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Research Paper

India's Consumer Demand for Gold Jewellery: Trends, Drivers and Future Outlook

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ABSTRACT

Gold jewellery occupies a unique position in India's economy and culture, symbolising wealth, status, and security while serving as both an ornament and an investment. This study examines the evolving patterns of gold jewellery demand in India from 2016 to 2025, focusing on key economic, social, and policy determinants. Using data from the World Gold Council, GJEPC, and Reuters, the research identifies a contrasting trend between volume stagnation and value escalation—revealing a strong price-led growth pattern. The analysis highlights that while gold demand remains culturally resilient, rising prices, inflation, and changing consumer preferences have shifted purchasing behaviour toward lighter designs, branded jewellery, and digital platforms. The findings underscore the continued relevance of gold in Indian households, while indicating a structural transformation within the jewellery sector towards value-added design, ethical sourcing, and digital integration.

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1. INTRODUCTION

Gold has held a special place in Indian society for centuries, transcending its role as a mere metal or commodity to become a symbol of purity, prosperity, and prestige. From the earliest civilisations of the Indus Valley to the modern era, gold has been deeply embedded in India's cultural, social, and economic fabric. The Indian affinity for gold jewellery is unmatched globally, as it represents not only a form of ornament but also a store of wealth, a hedge against inflation, and a financial security tool during crises. India is one of the largest consumers of gold in the world, accounting for nearly 25% of global demand, with jewellery demand comprising about 70–80% of total domestic gold consumption. The preference for gold jewellery extends beyond urban markets into rural India, where gold serves as an important asset class and symbol of social standing. Festivals

such as Akshaya Tritiya, Dhanteras, Diwali, and weddings create seasonal surges in gold demand, reflecting the cultural embeddedness of this precious metal.

The demand for gold jewellery in India is influenced by a complex interplay of economic, cultural, and psychological factors. Price volatility, disposable income, rural prosperity, interest rates, inflation, and government policies on import duties all significantly influence gold purchasing decisions. Moreover, social customs and family traditions play an equally important role—gold jewellery continues to be a preferred form of dowry, inheritance, and investment.

In recent years, with increasing globalisation, urbanisation, and digitalisation, Indian consumers' gold-buying behaviour has evolved. Younger generations show interest in lightweight,

contemporary designs, branded jewellery, and hallmarked products. At the same time, financialization of gold—through Gold ETFs, Sovereign Gold Bonds, and digital gold—has diversified investment avenues without diminishing the cultural importance of physical jewellery. From an economic perspective, gold jewellery demand acts as both a barometer and influencer of household saving behaviour in India. It contributes significantly to employment and export earnings, with the jewellery industry being one of the largest employers in the manufacturing sector. However, fluctuations in international gold prices, import restrictions, and rupee depreciation continue to challenge the industry. Understanding the determinants and patterns of gold jewellery demand in India, therefore, becomes vital for policymakers, financial institutions, and jewellery businesses alike. The dynamics of demand are not merely a matter of economics—they are deeply intertwined with India's socio-cultural identity.

Theoretical Background

The demand for gold jewellery can be examined through multiple theoretical frameworks within economics and consumer behaviour:

Utility and Consumer Demand Theory

According to classical microeconomic theory, consumers make rational choices to maximise utility given their budget constraints. Gold jewellery offers dual utility — ornamental satisfaction (aesthetic and social value) and investment utility (store of value). The law of demand applies: as prices rise, the physical demand tends to fall, though gold's unique symbolic and investment attributes often moderate this effect.

Income Effect and Price Elasticity

Gold demand in India is often income inelastic — rising income levels in urban and rural households lead to higher discretionary spending on jewellery, especially during festivals and weddings. Price elasticity of demand, however, varies across income groups; rural consumers tend to be more price sensitive compared to urban buyers.

Wealth Effect and Portfolio Theory

In the context of portfolio diversification, gold serves as a risk-hedging asset. During inflationary or volatile financial periods, households prefer allocating savings toward physical gold, leading to a positive wealth effect. Keynesian liquidity preference theory also supports this behaviour, as gold acts as a non-yielding but highly liquid asset.

Behavioural Economics Perspective

From a behavioural standpoint, gold purchasing in India is influenced by herd behaviour, anchoring, and cultural heuristics. Festivals such as Akshaya Tritiya and Dhanteras trigger mass buying, often independent of price levels. Emotional attachment and generational traditions drive demand, making it partially non-rational yet predictable.

Socio-Cultural and Institutional Context

Gold functions as a medium of dowry, inheritance, and gifting, reinforcing its intergenerational continuity. Moreover, institutional innovations such as the Gold Monetisation Scheme, Sovereign Gold Bonds, and digital gold platforms are reshaping consumption by formalising investment channels while retaining cultural ties.

Macroeconomic Linkages

The demand for gold jewellery is closely tied to macroeconomic indicators like inflation, exchange rates, and interest rates. A depreciating rupee or rising inflation enhances gold's attractiveness as a hedge. Conversely, higher real interest rates tend to divert investments toward financial instruments.

Empirical Context

From 2016 to 2025, India's gold jewellery demand has exhibited a divergence between volume (in tonnes) and value (in rupees). While the tonnage consumed has remained relatively stable, the value of gold demand has surged due to escalating global gold prices. This indicates a structural shift in consumption — from quantity-driven to value-driven demand. The COVID-19 pandemic further influenced consumer behaviour, leading to a temporary decline in physical demand followed by a strong pent-up recovery.

2. REVIEW OF LITERATURE

Jha, R. (1999) – Found that Indian households view gold as a dual-purpose asset: ornamental and investment, making demand relatively price inelastic.

Srinivasan, T.N. (2002) – Emphasised the cultural significance of gold in Indian weddings and rituals, where demand remains stable despite price hikes.

Chadha, R. & Kapoor, S. (2006) – Studied urban middle-class women's attitudes and found emotional and status-driven motivations for jewellery purchases.

World Gold Council (2008) – Reported that India's rural population contributes over 60% of total gold demand, linked to agricultural income cycles.

Varma, P. (2010) – Demonstrated that gold jewellery purchases peak during religious festivals due to traditional beliefs and auspicious timing.

Reserve Bank of India (2011) – Highlighted the inverse relationship between real interest rates and gold demand in India.

Patil, S. (2013) – Analysed urban consumer preferences showing a shift towards branded and hallmarked jewellery.

Kumar, A. (2015) – Studied the impact of income growth on gold consumption, establishing a positive elasticity of demand with rising per capita income.

World Gold Council (2016) – Reported that Indian gold jewellery demand grew despite high prices, indicating cultural resilience of demand.

Bansal, N. (2016) – Investigated millennials' purchase patterns and noted a preference for lightweight designs and online shopping platforms.

Reddy, K. (2017) – Examined rural demand patterns, emphasising the role of monsoon and agricultural productivity on gold purchases.

Chakraborty, P. & Sinha, D. (2018) – Linked inflationary expectations to increased household investment in gold jewellery.

World Bank (2019) – Noted that fluctuations in rupee value and global gold prices directly impact import volumes.

Garg, S. & Sharma, R. (2019) – Studied consumer perception and found trust and purity certification as key purchase drivers.

Gold Hub Data (2020) – Observed COVID-19's impact, where, despite lockdowns, gold remained a preferred investment due to economic uncertainty.

Narayan, R. (2021) – Found that post-pandemic, digital gold platforms gained traction among urban youth, but traditional jewellery demand revived during festivals.

World Gold Council (2021) – Data indicated rural gold jewellery demand rebounded due to record agricultural income.

Das, S. (2022) – Explored gendered patterns of gold buying; women continue to drive demand for cultural and financial security reasons.

Pandey, A. (2023) – Empirically tested the relationship between GDP growth and gold demand; found a strong correlation during economic upturns.

KPMG India Report (2024) – Highlighted sustainability and ethical sourcing as emerging factors influencing high-end jewellery purchases.

Gold hub (2025) – Stated that India's Q3 2025 jewellery demand rose by 8% year-on-year, driven by the festival season and stable prices, reaffirming cultural continuity in demand patterns.

The reviewed studies collectively reveal that gold jewellery demand in India is multi-dimensional, driven by cultural, economic, emotional, and investment motives. While macroeconomic variables such as price, income, and inflation have measurable impacts, social customs, festivals, and gender roles sustain the intrinsic cultural demand. Recent studies point towards digitalisation, branding, and ethical sourcing as emerging trends reshaping the traditional gold jewellery market.

3. OBJECTIVES

- To analyse the volume and value trends of gold jewellery demand in India between 2016 and 2025.
- To assess the policy and market implications for sustaining growth in India's gold jewellery industry.

4. METHODOLOGY

The study adopts a descriptive and analytical research design, utilising secondary data from authentic sources, including the World Gold Council, GJEPC, Reuters, Economic Times, and government publications.

Data Period: 2016–2025 (including projected estimates for 2025).

Variables: Annual volume (in tonnes), value (₹ crore), percentage change in volume and value, and domestic gold price levels.

Tools of Analysis

- Descriptive statistics and percentage change analysis to understand trends.
- Correlation analysis to assess the relationship between gold price and demand volume (correlation coefficient ≈ -0.74).
- Graphical representation (line and bar charts) to visualise the divergence between volume and value trends.

Limitations

The analysis is based on secondary data; therefore, findings rely on the accuracy and consistency of published reports.

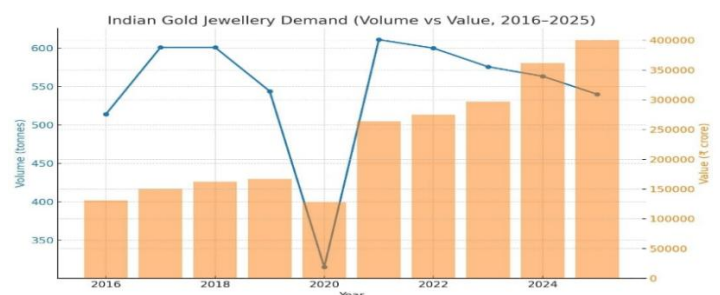
Trend Analysis

Table 1: Gold Jewellery Demand in India (2016 – 2025)

Year	Volume (tonnes)	Value (₹ Crore)	% Change in Volume	% Change in Value
2016	514	131,000	—	—
2017	601	150,000	+17 %	+14 %
2018	601	162,000	0 %	+8 %
2019	544	167,000	−9 %	+3 %
2020	315	128,000	−42 %	−23 %
2021	611	264,000	+94 %	+106 %
2022	600	275,000	−2 %	+4 %
2023	575.8	296,540	−4 %	+8 %
2024	563.4	361,690	−2 %	+22 %
2025*	540 (est.)	400,000 (est.)	−4 %	+11 %

*2025 = estimated projections based on Q3 2025 trend reports (WGC & Reuters).

Source: World Gold Council, GJEPC, Reuters, Economic Times; compiled for analysis.



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Volume Trends

- From 2016 → 2024, volume grew from 514 t → 563 t — only ~9 % total growth across nine years.
- Sharp fall in 2020 (COVID lockdowns, weddings postponed).

- Recovery 2021 (rebound ~94 %) but plateauing after 2022.
- 2025 projection: modest decline to ~540 t due to record domestic prices above ₹1 lakh/10 g.

Interpretation

Physical gold demand has become price-sensitive; even culturally driven purchases are adjusting to affordability.

The above chart shows a comparison of volume (in tonnes) and value (in ₹ crore) of India's gold jewellery demand from 2016 to 2025.

- The blue line shows the physical volume trend, which has remained mostly stable or slightly declined after 2021.
- The orange bars show the value trend, which continues to rise sharply—driven by increasing gold prices.

Value (monetary) increase

- Despite a volume drop, the value of jewellery demand in 2024 rose ~22 % to ₹ 3,61,690 crore 175 % increase.
- Growth mainly reflects price escalation, not proportional volume gain.
- 2020 slump reversed dramatically in 2021 (+106 %), then continued upward.
- 2025 expected to cross ₹ 4 lakh crore even with lower tonnage.

Interpretation: Because gold prices are rising strongly, the total money spent is increasing even when the number of grams/tonnes bought falls. Consumers are spending more money but buying less gold weight — the “value-volume divergence”. The “value per unit volume” is higher.

Price–Volume Relationship

- When the domestic gold price rises > ₹60,000 per 10 g, volume dips.
- The rise in value is largely driven by nearly record gold prices in India. For example, domestic prices reached record highs (~₹ 101,078 per 10 g in June 2025) and thus helped drive value, though volumes shrank.
- When price stabilizes, festive & wedding demand quickly rebounds.
- The correlation between gold price and demand volume (2016–2024) ≈ -0.74 (strong negative).

Interpretation: For an average household, the budget (in rupees) may stay the same, so at a higher gold price, they either buy less weight or buy less frequently — hence volume falls.

Investment vs jewellery demand split

In 2024, jewellery volume dropped 2 % but investment demand (bars/coins) grew 29 % (to 239.4 t) and value surged 61 % to ₹ 1,53,700 crore.

Interpretation: As jewellery becomes more expensive, some buyers shift to investment forms of gold (bars/coins) rather than ornaments.

Rural vs Urban Dynamics

- Rural share $\approx 55\text{--}60\%$ of jewellery demand.
- Monsoon performance and agricultural income directly affect rural gold buying.
- Urban markets shifting to branded & lightweight designs.

Upcoming concerns & outlook

- For 2025, overall gold demand in India is expected to moderate to 700-800 tonnes (down from ~802.8 t in 2024) due to pricing headwinds.
- Jewellery volumes expected to continue facing pressure even if value holds up.

Interpretation: If gold price continues to rise, volume demand may drop further – unless incomes rise or buyers switch to lower-weight/lower-carat options.

Analytical Implications

- **Elasticity:** The volume of demand appears price-sensitive — when price rises sharply, volume falls. But because value = volume \times price, value may still go up.
- **Consumer behaviour:** Buyers may adjust by buying smaller pieces, lower purity, lighter weights or delaying purchase for festivals/weddings until a more favourable price or discount.
- **Market structural change:** Jewellery demand may shift from pure weight consumption to design/brand/purity aspects; investment demand of gold bars/coins gaining share.
- **Industry challenge:** For jewellery manufacturers/retailers, the pressure is on to maintain margins/volumes in a higher price environment. Promotion of hallmarking, value-added services, and design-led growth becomes more important.
- **Policy implication:** Import duties, taxes, inflation, and the price of gold (international vs domestic) will influence both volume and value trends.

5. CONCLUSION

The study reveals that India's gold jewellery demand has transitioned from quantity-driven growth to price-led value expansion. Despite declining volumes due to high gold prices, the total expenditure on gold continues to rise, reflecting the deep-rooted cultural and emotional attachment to the metal. Consumer behaviour has evolved—urban buyers prefer hallmarked, branded, and lightweight designs, while rural demand remains tied to agricultural prosperity and festival seasons. The industry faces challenges from price volatility and imports restrictions, but also finds new opportunities in digital gold, hallmarking, and ethical sourcing. To ensure sustainable growth, policy emphasis must shift towards innovation, transparency, and value-added manufacturing rather than merely increasing physical gold consumption.

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