

Macroeconomic Drivers of Gold Imports in India: An Empirical Analysis

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ABSTRACT

India has historically been one of the world's largest consumers and importers of gold. Gold holds deep socio-cultural, financial, and economic significance in the country. However, the growing volume of gold imports has major implications for India's trade deficit and balance of payments. This study examines the key factors influencing gold imports in India, focusing on macroeconomic, policy, and behavioral variables, including income growth, inflation, exchange rates, international gold prices, interest rates, and government regulations. Using secondary data from 2011 to 2024, the study examines how these factors collectively influence the amount and value of gold imports in price terms. The findings reveal that income level, inflation rate, and international gold prices are the most significant determinants of the relationship. Policy implications suggest that diversifying savings instruments and implementing stricter import management policies can help reduce excessive reliance on gold imports.

Keywords: Gold, Import, Exchange rate, Inflation, Economy, Balance of Payment

INTRODUCTION

India is a developing country in the world. India has a fast-growing economy, but its growth and development pattern is quite different from those of other countries because its people have different views on investment and saving. According to Morgan Stanley's report highlights article, Waggoner (2025), we can say India imports more gold compared to other developing countries. Gold and metals hold a unique position in India's economy and culture because gold is highly valued by Indians (Sesha *et al.*, 2017). In the context of India, gold is traditionally viewed as a symbol of wealth, capital, and security; it is also seen as a hedge against high inflation rates and currency depreciation. India's appetite for gold imports has remained strong despite policy restrictions and fluctuating prices. According to the World Gold Council (2024), India imports over 700–800 tonnes of gold annually, making it the second-largest gold consumer after China (Venugopal *et al.*, 2016).

While gold plays a positive role as a store of value

and investment option, excessive imports exert pressure on the current account deficit (CAD), leading to macroeconomic imbalances. The depreciation of the Indian rupee and rising international prices further complicate this issue. This study examines the multifaceted factors influencing gold imports in India, drawing on both economic and socio-cultural perspectives.

Factors effecting the import of gold in India:

Gold is the symbol of wealth, security, and cultural significance that Indians have historically valued. Mainly Indian women like gold, diamonds, and silver metals because its two main reasons, one of which is

- Future security
- Social status
- Cultural and traditions
- Investment purpose

Indians, mainly those from rural areas, make more gold purchases during festivals and wedding seasons, such as October and November. According to Morgan

Stanley's report, approximately 34,600 tons of gold are held in Indian family reserves at home, representing a significant portion of the country's wealth. However, only 10% of this gold is utilized in economic activities, which helps move the economy forward in a new step. The amount of gold kept in a bank locker is not utilized in economic activities, such as investment or lending, and is instead used in unproductive activities, often to create a snobbish appearance (Unnikrishnan and Suresh, 2016).

Objectives of the study:

1. To analyze the major factors that are affecting gold price fluctuations and imports in India.
2. Finding a relationship between gold imports and macroeconomic variables such as income, inflation, and exchange rate.

Review of literature:

- Kannan and Dhal (2008): This study examines the key factors that are influencing India's gold demand between 1980 and 2005. India, being the world's largest consumer of gold, utilizes it not only for adornment but also as a preferred form of the macro variables like savings and wealth accumulation, particularly among low- and middle-income households. The study highlights that gold demand in India, particularly in the north and south, is significantly influenced by real income, interest rates, exchange rates, inflation, asset prices, and government policies. Historically, India's gold policy has shifted from strict controls to policy liberalization since the 1990s, integrating gold markets with financial markets and reducing smuggling. The authors argue that India's persistent demand for gold reflects not economic backwardness but a rational response to macroeconomic and social uncertainty. Their empirical analysis highlights gold's dual role as both a consumption and investment good, influenced by monetary, fiscal, and financial sector dynamics.

- Nisarga, M. and Marisetty, Nagendra (2023): This study examines the key economic determinants influencing India's gold imports. It highlights that India's strong cultural and behavioral preferences, as well as its investment demand for gold, silver, and other metals, significantly impact its import levels. Using secondary data, the authors find that GDP growth, inflation, exchange rates, and international gold prices have a strong impact on imports, while higher interest rates reduce

demand. The depreciation of the rupee also raises import costs. The study concludes that improving financial literacy and promoting gold-backed financial products can help reduce India's heavy reliance on physical gold imports.

- Baber *et al.* (2012). This study primarily focused on the "Factors Affecting Gold Imports: Case Study of India," which examines the sharp rise in gold prices in India between 2002 and 2012, during which prices increased by nearly 900%. Using secondary data, correlation analysis is employed to examine the trend. The authors identify key and major factors that influence this increase, including inflation, fluctuations in the dollar exchange rate, reduced gold supply, geopolitical tensions, and rising investment demand. Their empirical findings confirm a significant positive correlation between gold prices, inflation, and the dollar rate, highlighting gold's continued importance as a hedge and economic stabilizer in India.

- Kanjilal and Ghosh (2014): The study examines India's gold imports and their relationship with macroeconomic variables, applying Johansen– Juselius, ARDL bounds, and threshold cointegration tests, confirming a long-run cointegrating relationship among the three variables. Results reveal that in the long run, gold import demand is moderately inelastic to price but highly elastic to income, showing gold's nature as a luxury good. In the short run, gold demand responds more strongly to price fluctuations. Granger causality tests indicate that gold import demand influences gold prices in the short term, while in the long term, GDP and price affect import demand.

METHODOLOGY

This study used secondary data to analyze the gold import pattern in India. This study mainly focuses on the gold price taken into (billion) rupees. Gold import measures by the price of gold in billion rupees do not measure the quantities of gold. This study analyzed the trend using data from 2012 to 2023 and presented the results in a bar chart to illustrate gold imports, the country-wise share of gold imports by India, and the value of gold imports by India in specific years. This study used percentages to analyze the trend and examine the relationship between gold imports and macroeconomic variables, including income and inflation.

Data sources:

This study presents trends in India’s gold imports from various countries, as well as trends in prices and values. This study used secondary data to analyze trends and patterns for the financial years 2011-12 to 2023-24, sourced from the RBI handbook and Statista.

RESULTS AND DISCUSSION

This study presents the trends in gold imports by India from various countries, as well as the trends in price and value. This study utilized secondary data to analyze the trends and patterns from the financial years 2011-12 to 2023-24.

Analysis trends and patterns:

Table 1 and Fig. 1 shows the data on gold imports by India in terms of billion rupees. Used the data from 2011 to 2024 in price form. India’s gold imports in 2011 totaled 1848 billion rupees. Following that, a period of increasing trend occurred in 2013, but a downturn in India’s gold imports was observed in 2014. Show the

Financial Years	Import Price (Gold) in Billion Rs.
2011-12	1847
2012-13	2699
2013-14	2921
2014-15	1662
2015-16	2106
2016-17	2074
2017-18	1844
2018-19	2170
2019-20	2295
2020-21	1992
2021-22	2542
2022-23	3440
2023-24	2804

Source: Statista, compiled by the Author

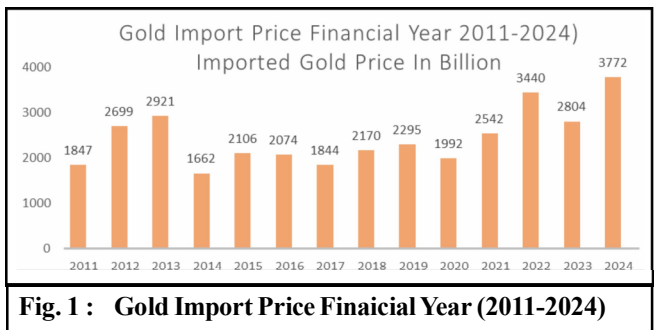


Fig. 1 : Gold Import Price Financial Year (2011-2024)

fluctuations in the up and down periods of 2014 to 2021, compared to 2013. However, after 2021, the trend in India rapidly increased.

Table 2 and Fig. 2 shows the data on the value of gold imports by India in crores of rupees, year-wise. Used the data from 2011-12 to 2023-24 in value form. India’s gold imports in 2011 totaled 1848 billion rupees. Following that, a period of increasing trend occurred in 2013, but a downturn in India’s gold imports was observed. Show the fluctuations in the up and down periods of 2014 to 2021, compared to 2013. However, after 2021, the trend in India rapidly increased.

Financial Year	Import value (in crore)
2011-12	2,69,901
2012-13	2,92,153
2013-14	1,66,243
2014-15	2,09,927
2015-16	2,07,880
2016-17	1,84,439
2017-18	2,17,072
2018-19	2,29,537
2019-20	1,99,250
2020-21	2,54,288
2021-22	3,44,094
2022-23	2,80,481
2023-24	3,77,250

Source: RBI Handbook, Compiled by Author

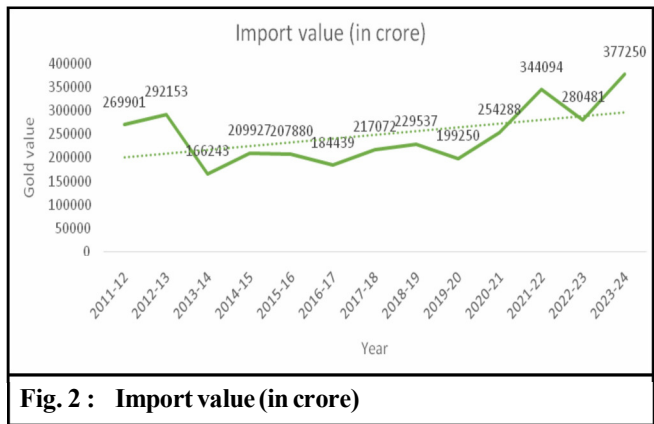


Fig. 2 : Import value (in crore)

Table 3 and Fig. 3 shows the data on the value of gold imports by India in percentage share of, country-wise. This table show the data of gold import of share in absolute value and share of which country in percentage term by India import of gold years. Highest share of gold of Switzerland and lowest of Colombia as per table and data.

Table 3 : Countries % share of Gold in Rupees (crore)

Country	Import Value (Rupees) crore	% Share
Switzerland	152524	33.5765
UAE	142954	31.4698
South Africa	40,108	8.8293
Peru	37,474	8.2495
Australia	28,544	6.2837
Hong Kong	18,265	4.0208
USA	18,102	3.9850
Ghana	9,279	2.0427
Colombia	7,008	1.5427
Total	454,258	

Source: RBI Handbook, Compiled by Author

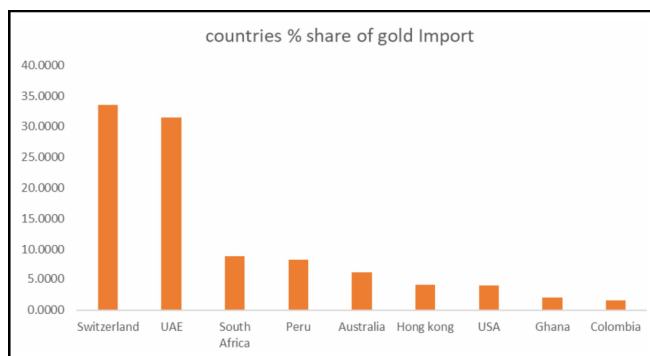


Fig. 3 : Countries % share of gold Import

Relationship Between Macroeconomic Factors and Gold Imports

Income effect:

A strong positive correlation exists between per capita income and gold imports, as higher income generally leads to increased gold imports. Rising disposable incomes, particularly in urban areas, enhance households' capacity to purchase gold jewelry and invest in gold.

Inflation:

India imports more import of gold continuously in terms of price in rupees and quantity, both are high in India when importing more, then more rupees go to the foreign market, as then inflation increase in India, and other hand, rupees value depreciates in the foreign market

Exchange Rate:

The exchange rate is high compared to the rupee. Depreciation of the Indian rupee against the dollar increases import costs, thereby negatively affecting gold import volumes. However, in some years, cultural demand

has offset this impact.

International Gold Prices:

A key determinant is that when global prices rise sharply, import volumes temporarily decline, but the value of imports often increases in the context of India.

Interest Rate:

Lower interest rates make financial instruments less attractive, prompting investors to turn to gold as an alternative asset and a secure investment in the financial market.

Government Policies:

Import duties have been periodically raised (e.g., to 12.5% in 2022) to discourage imports; however, the cultural behavior of people and future security concerns in India have led to a sharp increase in gold purchases, regardless of the gold price, resulting in continuous gold imports.

Findings and discussion:

India is the largest country in terms of gold imports, with the largest imports in rupees among all countries. India's import of gold is the highest, but not utilized in economic activities. India is the world's largest gold importer. According to data, gold imports increased the fastest, from 1847 billion rupees in 2011 to 3772 billion rupees in 2024, in the financial year, in terms of the price of imported gold by India. In this study, Indians continue to prefer gold more because they demand more gold items to demonstrate high social status, as well as to preserve their traditional culture. On the other hand, gold serves as a means of future security in life, acting as a gold reserve for households. Switzerland share is highest and Colombia share is lowest in import of gold by India.

Conclusion:

Gold imports in India are driven by a complex mix of economic, psychological, and cultural factors. While macroeconomic variables such as income, inflation, and exchange rates play crucial roles, social traditions and perceptions of gold as a safe-haven asset continue to sustain demand. Therefore, managing gold imports requires not just fiscal or monetary measures but also behavioral interventions and financial innovation. Gold imports are increasing continuously, and they are not utilized for investment purposes; instead, they serve to

demonstrate prestige value, provide future security, and reflect the social importance of the people. Long-term strategies should focus on creating viable investment substitutes and promoting domestic gold recycling to reduce import dependency. India is the largest importer of gold, but it only uses gold for social security and cultural customs, not for investment purposes; its utilized gold for investment and business purposes, not store in houses as like wealth and future security because its future security also and its used for earning as like gold loan or other financial gain through the gold then the economy stays on the next step forward and show economic advancement because other developed countries do not have its type of culture and traditions.

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