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India And The Global Gold Market: A Price Fluctuation Study

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Abstract

A "Study on Gold Price Fluctuation in India" refers to the analysis of why the price of gold changes in India, examining factors like global economic conditions, domestic cultural demand for festivals and weddings, inflation, interest rates, the rate, that is the trading of USD and INR, also known as the US Dollar and Indian Rupee exchange rates, is extremely important in global currency markets and government policies like import duties and taxes. Such a study seeks to understand and predict price movements, identify key drivers, and provide insights for investors, policymakers, and consumers.

Introduction

An introduction to a study on gold price fluctuations in India should establish gold's cultural significance, its role as an investment, and highlight the need for research into its complex pricing factors like inflation, crude oil prices, currency exchange rates, and local policies in India, which remain poorly understood by the public. The introduction should define the study's objective, which is to analyze these determinants and their impact on gold prices, providing crucial insights for investors, economists, and policymakers.

Key Words: Fluctuations, Liberalization, Demand, Determinants, Influenced.

Gold Prices Evolved in India Over the Decades



The journey of gold prices in India can be seen across several distinct periods, each influenced by significant events and economic changes.

These include:

- **Prior to Independence**

Gold was an essential form of money and a way to preserve wealth before to India's independence. Because of the fixed gold standard regime, gold prices stayed relatively stable during this time. Changes were uncommon because the value of gold was intimately linked to the currency.

- **The Time After Independence**

India's economic policies started to change after 1947. Gold prices have been steadily rising during this time, according to historical data. In order to control the economy, the government placed stringent restrictions on gold imports, which reduced the yellow metal's supply and increased demand. Gold prices consequently began to increase, reflecting India's changing economic goals. Liberalisation Phase Economic liberalization changed the Indian gold market in 1991. The administration increased imports and created more flexible pricing by opening up the economy. Due to shifting market conditions and rising consumer demand, gold prices experienced a significant spike starting in the 1990s.

- **A New Era for the World**

The world economy underwent substantial shift in the early 2000s, which had an impact on the price of gold in India. A global spike in gold prices was caused by the 2008 financial crisis and China's explosive economic expansion. Gold prices rose throughout this time in India, reflecting both the nation's economic growth and global trends.

Reason for Gold Prices Rising

The historical rate of return on gold in India has been driven by various factors:

- **Exchange Rate Impact**

The exchange rate between the Indian rupee and the US dollar greatly affects gold prices. A strong rupee can make gold more affordable, while a weak rupee often pushes prices higher.

- **Global Gold Market Trends**

Changes in international gold rates influence prices in India, with factors like market sentiment, foreign trade, and investment flows playing a crucial role. India's economic ties with global markets also impact local gold pricing.

➤ Government Policies and Regulations

Policies affecting gold's supply and demand—import duties, customs regulations and taxation—impact prices. Other factors that impact gold prices are as follows:

➤ Interest Rate Changes

High interest rates can reduce gold's appeal as an investment, often causing prices to fall. In contrast, lower interest rates usually increase the demand for gold, raising its price.

➤ Seasonal Buying Trends

Indian festivals and weddings drive up the demand for gold, often resulting in higher prices due to the seasonal surge in purchases.

Reasons to Invest in Gold

1. Gold Is Money

Gold is not used as a currency today, but its role as money makes it superior to any currency. In fact, gold has been money longer than any currency in history. Gold has been a store of value for at least 3,000 years, while one of the longest currencies in history, the British Pound Sterling, is about 1,200 years old. One of the crucial promises of money is that it serves as a long-term store of value. Gold fulfills this promise better than any currency. Look how much purchasing power all major government currencies have lost compared to gold. Since 1900, physical gold has been the best long-term store of value..

2. Gold Investments Cannot Go Bankrupt!

If you hold gold, no paper contract is needed to make it whole. No middleman or other party is necessary to fulfil a contractual obligation. That's because gold is the only financial asset that is not simultaneously some other entity's liability. This is important because gold will be the last man standing when bubbles pop or a crisis hits. That's a powerful tool to have in your portfolio when things start to go wrong in your country or economy. It also means gold won't go to zero. It's never happened in its 3,000+ year history. Gold will always have value.

3. Gold Investments Act as an Inflation Hedge

The hedge against inflation is the traditional motive behind the investment in gold. The yellow metal serves as an inflation hedge in the long run. When inflation rises, the value of the currency goes down. Over the long-term, almost all major currencies have depreciated in value relative to gold. But gold prices have doubled over the last five years and quadrupled in a decade. In a country like India, where every saving instrument may not provide returns, gold fares well when the inflation rate exceeds the interest rate. Likewise, the annualized return of gold over ten years has been way higher than that of inflation. What this means is that gold has given individuals a real rate of return.

4. Gold is a Tangible Asset

Gold is one of the few assets that is tangible, and thus, it creates a perception of safety among investors. Purchasing gold is much easier compared to purchasing other tangible assets such as real estate. Also, because of this feature, while assets stored digitally are prone to hacking and other misuses, gold is free from such concerns.

5. Gold is Highly Liquid

Gold is highly liquid. Virtually any jewelry dealer in the world will recognize gold and buy it from you. You can sell it to your local coin shop, a pawn shop, a private party, or an online dealer. It can always be sold for cash or traded for goods.

6. Gold Requires No Specialized Knowledge

Gold investment requires none of this. No special skills, training, or equipment are needed to buy or recognize gold. Unlike stocks, bonds, cryptocurrencies, real estates, among a series of other investments, gold requires no specialized skills. As an investor, all you need to do is simply buy and store your gold. There are no tedious charts to compare all day long, or trading bots to trust with your investments. Buying gold is relatively straightforward.

7. Gold Can be Your Saviour

One of gold's strongest advantages is that it can protect your investments, even your standard of living, during periods of an economic, monetary, or geopolitical crisis. And depending on the nature of the crisis, gold can move from a defensive tool to an offensive profit machine. Many investors use gold in times of financial distress. The Indian Government itself airlifted national gold reserves to pledge to the International Monetary Fund (IMF) in the early 1990s, to cover the balance of payment debts. Households also sell or pledge the precious metal in times of financial distress. It is a refuge in times of trouble.

8. For Portfolio Diversification

It is believed by some economists that gold is a highly effective portfolio diversifier due to its low to negative correlation with all other major asset classes.

Current price of gold as of October 6, 2025

Some of the most common ways to invest in gold include:

- **Gold bars:** Often referred to as bullion, this is a popular gold investing method. Offered on a per gram or ounce basis, other qualities including purity, weight, and manufacturer are typically stamped on the face of the bar. Similarly, you may encounter gold rounds.
- **Gold coins:** These are collectible coins, such as the American Gold Eagle coin. These often are sold at a higher price than bars of the same weight because they are viewed as collectibles with limited availability in the marketplace.
- **Gold jewelry:** Jewelry typically comes with aesthetic, external and subjective value, so the price may be significantly higher than the standard weight value.
- **Gold futures contracts:** A futures contract states that the investor will buy a specified amount of gold for a defined price at a future date. Futures allow investors to speculate on the price of gold in the future without needing to handle the actual physical product.
- **Gold funds:** These are mutual funds or ETFs that own gold assets. Like other ETFs in a stock portfolio, you can purchase shares in gold funds or any other mutual fund investment, and their value fluctuates based on the changes in the underlying portfolio of assets.

However, some suggest that there is evidence that when equities are under stress, in other words, when shares are falling rapidly in value, an inverse correlation can develop between gold and equities. Gold protects one's portfolio from volatility because the factors, both at the macro-economic and micro-economic fronts that affect the returns of most asset classes do not significantly influence the price of gold. For a given level of returns from a portfolio, the risk or volatility can be reduced by adding gold to it.

9. Risk-Reduction and Wealth Creation can be Achieved With Investing in gold

Gold as an investment offers dual benefits of risk-reduction and wealth creation. Even if there is no economic crisis or geopolitical tensions, the precious metal can still give decent returns in the long term. Its past track record has already proven that. In case there is an economic or political shock, gold as an investment provides the perfect investment hedge, against capital losses from equities.

10. Gold as Investment Absorbs any Jitters or Value-erosion in a Country's Currency

In case the local currency of an economy sees any major fall owing to macro-economic factors, gold provides investors with a cushion. When India's currency remained under acute pressure in 2013-2014, all major global currencies still managed to support gold price in rupee terms.

Why Do Gold Rates Fluctuate?

Gold has always been one of the most trusted and sought-after commodities, especially in India, where it holds both cultural and economic value. However, the price of gold never remains constant and fluctuates frequently. Ever wondered why? Let's delve into the reasons behind gold price changes and how they influence jewellery shopping.

Key Factors That Influence Gold Rates

1. Global Market Trends

Gold is a global commodity whose price is influenced by international market trends. Factors like geopolitical tensions, global inflation rates, and economic stability significantly affect gold prices. During economic uncertainties, gold prices tend to rise as it is considered a safe-haven asset.

2. Currency Exchange Rates

The value of the Indian Rupee against the US Dollar plays a significant role in determining gold prices in India. A weaker rupee means higher gold prices as India imports most of its gold.

3. Demand and Supply Dynamics

Gold demand surges during festivals and wedding seasons, leading to temporary price hikes. Conversely, low demand during off-seasons may stabilize prices.

Inflation Rates

Gold acts as a hedge against inflation. When inflation rises, people invest more in gold, increasing its price.

4. Government Duties and Taxes

Import duties and GST in India also contribute to the final retail price of gold. Changes in these taxes directly impact jewellery costs.

6. Central Bank Policies

Central bank policies, including gold reserve acquisitions, can influence prices. When central banks buy more gold, prices generally rise.

The following chart outlines the historical average price of 24K gold (per 10 grams) in India:

Year	Gold Price in Rupees
1964	63.25
1970	184
1980	1330
1990	3200
2000	4400
2010	18500
2020	48651
2025	94630

How Fluctuating Gold Rates Affect Jewellery Buying

1. Uncertainty in Purchase Timing

With fluctuating prices, many buyers feel unsure about the right time to invest in gold jewellery. Should you buy now or wait for a dip?

2. Impact on Budget Planning

Frequent changes in gold rates can make it challenging to plan a jewellery purchase, especially for weddings and festivals. **Pro Tip:** Set a budget but keep a buffer for slight price variations.

3. Investment Decisions

Gold jewellery is not just an ornament but also an investment. Rising gold rates can increase the resale value of your jewellery, making it a valuable asset.

4. Customisation Costs

Higher gold prices can make customised jewellery more expensive, as additional charges are calculated on the gold's base price.

Tips for Buying Jewellery Amid Fluctuating Gold Prices

- ❖ **Monitor Gold Rates Regularly:** Stay updated with daily gold prices and look for patterns during specific seasons or global events.
- ❖ **Invest in BIS Hallmarked Jewellery:** Always buy certified jewellery to ensure purity, regardless of the fluctuating gold rate.
- ❖ **Buy During Offers or Festive Sales:** Jewellery stores often provide discounts or waive making charges during festivals, helping offset price hikes.
- ❖ **Consider EMI Options:** Opt for EMI plans offered by trusted jewellers to manage high costs due to rising price.

Conclusion

In conclusion, the recent jump fully explains why we think today is gold price news worthy of global headline status. Understanding why is gold price rising, will better position an investor, whether as a traditional investment such as gold or a digital reality with an emerging offering on eBullion.in. Gold re-established its value as the key safe haven asset, and for savvy investors, it is a reminder of why gold should always remain part diversified portfolio. Whether you are an experienced investor or just beginning your investment journey, Bullion.in is the most convenient way to invest in gold and silver directly in a digital format, in the full knowledge and security that comes with investor protection.

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