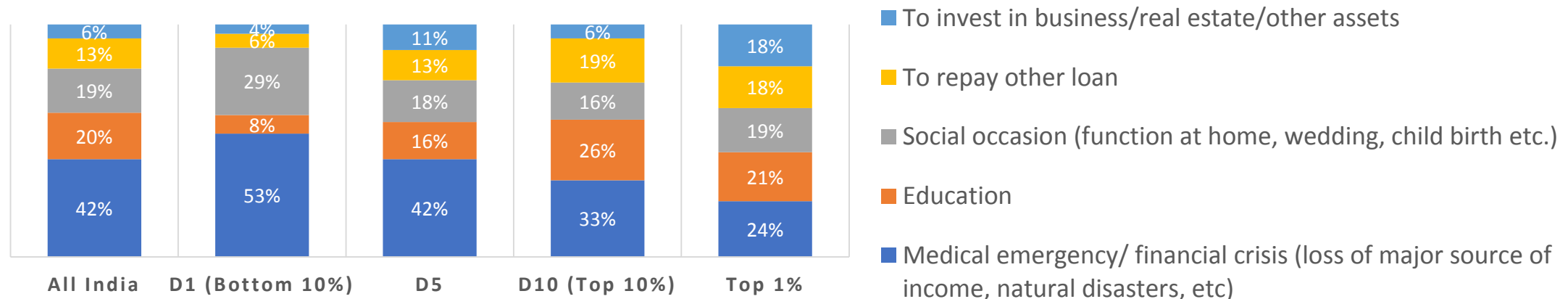


For the poor, medical emergency and financial crisis are the main reasons for availing loan against gold

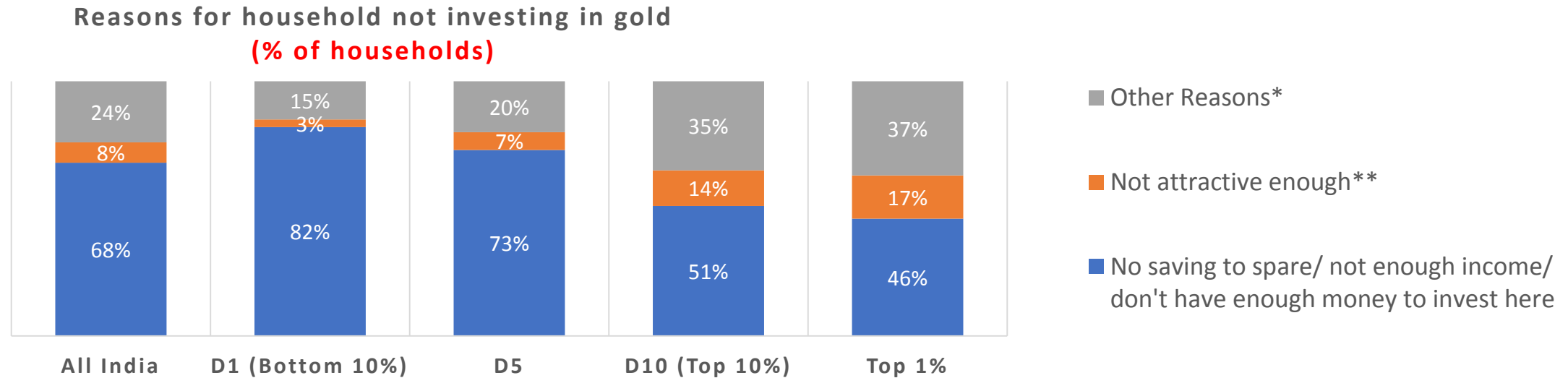
- It is the richer households who are more likely to mortgage gold.
- Only 4% of households in the bottom 10% income class ever availed of gold loan as against 13% of households in the top 10%.
- Proportion of households availing gold loans because of medical emergencies or financial crisis is much higher among the poorer four deciles (bottom 40%) than among the richer income classes

This suggests that in the absence of adequate social security or financial savings, gold holdings work as insurance for the poor, even in 21st century India.

Reasons for households to avail gold loan
(% of households taking loan against gold)



A major share of households does not invest in gold for lack of enough income...



*Other reasons

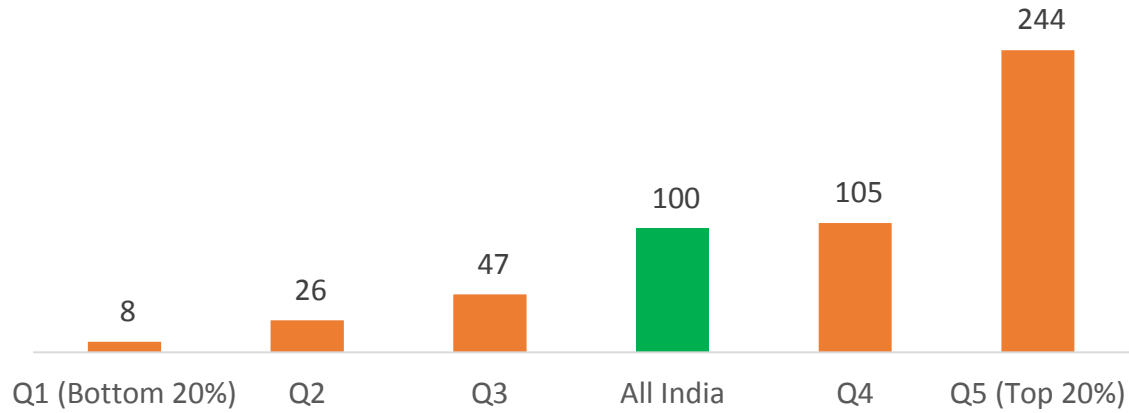
- I. Not wanting money to be locked in
- II. Prefer to have cash in hand
- III. Capital markets being down
- IV. Lack of trust on finance companies
- V. Dependent on pension after retirement
- VI. Already made a one time investment
- VII. Lack of knowledge

**Not attractive enough

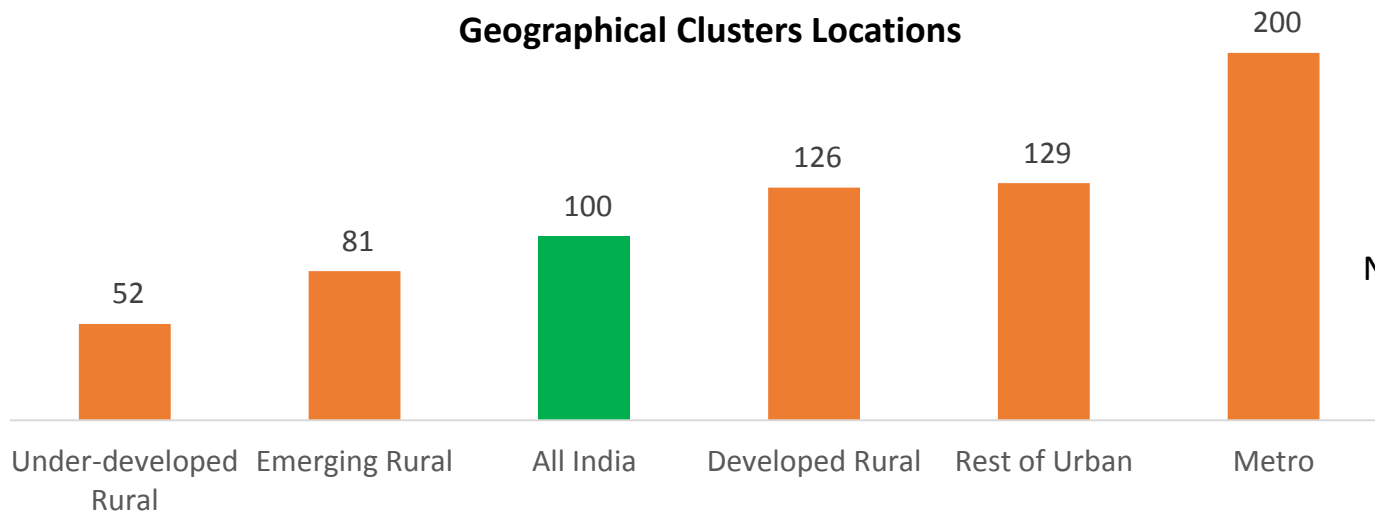
- I. The returns are too less
- II. Interest given is too less
- III. Feel that it is risky and will eventually lose money
- IV. Have lost money investing in this instrument

While gold buying are widely distributed, rich obviously buy more in value terms...

Per Capita Income Quintile



Geographical Clusters Locations



Occupation



Conclusion...

- Every segment of the country buys gold for reasons of goal based savings or contingency.
- Off course the rich buy more value than middle and lower income...BUT on other hand they use it as an investment vehicle than the modest income households.
- Also, in the country like India without adequate social security and low penetration of safety nets, it is not appropriate to consider gold as a luxury product.

“Gold is more a necessity than a luxury”

INTRODUCING....

Household Survey on Gold Consumption

(IGPC-PRICE Survey, 2020-25)

Sponsored by



INDIA
GOLD POLICY
CENTRE

India Gold Policy Centre (IGPC) at IIM, Ahmedabad

ice360° People Research on **I**ndia's **C**onsumer **E**conomy (**PRICE**), New Delhi
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Major objectives

- To measure **saving, investment and consumption behavior** of gold and gold related products;
- To estimate the share of gold in total **savings and investments portfolio** of the household;
- To measure of **inherited holding vs purchase** from own income;
- To understand the diversified **gold buying behavior** of Indian households; Socio-economic demographic **enablers driving the demand for gold** in India;
- To understand consumers' **preferences between investment and adornment** and its other utilization pattern such as collateral, monetize, etc.;
- To measure the level of **wealth protection and exchange value of gold**;
- The **perception and mind-set** that goes behind gold transactions- gold as an asset, symbol of prosperity or of traditional value in cultural and social occasions; and
- To measure the **impact of policy measures** (recent past and present) other specific related issues for analysis.

Survey features

Features	IGPC-PRICE, Survey, 2020
Frequency	Bi-annual for five years with mid-term review <ul style="list-style-type: none">• Wave 1 (6 months): April to September 2020• Wave 2 (6 months): October 2020 to March 2021
Survey type	Best mix of Baseline-Panel-Longitudinal -Cross-sectional
Coverage	National survey covering 25 major Indian states, Rural & Urban India
Sample design	Probability sampling separately for rural and urban India
Sampling frame	200,000 households (100,000 in each wave)
Sample size	40,000 households (20,000 in each wave)
Reference period	Financial year 2020
Respondents	Head of household/CWE & other earning members
Method of data collection	Face-to-face interview (CAPI)

Information buckets that the survey is aimed to address...

1. Gold saving & investment

- **Relative share of gold & related products in terms of**
 - Share of households ever bought by its types
 - **Physical Gold:** *Jewellery & Coin/ Bar*
 - **Gold investment schemes:** *GMS, SGBs, ETFs, Digital Gold.*
 - Share of wallet (of savings and investment)- ***saving portfolio***
- **Level of saving of gold & related products (during FY15 to FY20 or before)**
 - Share of volume/quantity of gold
 - Share of value of gold
- **Purpose of gold saving and investment:** Consumption vs. Investment
- **Reasons of gold and gold products purchased/deposited/invested**
- **Many more...**

Analyses will be done by different sub groups of households based on per capita income quintile (Rich vs Poor), occupation categories (Salaried, self-employed, agriculture, labour, etc.), education (low vs high literate), geography (urban / rural, metro / small towns/ developed rural/ under-developed rural, etc.) and so on.

11. Gold sale and Sale behaviour

- **Relative share of gold & related products in terms of**
 - **Share of households ever sold gold by its types (during FY15 to FY20 or before)**
 - Physical Gold: *Jewellery & Coin/ Bar*
 - Gold investment schemes: *GMS, SGBs, ETFs, Digital Gold.*
- **Volume/quantity of gold and gold products sold**
- **Value of gold and gold products sold**
- **Reasons of sale** (Social status/Financial needs/Purchase of new Jewellery/Hedge against inflation/Medical emergency/Financial crisis/Business expansion...)
- **Many more...**

III. Pawn (Security)/mortgage of gold

- Share of households ever pledged gold & related products against loan
- Quantity and value of gold pledged
- Sources of gold loan (*Banks/NBFCs/Money lenders/Relatives/Friends...*)
- Reasons for taking loan (*Education/Social occasion/Financial crisis/Business...*)
- Recovery status
- Many more...

IV. Understanding of gold purchase behavior that can help us discover what we don't know...

- Regular buying versus adhoc buying, triggers to purchase (present and future price expectations), interaction between them.
 - **Frequency** of purchases (*Regular buying versus adhoc buying...*)
 - **Purpose** of purchase (*Self-consumption/Investment/Gifting purpose/Religious purpose...*)
 - **Occasion** of purchase (*Weddings/Festivals/Birthdays/Child birth/Anniversaries...*)
 - **Payment** types (*Cash/Cheque/Digital payment...*)
 - **Sources of fund** (*Own savings/Sell/exchange of gold & gold product/ Loan from friends/relatives...*)
- Storage/usage behavior of different types of gold bought (e.g. jewellery for regular usage, jewellery for occasions, jewellery for keeping as investment, gold coins/bars etc.)
- Where bought from, branded store/local, hallmarked or not, confidence in source.
- Many more...

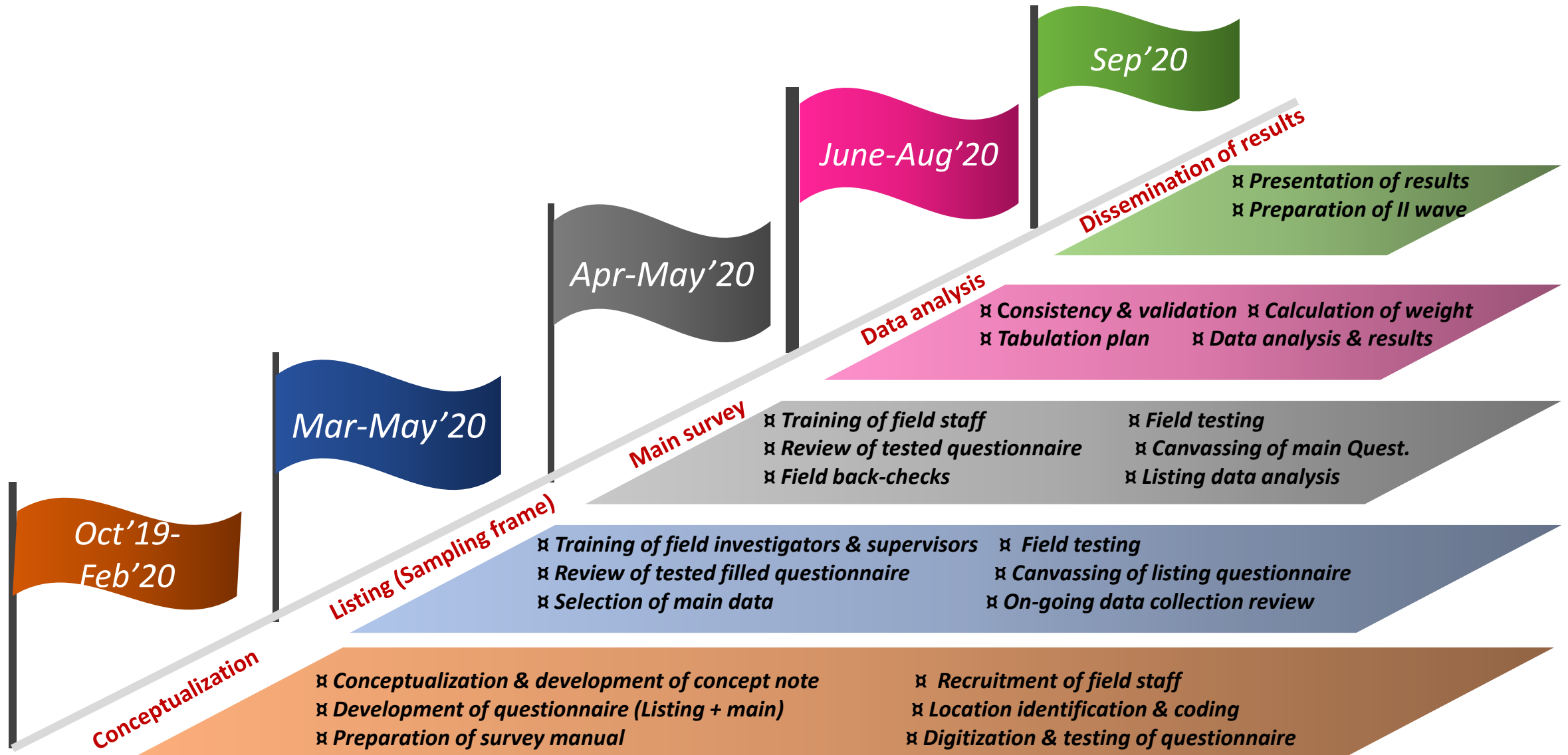
V. Future intention to buy gold & related products...

- Share of households planning to purchase gold
 - Within 3/6/12 months and not planned yet
 - By types of gold (*Jewellery/Coin/Bar/GMS, SGBs, ETFs, Digital Gold*)
- Quantity and value
- Purpose of purchase (*Self-consumption/Investment/Gifting purpose/Religious purpose...*)
- Occasion of purchase (*Weddings/Festivals/Birthdays/Child birth/Anniversaries...*)
- Sources of fund (*Own savings/Sell/exchange of gold & gold product/ Loan from friends/relatives...*)
- Many more...

VI. Economic related expectation from gold and correlation of expectations with behaviour...

- What expectations on financial situation of household?
- What expectations on inflation (prices) and economy confidence?
- How do consumers calculate / think about financial returns from gold and calculate it (what they know and track)?
- Does expectations influence behaviour?
- What is the knowledge / experience base that consumers have to focus these expectations?
- Where do they get advice on buying and selling gold timing (if they get advice)?

Activities & work plan (Wave 1.0)



Thank you...

For more information, please contact:

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IGPC-PRICE study “***Household Survey on Gold Consumption (HGS)***” is aimed to create a time series data to understand the dynamics of gold consumption, investment and usage behaviour of Indian households along with capturing geo-demographics, consumer aspirations and mind-set.