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INDIA
GOLD POLICY
CENTRE

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Chairperson's message

The ongoing Russian-Ukrainian conflict, the US-China cold war, and the weaponization of the international financial system, coupled with the over-leveraging monetary policy autonomy in response to the COVID-19 pandemic and resulting inflation, have sparked a renewed search for a reliable and stable financial system. As a result, the discussions around de-dollarization and the emergence of Central Bank Digital Currencies, at least at the ideation stage and cryptocurrencies as an alternative are making daily headlines. At the same time, Central Banks are accumulating gold reserves to prepare for future policy, geopolitics, and financial uncertainties. For example, the Central Banks made record-breaking purchases of gold, totalling approximately 1136 tons, in the calendar 2022, a trend that continues in the current year. Gold reached an all-time high in the first week of May 2023, indicating gold playing a major role in the global financial landscape in the future. Countries prefer bilateral and multilateral agreements for trade settlements within their own currencies also highlights the importance of establishing a reliable alternative financial system. The trend is clear that the world is at a critical crossroads, where the significance of gold and related policies cannot be ignored, given its historical use in the global financial system. At the India Gold Policy Centre at the Indian Institute of Ahmedabad (IGPC-IIMA), it has been our privilege to contribute research-based inputs to multiple stakeholders, including trade participants and associations, policymakers, exchanges, and regulators, since its inception in 2016. As a research think tank, IGPC is now recognized as a non-partisan, independent body that provides research-based inputs and opinions for the industry's benefit.

It is not a surprise that despite India being one of the largest importers of gold globally due to its cultural, religious and sentimental importance, India's role in the global gold market is relatively minuscule. Therefore, the accumulation of gold over generations has stockpiled roughly around 25000 to 30000 tons of gold with households and religious establishments. The accumulated gold over the years, although a safety net for individual households during uncertain times (as was evident through gold pledging during the COVID peak), is a major liquidity drag for the economy. Interestingly, our annual household survey with the PRICE revealed that the country's lower and middle-income group buys and accumulates the maximum proportion of gold in India. This income group was financially excluded and had limited access to the formal financial system. Thus, with an appropriate policy in place, there is a huge potential for offering financial services to the masses that need it most.

IGPC has, over time, emphasized the advantages of not only financial inclusion but also that of financialization of gold to the policymakers in the form of our suggestions on the Gold Monetization Scheme (GMS). We are continuously striving to find the appropriate scope for improvement of the GMS scheme so that it can become more successful – one metric of GMS success is that if there were an incremental 1000 tons of gold flowing in the system instead of being in a bank locker or the house, then there would be another INR 500,000 crore ($65 billion) flowing in the financial pipes of the system enabling that much more economic activity. At the sovereign level, we think that the SGB scheme needs a rethink as the liability for the government could increase quite sharply as the time comes to redeem the gold to the buyers, given the price increase from Rs. 2600 per unit in 2015-16 to Rs. 5600 per unit in 2021-22, and may lead to distortions in the fiscal space.

We continue to engage with the International Financial Services Centres Authority (IFSCA), the unified regulator at GIFT City, Gujarat. At GIFT, the India International Bullion Exchange (IIBX), the spot exchange for gold trade in India, was finally launched in July 2022, paving the way for an effective system of gold trade in India. At the time of writing of this message, the ICEGATE and TRQ allocation, two critical milestones in the movement of IIBX towards scale and impact, were finally in place, thanks in part to the efforts of the IGPC team. To enhance success probability of IIBX, banks also need to be allowed to trade on the exchange, something that is not permitted under the current RBI rules. IGPC-IIMA has also acted as the bridge between the industry and the market players for the dissemination and clarification on the UAE-CEPA circulars issued by various regulators from time to time. The 6th International Conference on Gold and Gold Markets organized by IGPC-IIMA in New Delhi was a resounding success. It was instrumental in bringing stakeholders from different verticals to a common platform. The conference featured some interesting discussions & deliberations, and workshops on the need for responsible sourcing, financialization of gold, rationalization of customs duties, gold refining, rebranding India's gold trade, emerging trends of gold buying in India, gold jewellery export etc.

In the context of imports and exports of gold, the customs duty regime continues to be a cause of worry due to the distorting effects that it has on the industry. Any duty more than 4-5% will encourage smuggling because the cost of carry is then less than the return that is possible. While seizure figures tend to be a small percentage of the total smuggled, relative to the figures in the decade before 2013, the seizure figures since 2013 are an order of magnitude higher. Such high levels of smuggling cannot be good for the CAD.

Technology and mobile phone penetration in the gold space have changed the composition and pattern gold demand patterns. With the advent of online shopping, the new-age consumer prefers a seamless, convenient, and easy retail experience. People are starting to make much more high-priced online purchases than they were a few years ago. With sleek and simple designs of jewellery and artefacts, there is no need for physical visits to find the perfect piece. An increasing number of consumers find it more accessible to buy jewellery online. Therefore more robust regulatory structure with respect to consumer protection to support online gold jewellery sales is needed. Mandatory hallmarking of gold is one important step in this direction. It will eventually translate into higher online jewellery sales at home and abroad.

I want to thank and convey my heartfelt gratitude to the industry participants, policymakers and academic community for their unwavering support and wish for a wonderful year ahead. Lastly, I thank the IGPC team (Harish Chopra, Minal Marathe, Arjun Raghavendra, Dr Prabhakar Sangurmath, Adil Shah, Tara Tiwari, Mini Nair, Arushi Gupta and Oindrilla Chatterjee) for their exceptional professionalism, excellent teamwork and out-of-the-box thinking, which has been instrumental in achieving some difficult goals that we set for ourselves.

::Chapter 1::
Policy Thoughts for 2023-24

Open-source data suggests that there has been a spike in the purchase of sovereign Gold by the Central Banks across the world, bringing the focus back on the yellow metal. In a way, it reinforces the notion that Gold is a very prudent investment choice – what better way than to have the Central Bank endorse your investment choice? The renewed focus on the gold policy in India for 2023-24 will thus have to be rebooted from the old stable – taxation policy on Gold, increase in customs duty, a suspected spike in smuggling, the UAE CEPA and other bilateral trade agreement, the role for spot exchanges for gold trading including IIBX and domestic spot exchanges, increase in the value addition in gold exports and how effective are the export promotion schemes, the progress achieved in hallmarking and other related issues bringing trust in Gold and increased use of technology in gold trading.

It is time to highlight and appreciate the positive developments to start with:

- A new regime in the history of Gold commences in this financial year. The Ministry of Consumer Affairs, Food & Public Distribution has notified that the sale of hallmarked gold jewellery or gold artefacts without a 6-digit alphanumeric HUID shall not be permitted to be sold after March 31 2023. It is expected to safeguard and protect the consumers' interests and enhance their confidence in purchasing hallmarked gold jewellery with traceability and quality assurance. It shall definitely begin a new chapter in the Indian Gold story.

- The guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) – obligations for dealers of precious metals and stones under the Prevention of Money Laundering Act 2022 were notified in February 2023. That this happened in the runup to the Financial Action Task Force (FATF) Mutual Evaluation (M.E.) of India, scheduled in 2024, is commendable in every way.

- Alternative modes of investment in Gold – whether it is the Sovereign Gold Bond (SGB), Digital Gold and Gold Exchange Traded Funds (ETFs) & Gold Mutual Funds - all gained awareness and traction amongst the public in India in the previous financial year, is particularly commendable in a nation that is obsessed with physical Gold.

- The trends indicating de-dollarization is another area that impacts gold policy in the future and is, therefore, a significant focus for IGPC. How India deals with the situation and how much India can benefit from it and have a say in the emerging global monetary landscape will decide the future of the current and next generation of Indians.

We will analyze all these issues in greater detail now –

<u>De-dollarization and growing relevance of Gold</u>

De-dollarization involves reducing the dominance of the USD in global trade and financial transactions and decreasing its prominence as a reserve currency. The trend indicating de-dollarization is driven by factors such as U.S. monetary policy, geopolitical tensions, and the rise of bilateral trades in alternative currencies. It has important implications for the global economy and could reshape the international monetary system.

There is no denying that the threat to USD's reserve currency status is for real. Any potential shift will depend on reaching tipping points in four areas: (a) dollar-denominated international trade, (b) dollar-based transactions in international financial markets, (c) money flows through proprietary pipes such as SWIFT, and (d) central banks' attitudes towards gold reserves.

What recent developments show changes across four dimensions?

- Chinese and French energy companies traded 65,000 tons of LNG settled in Renminbi Yuan through the Shanghai Petroleum and Natural Gas Exchange.
- Russia has embraced trading in Yuan to reduce exposure to USD and Euro.
- Brazil announced trade with China denominated in their own currency and Yuan.
- BRICS nations are exploring a common currency system for mutual trading.
- India offers to trade in Rupee as an alternative for countries with a USD shortage.
- India signed an agreement with Malaysia to enable trade in Rupee.
- Sri Lanka acceded to India's request to settle their trade in Rupee.
- 60% of Forex transactions in the international financial markets have USD on one side of the trade.
- India promotes its homegrown digital payment system, UPI, to reduce USD usage. India has signed an MOU with 13 countries, including Singapore, to extend the UPI interface.
- Central banks added over 1100 tons of Gold to their reserves in 2022, about a quarter of the annual production of Gold.
- USD reserves held by central banks have declined from 71% in 1999 to about 59%, the lowest since the mid-1990s. Similar trends were observed after 1978 when high inflation in the U.S. led to a decline in the USD's share of forex reserves until it bottomed out at 46% in 1991. The U.S.'s share of global GDP declined from 31.4% in 1970 to about 23.25% currently, with China at 17%. If the U.S.'s share remains below 25% for an extended period, there will be a real problem for the USD to maintain its reserve currency status.

What can emerge as an alternative?

Gold - Any uncertainty around USD losing ground helps in affecting people's sentiments in favour of gold buying. Trading of Gold at around $2000/Oz levels is an indication supporting the trend. With debt levels at historic highs, Gold's status as a store of value and hedge against inflation may become increasingly important. In 2022, the Central Banks added a historic high of 1136 tons of Gold to their reserves. China and Russia are leading the pack. Incidentally, these two nations are leading the de-dollarization movement, too. The key driver of any transition has to be the trust in the medium – as trust in the dollar wanes, and the high inflation continues, Gold may become more attractive than before. Gold could be used as a means to break the dollar monopoly because every country still trusts Gold. The increasing price of Gold which is back near its all-time highs, is also a near-term portend that Gold could play an increasingly important role in the international monetary system.

The downside for Gold is that a system like the gold standard may not be a reality in today's world unless Gold must reach unimaginable levels. The gold markets may not be liquid enough to take the load of the entire money market of the world. A large amount of Gold put on the block will instantly impact the price of Gold. So, Gold needs to link itself, through Blockchain and CBDC, to the existing currencies. The World Gold Council is working toward making Gold more digitally accessible through a blockchain initiative. If this initiative succeeds, Gold will be in a much better position to have a greater influence on the international monetary system. Another option could be a currency that is not fully pegged to Gold but is only partly covered. That could be a consideration in the minds of Central Banks increasing their gold reserves. It looks most likely that Gold will play a more relevant role while negotiating any new monetary systems.

Bipolar or multipolar currency system **-** Euro is the second largest reserve currency according to IMF data. Still, its structural weaknesses and lack of a central clearing system make it unsuitable as a replacement for the USD. Chinese Yuan is behind the Yen and British Pound, but it has better prospects as a rival to the USD due to increased cross-border use. China is working on overhauling its financial regulatory system to establish a safe, compliant, and efficient system that creates more trust. However, with the history of abrupt devaluations, Yuan lacks important attributes needed for a reliable store of value and is not growing as a reserve currency due to a lack of multilateral trust. China may accumulate Gold to make the Yuan trustworthy. Discussions on an alternative mechanism outside the USD may also lead to a system similar to SDR, but it is presently not extensively utilized as a settlement currency due to its complex nature. Countries may settle trade and services in their own currencies and park balances of trade in an SDR-like system.

CBDC or Crypto **-** Cryptocurrencies and CBDCs are both digital assets with distinct benefits. Cryptocurrencies offer fast and cheap cross-border transactions, financial privacy, and currency volatility protection. CBDCs offer similar benefits, plus the backing of a Central Bank for increased stability and credibility. While they have the potential to play a role in the global financial system, cryptocurrencies face regulatory concerns and uncertain value as a store of value due to their volatility. As more countries act upon reducing their reliance on the USD and diversifying their reserves, these digital assets can potentially play an important role in the global financial system.

<u>Can de-dollarization arguments be overstated?</u>

There have been events recorded in the past that tried to dethrone the supremacy of the USD. E.U. to develop a common currency, Euro, in 1999 was targeted to achieve equal standing to the USD. Then, the global financial crisis of 2008 threatened the USD pre-eminence driven by the weakening of the U.S. banking sector, similar to the current situation. Reducing USD usage poses risks that could destabilize the global financial system. De-dollarization may increase transaction costs, trade and finance complexity, devalue countries with significant USD reserves and lead to a fragmented global financial system. Any ill-prepared de-dollarization attempts may also harm export-dependent countries.

- USD's strong network effects deter its replacement. Market players are hesitant to switch as their counterparts will likely prefer USD. The change will occur gradually, as seen with Yuan-denominated and bilateral trade. In the 1980s, Yen-denominated trade gained prevalence. But Japan was a U.S. ally and never a threat to the hegemony of the U.S. Bilateral trade was widespread between 1918 and 1945 before the USD became the reserve currency.
- USD and Euro are the top currencies for international payments. 45% of global trade invoicing happens in USD despite the U.S. contributing only 10% to global trade in USD. Yuan ranks eighth in international SWIFT payments despite China being the second-largest global GDP. About 90% of global Forex transactions involve the USD, with the Euro being the second most traded currency at 31% (down from 39% in 2010). The Yuan's market share has increased from 1% to just over 7% in the past 20 years.
- The US Current Account deficit is narrowing down after reaching a peak of 4.54% in the first quarter of 2022. The overall deficit of 3.7% for 2022 is still higher than 3.6% in 2021. A gradual improvement indicates stabilizing of USD going forward if the declining trend is maintained.
- Trends indicate that Fed's tightening monetary policies are showing results. The inflation numbers for March 2023 show a marginal rise of 0.1% from the last month and 5% compared to March 2021. It allows Fed to go slow with rate hikes. The last hike in March 2023, a modest 25 bps, is an indication. Still, the inflation is much higher than the target rate of 2%, and Fed has a task ahead of them.
- U.S. Govt. debt has been hovering around 105% of the GDP from June 2016 till June 2019, after it started moving up. It reached above 125% by the end of Qr. June 2020. There is a decline after peaking out at 127% in Qr. March 2022. The debt to GDP in Qr. December 2022 at 123.4% is the lowest in the last three years.

- The BRICS leaders face a significant challenge in devising a common currency exchange rate due to differences in economic size, structure, and policies. China's economy is much larger than the other four's combined GDP, and each country has different objectives for the currency. Russia and China seek to avoid U.S. control, while China aims to boost its status. India wants to strengthen its global position while remaining non-aligned. The process is time-consuming and full of operational issues with no clear conclusion in sight.
- Establishing the Shanghai International Energy Exchange (INE) and ramping up gold production are included in China's plan to promote the Yuan as a reserve currency. The Shanghai Gold Exchange may also be considered a part of its longer-term plan. However, the increased importance of Yuan in the global oil trade is overstated, as the volume traded on INE is just 5.1% of the total trade, and no significant progress has been made since its inception. Shifting the physical volume is not sufficient as the multiplier of the oil output to the future trade is the key to building volumes. INE is nowhere close to the global benchmark 'Brent", where the multiplier is about 1000. Transactions in the international monetary system require trust, which the Chinese Yuan does not have yet. The U.S. may have triggered a flight away from the dollar by weaponizing the financial system. It is uncertain whether this trend will continue.

Conclusion

With recent increases in gold reserves, led by countries seeking changes in the financial system, Gold is expected to have a more relevant role in the monetary system. The demand for safe haven and liquid assets and diversification needs will drive the gold demand. Digitalization and blockchain initiatives will contribute to Gold's return to prominence. The household gold in India and China will also come into play while working out any equations around Gold. Considering current geopolitical uncertainties, the Central Banks will continue accumulating Gold.

Unleashing the potential of IIBX

The launch of the India International Bullion Exchange (IIBX) at IFSC GIFT City has been hailed as one of the most significant reforms in the Indian bullion market since the liberalization of gold imports in 1997. The exchange has been designed to revolutionize the functioning of the bullion industry, facilitating the integration of India's gold trading with the international gold community and positioning it as a major trading and vaulting hub. IIBX will bring about standardization of gold inflows into India and create a robust regulatory scaffolding for the bullion trade. It is expected to strike an equilibrium to reduce the market inefficiencies that exist in the Indian bullion trade and create a transparent platform for bullion trading.

The exchange has also been created to disintermediate the process by facilitating transactions through an anonymously traded exchange platform, making bullion available across the SEZs at the IFSCA-approved vaults. It means the growth of IIBX is not just limited to GIFT City but will have a positive spillover effect on jewellery manufacturing hubs nationwide.

Despite the potential of the IIBX, volumes since its launch in July 2022 have been underwhelming. However, there are reasons for this. IIBX has been mandated to operate at par with the existing system, meaning participants are not receiving any incentives. So, the shift will take some time. Additionally, RBI has not permitted Indian banks to participate in the exchange, which is debatable given the push for transparency in trade and the financialization of gold. The lack of institutional participation will always put liquidity at IIBX under stress.

Moreover, the applicability of IGCR Rules puts direct imports by TRQ holders under UAE-CEPA through the IIBX platform at a disadvantage. Then, there are some teething issues. The customs ICEGATE platform took at long time to integrate and finally happened only in May 2023, which means that concessional imports under UAE-CEPA, one potential volume driver for IIBX, were delayed considerably.

Despite these initial challenges, IIBX is expected to become the gateway for gold imports into India and support the country's push towards becoming a potential global refining hub. As IIBX becomes India's gateway for the global market, the exchange will have mechanisms ready to create a vibrant lending and borrowing market. It is expected to grow into one of the largest vaulting hubs globally, servicing banks, financial institutions, traders, and retail investors.

The launch of IIBX is a significant step towards developing the Indian bullion market. It is expected to bring about standardization and transparency in gold trading and establish India as a major player in the global bullion market. As the exchange continues to evolve and address the initial challenges, it is expected to pave the way for a more efficient and streamlined bullion trading ecosystem in India.

Gold and Customs duty in India

India being one of the largest importers of Gold, the customs duty has a great bearing on the industry. With the amendments made in the latest union budget, the total applicable import duties on the gold bar and gold doré are 15% and 14.35%, respectively. It includes the Agriculture Infrastructure Development Cess (AIDC) and the Basic Customs Duty (BCD). With the additional 3% Integrated Goods and Services Tax (IGST), the end consumer will effectively pay 18.45% tax for refined Gold. For gold refineries, an effective tax of 17.78% is applicable for gold doré. While the industry expected a reduction in the import duties on Gold, such an expectation did not materialize in the union budget of 2023.

This trend of imposing a higher duty on gold import to reign in the Current Account Deficit is a strategy that has been put in place by policymakers unmindful of the factual position that the higher duty serves as an incentive to activate the smuggling ecosystems across the world. The point that is often ignored is that you still need to pay for Gold in dollars even if it is imported through unlawful means, and it still has a bearing on the CAD. The DRI report on Smuggling in India shows a 63% increase in the seizure of gold cases from 2021 to 2022. However, the seizure numbers in absolute terms do not appear encouraging. The policymakers must acknowledge and appreciate the fact that higher taxes may lead to a higher propensity for illicit activities like smuggling.

A better approach is to plug the loopholes of customs duty and ensure parity across all possible manners of gold import. A case in point was the import duty on Platinum which was at 10% vis-à-vis the duty on Gold at 15%, creating a lot of policy chaos in 2022. An alloy with more than 2% by weight of Platinum (even if it contains more than 90% of Gold) was classified as a Platinum alloy and taxed accordingly at a lower rate. It led to a policy correction by rationalizing the customs duty on Platinum, but not before, by various estimates, around 30 to 40 tons of Gold was imported. Interestingly, while all countries are signatories to the World Customs Organization (WCO) Harmonized System Codes, India has been required to subject our tariff to these tweaks owing to the continuous amends in the gold tariff policy.

While the gold custom duty rates were increased in July 2022, the union budget of 2023 tweaked it further to reduce the basic customs duty and increase the AIDC keeping the overall duty at the existing levels. With the mutual evaluation of India in the Financial Action Task Force (FATF), an in-depth country report analyzing the implementation and effectiveness of measures to combat money laundering, terrorist and proliferation financing, approaching in 2024, there is an urgent need to curtail the increase in the rate of gold smuggling into India. Needless to add, the offences under the Customs Act in India are scheduled offences under the Prevention of Money Laundering (unlike other tax offences like GST & Income Tax), drawing greater focus into this issue. Furthermore, as regularly emphasized in various policy notes coming out of IGPC, the spill-over impact of smuggling on the evasion of income tax and GST is particularly significant. Additionally, the well-oiled Hawala network violates the Foreign Exchange Management Act (FEMA), thereby making the smuggling of Gold a classic case study for violating all laws in the context of an economic offence.

Therefore, it is in the interests of both the gold industry and the economy, particularly with extraordinary measures introduced by the Government of India in the context of hallmarking, to plug the loopholes of customs duty rather than merely to enhance the import duty on Gold. The first step is to acknowledge that the official import figures may have no causal relationship to the Gold reaching India every year. If the spike in smuggling is not curtailed, we may end up moving backwards on our gold policy, as every other measure of progress in this domain is interlinked to this one important aspect.

Export Promotion Schemes and Gold smuggling

Against the backdrop of the increase in smuggling, which is a foregone statement of fact, there is a necessity to examine the various routes in which this Gold may actually be reaching our nation. Unfortunately, the curious design of the export promotion schemes has been exploited for the smuggling of Gold in India today and incentivized more in a way post the increase in customs duty in 2022. The customs law places the onus on the importers (nominated agencies/banks) in case of any differential duty at a later stage, which in fact, incentivizes the offenders in more than one way. While this issue has been highlighted by IGPC previously, the urgent need to plug this legislative loophole in the customs law to engage in proportionate punishments for the alleged offenders cannot be stressed more than at a time when the customs duty on gold stands at an all-time high, ever since the abolition of the Gold Control Act in 1990. The issue, in a nutshell, is about the nominated bank/agency, being the importer on record, being questioned for and held responsible for the differential duty for the alleged omission/commission indulged in by the exporters, sometimes even after the cancellation of bonds/bank guarantees in this regard. This entire nexus has led to this undesired and discouraging situation for the nominated agencies/banks who facilitate import on behalf of a variety of genuine exporters.

The modus-operandi of such misuse of the export promotion schemes is simple. Gold imported duty-free for exports is subject to value addition in the form of jewellery, articles etc. These imports are made through nominated banks/agencies duty-free for supply to exporters upon the bank furnishing a bond or bank guarantee with the customs. The exporter–manufacturer, in most offending cases, makes plain jewellery, which typically takes eight days and sells it in the domestic market. Before the end of the 90th day, gold jewellery (in offending cases with underlying copper or other metals, as evidenced by many DRI searches) is exported. The well-oiled hawala network ensures the receipt of the foreign exchange, thereby completing the entire cycle, theoretically at least. In principle, one could turn the stock eight times before exporting and earn the duty differential at the end. The entire ecosystem is well orchestrated, with sample packets for verification also pre-decided, thereby earning authorities' approval and making the export legally proper. It is also underscored that there have been investigation reports by enforcement agencies that have unearthed a direct nexus between the alleged exporters and the customs officials, further complicating the policy matrix. It is also intriguing that despite the minimum value addition norm in place, the value of the export shipment is kept lower and invariably remains undetected in an online system monitored by risk protocols.

In the recent past, in addition to the differential duty and the consequential interest, many nominated banks/agencies have been slapped with penalties as they were the importers on record and consequently supplied Gold to the exporters. The source of the problem rests in the idea of letting the offending exporters not be held responsible for the customs duty in cases of fraud, thereby actually incentivizing them to perpetuate it. However, the action of the enforcement agencies across India against banks/agencies and not the exporters who allegedly indulged in the fraud, in the context of the differential tax and interest, has created a cobweb of litigation clogging the judicial system. The only way forward appears to be the necessary policy corrections in the actual light of the legislative intent of policymakers. The same may apply to direct imports by the exporters under the advance authorization scheme under the licence provided by the DGFT and need to be reviewed for compliance with post-shipment requirements.

In almost all such cases, the fraud is unearthed 3-4 years after the original commission. By then, the bond and bank guarantee submitted by the nominated bank/agency had been cancelled upon the completion of the exports. The customs law, however, mandates that for making a tax demand beyond the period of 2 years of import, there needs to be collusion or suppression of facts on the part of the importer (not just a lapse in due diligence). Unfortunately, with the demand being tied to the nominated bank/agency, the cases do not stand legal scrutiny in the absence of any evidence whatsoever on their role pertaining to collusion with the exporters in the frauds. The exporter, on the other hand, having got away with a small penalty and no duty (or consequential interest) demand, stands incentivized in the process and is perpetually tempted to repeat it.

To avoid the unfortunate legal position that the nominated agencies/banks face in the present scenario, an online mechanism can be developed and put in place whereby all the stakeholders, including nominated agencies/banks, are able to track the entire chain of events from import customs to the export customs and then back to the import customs for cancellation of bond/bank guarantees (including the due diligence being carried out in this regard), to ensure that there are enough checks and balances in the system. There is an urgent need to fine-tune facilitation and enforcement in order to ensure that diligent and honest importers are not subjected to any discomfiture in the context of the offending exporters.

AML & CFT – Obligations of Precious Metals Dealers

Guidelines on the Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) have been recently issued detailing the obligations of precious metal dealers in the capacity of "Reporting Agencies." It is a hugely welcome step, particularly when, in the past few years, this policy measure has witnessed a lot of swings and pauses. As per the 2023 guidelines, gold dealers are bound by the obligations stipulated under these guidelines. Gold dealers are responsible for preventing these unlawful activities through deterrence, detection and record-keeping, which are detailed in the guidelines.

The obligations of the dealers pertain to setting up an internal mechanism to detect specified transactions, keep records of transactions and furnish information about the specified transactions. The specified transactions in this regard include *individual cash transactions exceeding 10 lakhs* or its equivalent in foreign currency, series of cash transactions in a month exceeding 10 lakhs or its equivalent in foreign currency, cash transactions where forged or counterfeit currency or documents were found and transactions where suspicion is aroused that money belongs to criminal proceeds or terrorist financing. It is, however, unclear as to how a series of cash transactions in a month exceeding 10 lakhs or its equivalent in foreign currency can be tracked, particularly if they are from different locations (and that too in a highly unorganized sector) and more so, in the absence of an online platform that can track such transactions end-to-end.

To detect such transactions, the dealers, as per the provisions of the guidelines, have two obligations – the obligation to create awareness, set up reporting systems and maintain records and the obligation to ensure compliance with KYC and client due diligence. The client's due diligence is required to be preceded by client acceptance and risk assessment, where while accepting the client, they shall be categorized as high risk or low risk. The risk assessment of each transaction is also required to be carried out based on factors such as clients' location, nature of the business activity, trading turnover etc. and manner of making payment for transactions undertaken. Enhanced due diligence shall be done in case of high-risk clients.

While initially there may be hiccups in implementing these guidelines, especially in an industry that is still unorganized significantly, the onus on creating the requisite awareness shall lie on all stakeholders to ensure that the teething problems are handled with the utmost care (and not with an enforcement bias) in order to ensure that the mainstreaming of the unorganized sector remains the sole idea and agenda behind this initiative, to start with. This agenda also attains greater significance in light of the mutual evaluation of India in FATF scheduled for 2024.

It is legally binding on all gold dealers to ensure these guidelines are followed. It is a hugely welcome step that such guidelines are issued, and the industry is treated as a partner in dealing with the social and economic distortions of money laundering and terror financing.

UAE CEPA and Gold Imports

Presently, as per the provisions of the India - UAE Comprehensive Economic Partnership Agreement (CEPA), Gold (7108) can be imported by the TRQ license holders (as issued by the DGFT) either through the nominated banks/agencies across customs formations in India or by the Tariff Restricted Quota (TRQ) license holders who have been deemed as Qualified Jewellers for the purpose of this CEPA (through the IIBX, IFSCA, GIFT City).

However, it is important to appreciate that the competent authority has waived the original eligibility conditions notified in May 2022 concerning the manufacturing requirement under 7108 for TRQ licenses. Therefore, the only manufacturing condition that remains pertains to the applicability of Customs (Import of Goods at Concessional Rate of Duty) Rules 2022 (previously 2017).

With these relaxed conditions, bullion dealers, traders etc., are also eligible to apply for TRQ Gold (7108) quota licenses owing to the fact that the competent authority has removed the manufacturing requirements in the context of eligibility conditions. Further, in light of Customs clarification provided in September 2022, they can indulge in the outsourcing of job work to the extent of even 100%, thus complying with the CIGCRD Rules 2022, as the said imports under CEPA are through nominated banks/ agencies (who shall be the importer on record).

Also, considering that the applicability of the CIGCRD 2022 Rules (as notified by both the Commerce and Finance Ministries) continues to apply to the UAE CEPA 7108 imports and the relaxation is provided only to the extent of allowing job work on gold imports made by banks/agencies, the disadvantage of taking metal through IIBX continues.

India – UAE CEPA has taken off in the previous financial year, albeit with limited success, as only around 8 M.T. appears to have been imported. However, despite the facilitation provided to the IIBX and IFSCA, the present position, in the context of the 7108 imports taking place through the GIFT City, does not present a favourable situation. In the context of the 2022 rules mentioned above, the Customs Circular allows outsourcing for job work (7108) only if the TRQ holder does not directly import the

Gold. It will therefore need to be amended to permit the TRQ license holders importing through IIBX to also carry out complete outsourcing for the sake of job work. It is necessary to ensure that the CEPA imports begin through the IIBX. The lack of financing for Gold sourced from the UAE is one of the most important, but least discussed reasons, which needs to be taken up with the UAE authorities.

The DGFT has now called for a fresh round of applications in the context of the policy circular dated 17.04.2023, read with the Customs Notification of 31.03.2023, relaxing almost all the manufacturing requirements in the context of the 7108 CEPA imports. However, there seems to be a compliance conundrum in the context of the 2022 rules mentioned above. First, the actual importer (nominated bank/agency) is not the beneficiary of the Gold. Secondly, this is a transition in terms of compliance, as previously, the said rules (2017) were not applicable even in the context of export promotion schemes. These compliance mechanisms need to be clarified adequately to avoid litigation in the future, especially in light of many such cases being investigated by enforcement agencies.

Responsible Sourcing and Dore Industry in India

It is a welcome move that the Indian policymakers are drafting the much-awaited National Gold Refining Policy, which hopes to achieve the desirable twin objectives of reducing India's dependence on gold imports and strengthening the domestic refining industry. As per Niti Aayog's 2018 report, the Indian refining sector is characterized by under-utilization of capacities. Though India boasts of over 30 refineries, with a combined capacity of around 1300-1400 tons, utilization across the industry averages a paltry 20–30 per cent, with only five Indian refineries accounting for refining 90 per cent of Doré imports.

Therefore, it is pertinent that policymakers be conscious of the feasibility of the domestic refining industry to achieve compliance with global standards such as the OECD Due Diligence Guidance or the LBMA's Responsible Gold Guidance. After due consultation with the participants, the domestic refining industry should be provided with a definite timeline wherein the industry will get its act together and make necessary transition arrangements so that it can be compliant with the global guidance standard. One point which merits consideration would be to evaluate the success of refining in India despite the concession on Dore import being in place for over a decade. There has not been a single FDI in the refining sector after the first Swiss investment over a decade ago.

Ever since the notification of the UAE CEPA, domestic refiners in India have been representing for a revised tariff rate for Dore owing to the 1% absolute reduction in gold tariff when imported from UAE under the TRQ. However, the union budget has not considered the same. After the amendments in import under UAE-CEPA, the domestic refiners can also import Gold under the CEPA (which they previously were not permitted owing to the jewellery manufacturing & sales requirement). With this development, the domestic refining industry will be headed to a mixed opinion as the differential duty still continues to be at 0.65%.

Furthermore, India is making bold baby steps to attain higher standards in responsible sourcing, and refiners are entering a new era in light of the Government's push in this regard. It will be interesting to see how the refining landscape emerges in GIFT City.

Hallmarking

We had noted in our previous years' thought piece on the gold policy that if India is to pursue membership of the International Hallmarking Convention, the interests of the end-use customer of gold jewellery need to be placed at the forefront of policy implementation. The Government of India has mandated that from April 1, 2023, all gold jewellery and artefacts will mandatorily need to carry the 6-digit alphanumeric Hallmark Unique Identification (HUID).

Hallmarking of gold jewellery was one of the earliest forms of consumer protection, with its roots in Europe, dating back to King Louis IX of France and Edward I of England in the 1200s. State-appointed assayers examined precious metal goods and marked them to ensure that the customers buying such articles were assured of the truthful value of the Gold. Their prescribed mark, and subsequently marks for individual goldsmiths and production dates, became a prerequisite for gold items offered for public sale.

Bureau of Indian Standards (BIS) Hallmarking was launched in 2001 as a voluntary scheme with the objective of protecting consumers against adulteration and justifying an obligatory responsibility of the manufacturers to maintain legal standards of the fineness of precious metals in India. Under this scheme, BIS-certified jewellers can get their jewellery hallmarked by any BIS-recognized Assaying and Hallmarking Centers (AHMCs).

However, the voluntary hallmarking era has now become a thing of the past, and hallmarking has been made the reality of the gold industry in India from this fiscal. It is high time that those who have resisted change all these years finally embraced the hallmarking process. Since trust is the currency of any business, this is an excellent policy move to uphold the genuineness of Gold sold to the end consumer. This standardization initiation shall help consumers purchase authentic gold jewellery with traceability and quality assurance.

The next policy goal is to ensure that the mandatory HUID is not forged, thereby jeopardizing the policy objective of consumer protection. A deliberate effort needs to be made to control counterfeit HUID hallmarking by only considering trusted AHMCs and asking for documentation on such transactions. A vigilant HUID enactment will facilitate easier tracking of unverified HUIDs by BIS, consumers, and jewellers alike. The key to growth in the gold jewellery business is customer retention, which is only possible if manufacturers and sellers of such articles are able to embrace and abide by such progressive reforms.

As the way forward, Indian policymakers may deliberate on the feasibility of introducing the Common Control Mark (CCM) in India. Originating in the 1972 *Vienna Convention on the Control of the Fineness and the Hallmarking of Precious Metal Objects,* all signatory countries agree to allow goods marked with the CCM mark to be imported without further testing or marking on whether the said articles would normally qualify for a domestic mark. The introduction of CCM and acceding to the Convention could boost the acceptance of Indian-made gold jewellery across countries covered under the Convention.

Alternative Gold Investment Products

Undoubtedly, Gold is at a predominantly high level of human interest, bordering on fascination in India. While physical Gold (in whatever form, including jewellery) is a real national cultural obsession, consumer thought processes in recent years are undergoing a metamorphosis also to acknowledge and appreciate the opportunities for investment in Gold through other non-physical modes. Having attained this stage as a preferred investment tool, Sovereign Gold Bonds (SGBs), issued by the Reserve Bank of India on the Government's behalf, has been a widely popular instrument in recent years. Gold Exchange Traded Fund (ETF), another lucrative investment option, aims to track the physical gold prices in the domestic markets and are investment instruments based on gold prices and investing in bullion. Thus, Indian markets are at the cusp of providing packaged investment tools for Gold. The nature, scope and extent of how we package the sale of such investment products will largely determine their success in the financialization of Gold in the true sense.

It is in this context we discuss the Finance Bill 2023, recently approved upon insertion of a new provision which states that any gains derived from the transfer, redemption, or maturity of units from a specified mutual fund acquired on or after April 1 2023, irrespective of its period of holding, would be treated as short-term capital gains. It is worth noting that the Finance Bill 2023, as presented in the budget in February 2023, only treated Market Linked Debentures (MLDs) as short-term capital gains, irrespective of their holding period. Precisely put, any gains from debt funds, irrespective of the holding period, are set to be taxed as short-term capital gains only from April 1.

"Specified mutual fund" refers to a mutual fund where not more than 35% of its proceeds are invested in the equity shares of domestic companies. It implies that the taxation benefits for holding units in such mutual funds over a longer tenure, acquired after the specified date, will no longer be available.

The following table will clarify the taxation of Mutual Funds effective April 1 2023:

Exposure to equity	Taxation of Capital Gains
At least 65%	Short-term (held for less than one year) - 15%
	Long-term (held for more than one year) - 10% beyond Rs. 1 lac
Between 35% to 65%	Short-term (held for less than three years) - as per tax slab
	Long-term (held for more than three years) - 20% with indexation benefit
Less than 35%	Tax treatment at par with short-term, irrespective of its period of holding, and taxed at slab rate

The intention of change in capital gains taxation of debt-oriented mutual funds was to bring them at par with the taxation of fixed deposits. However, in the process, it appears that unintended damage has been done to certain specific schemes of mutual funds, such as Gold ETFs and Gold Mutual Funds. Gold ETFs cannot be considered at par with a debt fund as the underlying asset in Gold ETF is physical Gold and not a debt instrument, a major distinction that has not been appreciated in the legislative intent. As such, there is no justification for taxing gold ETF in a way different from the underlying, i.e., physical Gold. It appears to have happened due to an oversight and does not look like the intention of the policymakers, as there is nothing to state otherwise in the budget document. Gold ETF is one of the instruments contributing to the Government's objectives of the financialization of Gold. The only way the fund managers can save a gold ETF scheme is by adding equity of at least 35%. However, by doing so, the Gold ETF will lose its basic character of diversification and may not be a preferred option.

The present size of the Indian Gold ETF segment is not even 1% of the global ETF book. On the other hand, India imports almost 20% of the world's gold production each year. After this change in capital gains taxation, investors looking into buying gold investment products will have even fewer options now. They can either buy digital Gold or invest in sovereign gold bonds (SGB). Digital Gold is not yet regulated, and SGB is not quite liquid as gold ETFs, with a stipulated lock-in period. Moreover, the Govt. is going slow in issuing new series of SGBs. In the F.Y. 2022-23, only four series of SGBs were issued against ten series in 2021-22 and 12 series a year before.

There is a need to relook into this and try to correct this situation by bringing in a provision that provides taxation of ETFs to be at par with the underlying asset. It is essential to encourage gold ETFs, particularly when the compliances in the context of physical Gold are enormous in nature.

::Chapter 2::
Gold Demand and Supply Trends

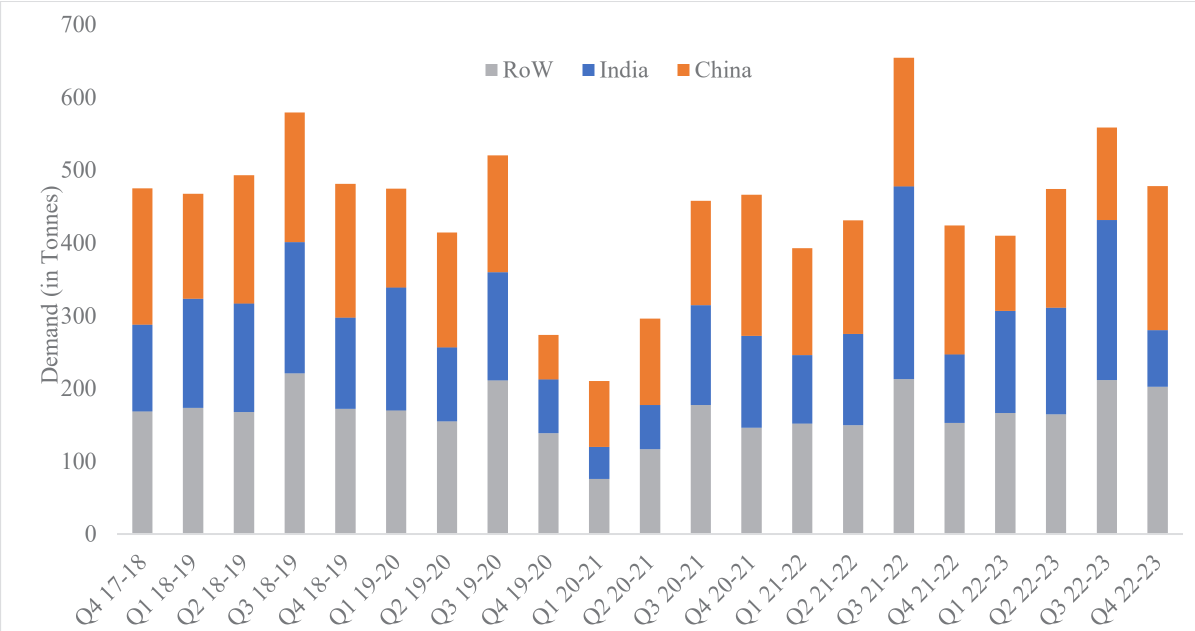
Gold demand, an overview

The demand for gold rose by 4.8% from 4338 tonnes in 2021-22 to 4548 tonnes in 2022-23. The central banks and retail investments mostly dominated the demand increase amid rising geo-political uncertainty and the banking crisis. Russia's invasion of Ukraine, followed by the economic sanctions against Russia, inflationary conditions in 2022-23 and the Bank panics in the fourth quarter of 2022-23 were important events that shaped the demand trend for gold in FY 2022-23. In fact, the central banks added approx. 1224 tonnes of gold reserves to their balance sheets in 2022-23, up from 417 tonnes in 2021-22, marking 55-year record high additions. The Central Bank of Turkey emerged as the leading purchaser, followed by the People's Bank of China (PBoC). Almost one-third of the purchases, i.e., almost 458 tonnes, were recorded in the third quarter of 2022-23, which witnessed the fall of Signature and Silicon Valley Bank.

Similarly, the investment demand for bars and coins also increased by 11% from 1125 tonnes in 2021-22 to 1251 tonnes by retail investors and traders. The inflationary hedging demand for bars and coins in 2022-23 explains this tendency. Regional variation was perceived in gold bars and coins purchase. While the economic crisis following the COVID-19 pandemic slowed down the demand for bars and coins in China till 3rd quarter of 2022-23, it picked up pace in the last quarter of the fiscal, recording a 7% q-o-q rise. Retail investment remained strong in Europe, US, and the Middle East. The total demand for gold bullion and coins was 271 tonnes in Europe, even when demand slipped to 38 tonnes in the 4th quarter of 2022-23.

Jewellery demand softened to 2,092 tonnes in 2022-23 (a decline of 1% y-o-y) compared to 2021-22. It was driven mainly by the consistently low jewellery demand in China in the first three quarters due to recurrent lockdowns. However, demand resurged by 55% q-o-q to 198 tonnes in the last quarter of 2022-23 in China after the relaxation of COVID-19 restrictions. India, the second largest consumer of gold, also witnessed a moderate increase in demand due to rising inflation. The last quarter of 2022-23 reported the weakest demand of 78 tonnes in India amid record-high gold prices. US demand for gold jewellery declined in the face of an impending recession and regulatory changes like removing government support packages. The increase in demand in Europe fell sharply in the last quarter of 2022-23 due to an underperforming economy and the cost-of-living crisis. Despite the surge in price, soaring consumer inflation motivated gold jewellery investment in Turkey. Demand for gold in the technology sector saw a 3% q-o-q drop during the final quarter of 2022-23, resulting in a full-year drop of 9.8%. Deteriorating global economic conditions, like the increased cost of living and restrained consumer spending, also limited the usage of gold in the industrial sector. Likewise, the ETFs and other gold-derived similar products also witnessed a net outflow of 409 tonnes in 2022-23 compared to its net inflow of 417 tonnes in 2021-22. Dollar appreciation and higher yields of debt instruments are the possible reasons for this net outflow.

Figure 1. Jewellery demand: resilient in the face of China's sharp slowdown



Source: Metals Focus, World Gold Council

Table 1: Global Gold Demand Highlights

In Tonnes	2020-21	2021-22	2022-23		Year-on-year % change
Gold demand	3496.62	4338.82	4548.60	▲	4.8
Jewellery	1533.52	2207.15	2184.49	▼	-1.0
Technology	310.95	330.11	297.89	▼	-9.8
Investment	1422.36	1383.73	842.07	▼	-39.1
Total bar and coin	1006.68	1125.74	1251.84	▲	11.2
ETFs and similar products	415.69	257.98	-409.77	▼	-258.8
Central banks & other inst.	229.78	417.20	1224.16	▲	193.4

Source: Metals Focus, World Gold Council

Gold supply, an overview

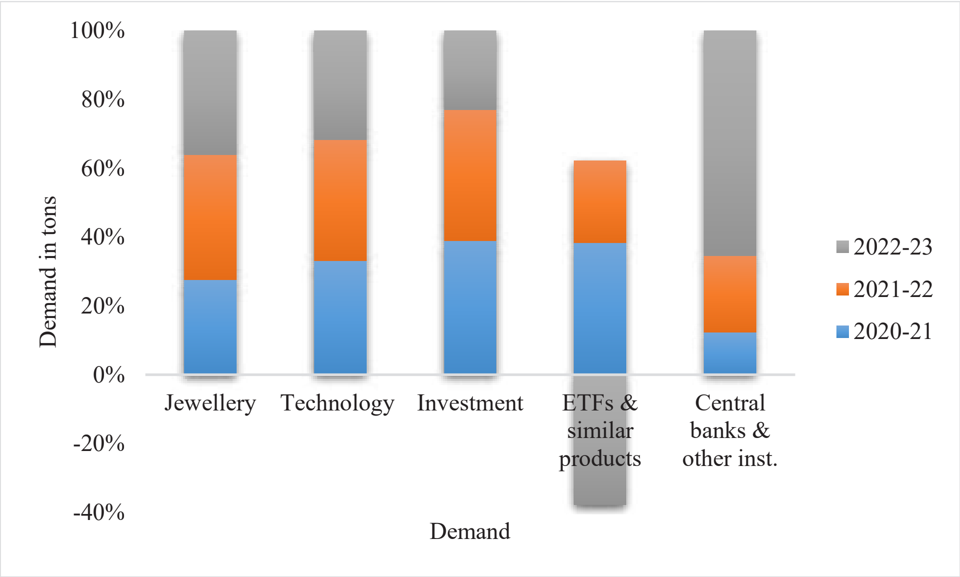
Gold supply increased marginally by 0.3% y-o-y in 2022-23 to 4788 tonnes from 4774 tonnes in 2021-22, after two years of successive declines. The year witnessed a compelling increase in mine supply (3662 tonnes) since 2018-19 due to uninterrupted operations post-pandemic. Recycled gold supply decreased by less than 1% y-o-y to 1154 tonnes. High gold prices, and lesser accumulation of unwanted gold in the hands of consumers, could contribute to the rise in the supply of recycled gold in future.

Table 2: Global Gold Supply Highlights

In Tonnes	2020-21	2021-22	2022-23		Year-on-year % change
Total Supply	4663.68	4774.11	4788.50	▲	0.3
Mine production	3476.60	3597.19	3662.32	▲	1.8
Net producer hedging	-74.66	14.27	-28.60	▼	-300.4
Recycled gold	1261.73	1162.65	1154.79	▼	-0.7

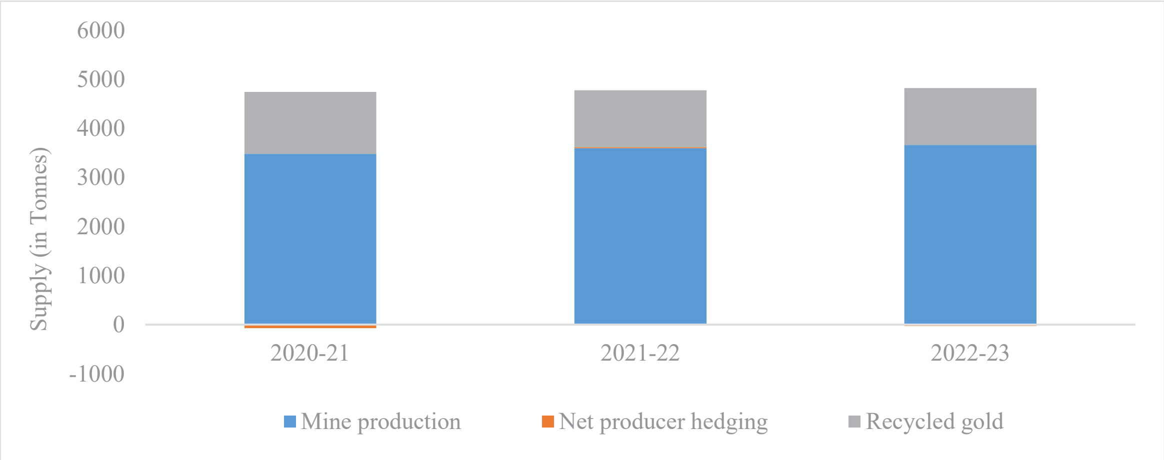
Source: Metals Focus, World Gold Council

Figure 2: Annual Gold Demand by Sectors



Source: Metals Focus, World Gold Council

Figure 3: Annual Gold Supply by Sectors



Source: Metals Focus, World Gold Council

Gold Demand

Investment Demand

The annual investment demand for gold fell sharply by 39% to 842 tonnes in 2022-23, caused by a demand dichotomy between physically backed Exchange Traded Funds (ETF) and gold bars and coins.

A. **Exchange Traded Funds (ETF)**

The demand for gold ETFs saw a sharp decline in 2022-23 than 2021-22, though demand picked up in the last quarter of 2022-23.

Gold ETF holdings declined by almost 10.6% y-o-y. Gold, which pays no interest, benefits from a lower interest rate as the opportunity cost of holding the metal reduces. The positive inflation rate, especially in Western countries, and aggressive interest rates resulted in global investors netting out ETFs from their portfolios. However, the final quarter of 2022-23 saw a modest outflow of 29 tonnes, as March became the first month in the past 11 months to record net inflows. The weak sentiment with regard to the further rise in interest rates could have prompted this modest ETF outflow in the last quarter. Geographically, North America witnessed 235 tonnes of negative demand in gold ETFs, while for Asia, the number stayed moderate at around 7 tonnes.

Table 3: Physically-backed gold ETF AuM by region in tonnes

In Tonnes	Q4'21-22	Q1'22-23	Q2'22-23	Q3'22-23	Q4'22-23	Year-on-year tonnage change		Year-on-year % change
North America	1972.77	1929.63	1779.33	1727.09	1737.42	-235.35	▼	-11.93
Europe	1693.26	1690.14	1597.02	1565.88	1525.78	-167.48	▼	-9.89
Asia	125.08	123.76	124.31	118.72	117.94	-7.15	▼	-5.71
Other	62.44	62.67	61.44	60.77	62.65	0.20	▼	0.33
Global Total	3853.56	3806.20	3562.10	3472.46	3443.79	-409.77	▼	-10.63

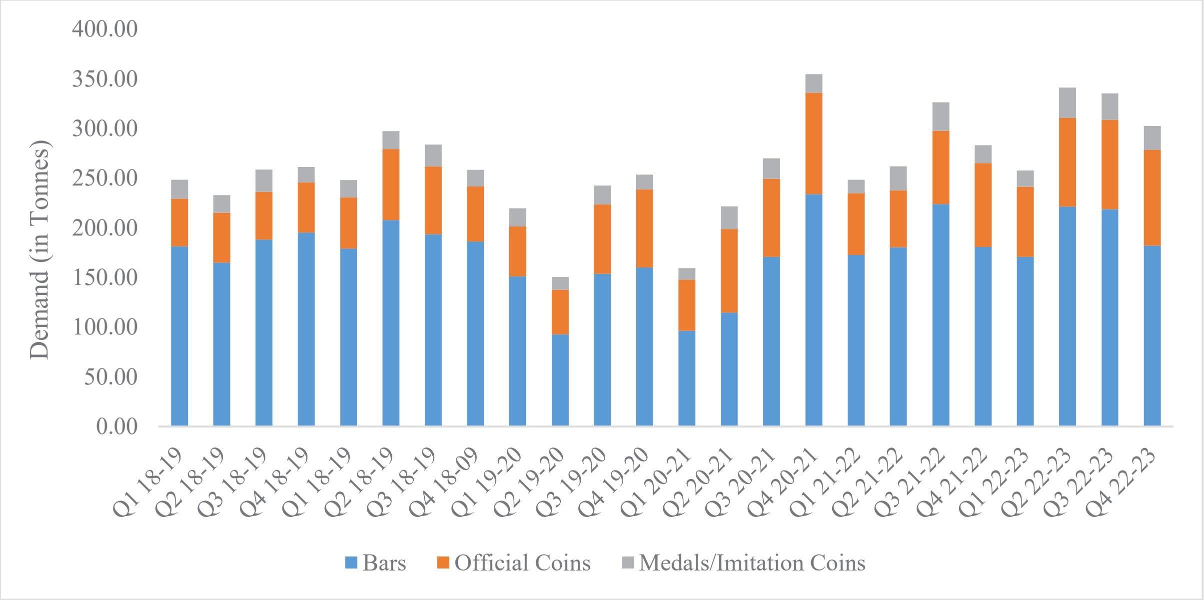
Source: Respective ETP providers, Bloomberg, ICE Benchmark Administration, World Gold Council

B. **Bars and Coins**

Bar and coin retail investments remained buoyant with regional variations.

While ETFs experienced a net outflow on quarter to quarter amid inflationary tendency, investors sought refuge in gold bars and coins as a safer destination to hedge the declining value of the currency and banking panic. The demand for gold coins and bars spiked in the last two quarters of 2022-23. Investors in the US and European markets purchased a total of 394 tonnes of gold bars and coins. COVID-19-related recurrent lockdowns pulled down China's demand in the first half of the fiscal year, while demand soared in 4th quarter of 2022-23 to 66 tonnes. India experienced lower annual demand for bars and coins at 166 tonnes in 2022-23. The unprecedented gold price was its key barrier. The US for the last quarter, recorded the strongest quarter of buying since 2010. The looming banking crisis increased such retail purchases (approximately 35 tonnes). While demand soared in the US, it fell sharply in Europe by 52% q-o-q due to a slump in gold demand in Germany.

Figure 4: Retail bar and coin investment



Source: Metals Focus, World Gold Council

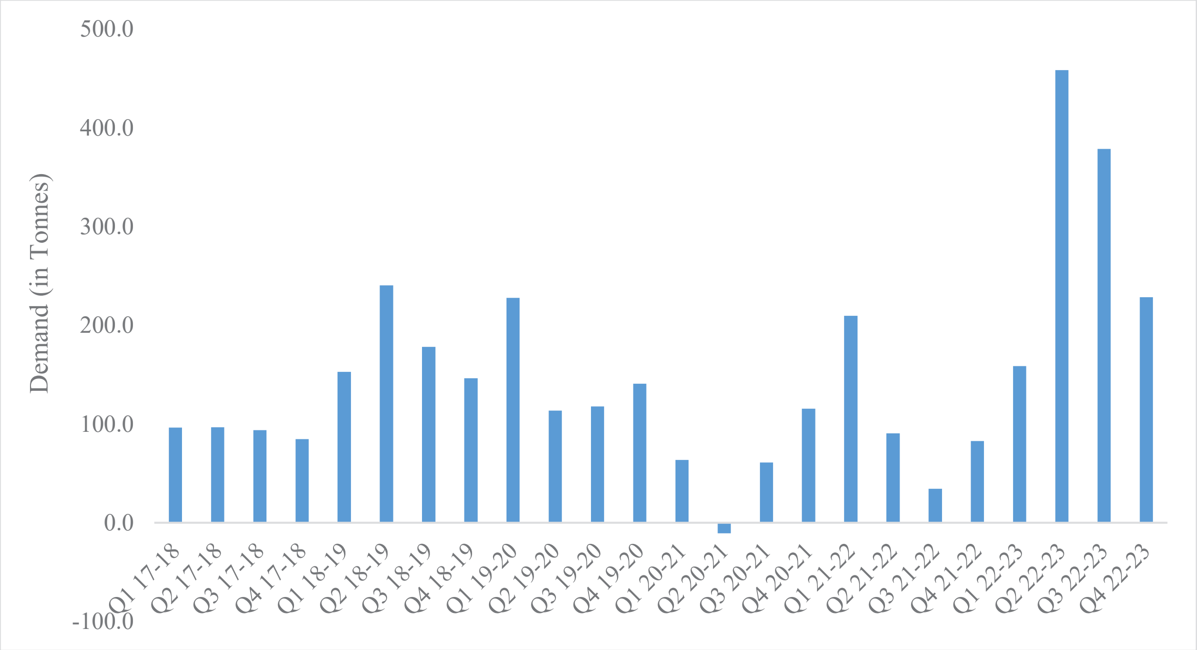
Central Bank Demand

Central bank buying in 2022-23 transcended all records.

Gold is an essential neutral international reserve asset which acts as a hedge and store of value during times of crisis. Central banks around the world hold gold to ensure the stability of their domestic currencies and to diversify their foreign exchange reserves. Post economic turmoil that befell the COVID-19 pandemic, central bank demand resurfaced and peaked in 2022-23. The fiscal year recorded the highest demand, totalling 1,224 tonnes, marking a 176% y-o-y increase since 2021-22. Gold has been consistently viewed as a safe asset against financial market turbulence. Geopolitical uncertainty, uncertain monetary policy stances across countries, rising sovereign risk, and inflation hitting a 40-year high (especially in the US), central banks marked their shift in stance towards gold as a reserve asset. It is the thirteenth year since 2010-11, in a row, that central banks emerged as net purchasers.

Central Bank of Turkey reported the second-highest buying since 1968 and increased its reserves to 572 tonnes. However, the 120 tonnes of gold purchased by the People's Bank of China (PBoC) was more significant. Middle Eastern countries like Qatar, Iraq, UAE and Uzbekistan also boosted gold reserves. Russian Federation also followed suit by increasing its gold holdings by 31 tonnes. Reserve Bank of India (RBI) also remained a net buyer and increased its gold reserves by almost 34 tonnes. Though only emerging market central banks increased their gold holdings significantly till 3rd quarter of 2023, the Authority of Singapore purchased the highest quantity of gold (69 tonnes) in the fourth quarter of 2022-23, its first purchase since the first quarter of 2021-22.

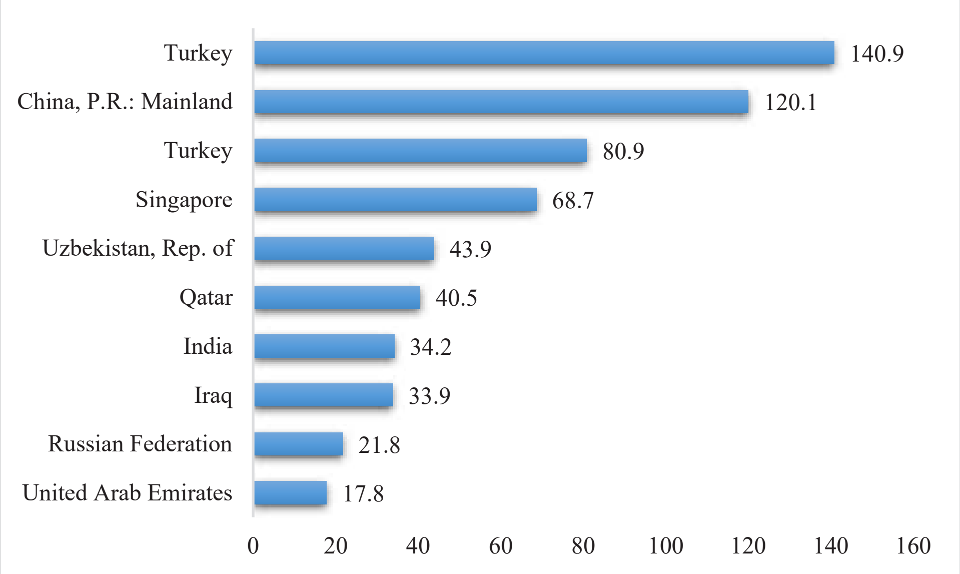
Figure 5: Gold Purchase by Central Banks



Source: Metals Focus, Refinitiv GFMS, ICE Benchmark Administration, World Gold Council

Figure 6: Top 10 Central Bank Gold Purchases in FY 2022-23

Sources: IMF International Financial Statistics; ECB, Weekly Financial Statement, national sources.



Source: WGC

Gold Supply

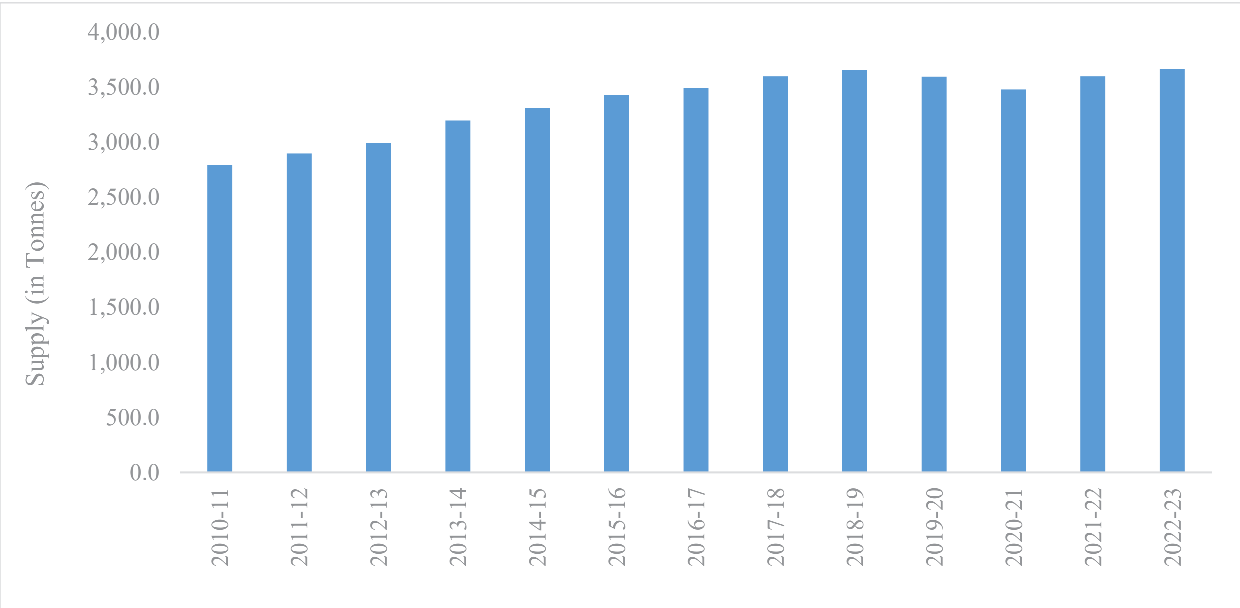
Mine Production

Mine production grew 1.8% y-o-y in 2022-23, boosting the gold supply.

Annual production due to mining activities increased by 1.8% y-o-y, totalling 3662 tonnes in 2022-23. Though the rise was witnessed through all the quarters, the final quarter of 2022-23 saw a 10% q-o-q drop to 856 tonnes due to the harsh winter weather in countries like China and Russia. Also, the rise in production till the third quarter of 2022-23 is not proportional to the recovery in production following the COVID-19 pandemic. It can be attributed to two reasons: firstly, gold production is getting levelled, and secondly, geopolitical tensions are interrupting operations.

Geographically, Asia recorded the highest production increase at the back of China's revival till the third quarter of 2022-23. China reported a 9% q-o-q increase in mine production in the same quarter and an overall increase of 374 tonnes as mining in Shandong province returned to normal following widespread safety stoppages in 2021. However, Central and South America saw the highest increase in mining in the final quarter of 2022-23, with production doubling in Mongolia and rising significantly in Brazil, with the build-up of the Salobo mine. South Africa suffered in gold mining due to labour strikes and disruptions in electricity supply. Import restrictions following the Russia-Ukraine war lowered production in Russia in the first half of the year. Operational issues inhibited mining activities in the US, which also recorded a drop of 6% y-o-y.

Figure 7: Mine Production



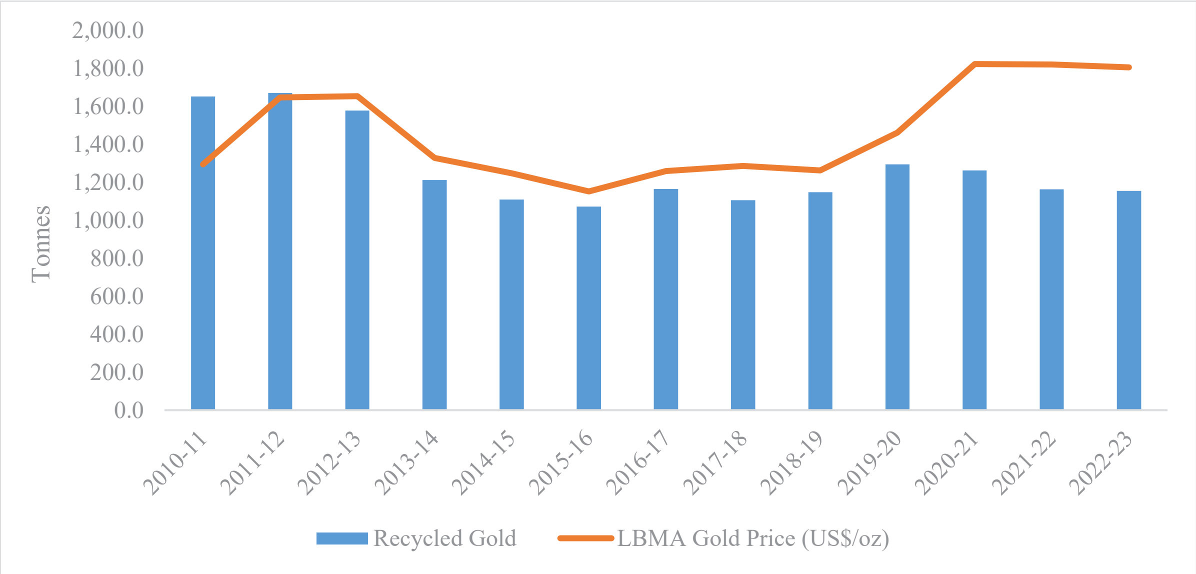
Source: Metals Focus, Refinitiv GFMS, ICE Benchmark Administration, World Gold Council

Recycled Gold

Recycling decreased by 0.7% y-o-y in 2022-23 but increased by 7% q-o-q in the final quarter.

Recycling volumes of gold decreased by 0.7% y-o-y to 1,154 tonnes. A deeper investigation revealed a distinct contrast in supply in the first and second halves of FY 2022-23. While the initial two quarters saw a slip in recycled gold by a 3% y-o-y, the latter half of the fiscal year saw its rise to 1.6% y-o-y. The last half's rise can be mainly attributed to the record high gold prices, with the average LBMA PM reference gold price soaring to US$1,890/oz in the final quarter of 2022-23. The last quarter saw a hike in recycling supply to 310 tonnes, aided by the escalated recycling activities in India. However, there were regional variations in supply. Unlike South Asia, North America saw a decrease in y-o-y supply. Geopolitical tensions and high inflation in Middle Eastern countries, fostered the role of gold as a safe haven, leading to a weaker supply of recycled gold. During 2022-23, the average supply was 30% lower than the distressed selling and maximum recycled supply recorded during the Global Financial Crisis in 2009. Financial support extended to consumers during the COVID-19 pandemic acted as a buffer against job loss, which reduced the tendency of distress selling.

Figure 8: Recycled Gold



Source: Metals Focus, Refinitiv GFMS, ICE Benchmark Administration, World Gold Council

India Demand and Supply

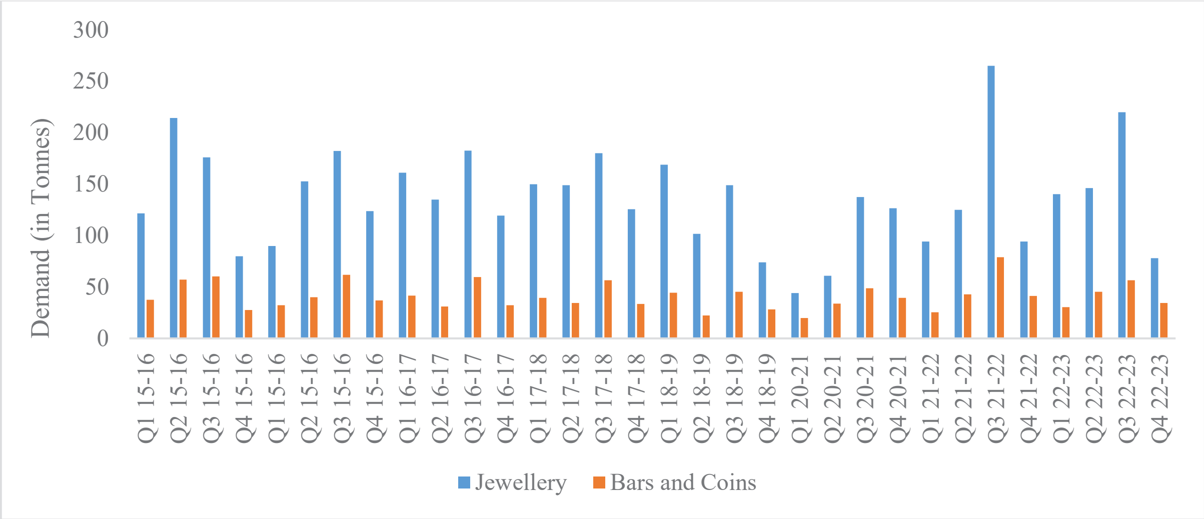
India's consumer gold demand declined by 2% y-o-y to 751 tonnes in 2022-23 compared to the previous fiscal year. However, the third quarter of 2022-23 saw a 44% rise in gold demand due to various festivals that increased the demand for gold in the country, followed by a 59% fall in the next quarter. A hike in duty and a sharp rise in gold prices barred the demand to 112.5 tonnes in the final quarter of 2022-23.

A. Demand Trends

1. Jewellery / Coins and Bars Demand

Demand for gold jewellery in India increased by 1% y-o-y to 584 tonnes in 2022-23, compared to 578 tonnes in 2021-22. It was facilitated by higher demand during the first three quarters. The fourth quarter of 2022-23 recorded the weakest jewellery demand at 78 tonnes since the COVID-19 pandemic. Historically high local gold prices and inflation with muted economic growth contributed to the subdued jewellery demand. Although the Jewellery demand in India is mostly influenced by seasonal variations, such as monsoon, festivities and festivities, Dhanteras and Akshaya Tritaya, yet the final quarter of 2022-23 witnessed a softer demand than the previous fiscal year. The annual demand for bars and coins lowered by 11% y-o-y to 166 tonnes. Though the demand for bars and coins remained strong at 56 tonnes in the quarter third of 2022-23, it was still lower by 28% compared to the same quarter in the previous year.

Figure 9: Gold Consumer Demand in India

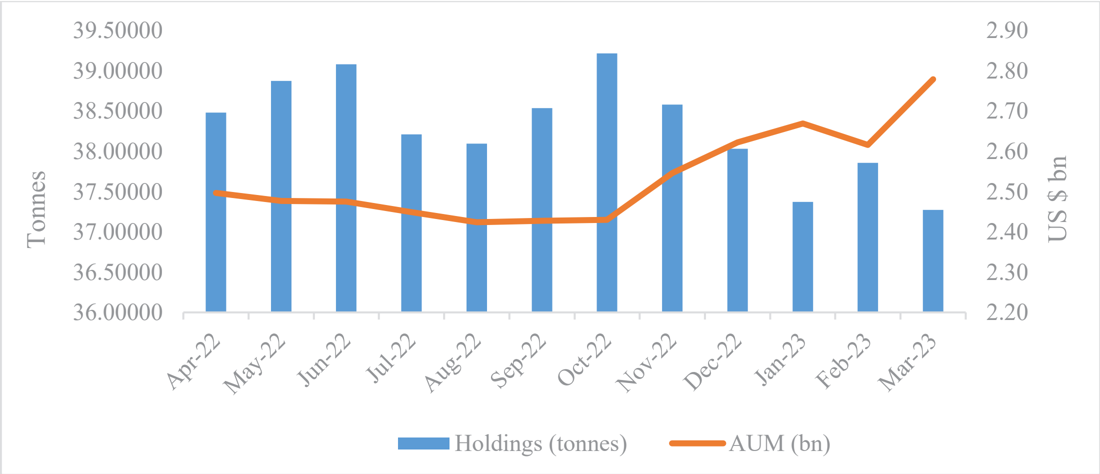


Source: Metals Focus, World Gold Council

2. Investment Demand through ETFs

Gold Exchange Traded Funds are investment instruments whose underlying physical asset is gold. One gold ETF is equivalent to one gram of gold. The restrictions on mobility during the COVID-19 pandemic (2020-21) have made Gold ETFs a lucrative and accessible alternative to gold. The increased volatility in equity markets and economic uncertainty post the COVID-19 pandemic also propelled the safe-haven demand for gold ETFs. It was a dull year for Gold ETF. The next year's change in taxation will also be detrimental to Gold ETFs accumulation.

Figure 10: India Gold ETF holdings



Source: WGC

3. Investment Demand through SGBs

Reserve Bank of India launched Sovereign Gold Bonds (SGB) in November 2015 as an alternative to physical gold.

In 2022-23, RBI issued four series of SGBs that were open for subscription. The subscription equalled approximately 12.3 tonnes of gold, 54% y-o-y lower than the previous fiscal year. The aggregate total outstanding as SGB as of 14th March 2022 was approx. 101.5 tonnes. The count of subscriptions was lesser as compared to FY 2021-22, which saw the highest subscription of 27 tonnes of gold.

Table 4: Data on Sovereign Gold Bonds (Tranche wise) as on March 2023

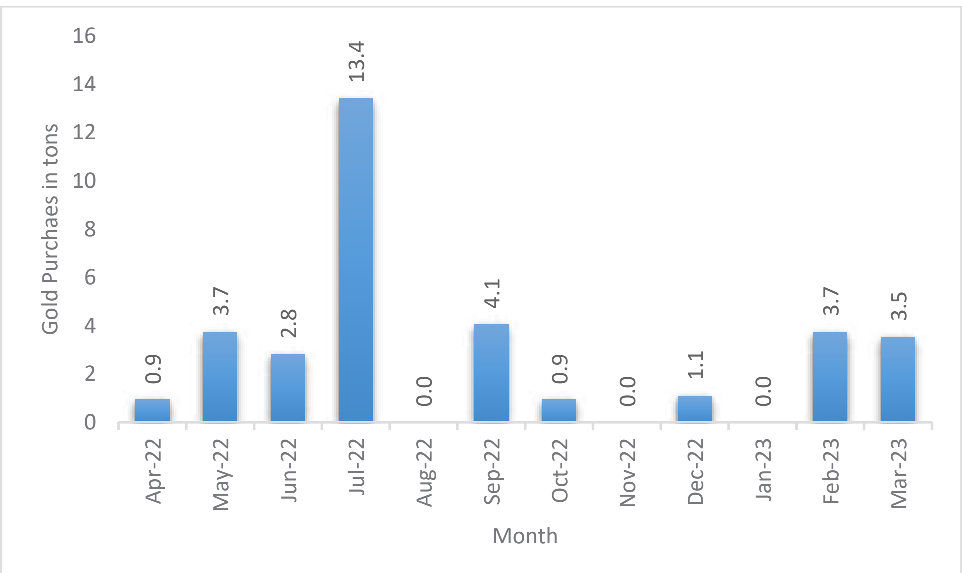
Year	Average issue price/unit	Number of units subscribed (in kgs)
2015-16	2684.00	913.57
2016-17	2955.83	15377.48
2017-18	2932.07	6524.69
2018-19	3183.67	2030.87
2019-20	3779.20	6131.17
2020-21	4926.25	32351.96
2021-22	4828.40	27035.14
2022-23	5327.00	12260.87

Source: Reserve Bank of India (rbi.org.in)

4. **Central Bank Demand**

Reserve Bank of India continued to be a purchaser of gold in 2022-23, increasing its gold holdings by 8.7% to 794 tonnes. The demand for gold reached its maximum in July at 13.4 tonnes, after which it declined drastically. Aggregate demand was 57% lower than in 2021-22 when RBI purchased 77 tonnes of gold. The central bank of India recently added almost 7 tonnes to its reserve during the last quarter of 2022-23 amid rising geopolitical tensions and deepening banking panic in the US.

Figure 11: Indian Central Bank purchased 34 tonnes of gold



Source: World Gold Council

B. Supply Trends

In 2022-23, the total gold supply in India fell by 8.7% y-o-y to 767 tonnes. India's gold net imports dropped to 651 tonnes from 744 tonnes recording a 12% net y-o-y decline. The initial quarters of FY 2022-23 saw a rise in gold imports to 365 tonnes, meeting the rise in demand. However, the country imported only 20 tonnes of gold in December, against 95 tonnes in the same month in 2021-22. This decline can be attributed to the government's initiative to reduce the trade deficit and support the weakening currency. A probable increase in unofficial imports in the second half of 2022-23 following a rise in customs duty tumbled official gold imports to 285 tonnes.

The country's supply of gold dore has increased by 1.4% y-o-y, signifying the government's willingness to bolster the gold refining market and employment generation. Gold dore imports accounted for 24% of all official gold imports in the past three years, with the number of refineries increasing from 3 in 2012 to 32 in 2021.

Table 5: India Supply Estimates

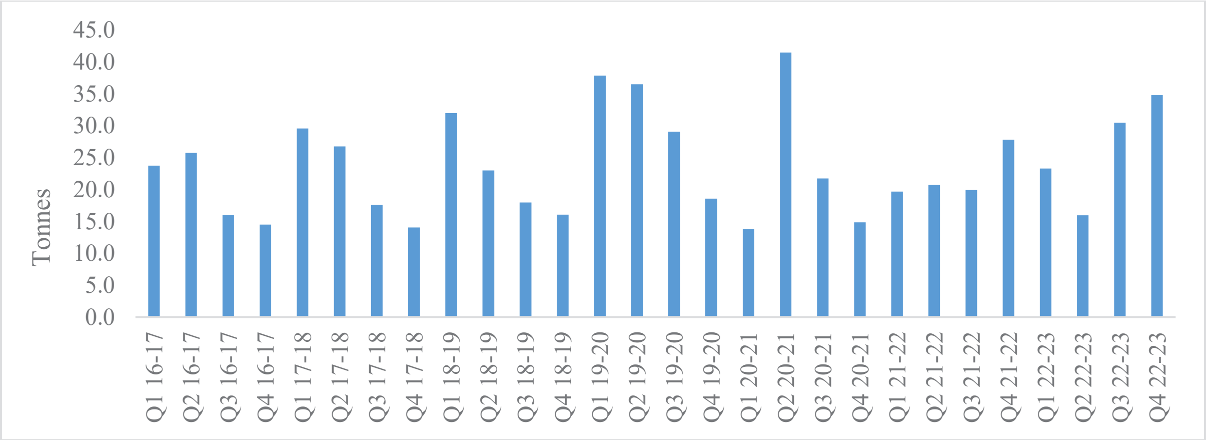
In Tonnes	2018-19	2019-20	2020-21	2021-22	2022-23		Year-on-year % change
Total supply	876.31	684.18	680.18	841.01	767.06	▼	-8.8
Gross Bullion imports	908.40	732.56	607.88	825.74	746.42	▼	-9.6
of which doré	283.62	175.10	123.49	224.38	227.64	▲	1.4
Net bullion imports	775.44	552.66	580.27	744.39	651.01	▼	-12.5
Scrap	88.97	122.02	91.81	88.21	104.53	▲	18.5
Domestic supply from other sources	11.90	9.50	8.10	8.40	11.52	▲	37.2

Source: Metals Focus, World Gold Council

Scrap Supply

India is by far the biggest market of recycled gold in South East Asia, with 11% of the country's gold coming from "old gold" for the past five years. Its scrap gold supply noted a remarkable increase in the last two quarters of 2022-23, with over 90% increase q-o-q in Q3 of 2022-23. This surge in the quantity of recycled gold was mainly due to the 3% q-o-q rise in average rupee-denominated gold price when people became more reluctant to exchange their old jewellery for new and switched to selling their gold holdings outright. The final quarter of 2022-23 also saw a 14% q-o-q rise in recycling volumes, which originated from consumer sales and financial companies' liquidation of gold holdings due to default loans and opportunistic sales. With a resilient demand for gold and increased import duty, India's recycling of gold continued to be the key to maintaining a buoyant supply.

Figure 12: India Scrap Gold Supply



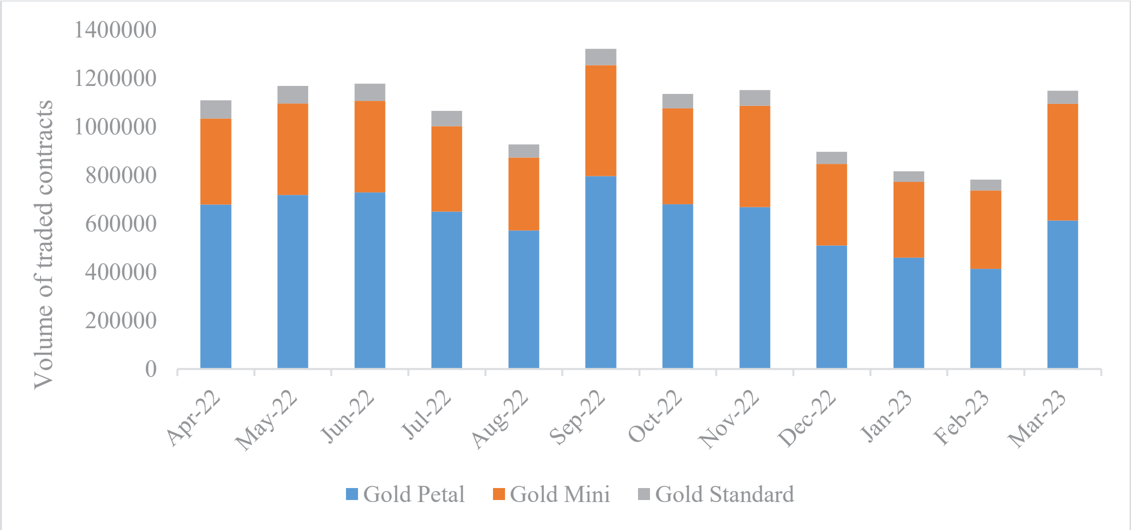
Source: Metals Focus, World Gold Council

Gold Derivative Trading

1) Exchange Activity

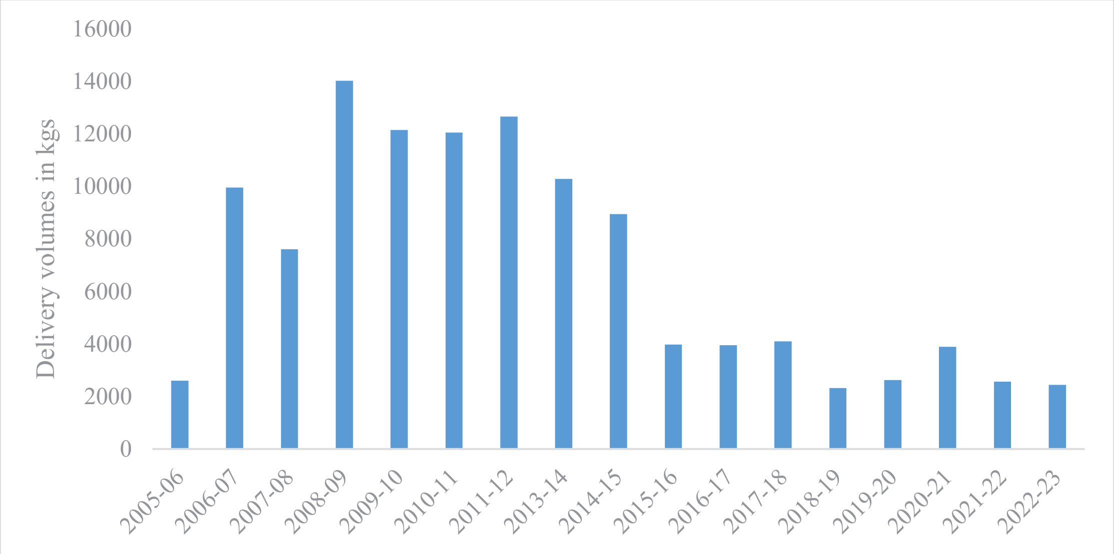
MCX volumes of Gold Standard, Gold Mini and Gold Petal contracts peaked in May 2022, followed by their declining trend. February 2023 recorded the lowest traded contracts in 2022-23 compared to the previous year. It can be attributed to the higher gold price of Rs. 4,659.31/gram in the month and inflationary pressures in the economy. The 1 gm gold petal contract was the most traded on the exchange compared to Gold Standard and Gold Mini contracts.

Figure 13: MCX Gold Volumes



Source: MCX

Figure 14: Total Delivery at MCX All Contracts



Source: MCX

Table 6: Item-wise total Delivery at MCX All Contracts

Month	GOLDGUINEA (in kgs)	GOLDM (in kgs)	GOLDPETAL (in kgs)
Apr-22	75.358	355.201	678.049
May-22	71.96	378.377	717.825
Jun-22	71.125	377.068	729.233
Jul-22	63.291	353.144	649.474
Aug-22	53.686	300.928	571.972
Sep-22	67.897	457.404	796.362
Oct-22	60.212	395.89	679.658
Nov-22	65.594	417.804	668.398
Dec-22	50.107	336.671	510.212
Jan-23	43.725	313.089	459.539
Feb-23	45.565	323.259	413.427
Mar-23	54.502	481.069	612.875

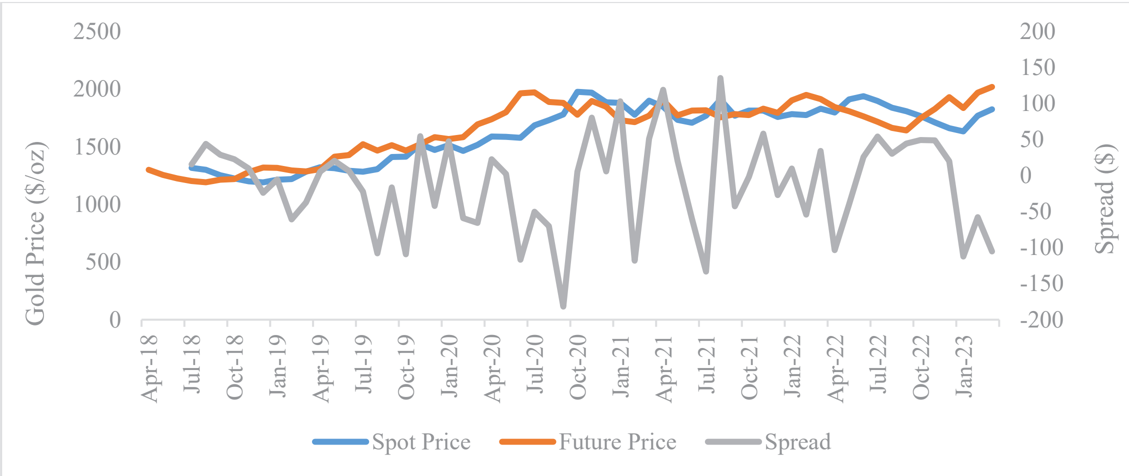
Source: MCX

2) Spot and Future Spread

The gold spread, which is the difference between spot and futures prices, informs market participants about gold's potential future performance. The higher the spread, the more positive the sentiment towards gold futures, and the lower the spread, the more negative the sentiment towards gold futures. For example, in its early stages, the last quarter of 2022-23 had negative sentiment for gold, as reflected in a declining spread amid higher interest rates in the US. While the banking crisis and unaddressed inflation caused a resurgence of positive sentiment in the final quarter of 2022-23.

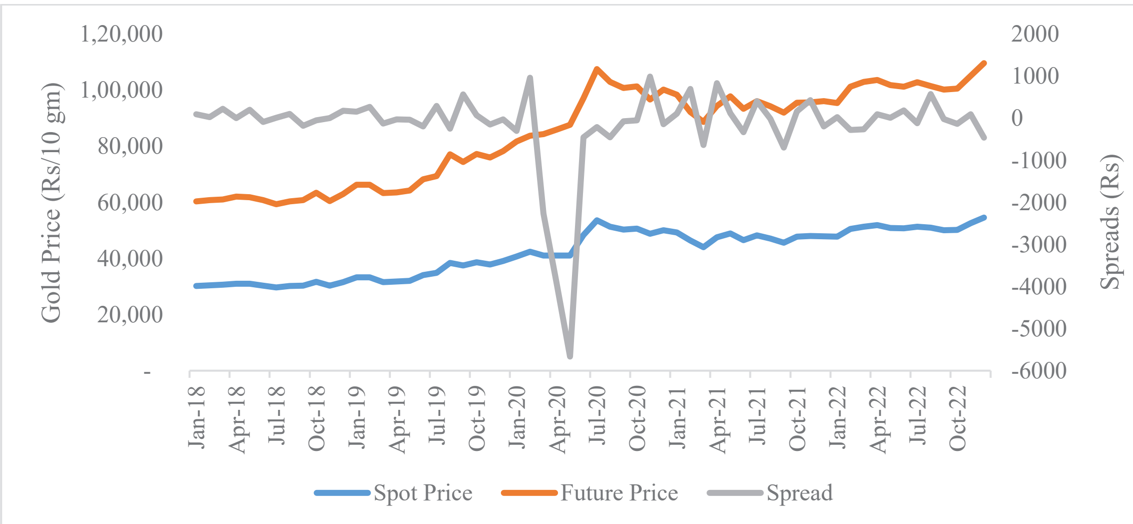
Gold December futures on MCX were trading at Rs 55,017 per 10 grammes, up from Rs 47,686 in January. The MCX gold spreads were also volatile amid volatile financial markets and higher inflation (8.8%). Spreads were at their lowest levels (backwardation) during the early COVID-19 due to easy monetary conditions.

Figure 15: COMEX Gold Future and Spot price spread



Source: Bloomberg

Figure 16: MCX Gold Future and Spot price spread



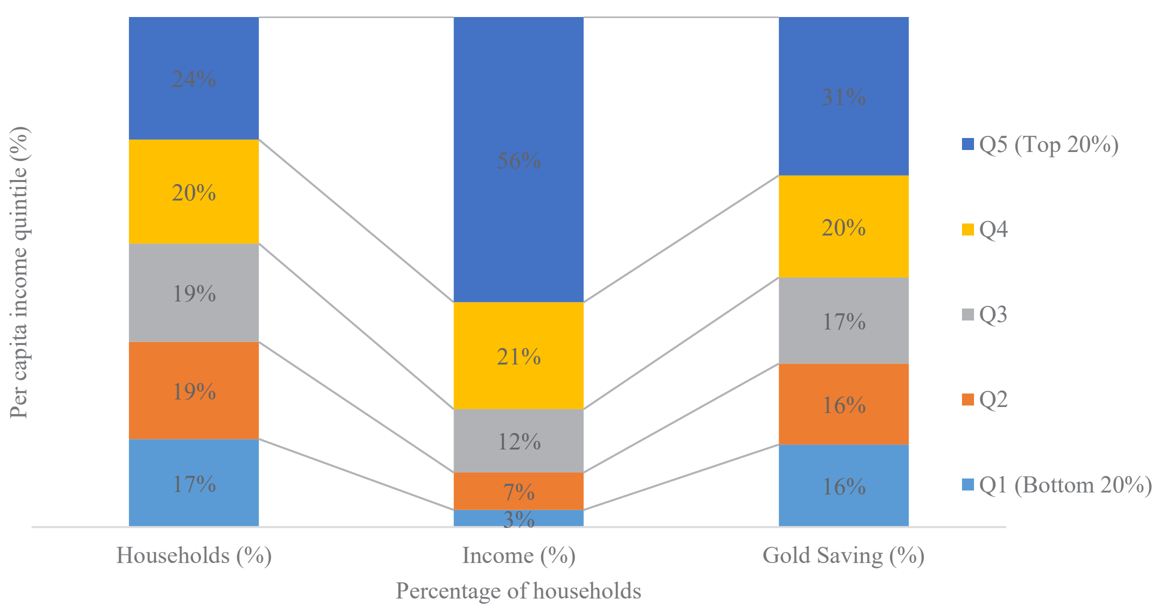
Source: Bloomberg

::Chapter 3::
IGPC-PRICE Household Survey (April 2020-March 2021)
Data Insights on Gold Consumption Behaviour

Summary:

Across a projected 307 million households, gold is held across income strata. 56% of households have income levels between INR 2 and 20 lakhs per annum, and they hold 57% of the hold; by purchases in the period of interest (2020-21), these same households purchased 52% of the total gold purchases in the year. In terms of savings, the bottom 36% of households by per capita income hold around 32% of their savings in gold compared to 51% held by the top 44% of the households by per capita income. The middle-income group with an annual income between 5 to 20 lacs divert a substantial amount of their surplus funds to gold, while the top-income group look for other options, such as stocks, real estate, etc., for multiplying their wealth. Overall, gold as a percentage of annual consumption, savings, pledging and sales from households is a phenomenon that is based more on income levels below INR 15L per annum in terms of the total tonnage of gold. The outlier is in the pledging of gold, where households in boom towns and income strata between INR1-2 lakhs per annum pledge much more than their share (5% to 29% for boom towns and 20% to 33% for income category 1-2 lakhs). And pledging is more with money lenders and NBFCs (65%). In summary, gold is a phenomenon which is weighted towards lower-income category households in terms of volumes – from all perspectives, purchase, savings, and pledging. The bar charts below show these and other aspects of gold-related behaviour in more detail.

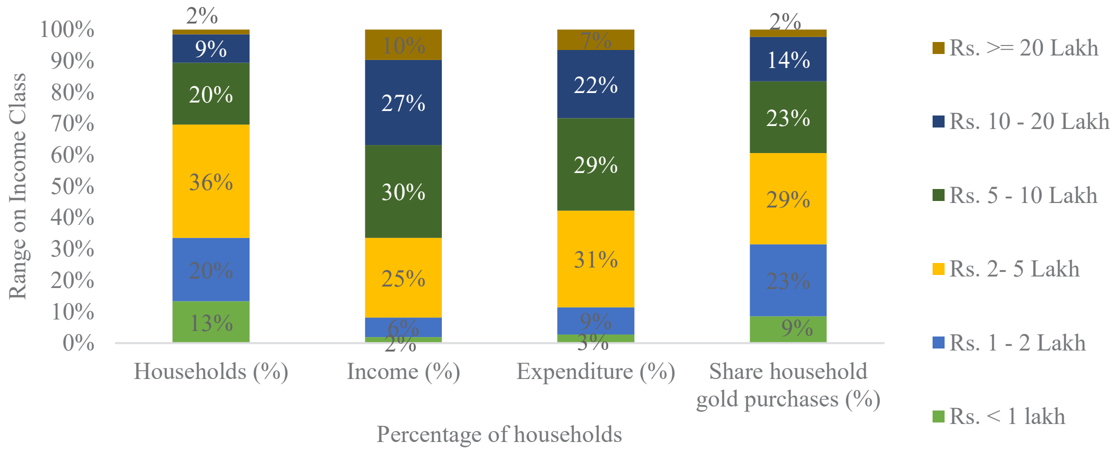
1. **Distribution of households, income and gold saving by per capita income quintile (Percent, 2020-21)**



Source: IGPC PRICE Survey (2021)

More than half of the total income is earned by the top 20% of Indian households, and their share in the total gold saving is nearly one-third. On the other hand, the bottom 20% accounts for hardly a 3% share of personal income but accounts for a significantly higher share of the gold saving (16%). It implies that the distribution of gold savings is much more evenly distributed than income or expenditure.

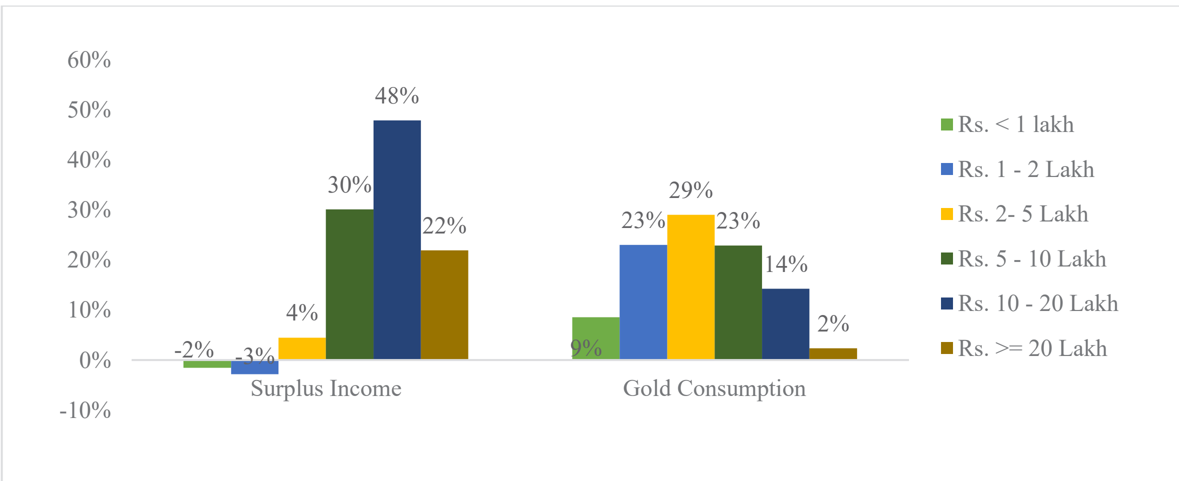
2. Distribution of households, income, expenditure and gold purchases by income class (Percent, 2020-21)



Source: IGPC PRICE Survey (2021)

Gold consumption represents a significant proportion across all income classes. However, for income groups between 5 to 20 lacs, the percentage of households consuming gold surpasses the total number of households in these groups, potentially due to the presence of outliers. The gold purchases may be contingent upon specific cultural or social events, such as marriages or other significant occasions.

3. Share of surplus income (income minus expenditure) & gold consumption by income class (Percent, 2020-21)



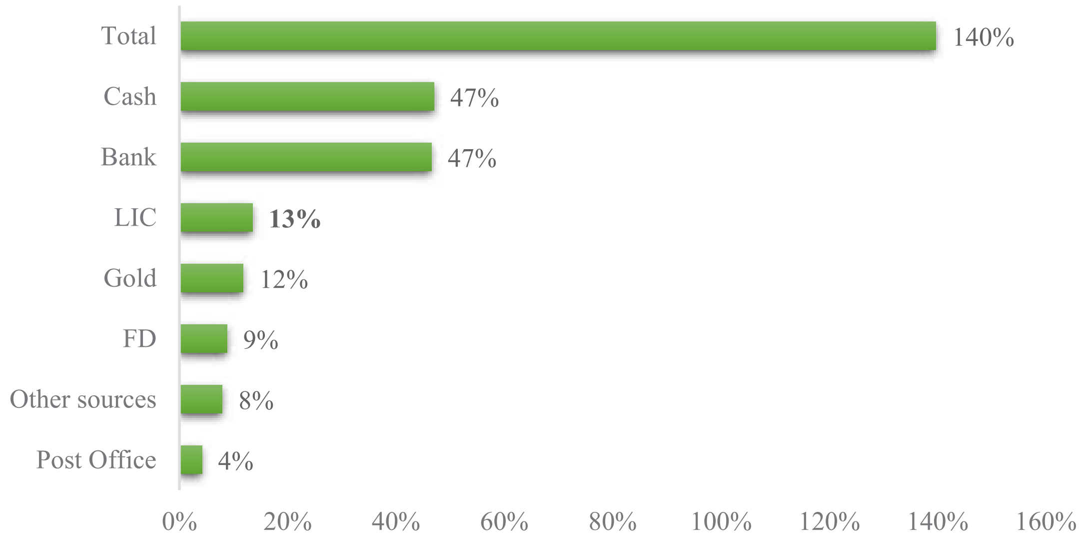
Source: IGPC PRICE Survey (2021)

The middle-income group with an annual income between 5 to 20 lacs invests a substantial amount of their surplus funds in gold, while the top-income group look for other options such as stocks, real estate, etc., for multiplying their wealth. There are outliers for income groups below 5 lacs; hence, the gold purchases have increased.

A table with the average and median of annual income and expenditure for income groups are as given below in connection with the above:

	Annual Income (Rs.)		Annual Expenditure (Rs)	
	Mean	Median	Mean	Median
Rs. < 1 lakh	66,310	67,000	77,423	69,230
Rs. 1 - 2 Lakh	1,46,712	1,47,000	1,60,408	1,49,180
Rs. 2- 5 Lakh	3,30,431	3,13,000	3,18,377	2,99,300
Rs. 5 - 10 Lakh	7,08,783	6,66,000	5,60,170	5,29,000
Rs. 10 - 20 Lakh	14,11,944	13,99,000	8,98,623	8,69,230
Rs. >= 20 Lakh	30,06,848	24,98,000	16,03,669	14,43,820

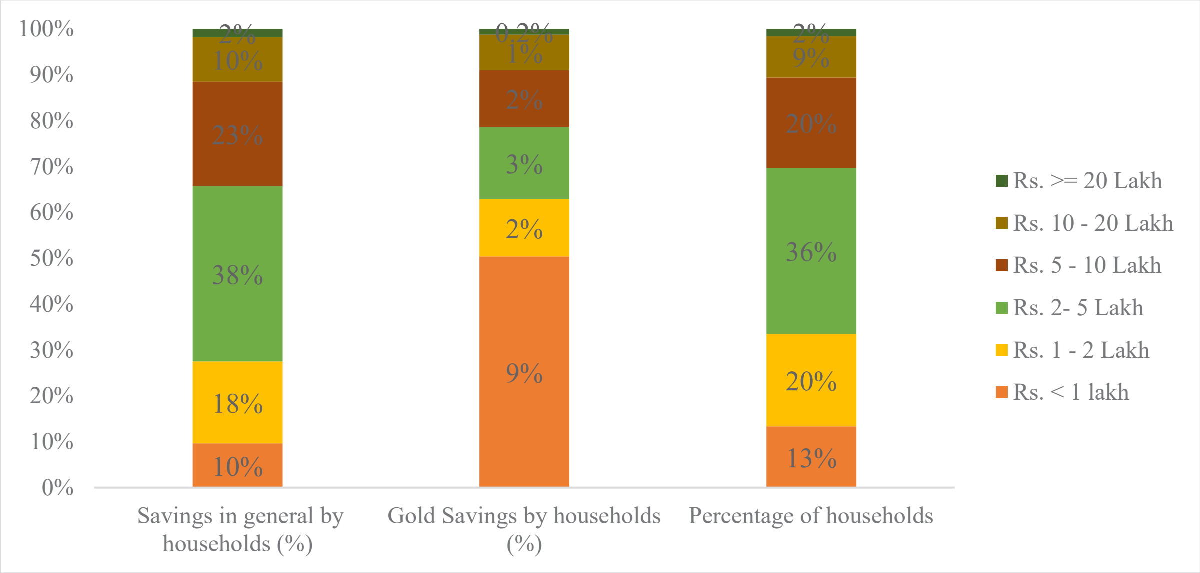
4. Distribution of household savings portfolio (Percent, 2020-21)



Source: IGPC PRICE Survey (2021)

The IGPC-PRICE survey is representative of a household size of 307.5 million. However, regarding providing the preferred saving source, 429.7 million households responded, indicating 122.2 million households are saving in more than one source. Other sources include derivatives, real estate, chit funds, PPF, stocks, other precious stones etc.

5. Share of general, gold and total savings by income class (Percent, 2020-21)



Source: IGPC PRICE Survey (2021)

Savings in gold is equally important as other savings across income groups

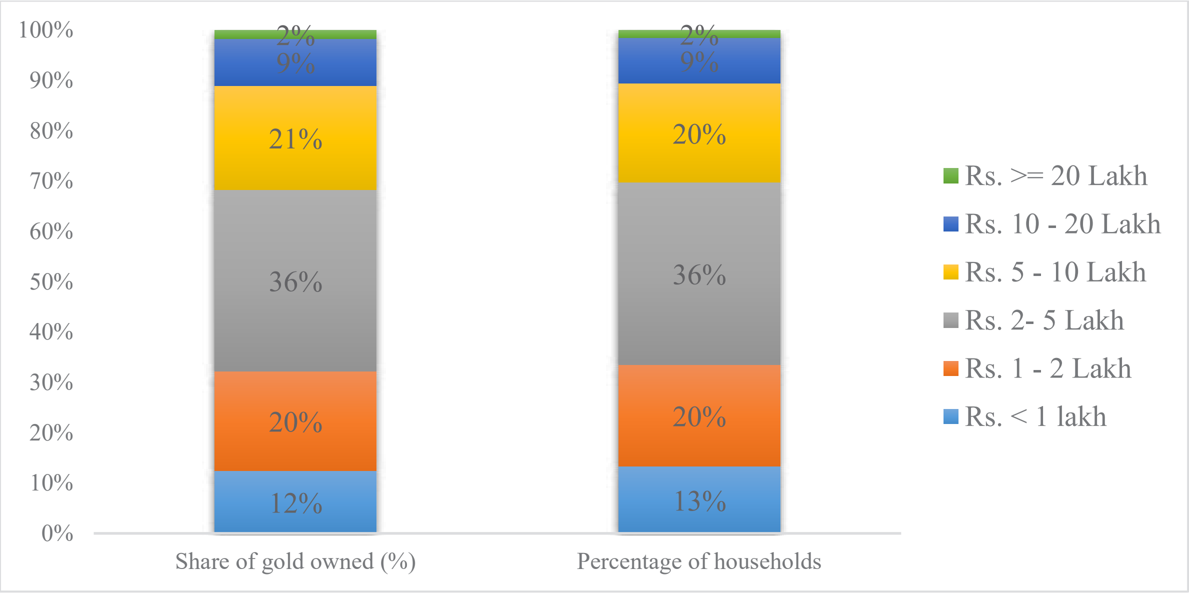
6. Overview of gold purchased, pledged and sold by households (Percent, 2020-21)

	Household size in Mn.	**% of households**
Gold Purchased	36.2	12%
Gold pledged	4.3	1.2%
Gold Sold	7.2	2.3%
Total Households	**307.6**	

Source: IGPC PRICE Survey (2021)

GOLD OWNERSHIP IN 2020-21

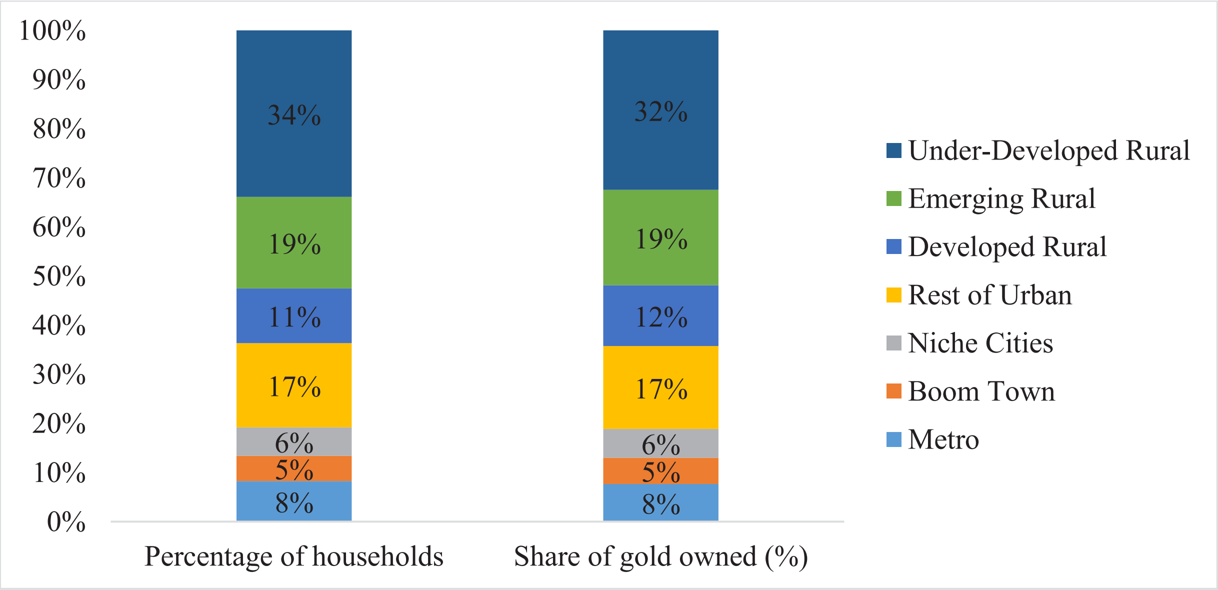
7. Household distribution of gold ownership by income class (Percent, 2020-21)



Source: IGPC PRICE Survey (2021)

81% of households own gold in some form across income groups.

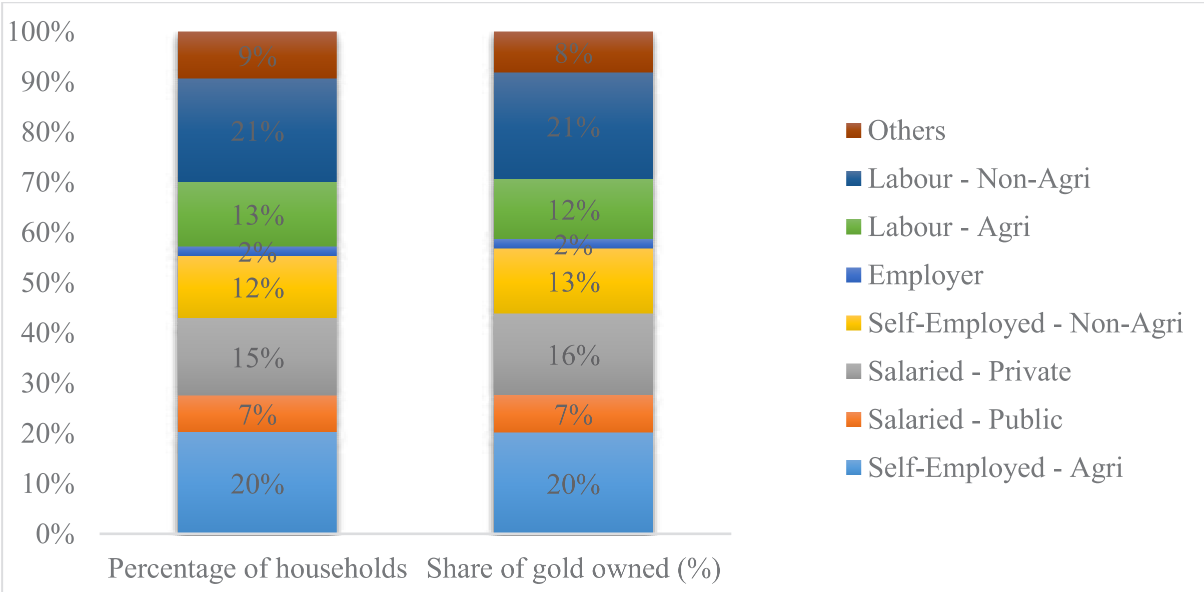
8. Household distribution of gold ownership by geographical cluster (Percent, 2020-21)



Source: IGPC PRICE Survey (2021)

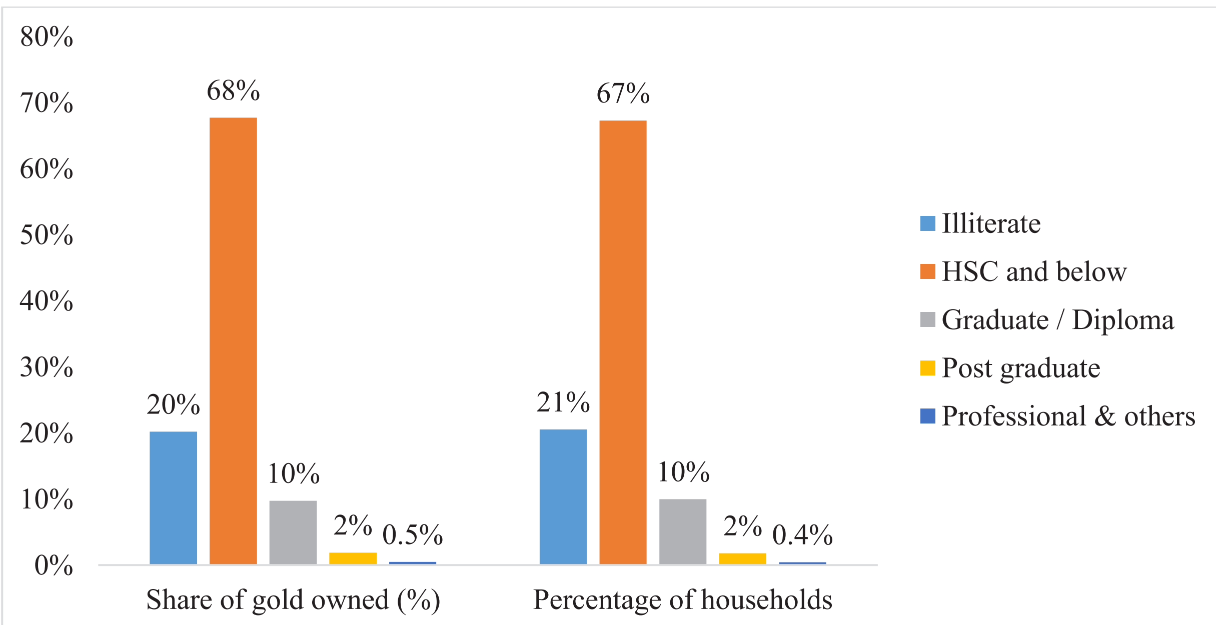
Most of the clusters own gold in some or the other form.

9. Household distribution of gold ownership by occupation (Percent, 2020-21)



Source: IGPC PRICE Survey (2021)

10. Household distribution of gold ownership by education (Percent, 2020-21)

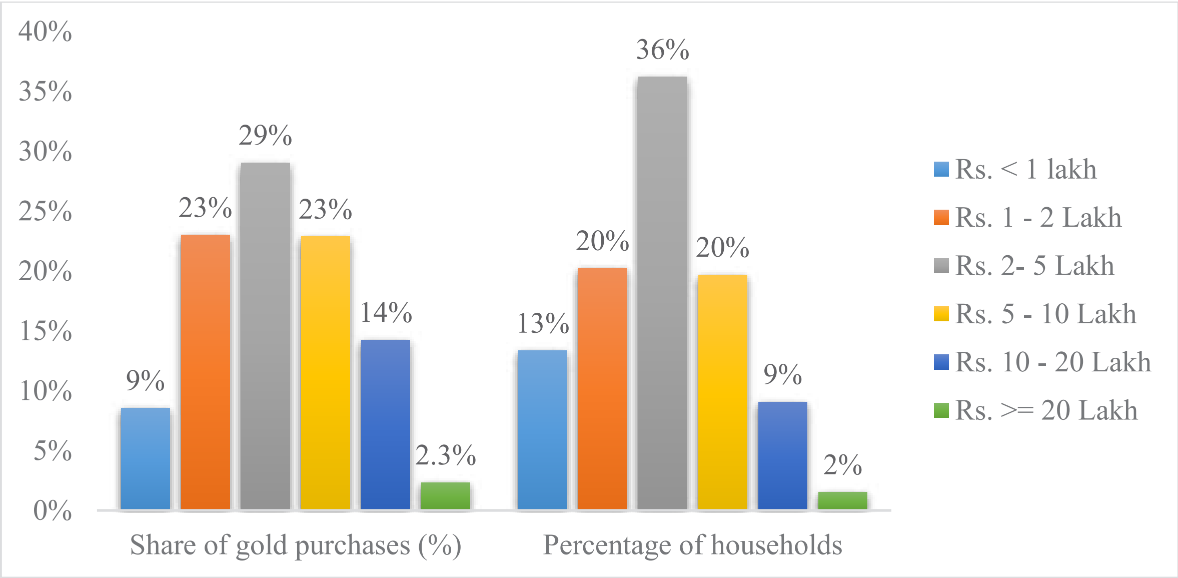


Source: IGPC PRICE Survey (2021)

Gold is possessed across all households irrespective of any level of education. However, there are outliers in the illiterate and below-graduate households who tend to possess a greater amount of gold.

GOLD PURCHASES IN 2020-21

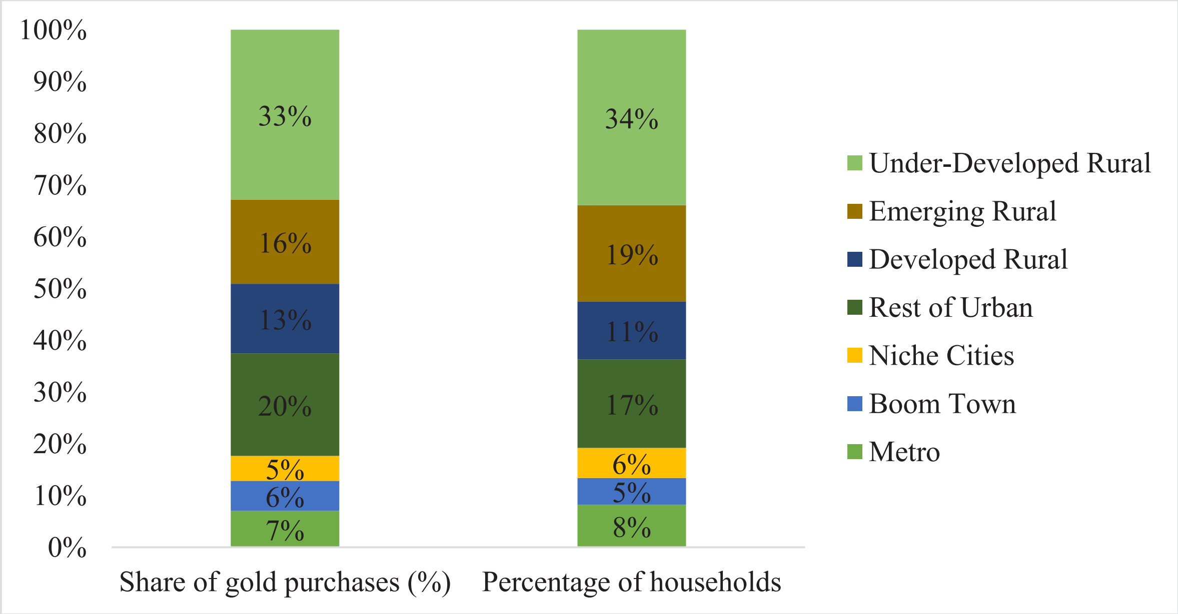
11. Distribution of households & gold purchases by income class in 2020-21 (Percent, 2021)



Source: IGPC PRICE Survey (2021)

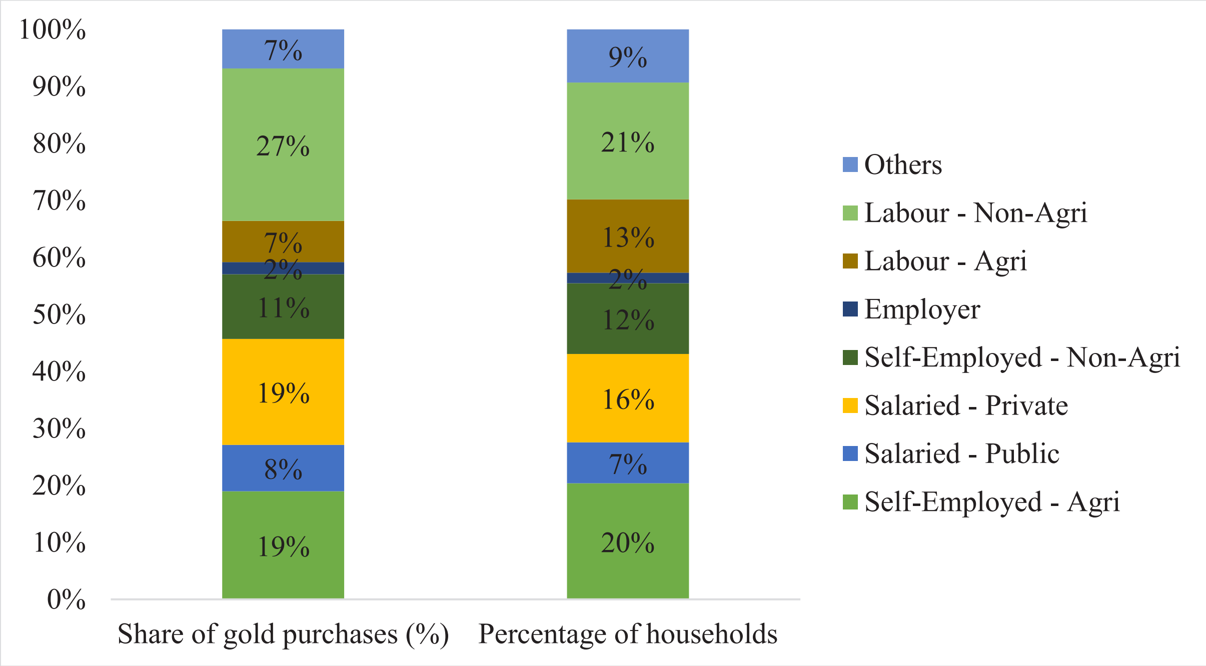
The top-income group with a yearly income of over 20 lakhs exhibits the highest proportion of gold-purchasing households.

12. Household distribution of gold purchases by geographical cluster (Percent, 2020-21)



Source: IGPC PRICE Survey (2021)

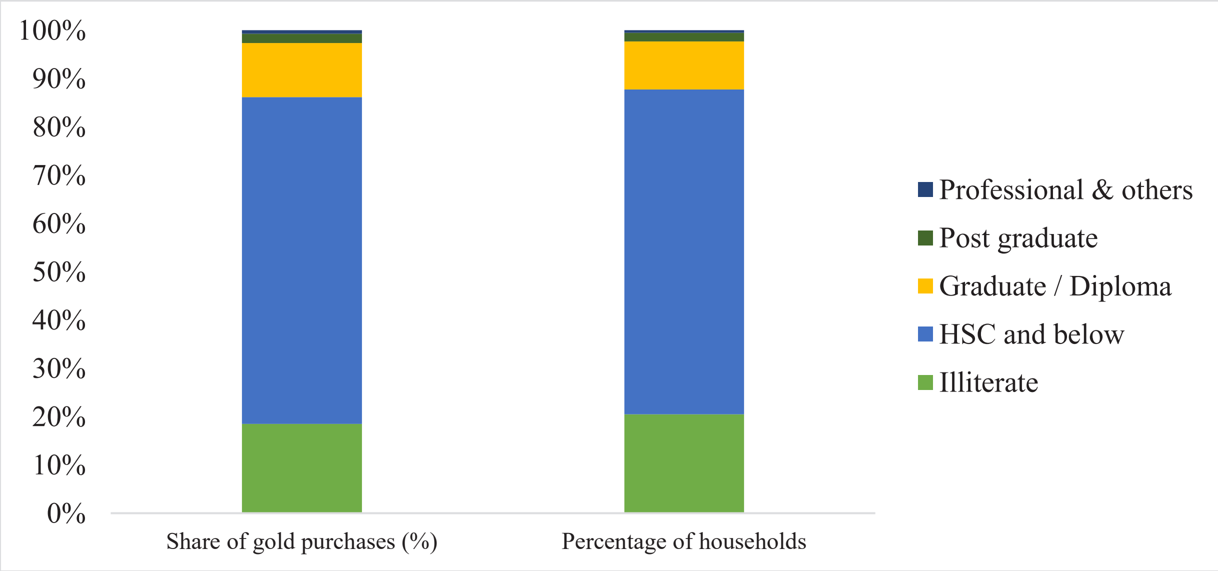
13. **Household distribution of gold purchases by occupation (Percent, 2020-21)**



Source: IGPC PRICE Survey (2021)

Among the broad three categories of occupations, viz. salaried, labour and self-employed, the count vs gold consumption ratio is 23:27, 34:34 and 30:32, respectively. Thus the gold consumption of salaried groups is comparatively higher among the three categories.

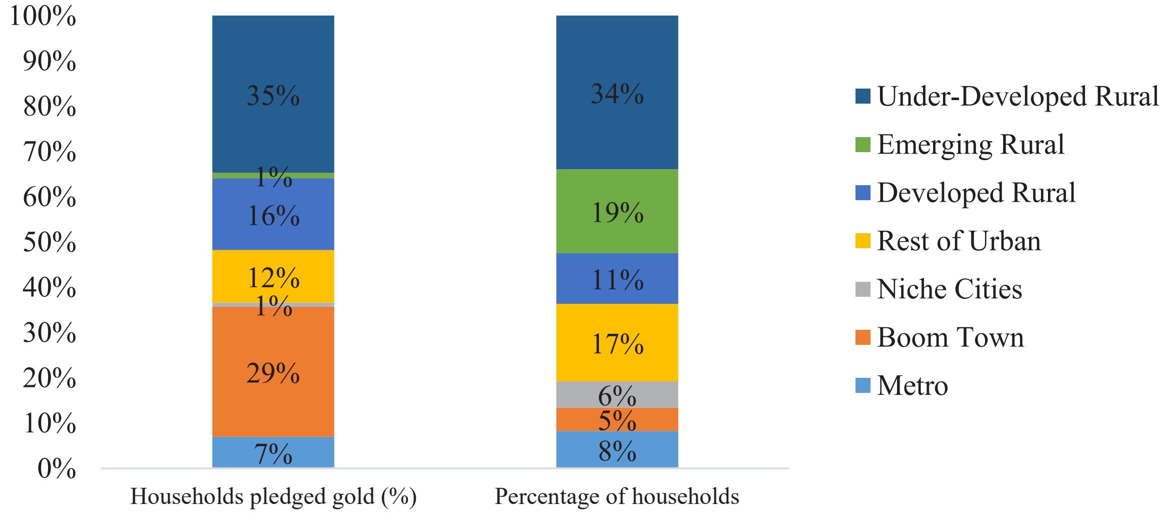
14. **Distribution of gold purchases by the level of education (Percent, 2020-21)**



Source: IGPC PRICE Survey (2021)

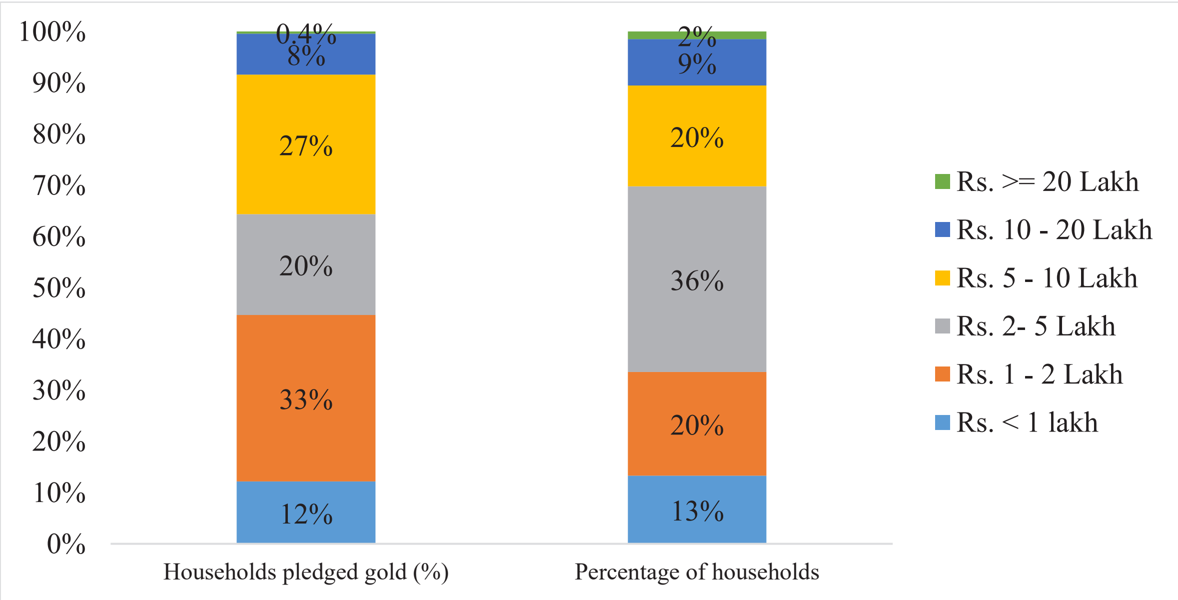
GOLD PLEDGED IN 2020-21

15. Distribution of gold pledged by geographical cluster (Percent, 2020-21)



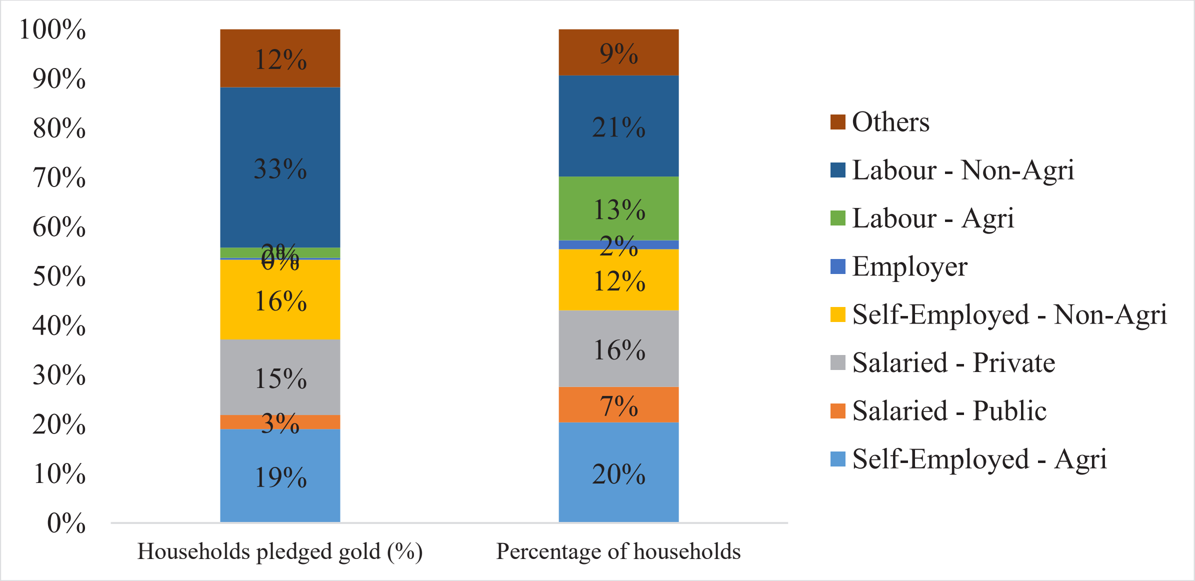
Source: IGPC PRICE Survey (2021)

16. Distribution of gold pledged by income class (Households in Mn., 2020-21)



Source: IGPC PRICE Survey (2021)

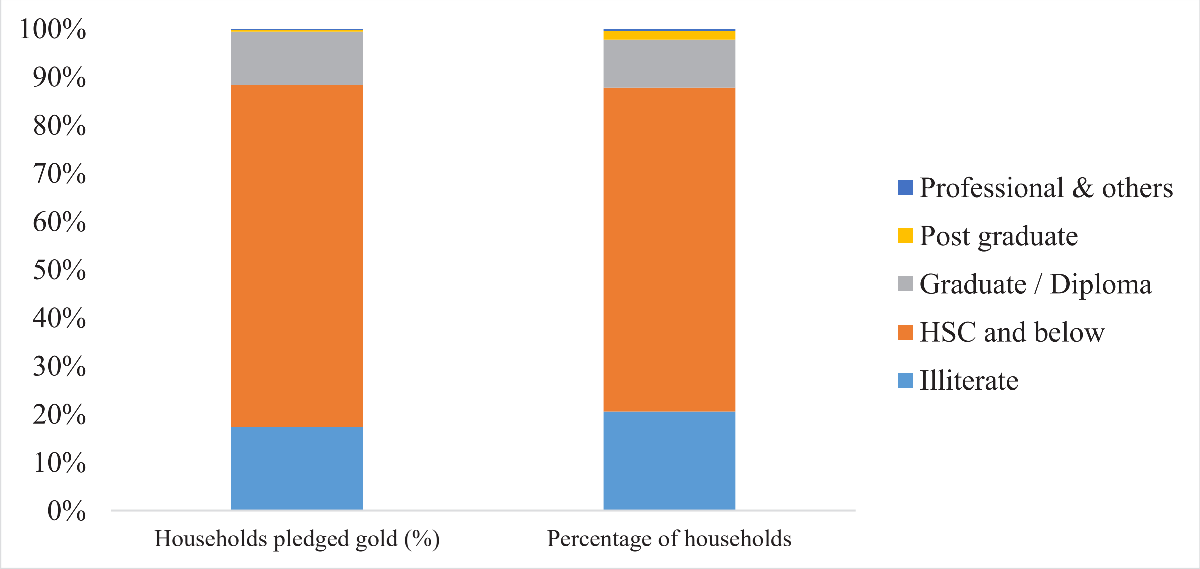
17. Distribution of gold pledged by occupation (Percent, 2020-21)



Source: IGPC PRICE Survey (2021)

There are hardly any households under the 'Employer' group pledging gold in 2021. A total of 3 Mn. Households out of ~308 Mn., constituting Labour and Self-Employed-Agri and Non-Agri groups, pledged gold in 2020-21

18. Distribution of gold pledged by the level of education (Percent, 2020-21)

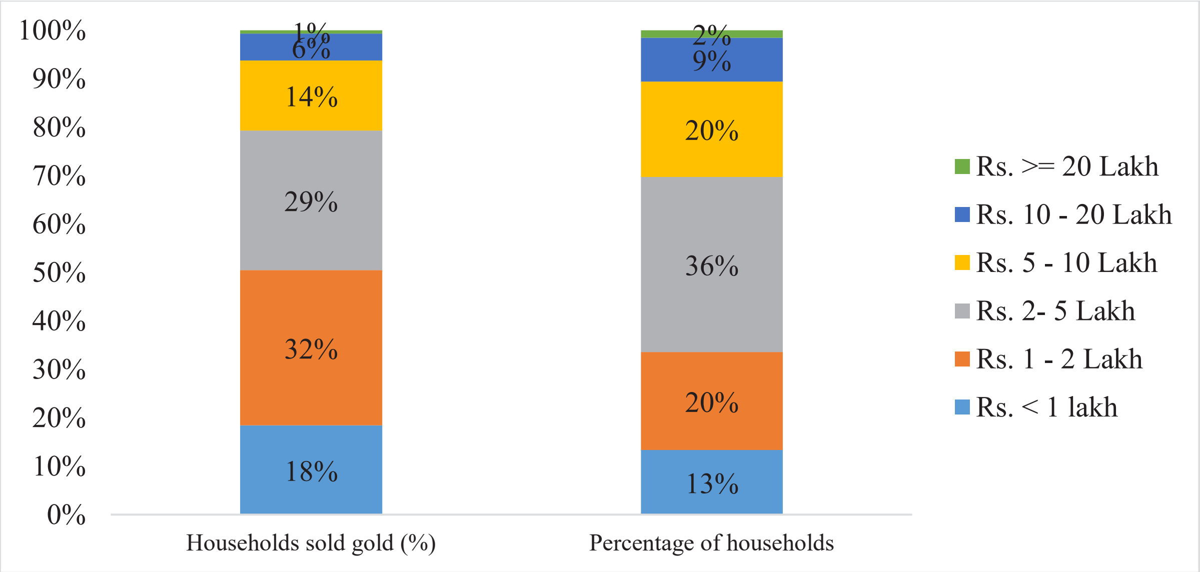


Source: IGPC PRICE Survey (2021)

Households with HSC and below education level have pledged the highest amount of gold compared to other education levels. The total number of households pledging gold in 2021 is 4.3 Mn out of ~308 Mn households.

GOLD SOLD IN 2020-21

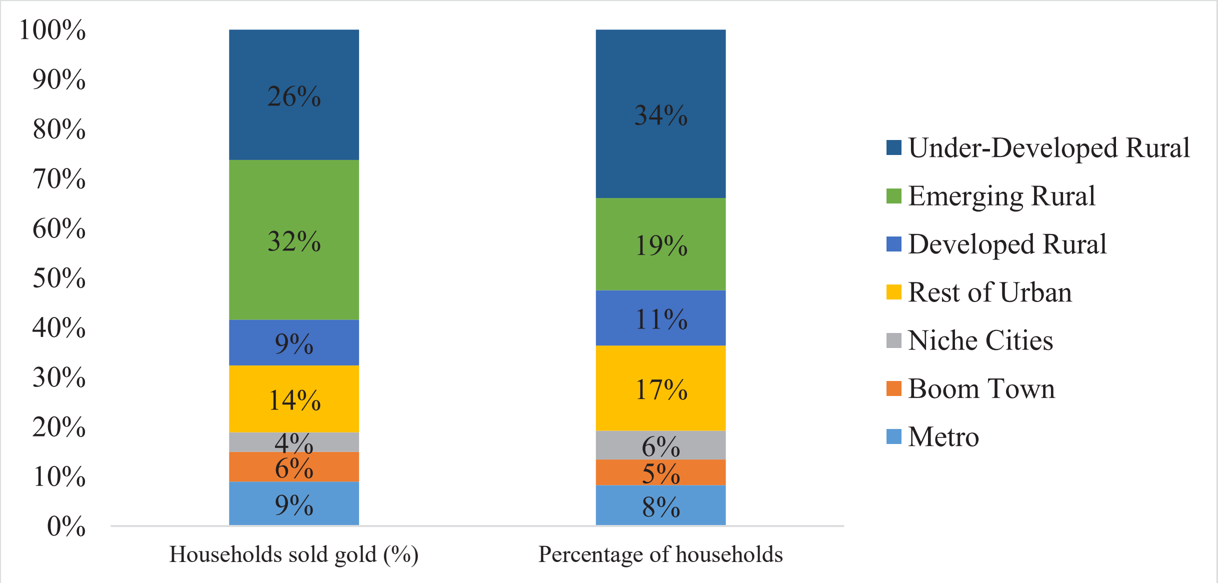
19. Distribution of gold sold by income class in 2020-21



Source: IGPC PRICE Survey (2021)

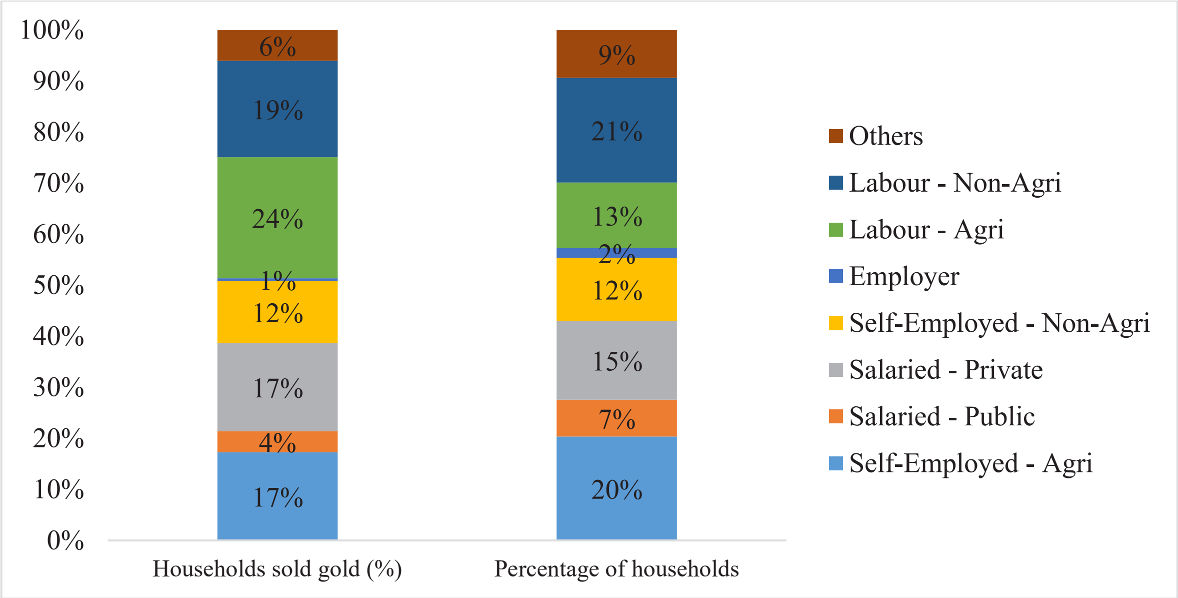
A total of 5.7 Mn households belonging to the lower-middle income group, with an annual income below 5 lacs, sold gold in 2021. The total number of households that sold gold in 2021 was 7.2 Mn.

20. Distribution of gold sold by geographical cluster in 2020-21



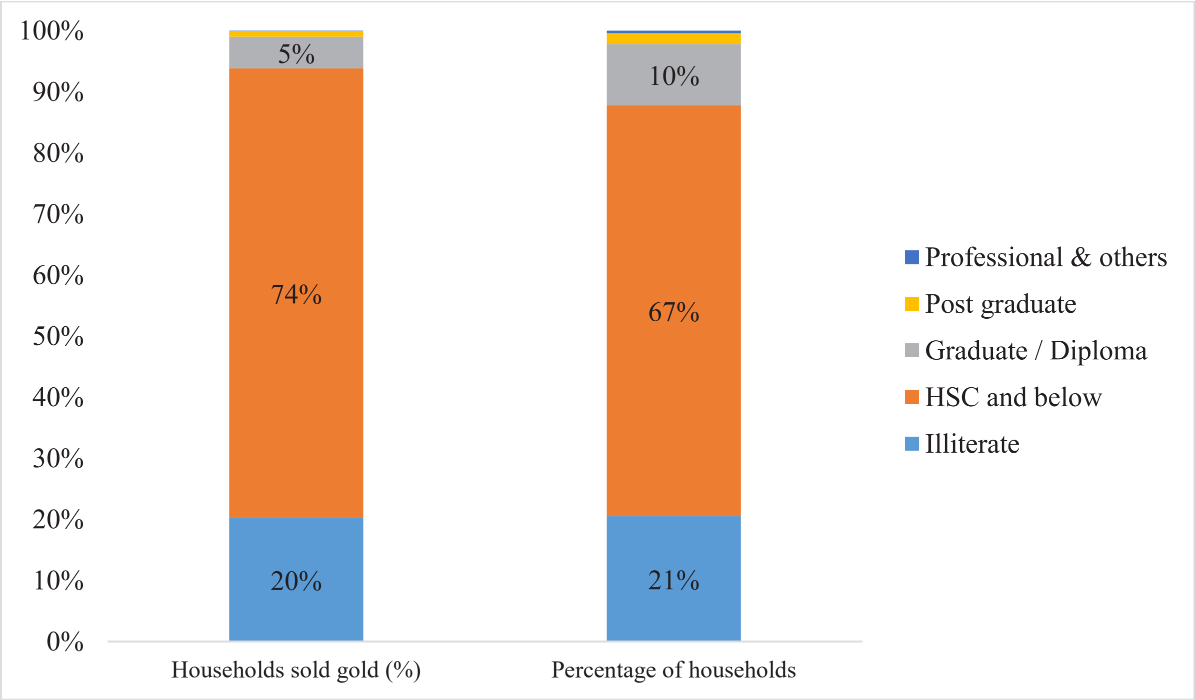
Source: IGPC PRICE Survey (2021)

21. **Distribution of gold sold by occupation in 2020-21**



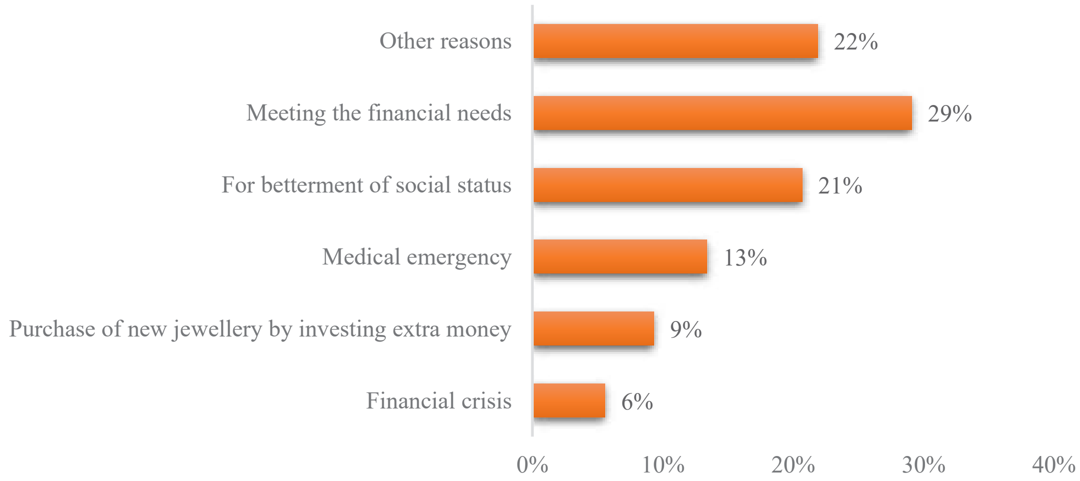
Source: IGPC PRICE Survey (2021)

22. **Distribution of gold sold by the level of education in 2020-21**



Source: IGPC PRICE Survey (2021)

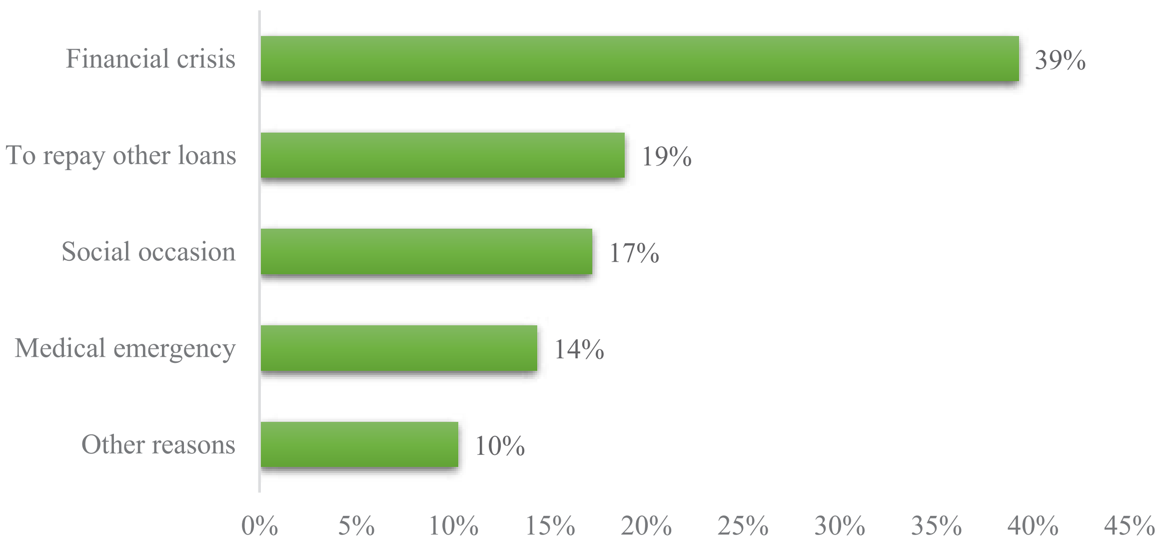
23. Top reasons for pledging gold jewellery in 2020-21



Source: IGPC PRICE Survey (2021)

The primary reason for households to pledge their gold jewellery is to mitigate a financial crisis. Other reasons for pledging gold may include education expenses, launching a new business, investing in real estate, or travel.

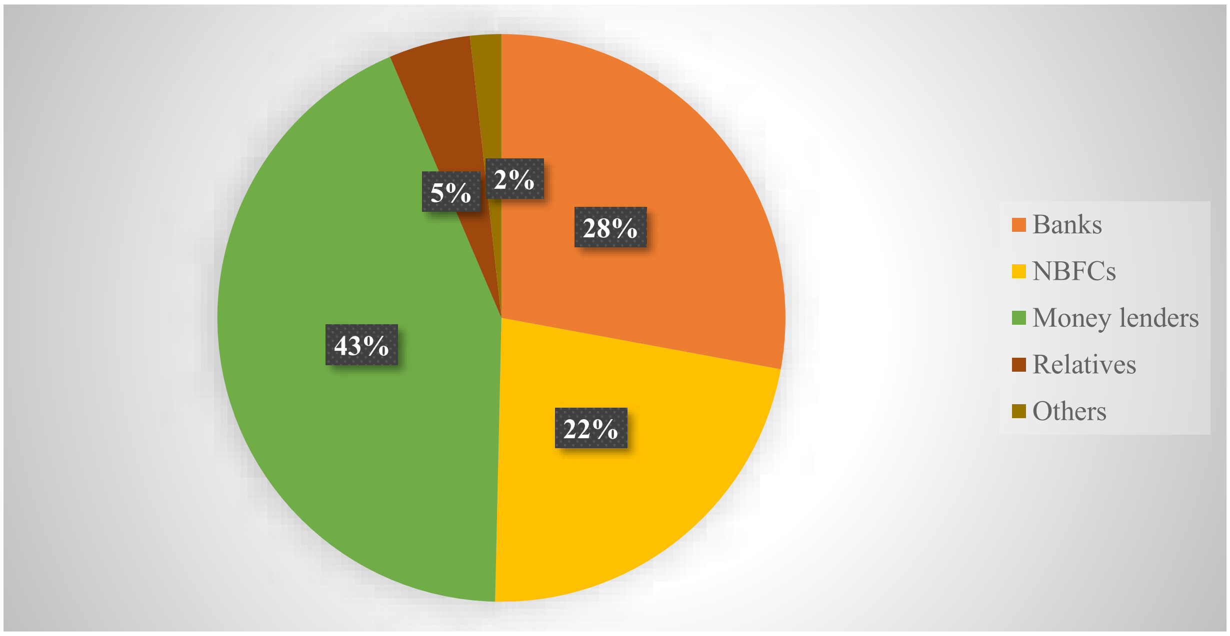
24. Top reasons for selling gold jewellery in 2020-21



Source: IGPC PRICE Survey (2021)

The primary reasons for selling gold jewellery are medical emergencies and financial stress. However, other factors, such as social occasions, debt repayment, travel, purchasing new assets, and facilitating business cash flow, among others, also influence the decision to sell gold jewellery.

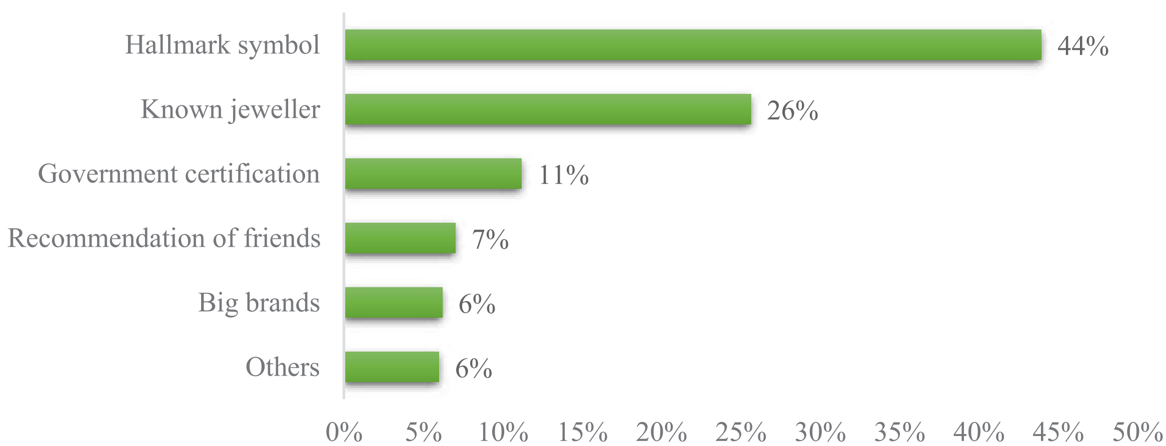
25. Sources used for pledging gold in 2020-21



Source: IGPC PRICE Survey (2021)

Households prefer local moneylenders for pledging gold, expecting to obtain the highest possible financing against their gold jewellery.

26. Sources for ensuring gold purity checks by households in 2020-21



Source: IGPC PRICE Survey (2021)

The hallmarking symbol is the most trusted indicator of ensuring the purity of gold by the highest number of households (44%). However, a significant number of households (26%) prefer and trust known jewellers for buying gold.

INDIA GOLD POLICY CENTRE

::Chapter 4::

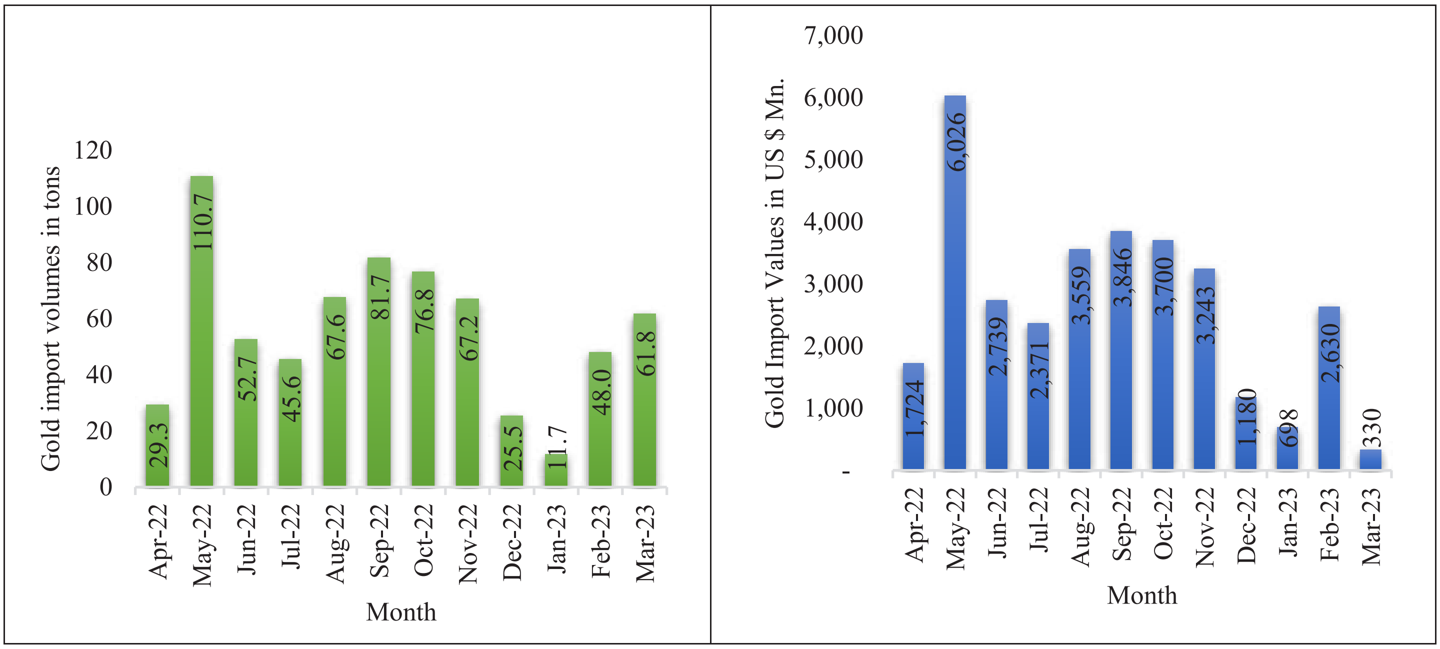
IGPC GOLD DATA HUB

1. CUSTOM DUTY PER KG OF GOLD

Date	Custom duty in Rs. '000/ kg	Date	Custom duty in Rs. '000/ kg
07-04-2022	514.3	06-10-2022	659.2
13-04-2022	521.0	14-10-2022	656.7
21-04-2022	523.3	20-10-2022	668.3
29-04-2022	504.3	03-11-2022	667.5
05-05-2022	503.6	10-11-2022	667.5
13-05-2022	490.3	11-11-2022	706.4
19-05-2022	500.2	15-11-2022	716.5
31-05-2022	494.5	17-11-2022	706.2
02-06-2022	503.8	30-11-2022	700.0
15-06-2022	493.7	01-12-2022	695.0
16-06-2022	496.5	15-12-2022	729.4
30-06-2022	727.4	30-12-2022	731.9
07-07-2022	701.1	05-01-2023	733.2
13-07-2022	701.1	13-01-2023	760.8
15-07-2022	656.8	19-01-2023	748.1
21-07-2022	665.4	31-01-2023	765.4
29-07-2022	686.1	02-02-2023	769.6
04-08-2022	680.1	15-02-2023	744.8
12-08-2022	697.0	16-02-2023	752.9
18-08-2022	699.1	28-02-2023	735.3
31-08-2022	672.6	02-03-2023	734.0
01-09-2022	672.2	15-03-2023	769.0
15-09-2022	662.5	16-03-2023	770.9
30-09-2022	642.8	31-03-2023	794.7

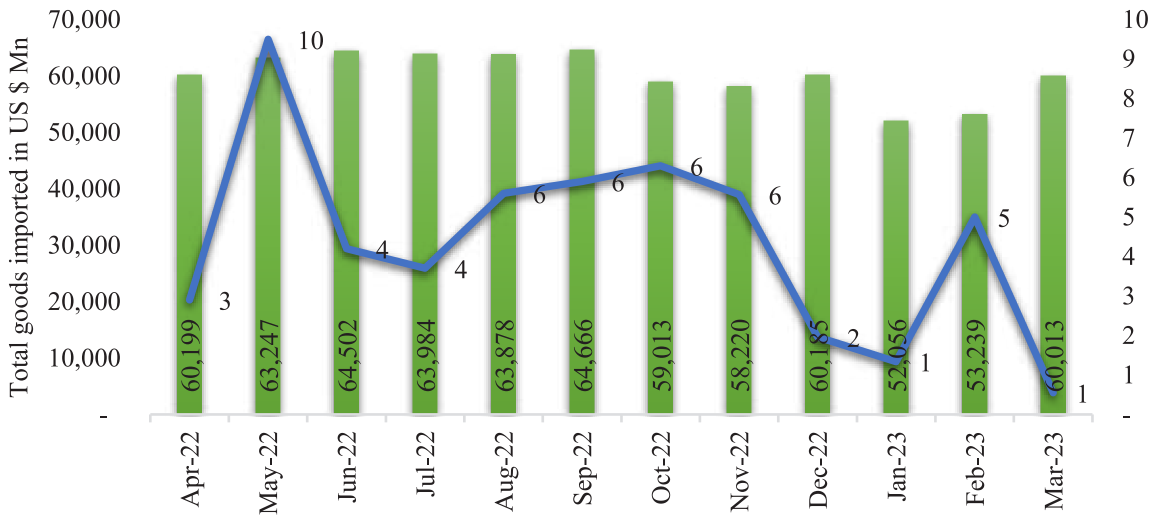
(Source: CBIC)

2. **MONTH-WISE GOLD IMPORT VOLUMES**



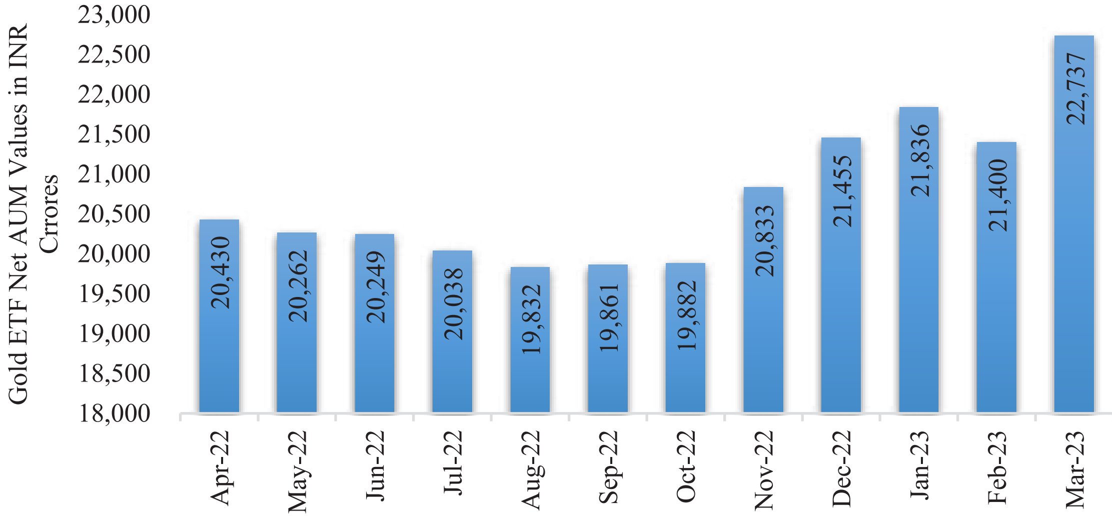
(Source: DGCIS)

3. **PERCENTAGE OF GOLD IMPORTS TO TOTAL GOODS IMPORTED**



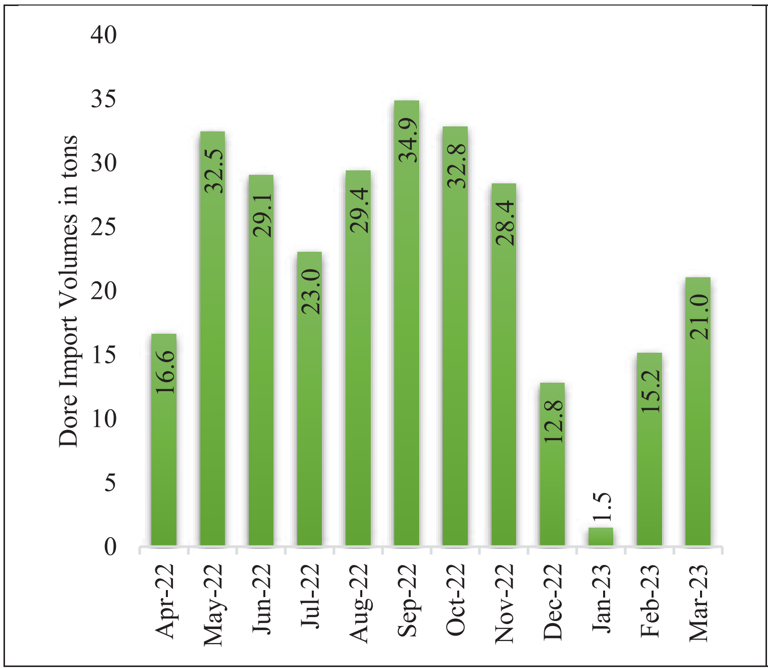
(Source: DGCIS)

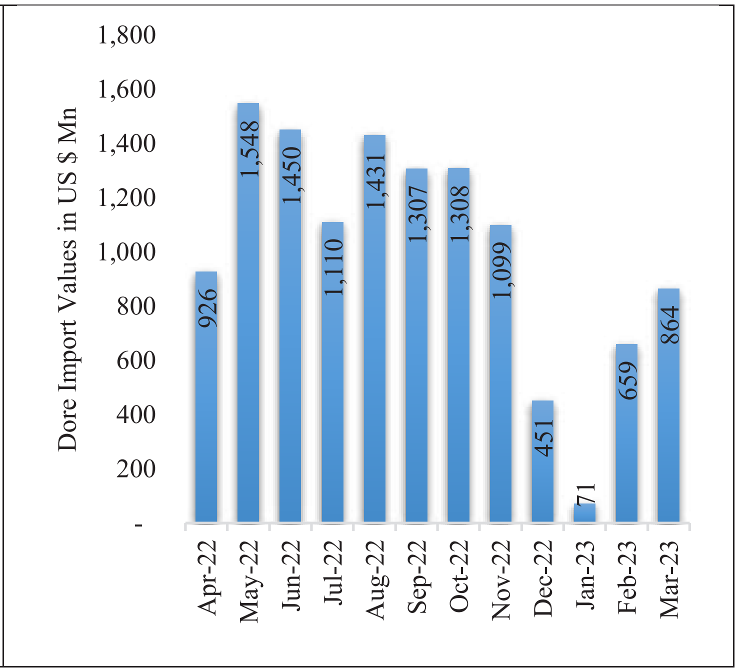
4. GOLD ETF (NET AUM VALUES)



(Source: AMFI)

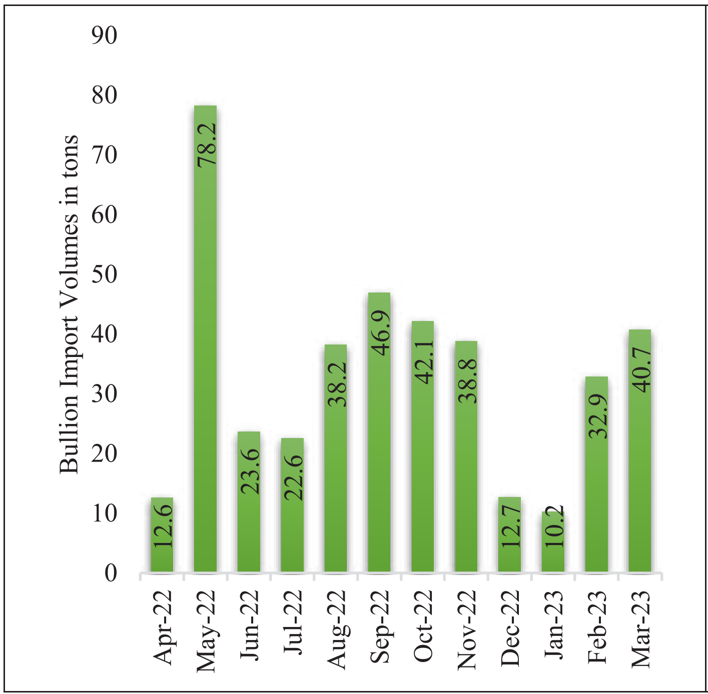
5. GOLD DORE IMPORT VALUES

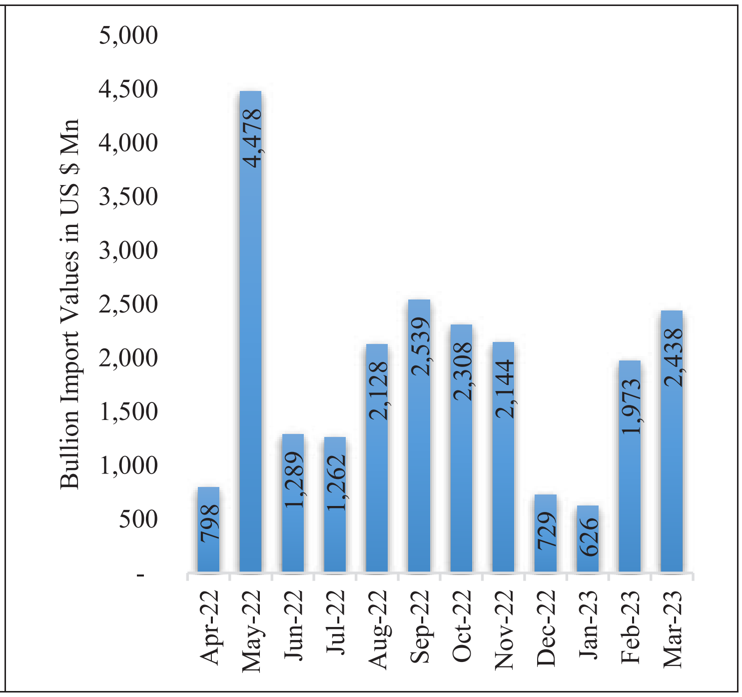




(Source: DGCIS)

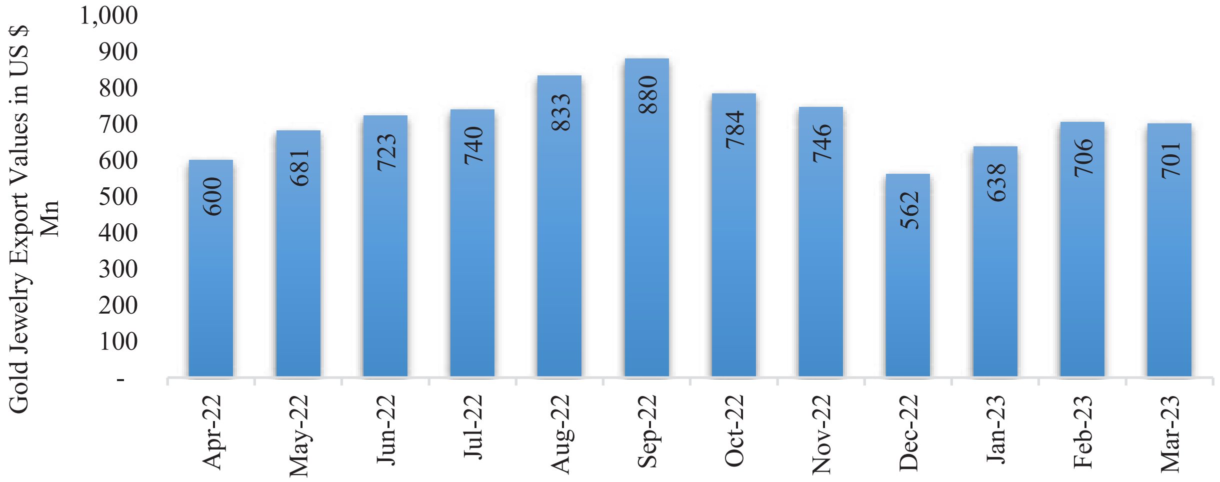
6. GOLD BULLION IMPORT VALUES





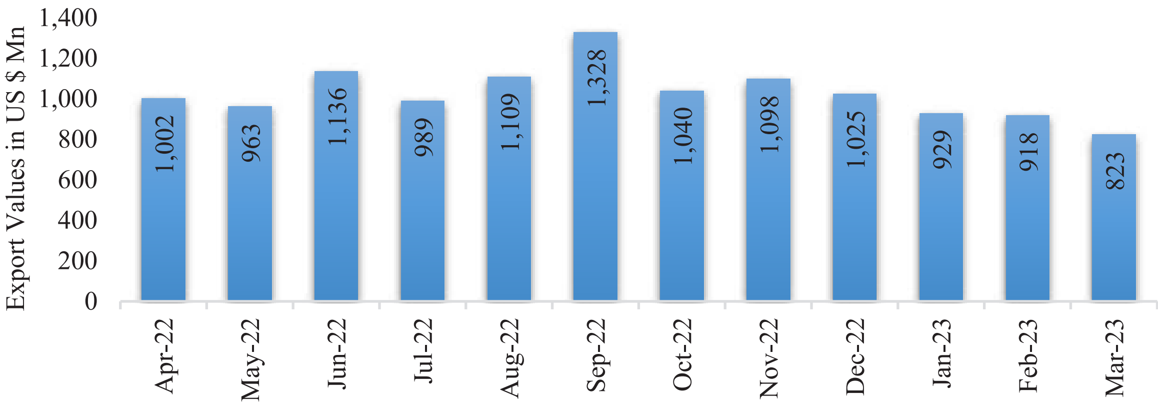
(Source: DGCIS)

7. GOLD JEWELLERY EXPORT VALUES



(Source: GJEPC)

8. GOLD & OTHER PRECIOUS METAL JEWELLERY EXPORT VALUES



(Source: DGCIS)

9. COUNTRY-WISE GOLD IMPORT VALUES FOR FY 2022-23

(Value in US $ Mn)

Countries	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Total
ARGENTINA	0.0	0.0	0.0	0.0	22.2	73.4	45.6	44.5	10.4	0.0	25.8	31.9	254
ARMENIA	0.0	0.0	36.3	10.6	7.6	0.0	4.2	5.7	0.0	0.0	0.0	6.4	71
BOLIVIA	217.8	263.4	301.3	314.8	325.9	246.0	261.9	243.8	65.4	0.4	159.2	145.0	2,545
BRAZIL	63.1	71.5	90.5	81.2	93.9	72.2	79.7	63.4	35.7	14.5	30.5	28.1	724
COLOMBIA	31.4	85.2	54.9	61.4	62.8	64.0	87.2	65.0	43.4	14.7	39.2	63.6	673
DOMINIC REP	0.0	41.8	0.0	0.0	0.0	59.0	36.3	39.2	21.0	0.0	0.0	73.6	271
GHANA	142.1	159.1	111.6	124.9	241.7	161.0	126.3	143.2	43.3	0.0	50.3	104.5	1,408
GUINEA	220.0	341.5	330.1	160.8	91.9	150.3	191.5	99.8	0.0	0.0	79.8	50.3	1,716
MEXICO	0.0	0.0	0.0	30.0	26.6	12.3	35.5	19.8	7.1	0.0	21.7	9.2	162
PAPUA N GNA	0.0	0.7	0.0	0.0	0.8	0.0	0.5	0.0	0.5	0.0	0.8	0.0	3
PERU	177.5	226.8	202.9	202.1	171.9	196.1	195.4	142.1	55.6	7.9	89.2	109.1	1,776
PHILIPPINES	2.0	8.9	10.8	5.4	5.9	6.7	14.7	13.8	11.5	0.0	5.5	13.7	99
TANZANIA REP	20.8	75.7	108.9	66.5	89.8	85.5	88.9	103.9	108.8	27.8	66.9	53.7	897
USA	4.9	225.1	120.1	5.3	240.4	69.2	83.9	52.1	4.3	6.0	45.3	106.8	964
ECUADOR	4.1	6.4	22.1	14.0	20.3	12.0	10.4	7.2	4.8	0.0	7.8	18.5	128
UGANDA	39.9	40.4	52.2	30.5	24.1	66.7	54.4	31.7	0.0	0.0	71.4	42.0	453
AUSTRALIA	127.8	0.0	224.6	55.7	27.6	0.0	27.4	140.9	0.0	71.6	30.0	261.2	967
GERMANY	0.2	0.7	0.1	0.4	0.4	0.5	0.5	0.2	0.0	0.4	0.2	0.1	4
HONG KONG	5.6	100.4	5.2	38.1	4.9	5.4	5.2	4.8	3.1	4.6	5.9	5.0	188
ITALY	0.7	1.2	0.4	1.0	1.1	0.9	0.5	0.4	0.6	0.6	0.4	0.8	8
JAPAN	0.0	140.7	30.0	0.1	0.1	34.7	57.2	0.1	19.9	12.4	39.0	0.1	334
MALAYSIA	0.0	0.0	0.0	0.0	0.4	0.0	0.3	0.3	0.3	0.0	0.0	0.0	1
SINGAPORE	4.2	194.4	4.0	86.8	91.2	111.3	3.3	2.0	2.3	4.2	31.8	126.3	662
SOUTH AFRICA	156.0	860.2	163.7	83.2	358.6	298.4	475.2	186.6	244.9	188.6	276.1	68.8	3,360
SWITZERLAND	304.6	2447.8	492.5	863.7	1123.5	1812.2	1454.6	1307.8	232.0	147.2	1133.6	1323.0	12,642
THAILAND	0.0	14.8	13.4	0.1	0.2	0.0	0.0	0.1	0.0	0.1	0.1	0.0	29
U ARAB EMTS	192.6	439.3	219.0	126.0	196.6	135.6	159.3	437.3	220.8	187.1	305.4	472.9	3,092
U K	0.7	0.7	0.8	0.7	0.5	0.4	20.6	0.0	0.4	3.3	36.8	29.7	95
SAUDI ARAB	0.0	52.6	0.0	0.0	41.2	0.0	40.9	0.0	0.0	0.0	0.0	42.7	177

SPAIN	0.4	0.3	0.2	0.7	0.2	0.4	0.2	0.2	0.1	0.4	0.2	0.2	4
TURKEY	0.0	0.0	15.3	0.0	41.1	70.1	20.9	11.2	0.0	0.0	68.1	0.0	227
NIGER	2.7	0.8	8.0	2.5	5.2	19.4	11.0	7.8	0.0	0.0	0.0	0.0	57
LAO PD RP	0.0	0.0	0.0	0.0	0.0	13.0	6.8	14.7	6.4	0.0	10.8	7.4	59
MOZAMBIQUE	0.0	0.0	0.0	0.0	0.0	0.0	15.7	0.0	0.0	0.0	0.0	0.0	16
MALI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	1
RWANDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.1	0.0	0.0	0.0	33

(Source: DGCIS)

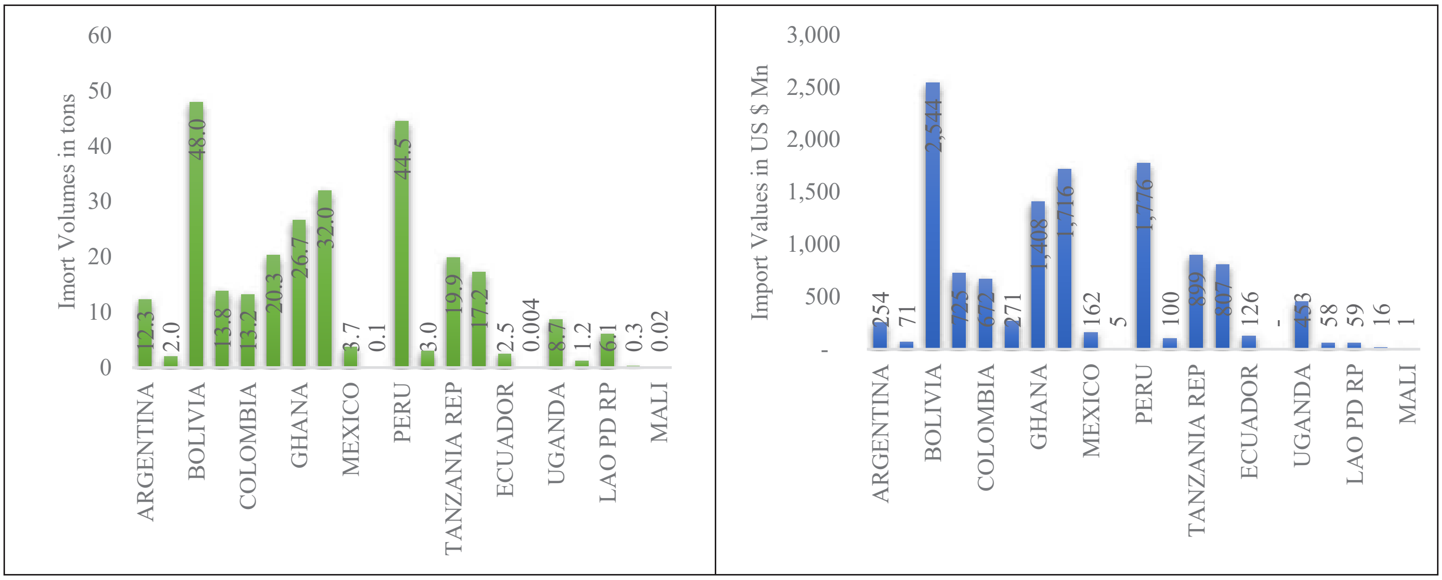
10.PORT-WISE GOLD IMPORT VALUES FOR FY 2022-23

(Value in US $ Mn)

Ports	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Total
ACC COIMBATORE	0.0	24.9	0.0	0.0	0.0	0.0	0.0	8.1	0.0	0	0	0	33.0
AHMEDABAD AIR CARGO COMPLEX	7.0	164.6	61.7	38.8	47.9	100.1	141.5	67.6	65.8	45.4	52.9	82.1	875.5
BANGALORE AIRPORT	3.2	61.9	3.0	0.0	5.7	10.9	58.1	16.3	0.0	0.3	0	0.0	159.5
CHENNAI AIR	172.3	538.9	311.5	183.3	372.6	280.0	361.2	430.7	299.6	112	347.8	599.5	4009.3
CHENNAI EPZ	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0	0.1	0.1	0.4
COCHIN AIRPORT	1.4	0.5	10.2	4.2	13.0	7.0	1.3	1.3	0.4	1.2	1.2	0.7	42.6
DELHI AIR	948.0	2524.8	1697.5	1182.0	1462.7	1533.0	1608.9	1263.6	478.7	100.1	912.6	1049.3	14761.1
DPCC MUMBAI	9.7	6.6	10.7	9.8	11.3	6.6	9.5	8.7	11.3	3.1	7.5	7.0	101.8
EPZ/SEZ SURAT	8.5	5.7	8.4	6.8	8.8	9.9	6.8	7.5	7.3	8.3	9.5	6.7	94.2
GIFT GANDHINAGAR	0.8	110.5	131.8	84.7	204.3	137.4	248.8	4.1	104.8	61.8	246.2	267.8	1602.9
HYDERABAD AIRPORT	30.9	211.8	38.9	11.2	24.4	81.9	52.2	54.3	5.1	0	3.1	11.9	525.6
ICD SHB, SURAT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0	0	0.0	0.1
JAIPUR A.C.	0.3	0.0	2.0	0.0	0.4	0.0	0.0	0.3	0.1	0.4	0.4	0.5	4.4
KOLKATA AIR	25.0	27.9	4.9	1.6	1.8	1.6	2.2	9.5	16.9	45.8	36.1	107.3	280.6
MANI KANCHAN SEZ	8.3	9.7	13.0	13.0	14.1	8.4	17.2	15.6	7.2	16.1	13.6	9.1	145.3
MUMBAI AIR	61.2	48.1	47.3	55.7	94.0	112.8	12.1	51.2	68.9	39.1	196.7	93.9	881.1
RIICO SEZ I, SITAPURA	0.3	0.3	0.5	0.2	0.6	0.3	0.3	0.2	0.4	0.7	0.2	0.4	4.4
RIICO SEZ-II SITAPURA	2.1	3.8	6.3	3.4	5.8	2.7	2.9	20.5	8.6	31.5	23.4	12.0	123.0
SEEPZ	48.2	40.9	42.8	49.0	53.9	51.1	37.8	32.0	23.7	34.5	38.9	41.4	494.2
SEZ Cochin	0.3	0.4	1.6	1.3	1.1	1.3	1.0	1.6	1.3	2.1	1.5	2.5	16.3
SEZ Noida	17.9	14.1	19.7	19.5	21.2	16.9	15.9	17.1	15.6	13	17.2	14.0	202.0
SRI City Pvt Ltd	378.9	2230.4	327.1	707.1	1215.5	1483.8	1122.1	1232.3	64.5	182.7	723	994.9	10662.3

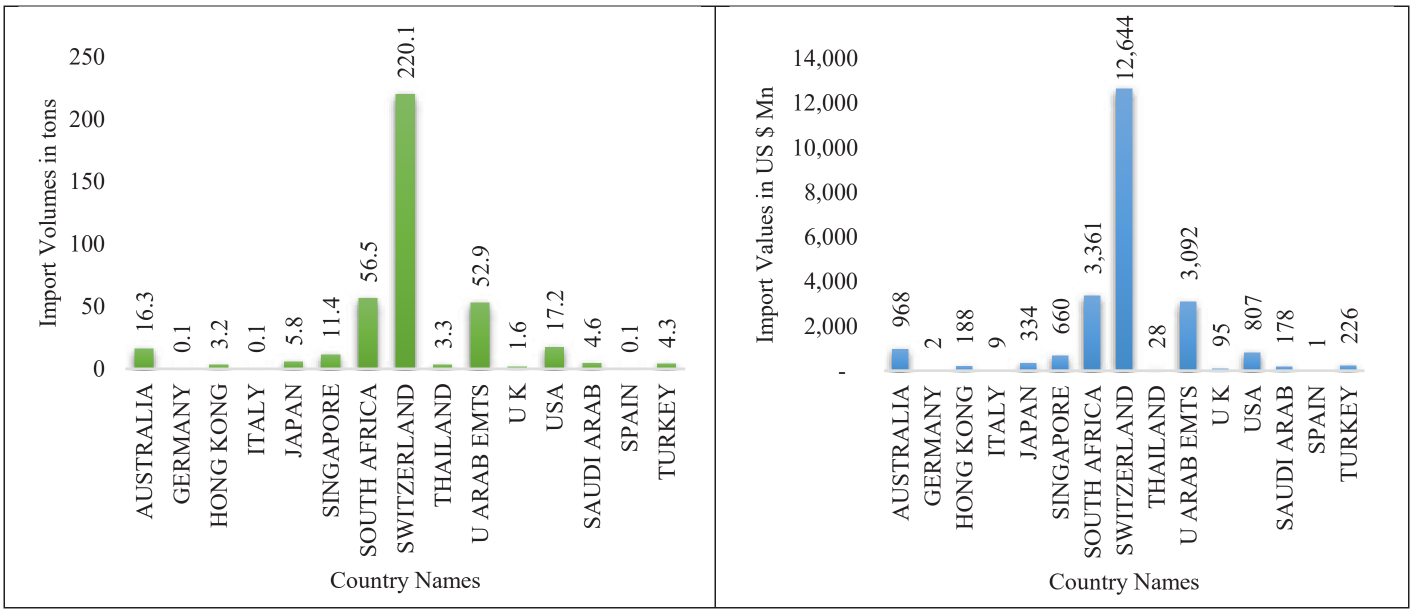
(Source: DGCIS)

11.COUNTRY-WISE DORE IMPORTS FOR FY 2022-23



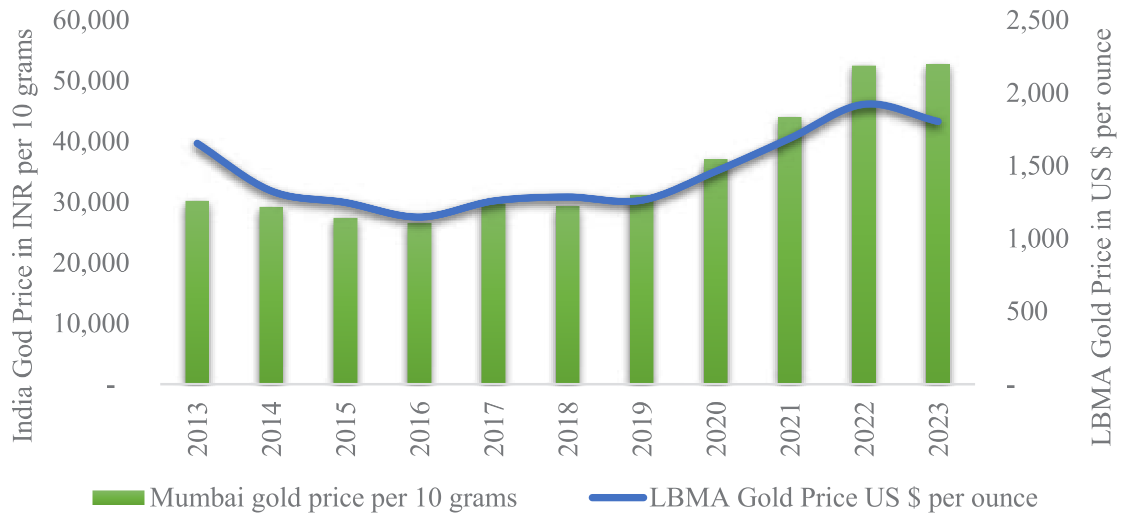
(Source: DGCIS)

12.COUNTRY-WISE BULLION IMPORTS FOR FY 2022-23



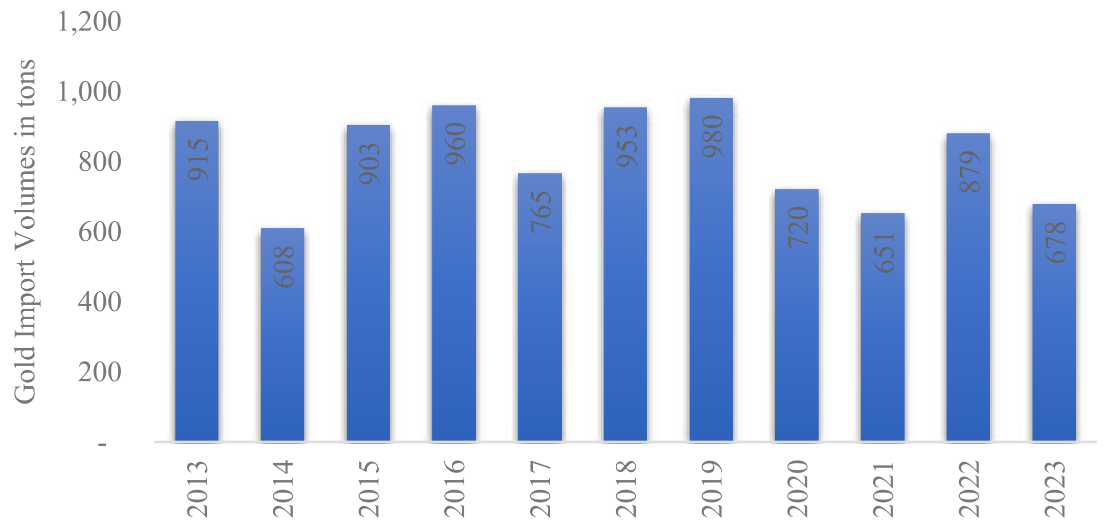
(Source: DGCIS)

13.INDIA VS LBMA GOLD PRICES



(Source: LBMA, MCX, Bloomberg)

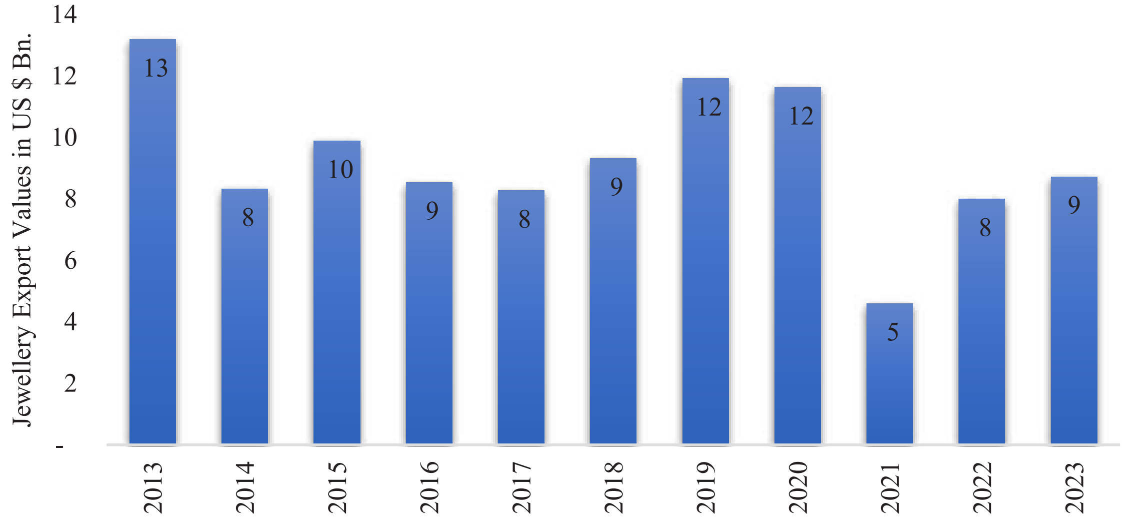
14.GOLD IMPORT VOLUMES



(Source: DGCIS)

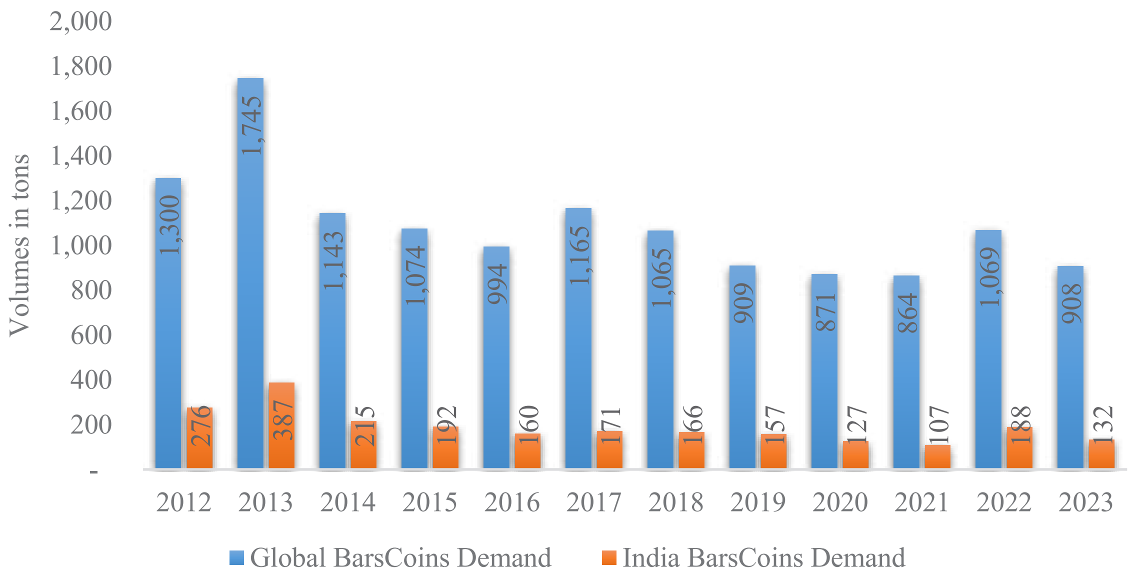
INDIA GOLD POLICY CENTRE

15.GOLD JEWELLERY EXPORT VALUES



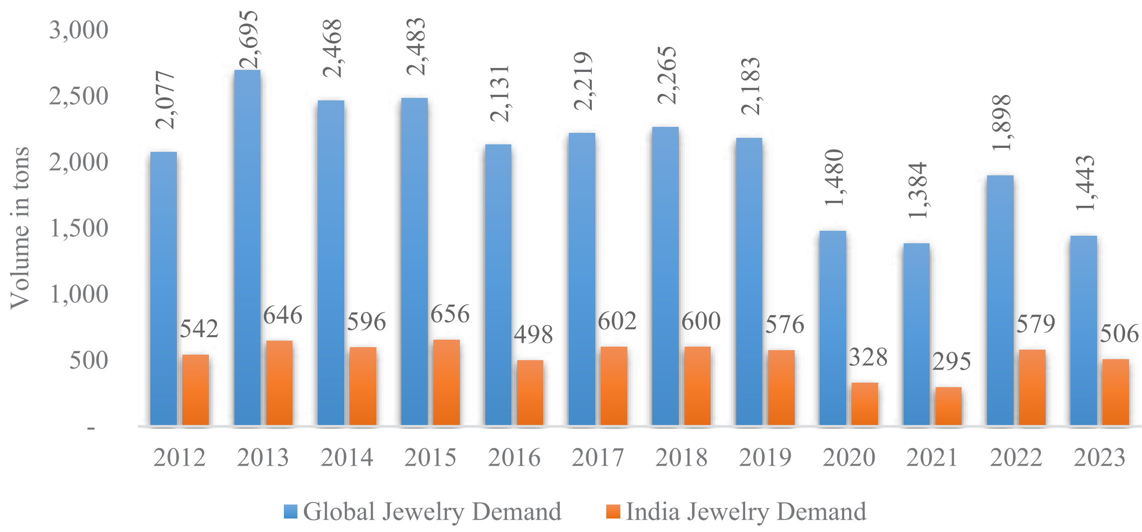
(Source: GJEPC)

16.GLOBAL VS INDIA INVESTMENT DEMAND IN BARS & COINS



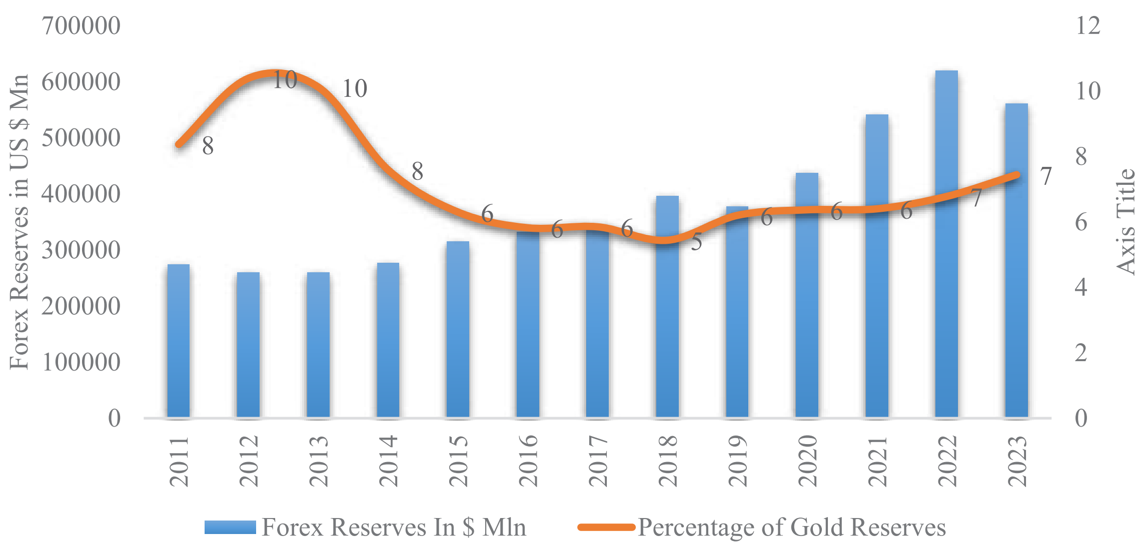
(Source: WGC)

17.GLOBAL VS INDIA INVESTMENT DEMAND FOR JEWELLERY



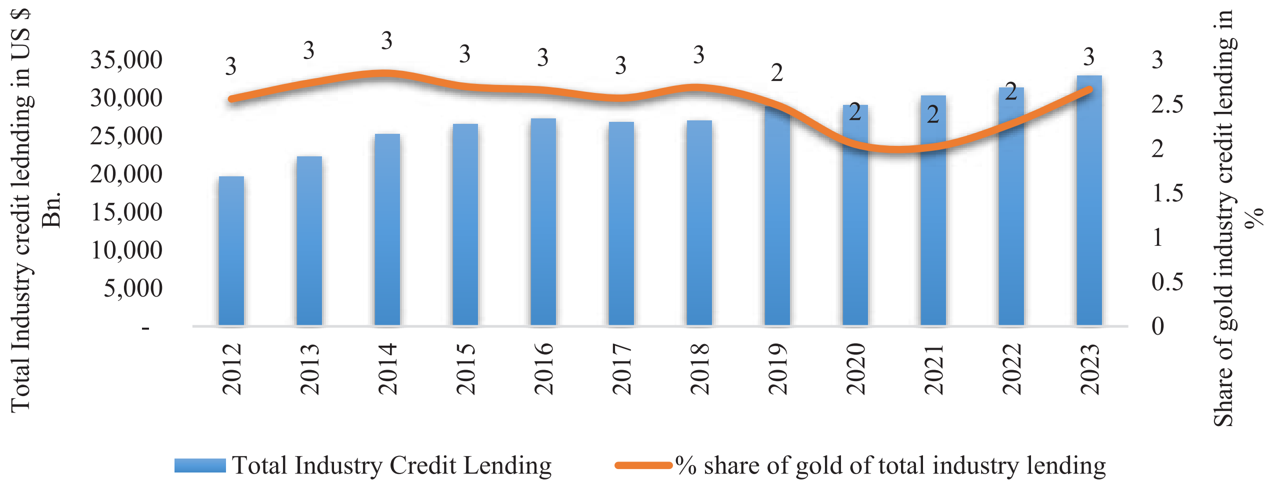
(Source: WGC)

18.SHARE OF GOLD RESERVES IN FOREX RESERVES OF INDIA



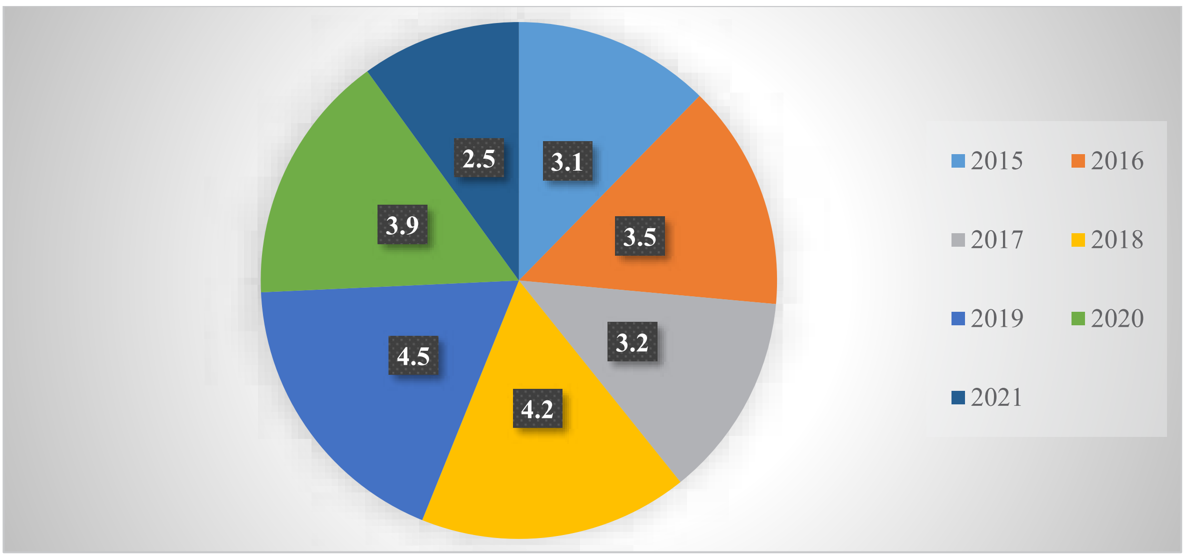
(Source: RBI)

19.PERCENTAGE SHARE OF GOLD LENDING TO TOTAL INDUSTRY LENDING



(Source: RBI)

20.NUMBER OF HALLMARKED ARTEFACTS



(Source: BIS)

21.STATE-WISE BIS REGISTERED JEWELLERS

States	BIS Jewellers	States	BIS Jewellers
Andaman & Nicobar	52	Madhya Pradesh	3,088
Andhra Pradesh	4,112	Maharashtra	19,027
Arunachal Pradesh	28	Manipur	3
Assam	3,293	Meghalaya	19
Bihar	3,017	Nagaland	16
Chandigarh	299	Odisha	2,693
Chhattisgarh	1,842	Pondichery	197
Dadra & Nagar Haveli	20	Punjab	3,623
Daman & Diu	22	Rajasthan	5,304
Delhi	4,276	Sikkim	8
Goa	289	Tamil Nadu	10,009
Gujarat	9,631	Telangana	2,414
Haryana	2,911	Tripura	403
Himachal Pradesh	1,133	Uttar Pradesh	8,208
Jammu & Kashmir	1,005	Uttarakhand	1,107
Jharkhand	948	West Bengal	21,341
Karnataka	6,069		
Kerala	5,503		
Lakshadweep	2		

(Source: BIS)

::Chapter 5::

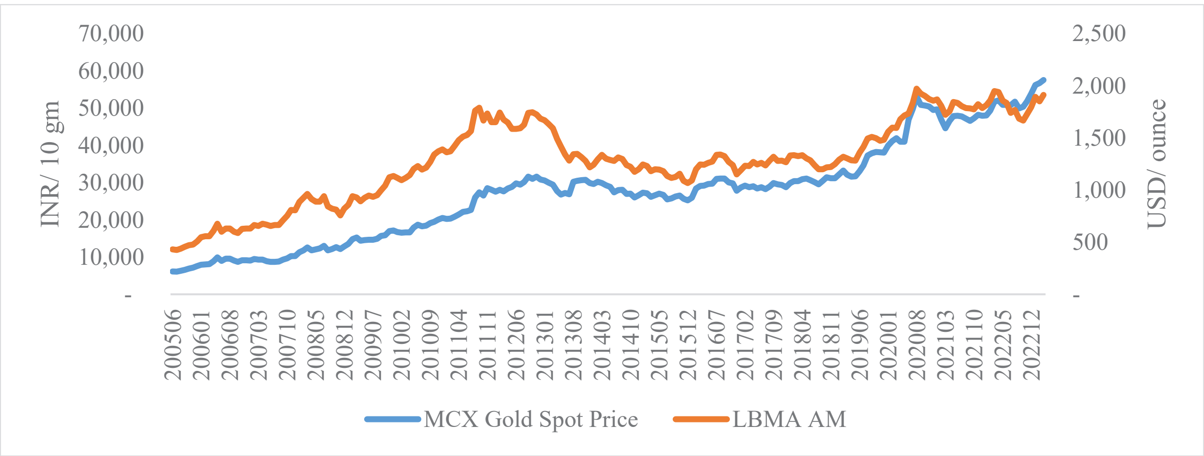
Understanding India Gold Prices

India and international gold price differential

The average LBMA gold benchmark price rose from USD 1,729/ troy ounce to USD 1,887/ troy ounce in quarter four of the financial year 2022-23, an increase of approximately 9% q-o-q. This increase is fuelled by geopolitical tensions and fear of a recession in the West. Towards the end of the financial year, gold reached an all-time high of USD 1,994/ troy ounce spurred by the Silicon Valley Bank crisis, while dollar prices and monetary policy rates remained constant drivers.

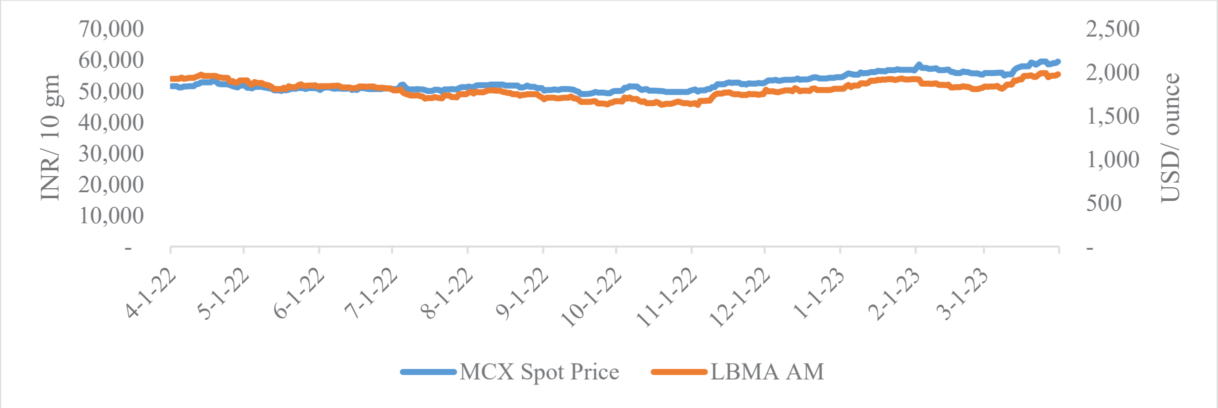
The average spot price of gold in India on MCX was INR 52,706/ 10 gm during FY 2022-23. In addition to the movements in global markets, local market factors also play a role in determining the price of gold in India. The price of gold has increased substantially when compared with that of FY 2021-22. The MCX gold spot price increased from INR 52,091/10 gm to INR 59,560 /10 gm in FY 2022-23, an increase of approximately 15%. On 31 March 2023, the gold price in India hit a record high of INR 59,560 per 10 gm, propelled by an increasing number of investors seeking safe-haven assets in anticipation of high and rising inflation, fears of the economic crisis in the West, and the Federal Reserve's decision to increase policy rates.

Figure 1: MCX and LBMA Gold Price Trends



Source: Bloomberg, WGC

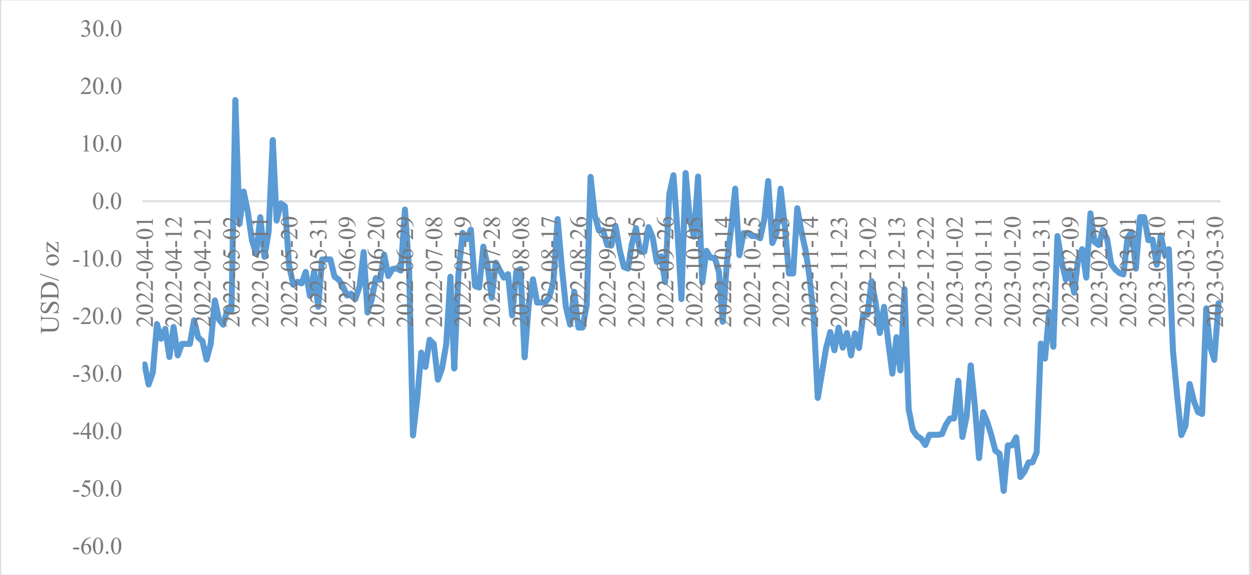
Figure 2: MCX and LBMA Gold Price Trends – FY 2022-23



Source: Bloomberg, WGC

The gold market in India is heavily restricted, which causes the Indian gold price to deviate from the LBMA gold benchmark price. India hardly produces any gold and therefore imports gold to meet the domestic consumption demand for the yellow metal. A falling value of the rupee is anticipated to result in increased import costs, which would put upward pressure on the price of gold. Moreover, this differential is also attributed to the customs duty and taxes imposed on gold imports. Effective 1 July 2022, the customs duty was increased substantially to 15% from 10.75%. The gold in India was traded persistently below the international gold price, with the discounts being lowest at USD 50.4 / troy ounce in January 2023. The discounts widened again towards the end of the financial year 2022-23. This substantial price differential bodes well for illegal gold imports, in addition to significantly distorting the gold market.

Figure 3: Gold Discounts/Premiums in India

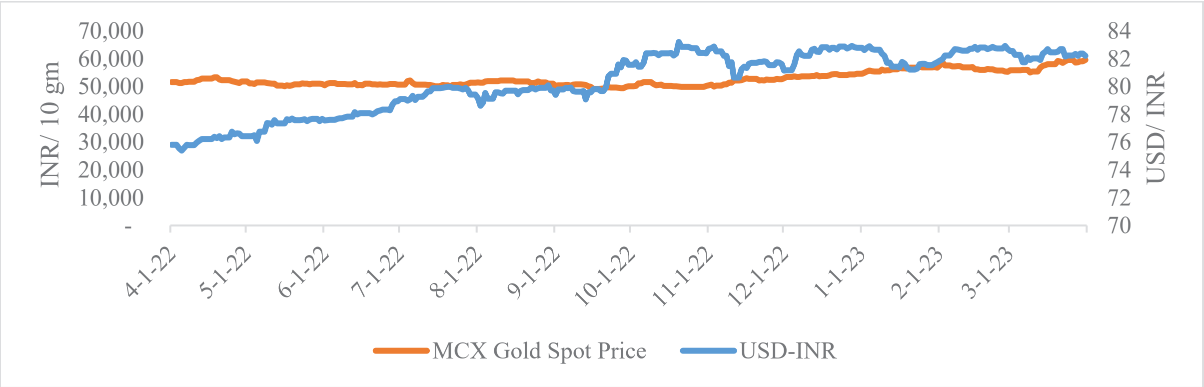


Source: WGC

Gold Price and Macroeconomics Indicators

The Indian rupee depreciated to the US Dollar this financial year as the Federal Reserve raised interest rates to tackle inflation amid rising tensions between Russia and Ukraine. Gold price in India is sensitive to fluctuations in the exchange rate. The exchange rate between US Dollar and Indian Rupee affects importers' price to purchase the yellow metal. Gold price in India has been under consistent duress due to the dollar's strength relative to the Indian rupee. In October 2022, the USD INR exchange rate hit its all-time high of 82.86, further contributing to the continued rise in gold prices.

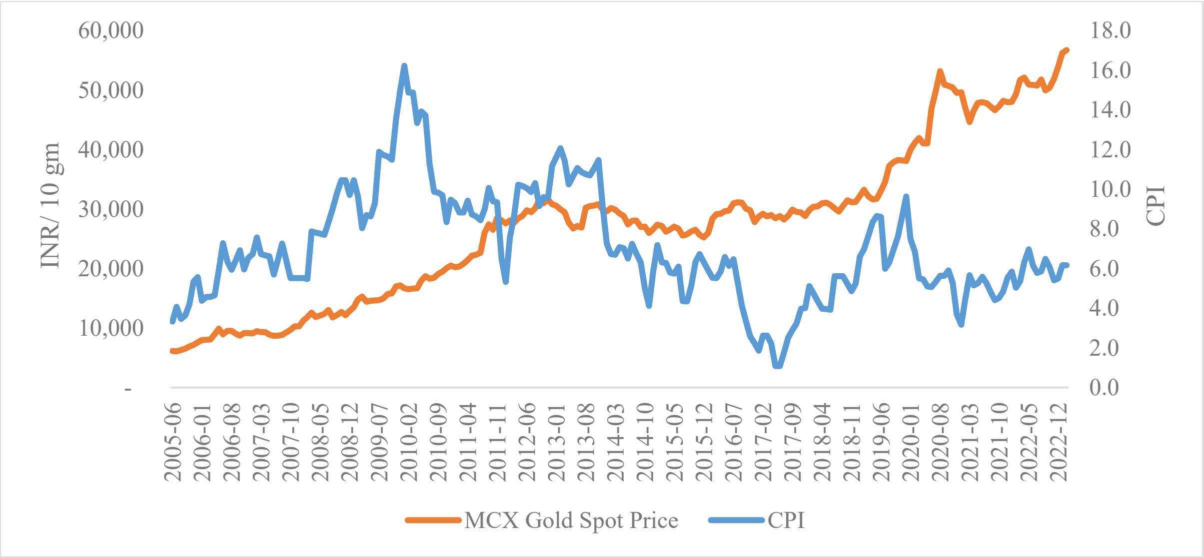
Figure 4: MCX Gold Price and USD/INR Exchange Rate



Source: Bloomberg, RBI

With rising inflation, investors are likely to move towards gold as a hedge against rising prices which is likely to increase the gold price further. With the ongoing geopolitical tensions between Russia and Ukraine along with the 40-year high inflation rates, gold has yet again proved to be a favourable financial instrument among investors. Since gold is seen as a safe haven in times of extreme volatility and rising inflation, its price is expected to go up in the future due to a variety of factors, such as the current geopolitical scenario, fears of a recession and inflationary trends.

Figure 5: MCX Gold Price and CPI

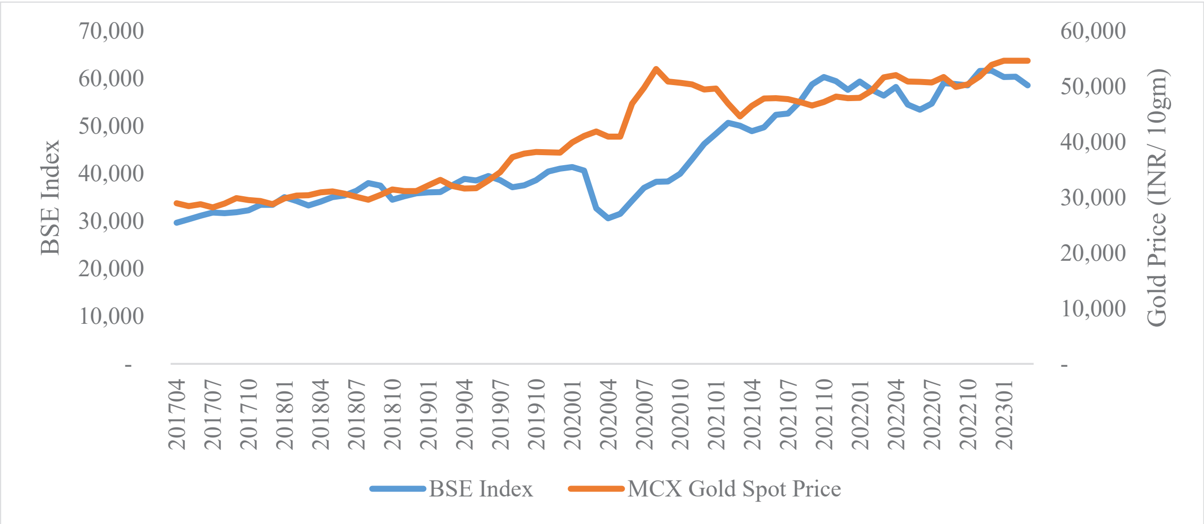


Source: Bloomberg, OECD

Gold Price and Market Performance

One school of thought maintains that the price of gold and stocks have a negative correlation. Historically, gold is known to respond well during crises and has a long history of providing investors with a safety cushion against stock market turbulence. The divergence between gold and equity returns was observed after Russia invaded Ukraine in February 2022. A similar pattern was again observed in December 2022, when equity prices began to fall, and there was an observed increase in the price of gold as investors sought to invest in gold instead of equities.

Figure 6: MCX Gold Price and BSE Index



Source: Bloomberg, BSE

:: Chapter 6 ::

IGPC-IIMA 6th Annual Gold and Gold Markets Conference 2023

India Gold Policy Centre at IIM Ahmedabad (IGPC-IIMA) concluded its 6th Annual Gold & Gold Markets Conference 2023 at the India Habitat Centre, New Delhi, on 9-10 February 2023. The conference witnessed active participation and enthusiasm from diverse stakeholders, including the gold industry, the research community, and regulators, making it a resounding success. The event featured a balanced mix of academic research presentations on gold, discussions, and deliberations on pressing issues in the gold industry. The program included 15 research paper presentations, five-panel discussions, three workshops, and two fire-side chats, resulting in an engaging and enriching experience that kept the audience engaged until the end of day 2. Against the backdrop of a memorandum of understanding (MOU) between IGPC-IIMA and the International Financial Services Centres Authority (IFSCA) that laid down the operational framework of the India International Bullion Exchange (IIBX) at IFSC GIFT City, it was gratifying to have Mr Injeti Srinivas, Chairman IFSCA, as the chief guest to inaugurate the conference.

Welcome of Chief Guest, Shri Injeti Srinivas, Chairman, International Financial Services Centres Authority (IFSCA)

(Prof Arvind Sahay, Chair-IGPC, welcomes the Chief Guest Shri Injeti Srinivas)

Welcome address by Prof. Arvind Sahay, Chairperson, IGPC-IIMA

https://youtu.be/HmkFBUv1Mtw

While extending a warm welcome to the participants and dignitaries, Professor Arvind Sahay expressed gratitude towards the regulators, industry experts and academic community for their active participation. He emphasized the need for greater collaboration between the industry, academia and policymakers to standardize the fragmented gold industry in India and achieve potential scale and efficiency in the gold market. He mentioned how IGPC has been engaging with regulators and industry experts in the mining sector in India as a means of local production of gold. Professor Sahay also acknowledged the support that IGPC has received over the years from various stakeholders in order to dissipate the fact and data-based insights on the gold landscape of India. He also discussed the role of the India International Bullion Exchange at the GIFT City in facilitating various initiatives for the Indian gold industry at a global level. The Chairperson's welcome speech also reflected on IGPC's engagement with the regulators to implement policies that could accelerate the penetration of gold into the financial market. On a more light-hearted note, he mentioned how IGPC is conscious of Delhi's carbon footprint and has hired only electric cabs for guests' transportation. He concluded by thanking the sponsors of the event.

Address by Mr. Somasundaram PR, Regional CEO India, World Gold Council

https://youtu.be/nr-khL9uGIE

In his address, Mr Somasundaram emphasized the pivotal role played by the IGPC in gathering and disseminating information. He characterized the IGPC-IIMA conference as a premier gathering of gold in India that rivals or surpasses similar events held worldwide and proposed that the conference merits expansion and greater scale. Mr Somasundaram noted that the insights of industry practitioners and academics complement each other. He suggested that the regulatory backing for formalising the gold sector is very important. Furthermore, Mr Somasundaram proposed that IGPC should publicize the findings and recommendations of the conference to raise awareness among the global community regarding the significant work being done by IGPC in this field. During the conference, Mr Somasundaram highlighted that the gold industry lacks a data-driven approach, making it difficult to assess the amount of gold held by jewellers. He emphasized the need for regulatory support and research to address this issue. He suggested that the industry should work with regulators and urge them to study the matter and provide findings. He also wished for a structured interaction mechanism between the trade and IGPC.

Inaugural Address by the Chief Guest, Shri Injeti Srinivas, Chairperson IFSCA

https://youtu.be/oJFjkEPzRiE

Mr Srinivas, in his inaugural address, acknowledged the role of IGPC in laying down the operational foundation of the IIBX and how IGPC has emerged as a leading think-tank in the Gold industry in India. Mr Srinivas minced no words in describing how every effort of policymakers to curb gold demand have not yielded any positive results. He advocated for a holistic approach to be followed by the policymakers on gold, in line with Niti Aayog's recommendations resulting in a suitable policy to leverage existing gold to contribute to India's growth story and create employment generation and export opportunities. He revealed various initiatives taken by IFSCA and IIBX to promote gold trading through IIBX.

Declaration of MCX-IIMA Awards

https://www.youtube.com/watch?v=MZT6xBrl2Fw

Each year, the MCX-IIMA awards are declared and presented to the authors of the best two papers out of all the papers presented in the previous conference. This year, the awards were presented by Prof Arvind Sahay, IGPC-IIMA and Mr Shivanshu Mehta, MCX, to the following:

First prize – Does financial and macro policy explain household investment in gold? By Renuka Sane, Assistant Professor, National Institute of Public Finance and Policy; Manish K Singh, IIT Roorkee

Second prize – Gold Smuggling In India And Its Effect On The Bullion Industry - Dr S. Maria Immanuvel, Assistant Professor, St. Joseph's Institute of Management; Dr D. Lazar, Pondicherry University; Rakshambiga VN, PGDM Student, St. Joseph's Institute of Management

IGPC-PRICE survey findings and unveiling of part II, Dr Rajesh Shukla, PRICE, Minal Marathe, IGPC

https://youtu.be/WgLzip9W1lA

The IGPC-PRICE survey findings were revealed at the end of the first session. The IGPC-PRICE household study on gold was updated in detail by Dr Rajesh Shukla, M.D., CEO of PRICE, who discussed the survey's methodology and data-driven findings. Dr Shukla emphasized the need for appropriate data collection and analysis methods to provide objective, accurate, and trustworthy policy recommendations. According to Dr Shukla, the purpose of the survey for 2022–2023 is to learn about the factors that influence the demand for gold and the makeup of that demand from over 40,000 households. He mentioned releasing his new book "Rising Indian middle class, a force to reckon with" and discussed about it at length. According to his findings, the middle class (those with a household income between Rs 5 lakhs and Rs 30 lakhs) accounts for around 48% of consumer spending and 52% of savings. If India is serious about making its case for growth and development on the international stage, his advice was to direct policy efforts towards the middle class.

Rising from the Regions: The Growth and National Aspirations of Regional Players

https://youtu.be/SJnLOR09qV4

Moderator: Mr Chirag Sheth, Metal Focus
Speakers: Mr Gaurav Anand-Anand Jewels Pvt. Ltd., Mr Anil Talwar (Online)-Talwarsons, Mr R. Satish-Vaibhav Jewellers Group, Mr Ba Ramesh-Thangamayil Jewellery Limited, Mr Saiyam Mehra-Unique Chains and Chairman-GJC

The panel had some well-known names from retail jewellery leaders from different regions, including Indore, Chandigarh, Madurai, Visakhapatnam, and Mumbai.

Mr Chirag started with a background of the changes the gold industry is experiencing from the gold trade and consumption point of view. He discussed about the expansion of national chain stores, the formalization of trade, and changing consumer preferences towards diamond and lightweight jewellery. In response to the changes the industry has experienced over the last 5 to 6 years, Mr Mehra said that the industry was getting organized and witnessing growth due to hallmarking and the use of technology. In his opinion, the next 5-6 years will be very crucial for the growth of the industry as both the domestic and foreign markets are growing with an equal demand for Indian handmade and machine-made jewellery. Mr Mehra, however, pointed out that the traditional mindset and lack of risk-taking ability of the jeweller's families were the major roadblocks that restricted expansion. Mr Ramesh highlighted the importance of providing the best products at the best prices, particularly in smaller towns where business opportunities abound.

Mr Satish emphasized the role of local employees in connecting with customers and expanding the business regionally. He also mentioned plans to expand into other parts of the country. Mr Gaurav discussed the current trends in the diamond industry, emphasizing the importance of the experience retail spaces provide by offering personalized service and a relaxed atmosphere.

The panel concluded that a clear vision and customer trust are key drivers of success in the industry. They also emphasized the need for a support system and ongoing backing from the government and industry stakeholders to sustain and further enhance the growth of the jewellery industry.

The growing role of Refining in the Indian Gold Ecosystem - Need for Responsible Sourcing and Refining opportunities at GIFT City

https://www.youtube.com/watch?v=XUUv2YriMKQ

Moderator: Prof Arvind Sahay IGPC-IIMA

Speakers: Mr Sudheesh Nambiath-DMCC, Mr Haresh Acharya-Parker Precious Metals LLP, Mr Kamlesh Sharma-IFSCA, Mr Vikas Singh-MMTC PAMP Ltd., Mr James Jose-CGR Metalloys

The panel discussion highlighted several key areas that needed regulatory focus. Specifically, the broader points for discussion were the importance of regulatory certainty for the gold refining business, the importance of responsible sourcing, and the refining opportunities at the GIFT City. One of the major challenges in refining is the high volatility and difficulty in forecasting, which makes it difficult to estimate profitability. Additionally, there are uncertainties in customs duties and dore supply issues. The panellists elaborated on the need for setting up a Self-Regulatory Organization (SRO) that would facilitate achieving the Environmental, Sustainability and Governance (ESG) objectives of the gold Industry in India. The scope for refining at GIFT city of Gujarat and the benefits of refining at IFSCA, such as dollar funding with lower interest costs, ten years of tax rebate, 9% MAT after ten years, no customs duty or GST on goods imported, and the ability to import scrap as well for refining was discussed. As indicated, the regulator IFSCA was clear in their vision of scaling up operations at IIBX. Still, due to policy unpredictability, the industry finds it difficult to flow capital investment.

Expanding the Product Offerings at the India International Bullion Exchange, Domestic Spot Exchanges and the Gold Derivatives

https://www.youtube.com/watch?v=G8yQ9cd1oHg

Moderator: Prof. Joshy Jacob, IIMA

Speakers: Mr Ashok Gautam-IIBX, Mr Shivanshu Mehta-MCX, Mr Gaurav Kapoor-NSE, Mr Ranjith Singh-BSE, Mr Vipin Raina-MMTC-PAMP Ltd

In a special panel with representatives from the leading commodity exchanges in India, the workshop on the gold product offerings, the participants gave an update on existing product offerings and their plans to expand the gold product basket. Mr Gautam highlighted that value creation is a precondition to attract market participants on a particular exchange. The pricing offered on IIBX would result in substantial business at the exchange in the near future. The rationalization of tax and customs duty structure and standardization of gold bars for EGR's proper functioning and efficiency were also discussed. It was mentioned that GST-related issues need to be addressed to make EGR more successful, for which proposed resolutions have been submitted to the policymakers. MOF. The end investor must be comfortable with the EGR process, and physical and financial players will participate only when it makes economic sense.

Development of Vaulting Infrastructure - Evolution of Role of Vaulting in India

https://www.youtube.com/watch?v=XXBivH1hbXk

Moderator: Prof. Joshy Jacob, IIMA

Speakers: Mr Sambit Roy-Brinks, Mr Sharad Jobanputra-Sequel Logistics

The panel session with two of the biggest logistics companies operating in India broadly discussed the evolution of vaulting infrastructure in India over the years. Mr Sambit Roy highlighted that the state-of-the-art vaulting infrastructure is market-driven, with an assured presence wherever the market and demand exist. Despite the pandemic, huge investments were made in making state-of-the-art vaults, and the trend is expected to continue. Mr Jobanputra discussed how Sequel Logistics, with its largest vault network, has achieved continuous growth of over 50% in business and scaling up of infrastructure.

They mentioned about their presence as vault managers in GIFT City and are closely working with the regulators. They sounded well-prepared to deliver gold in GIFT City and other parts of the country at an economical cost. Sequel Logistics delivers small-sized bullion across the length and breadth of the country, including remote areas such as Srinagar, Jorhat, and Port Blair and is capable of delivering small ticket coins to consumers who have invested in EGR. With 100 branches and 400-500 locations, they can deliver in less than half an hour. They are a technology-driven company with a fleet of vehicles and modern vaults. They also highlighted that investment opportunities in the custody business are emerging as SEBI has issued custody licenses to many players, and more are joining. Vaulting service providers are neutral entities and are willing to work with any new gold or silver custodians. Therefore, anyone wishing to invest in the custody business can expect the required support from Sequel and Brinks, who are prepared to serve the gold market.

Fireside Chat - Central Bank Digital Currency-What's There for Gold Trade in India

https://www.youtube.com/watch?v=ZauvP5ZlWYk

Session Chair: Mr Somasundaram PR, World Gold Council

Moderator: Prof Abhiman Das, IIMA

Speakers: Mr Vikas Nagpal-ICICI Bank, Mr Rahul Tahiliani-Yes Bank

The key discussion point was the potential impact of Central Bank Digital Currency (CBDC) on the gold trade in India. Given India's strong digital infrastructure, the interaction suggested that the transition to CBDC could catalyze financial inclusion and increase the efficiency of financial transactions.

For the gold and jewellery trade, the panel believes that a pilot program is needed to explore the possibilities for gold purchases via CBDC. Pegging CBDCs to gold against the backdrop of geopolitical tensions, rising policy uncertainties across countries and increased forex volatility were also ideated. While acknowledging the critical role CBDCs could play for the gold industry, they were unambiguous over its prematurity and needed further validation for a cross-border payment system.

Overall, CBDC has gained momentum in the last 2-3 years and is expected to bring significant efficiency to financial business in India. While CBDC may have the potential for linking to gold, it may be too early to say with certainty and require further exploration.

Keynote speech by Mr David Tait, CEO, World Gold Council

In his keynote speech, Mr David Tait congratulated IGPC for organizing the annual conference as a common forum for the market, regulator and academic community. Mr Tait highlighted the role IGPC should play in consumer and investment research on the gold industry in India and provide policy support to the regulator and the government. There is a lack of gold consumer and investment research, and IGPC is bridging this gap by bringing academia from India and other countries together. India needs to have a sound gold policy direction, and IGPC can help improve the understanding of this perspective, especially to assist the government. In addition to rationalizing taxes and customs duty, he highlighted some other key critical issues, such as trust deficit, fungibility of gold, lack of innovation in the gold industry, that need to be addressed by the gold industry. High taxes on gold are likely to encourage the grey market, and India needs to think about a digitalized gold market five years hence. He minced no words in stating that India took too much time to create the exchange mechanism, good delivery, and hallmarking for gold, despite being the second-largest consumer of gold. Mr Tait mentioned that the gold policies must promote innovation and industry best practices to help India emerge as a gold trading hub and a jeweller to the world. The global gold markets have shortcomings that need to be addressed for the trust and fungibility of gold. The WGC Remedial initiative called Gold 247 aims to make gold freely accessible and fungible as a digitalized standard unit with embedded integrity and traceability qualifications. India can play a major role in it. Digital India needs to embrace accessibility, integrity, and fungibility together with a digital regulatory framework. Senior academics interested in gold must understand the Gold 247 vision and provide critical thoughts.

Balancing Regulation to Facilitation - A chat on "Ease of doing Business"

https://www.youtube.com/watch?v=N9nz5DXJ8mU

Moderator: Mr PR Somasundaram-WGC

Speakers: Mr Ananth R-Director (Customs)-DOR-Ministry of Finance, Mr Arjun Raghavendra-IGPC-IIMA

Mr Ananth, in his presentation, highlighted the efforts made by the Indian Customs to balance enforcement and facilitation, focusing on using technology to reduce clearance times for gold and other consignments. In his view, introducing schemes like IGCR has helped automate processes for raw materials coming into India, reducing dwell time and allowing for quicker delivery to customers. The Customs Department is also promoting the gems and jewellery industry through e-commerce and leveraging post offices nationwide to enable e-commerce transactions. He believes there is a need for ecosystem development that enables gold clearance at Customs in four hours, just like in other global markets. Further, he emphasized the urgency of mainstreaming the gold industry by using appropriate technology and policy mix to ensure compliance.

Financialization of Gold - Some perspectives

https://www.youtube.com/watch?v=j7IuKpBB3QM

Moderator: Mr. PR Somasundaram, WGC)

Speakers/ Presenters: Mr Naveen Kumar-RBI, Mr Charudatta Patil-RBI, Mr Pravin Kumar-RBI

Mr Pravin Kumar & Mr Charudatta Patil from RBI presented their views on the financialization of gold in India. They discussed various issues concerning the financialization of gold at the local, national, and global levels. Mr Navin Kumar, Director DEIO-RBI, exemplified the case of Turkey, which adopted a reserve option mechanism, gold-backed bonds, and gold deposition schemes to financialize the idle gold under the mattresses. Mr Kumar also pointed out some challenges in the process of financialization of gold (GMS). For instance, limited financial literacy, poor gold assaying and collection services, an unorganized bullion ecosystem, and limited investment in non-jewellery products limit the process. He emphasized the need to promote robust market infrastructure, transparency of prices, and the use of technology to develop gold monetization. Overall, Mr Kumar was bullish on the financialization of gold, and he appreciated Gold Metal loans, derivative instruments, and gold-linked products for achieving the said objective.

Role of Banks & Exchanges in the Financialization of Gold

https://www.youtube.com/watch?v=IYeyasvoOkw

Moderator: Mr Somasundaram PR-World Gold Council

Speakers: Mr Neville Patel-HDFC Bank, Mr Harish Madaan-ICBC, Mr Manish Goel-ICICI Bank, Mr Kamlesh Sharma-IFSCA, Mr Sunil Kashyap (Online)-Finmet Hongkong

The panel discussion on gold financialization in India highlighted the need to empower banks to create a whole ecosystem for gold, given their capability to handle bullion risk. Given that the banks have a robust risk management system in place, they asked the regulator for appropriate policies to operate with the freedom to banks in the bullion space and promote the process efficiently. The banks should be given a broader framework to operate and empowered to open deposit accounts for gold. The panel discussed reasons why the GMS had been a failure. Mr Kashyap expressed surprise that after so many years of bullion trade being handled by the banks, they still operate under a very restrictive ecosystem. Digital gold needs to be regulated as it can be monetized, and banks should be given the freedom to structure it. A Gold Board or a standing committee was proposed to continue the dialogue on gold financialization.

Rebranding India's Gold Trade - Time to Build a Suitable Governance Structure for Sustainable Domestic and International Branding

https://www.youtube.com/watch?v=U6XxmP1Dzho

Moderator: Prof Arvind Sahay-IGPC-IIMA
Speakers: Mr Suvankar Sen-Senco Gold & Diamonds Ltd, Ms Nirupama Soundarajan-Pahle India Foundation, Mr Rajesh Khosla-Bullion Expert, Mr Viraj Didwania-Foresight Bullion, Mr Ba Ramesh-Thangamayil Jewellery Limited, Mr Arjun Raghvendra-IGPC-IIMA

The panel discussion focused on rebranding the Indian gold trade industry both domestically and internationally. The need for trust, credibility, quality, and conformity in the gold industry was emphasized. Establishing a non-profit organization comprising all industry stakeholders to create a governance structure and work on related issues was suggested.

The panel also discussed the need for standards to be put in place for manufacturing, karigars, products, and services to ensure trust and transparency. The creation of a single self-regulatory organization (SRO) to lay down broad principles for good governance for rebranding was recommended.

The panel suggested that the Indian gold industry strives to achieve global standards and infrastructure. The establishment of more LBMA refinery companies in India and the need to create a giant leap in the industry were also discussed. Overall, the panel emphasized the need for a strong governance structure, trust, and transparency in the Indian gold industry for successful rebranding.

Workshop on Role & Growth of Infrastructure Facilitating Gold Trade

I. Emerging Trends and Patterns of Gold Buying in India - Increasing Use of Technology

https://www.youtube.com/watch?v=ZrhIiSDdFCc

Moderator: Mr Sudheesh Nambiath-DMCC & Mr Harish Chopra-IGPC-IIMA

Speakers: Mr Gaurav Mathur-Safegold, Mr Keyur Shah-Muthoot, Mr Vikram Dhawan (Online)-Nippon India Mutual Fund, Mr Amul Kumar Saha-MMTC-PAMP, Mr Johnson Lewis-Finmet

The case of NBFC Muthoot's business model was discussed as to how Muthoot has been successful in providing loans against gold and monetizing it in the mass market. It was suggested that the regulators consider allowing NBFCs to accept gold deposits or issuing loans against digital gold. The panellist suggested the regulator allow the gold ETF to be used as collateral. It was highlighted that digital gold savings are the future and should be promoted. It was mentioned that ETF penetration in India is currently low but can grow if customers are educated, and more channels are created. Gold ETFs may be permitted to be transferred to reduce friction in converting them into physical gold. A supportive framework in the form of favourable taxation and incentives for banks to offer digital gold savings accounts was also discussed.

II. India's Gold Jewellery Exports – Understanding the Export Promotion Schemes, the Emerging Markets and the Role of Spot Exchanges in Gold Supply to Exporters

https://www.youtube.com/watch?v=B8mY1M7ojg4

Moderator: Mr Sudheesh Nambiath-DMCC & Mr Harish Chopra-IGPC-IIMA

Speakers: Mr Ashok Gautam-IIBX, Mr K K Duggal-GJEPC, Mr Prem Nath-Finmet)

The final session was a workshop on understanding the export promotion schemes available for the Gems & Jewellery sector. Mr Prem Nath made a detailed presentation explaining various government-sponsored schemes to promote gems and jewellery exports. The challenges for exporters, like blocking of customs duty and the long time taken to release the export performance margin, were elaborated. The discussions also highlighted that the UAE CEPA agreement has led to a 20% increase in jewellery exports. Further, it was clarified that the exporters who can't get duty-free gold are allowed to receive duty drawback once export obligations are met. Besides, the workshop emphasized the role of digitalization in ensuring faster and foolproof record-keeping. IIBXs role in enabling seamless delivery of gold to jewellery exporters through SEZ to SEZ transfer and allowing holders of Advance authorization to take gold from GIFT was highlighted by Mr Gautam.

ABSTRACT OF RESEARCH PAPERS PRESENTED AT THE CONFERENCE:

Skill Development – Evidence from the organized and unorganized sector in the Indian Gold Jewellery Manufacturing sector

Prof Biju Varkkey-IIMA, Prof Jatinder K Jha-XLRI, Ms Novel Shakil Ansari-Research Associate, IIMA

https://www.youtube.com/watch?v=44WYhFsmiBU

The Gems and Jewellery industry currently employs about 4.64 million employees and is slated to employ an additional 3.59 million by 2022-23. India's jewellery-making and gem-cutting skills date back several centuries, and our industry is the torchbearer of these ancient crafts and rich heritage. Master craftsmen and skilled artisans have always been the backbone of this sector, who have handed down skills from one generation to the next to create pieces that are unparalleled in beauty and intricacy. One of the objectives All India Gem and Jewellery Domestic Council (GJC) to develop skilling in the industry and promote entrepreneurship and nurture new talent by setting up training centres across India with the potential to train 50000 students each year. To develop jewellery manufacturing HUBs / Clusters / Common Facility Centres in major cities and to make the industry more compliant and way forward to get more organized. Short Term Skill Development Training. Recently, decrease in the manpower supply even from the traditional sources (Bengal/Gujarat) is observed. Setting up training centre will spread awareness and attract new talent by showcasing career progression. Currently study aims exploring the skill development models in formal and informal sector of gold jewellery manufacturing sector and development of an integrated skill development framework for karigars.

Our study intends to capture the existing skill development process in the formal and informal sector of gold manufacturing industry. We have captured experiences of 189 artisans (Karigars) working in formal, semi formal and informal workshops across country using in-depth interviews and observation about working conditions and labour practices prevailing in informal gold jewellery manufacturing sector. For this purpose, it is important to analyze the participants' narratives based on their experiences, and hence, we chose a qualitative research-inductive approach to draw insights from participants' inputs.

Research includes various skill development models, such as the various phases of skill development in formal and semi-formal sectors, beginning with Basic training + Apprenticeship + Probation (equivalent, which is a testing time), which converts a new aspirant karigar into a skilled karigar, in 3-5 years. Fresh karigars are initially employed as helpers in casting, wax and wire production, etc. Development of skills can be either Specialized or Multiskilled. Firms emphasize specialized skilling over multi-skilling (single person cell vs group cell). Our findings also emphasize various skill development models in the formal and informal sectors, such as Ankurhathi Gem & Jewellery Park, the first facility of its kind to provide informal karigars with formal training and working conditions. "Hunarshala" is a very traditional concept for educating the younger generation. It is not an organized training concept, but it is widely utilized in Rajkot (Gujarat). Students, between the ages of 18 and 65 learn how's of gold manufacturing sitting at a small table in a small room that can fit between 8 and 10 people. The promoter of each Hunarshala (ownership is across generations_ will be the teacher and students learn by doing and interacting with peers. Our research has led to the categorization of employment types in this industry, from which an integrated skill development framework for karigars has been developed. Suggestions for attracting young talent, increasing labour mobility across industries, promoting decent employment, and ensuring a sustainable labour market are potential outcomes of this research.

Keywords: Skill development park, Traditional concept of skill development, Skill development models.

Gold in household portfolios during the COVID-19 pandemic: Evidence from an emerging economy

Ms. Oindrila Chatterjee-Research Associate, IGPC-IIMA, Prof Balagopal Gopalakrishnan-IIMA, Prof Sanket Mohapatra-IIMA

https://www.youtube.com/watch?v=U1eMTFedGjU

This paper examines how Indian households allocated their portfolio across gold, financial assets and cash during the COVID-19 crisis. It relies on a nationally representative household survey conducted in 2020-2021 across 160 districts in India. We find households in COVID-19 vulnerable districts shifted to gold, a safe asset, during the pandemic, as compared to households in other districts. This shift is also observed for districts that experienced the largest economic impact during COVID-19. Our findings contribute to a better understanding of the role of economic crisis in shaping the financial decisions of households.

Dynamism of Indian Gold buying customers
Prof D. Lazar-Pondicherry University, Dr S. Maria Immanuvel-St. Joseph's Institute of Management, Bengaluru

https://www.youtube.com/watch?v=rImmc0lEZtU

Indian gold market is a well known market for its buying and selling of gold in the form of ornaments. Having more than 300,000 gems and jewellery players, Indian bullion industry contributes around 29 per cent to the global jewellery consumption. Its market size is expected to reach $103.06 billion by the end of 2023. This study is an attempt to analyse the perception of Indian gold buying customers towards purchase and sale of gold and further it examined the association between customer profile and buying, selling and investment perception. Primary data is collected using a structured questionnaire from the respondents. Some of the major findings from the analysis are as follows: 48% of the respondents buy jewellery only during special occasions weddings, birthdays, anniversaries, festive seasons, Akshaya Tritiya etc. 72% of the respondents never sold their gold in their life and Not many are (less than 15%) interested to exchange gold when they buy new gold. Overall around 76% of the respondents mentioned that their purchasing decision is influenced by their family members. 75% of the respondents are interested to buy gold with BIS Hallmarking. Income and age of the respondents and exchange options when buying new gold have influenced the purchase of jewellery in the past. The amount of gold purchased in the past, is highly significant in determining the future gold buying decision.

What determines India's gold price premium/discount? Evidence from gold prices of LBMA, MCX and RBI

Prof Priyanka Vallabh-MDI Gurgaon, Prof Imlak N Shaikh- MDI Gurgaon

https://www.youtube.com/watch?v=YFcyKg1HgsY

India is one of the largest consumers of Gold, but price discovery is not that transparent and structured compared to gold markets like London and Shanghai, which have their own gold exchanges. Due to the absence of formal gold exchange, unlike in London and Shanghai, gold prices in India are determined informally by local demand and supply dynamics. Further, there is an influence of local regulations and Gold policies on the final prices. The role of bullion dealers is also crucial in the trade. Based on their relationship and capacity to hedge, they lend Gold and contribute towards addressing the gaps otherwise banks would be doing. The selling price of Gold is determined by landed cost + (premium/discount) in the local market. Sometimes, local prices differ significantly from international gold prices due to uncertainty of the INR-USD exchange rate, local taxes, import regulations, and seasonal factors. One of the significant factors determining premium/discount, is the interaction between domestic demand for Gold and international prices. Here, it should be noted that the inventory held by bullion dealers, manufacturers, and retailers also affects premium/discount. Moreover, the demand for Gold across states in India is different at a given time because of seasonal patterns, customer preferences, etc.; furthermore, the state taxes are also different, resulting in non-uniform prices across India. Each major trading hub has a local bullion association that notifies the price for both 22k and 24k Gold. As a result, gold prices are different in different trading hubs across the country. Hence, local gold prices deviate significantly in line with Gold's international price, which signifies the influence of the local price dynamics. WGC takes pain to approximate the price differences faced by the Indian consumers considering gold prices from LBMA, Multi Commodity Exchange of India (MCX), and the Reserve Bank of India (RBI). In order to calculate premium or discount WGC, consider MCX Spot price and landed price.

$$Premia/Discount\ (US\$/oz) = MCX\_Spot\_Price(INR/10gm) \times FX\ rate(INR - USD) \times 0.32150oz/10gm - LBMA\ AM\ fix\ (US\$/oz) - Import\ tax\ (US\$/oz) \quad (1)$$

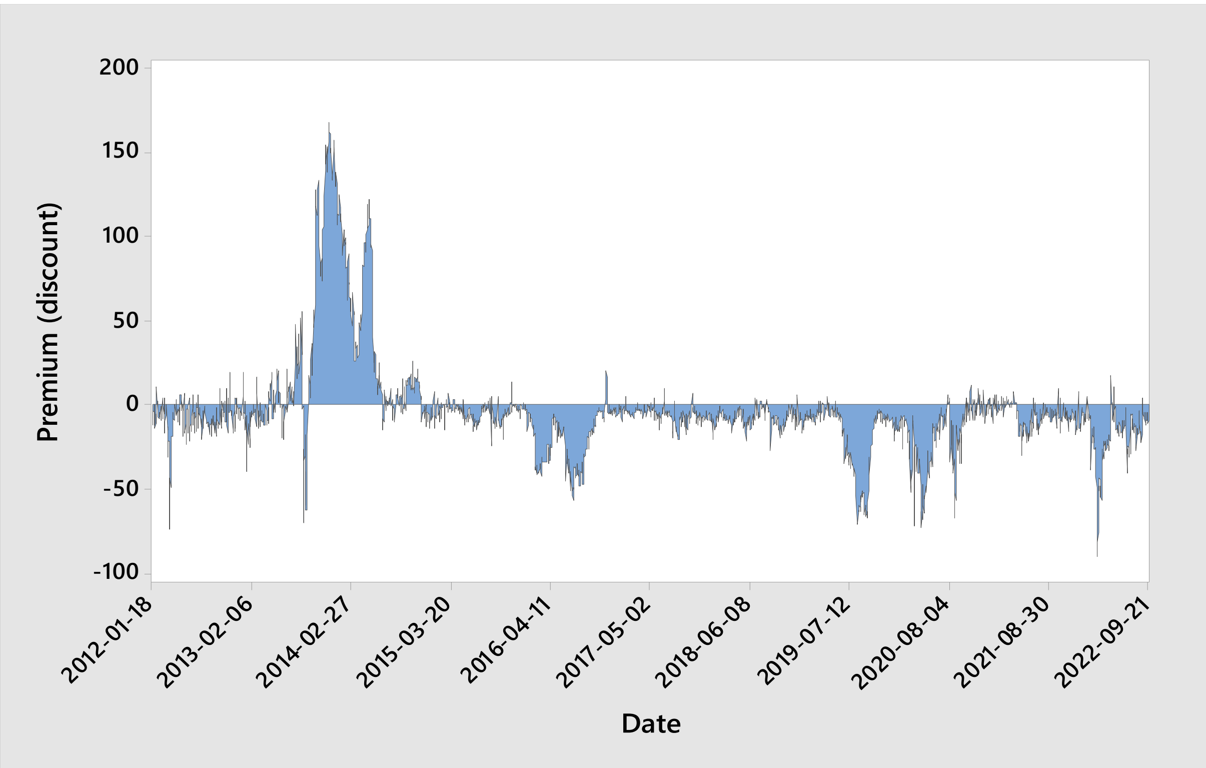
Where, import tax (US$/oz) is calculated as follows[1]:

$$Import\ tax\ (US\$/oz) = Custom\ tariff\ value\ (INR/10\ gm) \times FX\ rate\ published\ by\ Department\ of\ Commerce\ (USD/INR) \times Import\ tax\ (\%)\ x\ 0.32150oz/10gm \quad (2)$$

Our research questions: (i) Does policy uncertainty affects Gold price premium/discount? (ii) Does India's Gold price premium/discount hold some seasonal anomalies? Figure 1 displays the temporal plot of India's gold price premium or discount. From 2012 and 2013, Indian consumers paid excessive prices over international Gold (e.g., more than $150). The reason behind the gold premium lies in the 'intervention' era imposed by the Government of India. The year 2012-2013 reduced the supply of Gold overseas through duty hikes and taxes (10%), export obligations with 80:20 rule, a ban on importing gold coins, and many other economic policies that have discouraged gold import.

Moreover, after 2013 and till 2020, Indian consumers were buying Gold at discounts. The plausible reason for the gold price discount is more 'transparency,' e.g., Removal of export obligations, Gold monetization scheme, Gold bond, and banks are allowed to import Gold. Hence, from 2014-2020 sufficient supply of Gold will be available to meet local gold demand. However, the Gold related import restrictions had some effects. As a result, gold demand reduced a little. It was mainly due to import duties, and the 80:20 regulation pushed up the premium in the local market and formed uncertainty.

Figure 1 Gold price in India –Premium or Discount



[1] Note: The tariff value on gold (US$/10gram) and FX rate (USD/INR) for imported goods is published on a fortnightly basis, or whenever there is a sharp fluctuation in international gold price or FX rate. With the tariff value and FX rate, the tariff value on gold is computed in INR/10 gram.

The study aims to uncover some of the important determinants of India's gold price premium or discount. We take into account daily prices of premium/discount provided by the World Gold Council from January 2012 to September 2022. Further, we consider India's Economic Policy Uncertainty Index, Gold Import, INR-USD exchange rate, MCX gold spot, and futures prices. We also compile essential policy changes during the sample period to check policy effectiveness on Gold's price premium and discount. Moreover, we present some of the evidence on the market anomalies that can help formulate policies to minimize the trajectory of domestic and international gold prices.

From "Making Charges" to "Crafting Premium". Determining the Feasibility of a Novel Strategy for Marketing Gold Jewellery
Prof Priya Narayanan-IIM Kozhikode

https://www.youtube.com/watch?v=o8gHeu7wRrY

Gold jewelry is ubiquitous in India and is a common form of adornment and savings in the country. The demand for gold jewelry in India stood at 611 tonnes in 2021, which amounted to Rs. 2.6 lakh crore (Asokan 2022). The gems and jewelry industry, including exports, contributes about 7% of India's GDP (IBEF 2022). Given the importance of the gold jewelry industry and the prevalent extent of competition, marketing and advertising becomes critical to draw customers and to build a brand image. Leading branded jewelers spend several crores on advertising, with leading players spending Rs. 100-200 crore (Goldhub 2022).

However, despite the differences among companies in terms of scale and strategy, gold jewelry retailers follow two main approaches while selling to customers, depending on the nature of the product: heavy and higher karat gold are sold primarily based on the quantity of gold contained in the product, expressed in grams. To the price of gold, an additional quantity known as "making charges", usually ranging between 6% and 25% of the price of gold in the product, is imposed (Motiani 2020). The purchase does take into consideration the design, but the stronger emphasis is on the amount of gold that changes hands. Unlike this, relatively lighter and lower karat jewelry, often fashion pieces, are sold at a fixed price decided by the retailer. In this case, the focus in only on design and aesthetics but not on the sheer quantity of gold involved.

An important observation in the retailing of gold jewelry, thus, is the role of the making charges which works as a premium on top of the price of gold. Across jewelers, there is a popular practice of providing discounts on the making charges as the amount of making charges is highly variable and is opaque to the consumer (Appendix A). In this way, variation in making charges is used for competitive differentiation and as a way of encouraging sales (Kaur 2020). The discounting of making charges has been a longstanding method and seemingly works, although systematic evidence for the same does not exist.

In this research, we question current practices related to making charges – jewelers competing on making charges and drawing customers through discounts on making charges – and propose a novel strategy to sell gold jewelry by changing consumer perception of making charges. We suggest that, for consumers who are more interested in the aesthetics of gold jewelry and intend to use it for adornment, it would be possible to present making charges as a "crafting premium" which forms an indicator of the value addition carried out on the gold. This would make reasonably high making charges acceptable, without necessitating jeweler discounts on making charges. For customer who buy gold as a financial asset, low making charges will continue to be attractive, but purchase of physical gold for investment is likely to decline gradually as avenues for investment in paper assets linked to gold become more popular (Dhawan 2022).

To this end, we first examine jeweler and consumer perceptions associated with making charges, both in terms of its necessity and in terms of possible changes to perception, through a series of interviews with both sets of stakeholders, while also studying the willingness to adopt such an approach. We then test the feasibility of adopting such an innovation through a set of experiments to determine the effectiveness and acceptability of the proposed approach to jewelry pricing.

Presenting making charges to the consumer as a "crafting premium" could reduce the prevailing customer tendency to focus on prices while buying a hedonic product based on design and aesthetics. This approach could be a step forward for the gold jewelry industry in moving towards a category that can command a premium. Additionally, the crafting premium elevates the role of the craftspeople who have traditionally worked in low quality settings and form the backbone of the gold jewelry industry, despite the advent of machines (Varkkey, Jha, and Ansari 2022). Overall, if determined to be feasible and, hence, adopted by gold jewelers, the proposed approach has the potential to become a gamechanger for the industry by enabling greater creation and capture of value that other industries such as diamonds and luxury products have achieved, while raising the quality of life for *karigars* and craftspeople.

This research will contribute to literature on marketing strategy, particularly with respect to pricing, as well as the impact of price cues on consumer choices. Price can act as a signal for product quality and crafted products tend to command a price premium in several product categories. However, price can be perceived as indicating a value addition or an unfair added cost, with the latter being subject to discounting. We suggest that the gold jewelry industry in India can benefit through viewing making charges as value addition rather than merely a burden to be borne by the jeweler and/or consumer.

Evolving role of gold in crisis with special reference to India: evidence from assets linkage and policy interventions

Ms Sruthy Madhavan-Research scholar, School of Management Studies, Cochin University of Science and Technology

https://www.youtube.com/watch?v=ZTGwhxXW2ns

Long term investors in financial assets look for optimizing their portfolios to maximize risk-adjusted return or minimize portfolio volatility. They like to include such assets in their portfolios as would provide them with the benefit of diversification. Some investors choose to protect their portfolios from extreme market downturns, while others may look for hedging their portfolios, even in ordinary times (Manuj, 2021). The urge for including an asset into the portfolio is highly depends on the characteristics of assets as well as the market conditions (Goodell, 2020). Gold is traditional favorite investment avenue for the investors. The attractions to gold globally are very explicit. There are several distinct characteristics that make gold an attractive investment avenue globally. It has been considered as storage of value, stabilizer of the portfolio, a liquid asset, and a valuable currency (Chemkhaa et al., 2021). The commodity is known for its hedging ability against inflation as it co-moves positively with inflation (McCown and Zimmerman, 2016). It compensates the investors from erosion of purchasing power due to inflation or currency depreciation. Given these characteristics, investors and policy makers are keen to understand the viability of gold as investment asset especially in the uncertain and risky financial market conditions. The present study looks into the role of physical gold as an investment asset during crisis.

Statement of the problem

The choice of assets towards which the investors tilt their portfolio depends on the interdependence between each asset in the financial system. According to modern portfolio theory, this interdependence is measured in terms of the correlation structure between assets. The portfolio strategy of investors is crucial especially when the correlation between assets is time varying. Over last few decades, the financial markets have evolved in tandem with growing globalization of the world economy; both in value as well as in volumes. The process of financialization can change the role of many traditional assets. This has also brings greater market risks and volatility. Along with this, the Indian stock market has experienced several crises and turbulence times during the past few decades like Dot com bubble in 2000, global financial crisis in 2007-09, European debt crisis in 2009-12 and Covid 19 pandemic etc. Thus, it has never been more important for investors to come up with a quick risk-minimized investment strategy (Ji et al., 2020). Among many, gold is unique asset with distinct characteristics and historical performance of gold created a belief in the mind of investors about its potential to protect the wealth of investors during adverse market conditions (Drake,2021). According to behavioral finance studies (Kahneman 2003), some investors are not entirely rational, and their demands for risky assets are influenced by their views or feelings that are not entirely supported by fundamental facts. Also dynamic market conditions due to the frequent occurrence of crises during the last two decades and the financialization of commodity market will leads to the movement of markets in tandem with each other. Hence motivated by the elevated market uncertainty and to substantiate the belief of the investors, it is essential to test the role of gold. The study also examines how far crises and financialization policies have changed the role of gold in India. The effectiveness of financialization policies during crisis is also subject of interest of the present study.

Research gap

Firstly, most studies are carried out in markets where gold is viewed as an investment asset. The studies in the consumption-oriented market are emerging. Secondly, the existing empirical evidences are mixed and contradictory in nature and the mixed results can be attributed to the various ways of testing the role of gold. The existing literature employed traditional correlation-based methods to ascertain the role of gold during crisis which has limitations thereby leading to an urge of employing other novel methods. Thirdly, though there are theoretical evidences on the importance of policy measures on changes in role of gold during crises, empirical evidences are sparse in this regards.

Objectives of the study

1. To identify the role of gold during crises

2. To examine the impact of crises on the changes in role of gold in India

3. To examine the impact of financialization policies on changes in the role of gold in India

Examining the Role of Servicescape on Gold Buying Decision: The Moderating Role of Regulatory Focus

Prof Sulagna Mukherjee-JAGSOM Bangalore

https://www.youtube.com/watch?v=qSntArn1juY

This study aims to find the impact of 'Servicescape' on consumer gold buying behavior among Indian consumers. This study also tries to draw on Regulatory Focus Theory (RFT; Higgins 1987) to explore the factors that affect the gold buying decision. The servicescape model is originally developed by Booms and Bitner (1981, p. 36). Servicescape (also called Ambience) is coined as the "the environment in which the service is assembled and in which the seller and customer interact, combined with tangible commodities that facilitate performance or communication of the service". According to RFT, consumers are either promotion- or prevention-focused. The consumers who are Promotion-focused are concerned with positive outcomes while the prevention-focused consumers are concerned with avoiding negative outcomes. Promotion-focused consumers are more willing to take risks than prevention-focused consumers (Higgins 1997) in their purchases.

How to use Gold as a Diversifier and as a safe haven in your portfolio

Prof Dirk Baur (online)-UWA Business School, Australia

https://www.youtube.com/watch?v=HFgm3n8RH0k

Safe haven assets provide protection for a portfolio in times of elevated risk or crises. Gold is widely accepted to act as a safe haven asset for stock market portfolios. However, it remains unclear when to buy it and when to sell it. We therefore analyze whether it is necessary to hold gold at all times as a strategic (passive) investment or whether it is sufficient to hold gold during crisis times only, as a tactical (active) investment.

Since it is difficult to predict safe haven events, gold cannot efficiently used as a tactical (active) investment. The delayed reaction implies an inefficient and costly use of the safe haven asset. Hence, gold's best use in a portfolio is as a strategic investment. Ironically, those investors who

use gold as a tactical investment boost gold's safe haven property and transfer wealth to those investors who use it as a strategic investment.

Keywords: safe haven, gold, tactical investment, strategic investment, hedging

JEL: C43, G01, G11, G12, G15

Understanding the Current Status of Gold Mining in India: Challenges and Opportunities

Dr Prabhakar Sangurmath-IGPC-IIMA

https://www.youtube.com/watch?v=Pg8E865Ut9I

With the intention to understand the Challenges & Opportunities in gold mining exploration in India, the study tries to grasp current Status of Gold Exploration & Mining in India. A thorough review of the reports of ministry of mines, govt of India and existing literature on the subject was studied in detail. The study concludes that the policymakers are auctioning the gold reserves with the intention to accelerate the growth of mining industry and employment generation and preservation. However, the current procedure of auctioning does not provide a level playing field for a wide spectrum of private investors due to time-consuming environmental clearances procedures and other issues related with corporate social responsibility (CSR). As a way forward, the investigation directs the policymakers to incentivize domestic private players and the foreign direct investment in the gold mining and exploration, through an online Single Window System procedure.

Disparity between India and International Gold prices

Ms Arushi Sharma-Research Associate, IGPC-IIMA

https://www.youtube.com/watch?v=TeCQfFH9tqY

It is imperative to understand the factors that cause deviations between India and international gold price and that imposes instability in the Indian gold market. A wider difference would provide more opportunities for smuggling and arbitrage. This study attempts to understand the causes of disparity between India and international gold price. In particular, we find out whether macroeconomic variables and gold industry specific variables influence the gold price disparity in India. Using monthly data from 2005 till 2021 we investigate whether local market dynamics impact the gold price gap.

Do Gold & Bitcoin diversify cleaner investment risk - evidence from connectedness measures
Mr Adil Shah- Research Associate, IGPC-IIMA

https://www.youtube.com/watch?v=jygxgnx2rW0

The study aims to investigate the risk management potential of gold along with bitcoin, crude oil and conventional stocks against the shocks in clean energy stocks from 11th July 2012 to 30th April 2021. The exploration is based on the presumption that conventional and clean energy stocks are alike and that financial markets have an asymmetric interdependence, which could be driven by various investment horizons. To that end, we use vector autoregressive-based spillover measures that decompose aggregate connectedness measures into their asymmetric and frequency components. The upside and downside spillover indices confirm the similarity of conventional and cleaner stocks and the asymmetry hypothesis, suggesting that downside shock transmission (bad spillovers) outperforms upside shock transmission (good spillovers). While the frequency-based spillovers suggest that the shocks from cleaner stocks are mostly driven by the shorter time horizon of less than one month. The time-varying results suggest that connectedness among the system variables is higher and asymmetric during crisis events. In particular, connectedness is higher and asymmetric during the European Debt Crisis and the COVID-19 pandemic. Finally, the directional and pairwise spillovers in the downside market suggest that gold has diversification potential as it is relatively more isolated from clean energy stocks. The optimal portfolio weights and hedging effectiveness for the various pairs of clean energy stocks and other assets complement the study by confirming the risk reduction potential of gold with clean energy stocks.

Keywords Clean energy stocks; Gold; Asymmetric connectedness; Diversification; Green finance

Gold Standard in Household Economy: A Qualitative Study of Gold Consumption in Malabar

Prof Anindita Chakrabarti- IIT Kanpur, Mr K.C. Mujeebu Rahman-PhD Fellow, IIT Kanpur

https://www.youtube.com/watch?v=2rDSra6-YjI

Hailed as a model state for its performance on the human development index, the state of Kerala somewhat paradoxically enjoys a robust reputation for its extreme affinity for gold jewellery. Mostly purchased as a commodity, the piece of gold jewellery acquires the status of a 'gift' when given at the time of marriage/other life-cycle ceremonies. Gold jewellery serves as not only a beautifier but also a symbol of one's wealth and status, quasi-money that can be pawned for loans. This paper will focus on the gold consumption among the Muslims of Malabar, Kerala.

Starting with the birth of a child, when gold ornaments are gifted to the newborn, and all through life, the yellow metal is an essential part of Malayalees' existence. Mehr - the amount of wealth that the husband pays as 'obligatory gift' to his wife to validate their marriage - is significant among them. The mehr, according to sharia law, is not necessarily required to be in gold; rather, it can be anything agreed upon by the bride. However, in Malabar, it is predominantly in the form of gold. Unlike the customary right of bride price and the concept of dower, mehr is understood as a wealth to be settled upon the woman herself, as a mark of respect and future security to her.

Additionally, and somewhat paradoxically, in Malabar, it is also common to gift abundance of gold to the bridegroom by her kin, which she then takes to the patrilocal residence in the form of dowry. Narratives of the consumers detailing the importance and role of gold jewellery in modern conjugality will throw light on the importance of the precious metal in Malabar's tradition-based modernity. The paper will thus explore how the complex organization of relationships between gold and the mehr-dowry-inheritance configurations impact status, wealth, kinship and life security of Muslims in Malabar.

By drawing on pioneering analyses of gifts and their role in social alliances (Mauss 1950 [2002]) and the distinctiveness of exchanges (Polanyi 1977), in addition to more recent research on the moral and social significance of money, (Parry and Bloch 1989; Berry 1989;

Guyer 1997; Zelizer 1994) and relational and reproductive saving (Guerin et al. 2020), the paper looks at how gold consumption in Malabar can be theorized.

The paper finds that among Muslims in Malabar gold has a quasi-sacred status in economic life, as Islam regulates gold transactions through sharia laws. Muslims in Malabar, including those at the lowest position of the economic hierarchy, save and exchange gold. They store it, accumulate it and exchange its value. The saving and exchange take place through certain forms of mediation and ceremonial transactions, which are essential elements for establishing or maintaining social and emotional relationships. By drawing on Guérin et al. (2019), we conclude that gold consumption culture in Malabar speaks the language of 'relational and reproductive saving',1 a form of saving driven by social and emotional links that circulate within particular time and space. Gold culture in the region influences social and emotional ties, defines spatial frontiers that correspond to certain languages of meaning and value and the social construction of household and community.

1 Guérin et al. 2019:5

Relational saving plays a critical role in household and social reproduction. Examining gold and its accumulation in Malabar from this perspective, we understand how patterns of saving and exchange in Malabar build social and emotional interdependencies, and fit into specific worlds of meaning and value. Additionally, relations of gold contribute to the social reproduction of households, and, natal and affinal ties. Throughout their lives, people maintain clear records of their payments and receipts and since they may shift between the positions of debtor and creditor at various points, accounting remains loaded with emotional and social affect.

Relational saving also has its own relationship to space. It is not de-territorialized like modern banking system, but it is rooted in specific places tied to the social maintenance of the group to which it belongs. This does not rule out the logic of accumulation, individual calculations, and market exchange, but it means that these things are subject to the institutional limitations of social reproduction. Malabar demonstrates such a space. Through mediation and ceremonial transactions, they use gold to establish or sustain social and emotional bonds founded on a comprehensive set of rights and obligations within their economic culture.

For the purpose of this study, a ten-month fieldwork was conducted intermittently between 2020-2022. We selected the Kuruvambalam region in Malabar,2 a region predominantly populated by Muslims. In terms of social groups, the majority of people are Mappilas. Ethnography was our main method, through participation in a variety of events that involved gold exchange and gifting. We ensured that we interacted with both male and female members of different social strata living in the region. The *tharavad*s (ancestral homes)3 system that exist in the region helped to cover people from different social and economic strata. Tharavad is typically utilised as the residence for the joint family arrangement. Historically, tharavad was explained as ancestral residents of landowners and nobles. Contemporary usage of the word is now more generic to all social classes. Thus, the socio-economic situation of each tharavad varies significantly. Additionally, we have interacted with *ulema* (scholars in sharia) in the region. The interaction with ulema helped us gain insights into the different aspects of gold from sharia scriptures. The study also takes into account *fatwa*s (legal ruling on a point of sharia) and other *shafi4* legal documents that were developed within the context of the Malabar region.

Price and Volatility spill-over among Equity and Commodity Markets before and during COVID: Evidence from India

Prof Paramita Mukherjee-NMIMS, Hyderabad, Dr Samaresh Bardhan-IIT Ropar

https://www.youtube.com/watch?v=i7oUOJw1ajU

During the last decade, there has been an enormous growth of financialization of commodity markets following an increase in trading of commodities. This led the commodity markets to become highly interconnected. More recently, with the outbreak of Coronavirus pandemic (COVID 19), uncertainty in financial markets further increased and triggered several episodes of significant downslide in various stock markets. This resulted to increased volatility in stock returns across the markets and so the investors moved away from equity markets to safe heaven assets such as gold and commodity futures leading to a sharp increase in investment in commodities (Bouri et al., 2020). Gold and energy markets have shown varying short and long term effects immediately after the outbreak of crisis. Crude oil prices dropped to a significantly low level and crude oil futures faced enormous losses due to the pandemic.

The relationships between equity, gold and energy markets draw considerable attention from global investors because of the major role of energy and stock markets in economic activities on the one hand, and the vital role of gold as a safe-haven asset in hedging against fluctuations in other markets. These three markets provide a diverse universe of attractive investment opportunities and fluctuations in these markets can also potentially indicate early warning signals to the policy-makers regarding the health and stability of the economy. Furthermore, assets in these three markets can interchangeably work as a hedging instrument against a range of macroeconomic risks (Gevorkyan, 2017).

There are several channels identified in the literature that lead to the transmission of volatility from one market to the other. For instance, oil price variations are likely to affect equity markets through its effect on corporate cash flows as crude oil is used in production and supply of various commodities in the market. Oil markets can also affect gold market through inflation channel: increase in oil prices speeds up inflation which, in turn, increases demand on gold and pushes up price (Elgammal et al. 2021).

In addition to COVID-19, the Russia-Ukraine war has introduced new uncertainty on global stock market. Boungou and Yatie (2022), examines the impact of war on global stock market returns and analyse whether the impact of the war was stronger for countries that condemned the invasion compared to countries that remained neutral e.g. China, India and South Africa. Findings reveal a negative stock market reaction for both groups of countries and the impact was significantly greater for the countries that condemned the invasion. The 3

financial impacts of the ongoing conflict is not to be ignored, at least for investors, portfolio managers and policy makers in the context of other financial markets. Moreover, with the war, commodity markets have also received considerable attention in recent times, given that these two countries play important role in global commodity markets (Johannesson and Clowes, 2022; Umar et al., 2022). In fact, the war between Ukraine and Russia further triggered the global supply chain disruptions and adversely influenced the sentiments of market participants and investors. In particular, the war creates the strong negative effects on markets of global crude oil, among other markets and also adversely affected the connection among these markets (Liadze et al. 2022). Since the response of different commodity markets to the war is heterogeneous due to the different degrees of supply and demand shocks, the degree of financialization, and other factors (Caporin et al., 2021; de Nicola et al., 2016), it is of considerable interest rate to examine the reciprocal relationships among different segments of commodity markets and the financial market. An understanding of the spill-over effects among various segments of the markets appear to be important both for policymakers as well investors in order to identify both the receivers and contributors of risks and adopt accurate policy measures.

Along with spot prices, commodity futures market also deserve considerable attention when it comes to interlinkage of commodities and financial markets. First, commodity futures exhibit high correlation with underlying commodity prices, thus they are likely to follow the aggregate global supply and demand (Caporin et al., 2021). Second, commodity futures prices are often considered as the relevant indicator for policymakers to craft strategies and stabilize markets (Ahmadi et al., 2016; An et al., 2020). Third, commodity futures especially energy commodities are also considered as safe havens to diversify risks from financial markets (Adams and Glück, 2015; Kang and Yoon, 2019). In order to withstand shocks brought by the Russia-Ukraine war, investors are interested in commodity assets while investing. The highest risk spill-overs between commodities and financial markets are observed after the crisis and shocks (Bahloul and Khemakhem, 2021; Daskalaki and Skiadopoulos, 2011).

Motivation

Given this background it is pertinent to examine the interlinkages between commodity and financial markets and within commodity markets especially in the context of COVID and the Russia-Ukraine war for emerging markets. This paper focuses on India and draws the motivation from the following factors. 4

First, most of the recent studies on the effects of COVID-19 and the Russia-Ukraine war focus on the developed stock market with very few in emerging markets such as India. Second, in recent literature in Indian context, we hardly find any investigation of volatility spill-over among commodity markets and stock market in the context of COVID-19 and Russia-Ukraine conflict; rather the studies mainly focus on the Global Financial Crisis (Maitra and Dawar, 2019). Third, there is very limited evidence on the spill-over effects in commodity futures markets in India.

Objective

At this backdrop, unlike previous studies in the Indian context, we investigate the interactions among stock, gold and crude oil markets in India. We investigate the same for both pre and during COVID period as well as pre and post Russia-Ukraine war as it may have implications for the crude oil in spot as well as futures market. In particular, we investigate the volatility spill-over among commodity spot prices, and also among commodity future prices, as the connectedness among commodity future markets has received increased attention in recent years (Jiang et al., 2019; Jiang and Chen (2022); Kang and Yoon, 2019; Wen et al., 2021).

The objectives of the study are:

a. To find out, how the prices and their volatility in the equity and commodity derivatives market (gold and oil) influence each other, both in terms of spot and futures transactions, separately.

b. To examine whether such relationship has changed during COVID compared to pre-COVID period.

c. To examine whether such relationship has been influenced by the recent Russia Ukraine war.

INDIA GOLD POLICY CENTRE

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::Chapter 7::

IGPC Events and Engagements

World Standards Day 2022 hosted by Bureau of Indian Standard October 2022, Ahmedabad.

Prof Arvind Sahay-Chair IGPC-IIMA, attended the event as the Chief Guest and made a presentation on "Social Compact in the Context of Gold Mining".

India Gold Conference July 2022, Chennai

1. IGPC-IIMA received the award for '**Outstanding Research Support to the Indian Bullion Industry**" at India Gold Conference 2022

2. Mr Arjun Raghavendra-IGPC-IIMA participated in a panel "Gold Refining: Address Challenges and Unleashing Opportunities".

3. Mr Harish Chopra-IGPC-IIMA moderated a panel "Bullion Trade and Market post Domestic Spot Gold Exchange".

4. Mr Sudheesh Nambiath, IGPC-IIMA, moderated a panel "Tech-backed Gold Products."

Dubai Precious Metals Conference November 2022, Dubai

Presentation by Prof Arvind Sahay-Chair IGPC-IIMA, on "Future of Precious Metals Trade"

Gold Economic Forum "Re-shaping India's Gold Economy Towards Atmanirbhar Bharat" November 2022, New Delhi, hosted by ASSOCHAM.

Harish Chopra-Vice President IGPC-IIMA, moderated a panel discussion, "Digital Gold: Creating Right Governance and Enabling Infrastructure".

Russian Bullion Forum, December 2022 (Online)

Presentation by Harish Chopra- Vice President IGPC-IIMA, on "Global Gold Markets-India"

EIIJF Business Summit 2023 with special focus on Gems & Jewellery sector from Howrah District, February 2023 Kolkata.

Harish Chopra- Vice President IGPC-IIMA, participated in the inaugural session and the panel "Trends in Gold Demand in India."

India International Jewellery Show (IIJS) March 2023, Bangalore, organized by GPEPC.

Prof Arvind Sahay-Chair IGPC-IIMA, participated in a panel discussion, "The Power of Story Telling".

A session for Indian Foreign Service Officers at GIFT City IFSCA and IIBX – March 2023

Prof Arvind Sahay-Chair IGPC-IIMA, and Harish Chopra-Vice President IGPC-IIMA accompanied the batch of Indian Foreign Service Officers in a session with the Chairman, IFSCA followed by a presentation by the MD & CEO, India International Bullion Exchange at GIFT City Gandhi Nagar.

The 5th ICC Gems & Jewellery Summit 2023 - March 2023 Kolkata

Harish Chopra- Vice President IGPC-IIMA, participated in the plenary session "Future of Gold & Gold Markets."

8th India International Bullion Summit (IIBS-8) organized by IBJA – March 2023 Mumbai.

Harish Chopra- Vice President IGPC-IIMA, participated in the panel discussion "Repercussion of Tax Laws on Gold Industry."

WEBINARS CONDUCTED BY IGPC DURING THE YEAR

Knowledge Series on import of Gold under UAE-CEPA – Webinar I

UAE-India CEPA, Understanding Gold Scrap Trade – April 2022

Speakers: Arjun Raghvendra-IGPC-IIMA, Harish Chopra-IGPC-IIMA, Sudheesh Nambiath-IGPC-IIMA

Purpose: To curb the potential misuse of UAE CEPA in importing gold scrap with no duty. The misuse would have created havoc in the gold trade industry in India and caused a huge loss to the exchequer.

Key takeaways:

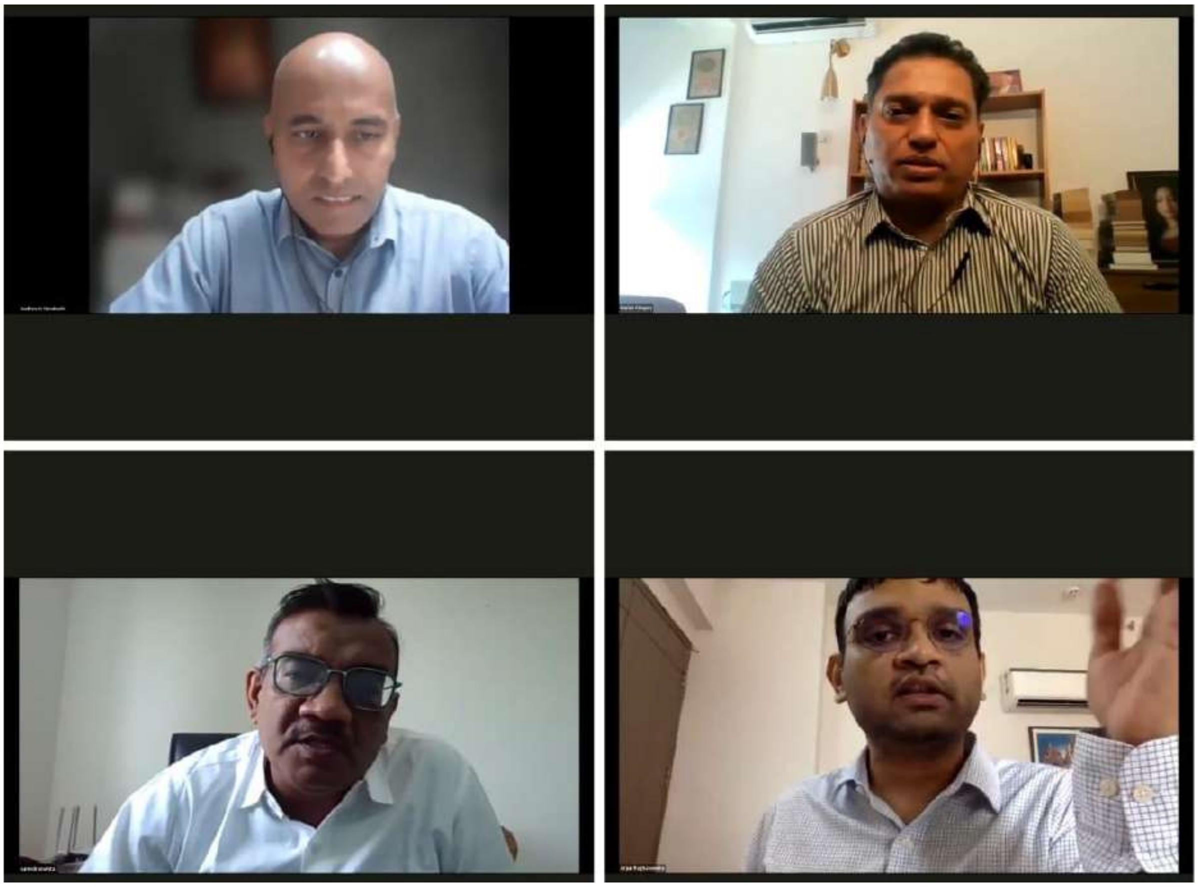
- Precious metal scrap has been kept outside the Free Trade Agreements (FTAs). The UAE-CEPA allows gold scrap import at nil duty.
- Any issues related to import and leading to leakages to the revenue would be referred to the country of origin for clarification.
- The UAE-India Comprehensive Economic Partnership Agreement (UAE-CEPA) includes six codes under 7112. These codes enjoy special provisions under the agreement.
- Provisions pertaining to rules of origin are the epicentre of any trade agreement. Under the UAE-India CEPA, if the scrap is wholly obtained or produced in the UAE, then the 40% value addition requirement does not apply and can be imported freely.
- The definition of scrap was elaborated. Any old gold jewellery or scrap generated in the process of manufacturing can be imported as scrap under the provisions.
- It is important to have a clear definition of scrap to avoid any disputes related to imports. It includes understanding the source, value addition requirements, and other relevant factors to determine the eligibility of the scrap for duty-free import under trade agreements.
- The jewellery manufacturing process in the UAE could be a potential source of scrap that qualifies for duty-free import under the UAE India CEPA, as long as it meets the defined criteria and provisions related to rules of origin.
- It was felt that there was an urgent need to take it up with the authorities to block the import of gold at zero duty as the same could distort the Indian gold market.

Knowledge Series on import of Gold under UAE-CEPA – Webinar II

Understanding India-UAE CEPA, in the context of importing gold from UAE – May 2022

Speakers: Surendra Mehta-IBJA, Arjun Raghvendra-IGPC-IIMA, Harish Chopra-IGPC-IIMA, Sudheesh Nambiath-IGPC-IIMA

Purpose: To disseminate knowledge on the import of gold under UAE-CEPA at a concessional duty and how the gold trading community can benefit from this. The webinar focused on discussing the whole process, the eligibility conditions and compliance requirements of importing gold under UAE-CEPA.



Key takeaways:

- The whole concept of the Tariff Rate Quota (TRQ) under UAE-CEPA was explained to import gold at a reduced tariff rate.
- The TRQ application process and the eligibility criteria were discussed. The process of submitting applications online on the DGFT website was elaborated.
- IGCR rules apply to the TRQ holders.
- To be eligible for quota under UAE India CEPA, jewellers must meet eligibility conditions, including jewellery manufacturing, having a minimum average annual turnover, registration under GST and having an IEC Code, and submitting a CA (Chartered Accountant) certificate.
- TRQ holders can reach out to nominated agencies or banks in India or import gold through IIBX.
- If 90% of the turnover is not under HSN code 7113, then the TRQ application can only be made to the extent of turnover under 7113.
- HSN code 7108 must comply with conditions I and II of IGCR, while HSN code 7113 need to comply only with conditions I.

Knowledge Series on import of gold from IIBX – Webinar I

Importing Gold through IIBX – July 2022

Speakers: Ashok Gautam-CEO IIBX, Arjun Raghvendra-IGPC-IIMA, Harish Chopra-IGPC-IIMA, Sudheesh Nambiath-IGPC-IIMA

Purpose: To disseminate the provisions of the recent RBI circular and the SOP enabling dollar flow from the Domestic Tariff Area (DTA) to the International Financial Services Centre Authority (IFSCA) for allowing gold trading through IIBX.

Key takeaways :

- RBI circular with SOP enabling dollar flow from DTA to IFSCA has been implemented, allowing gold to flow into IFSCA vaults.
- Gold undergoes certain checks and is recorded at customs upon arrival in the IFSCA area before it gets converted into BDR (Bullion Depository Receipt).
- Anyone who wants to trade on IIBX as a trading member or client needs to have an account with the Depository.
- Each BDR corresponds to a specific physical gold bar in a one-to-one congruence, providing transparency and traceability.
- If they find better prices elsewhere, refineries that keep their gold in IFSCA vaults can request to extinguish the BDR and receive their own refinery bars in a day's time.
- Dollar flows happen through designated accounts in clearing banks authorized by IIBX for all trading cum clearing members (TCM).
- Qualified Jewellers (QJs) can participate in IIBX through three routes: becoming a client of a trading member, opening a branch at IFSC and becoming a trading member, or becoming a limited-purpose trading member.
- The regulatory bodies, different government departments, and the entire gold ecosystem support IIBX, aiming to build an efficient price system, ease of doing business, and result in cost efficiency for both buyers and sellers.

Knowledge Series on import of gold from IIBX – Webinar II

Understanding the recent SOPs (Circular dated 5 August 2022) issued by the IFSCA for Qualified Jewellers importing gold through IIBX – August 2022

Speakers: Ashok Gautam-CEO IIBX, Harish Chopra-IGPC-IIMA, Sudheesh Nambiath-IGPC-IIMA

Purpose: To provide clarification on the recent SOP issued by IFSCA enabling gold trading through IIBX

Key takeaways from this webinar:

- The SOP aims to provide clarification and facilitation rather than contradict the existing circulars and regulations to ensure smooth import through the IBX platform and provide transparency in price discovery and price transparency for both sellers and buyers.
- The 11-day period for remitting dollars and filing the bill of entry starts from the day the dollar conversion happened. Qualified Jewellers (QJ) need to track the compliance timeline and ensure timely trade and filing of the bill of entry within this period.
- QJs are, at all times, required to maintain a network requirement of 25 crores and submit a certificate from a chartered accountant every six months to show compliance. The exchange will monitor compliance closely, and steps will be taken against any non-compliance.
- QJs have the option to participate in IIBX only on the buy side and not on the exchange buy and sell side. They need to convert the purchased metal or gold into physical form, complete custom formalities, and take it to the DTA area. Hedging mechanisms such as currency futures are available to manage the currency risk involved in the process.
- Trading members already registered with the two exchanges supervised by IFSCA can become trading members on IIBX, but they need to have a presence in IFSC and fulfil other formalities related to capital net worth and other criteria.
- There are plans to introduce T+2 contracts for margin-based trading in the future, allowing for two-way trade. The recent relaxation by the Government of India for NRIs trading in BDRs, exempting them from taxes on gains, opens opportunities for NRIs and other investors outside India to invest in gold using IIBX facilities.
- There is increasing interest from banks, bullion traders, and refineries in participating in the IFSC ecosystem, with inquiries from overseas refineries and other countries indicating a potential for increased participation.
- IIBX is taking a step-by-step, calibrated approach to meet the demand for two-way trading and other activities, ensuring transparent and efficient import requirements are met before expanding to other activities.
- Overall, the webinar highlighted the SOP and various aspects of trading and compliance in the IFSC ecosystem, focusing on transparency, facilitation, and compliance for the smooth import and trading of gold through the IIBX platform.

Knowledge Series on import of gold from IIBX – Webinar III

Qualified suppliers on IIBX – A discussion with Mr Ashok Gautam, MD & CEO, IIBX – August 2022

Speakers: Ashok Gautam-CEO IIBX, Harish Chopra-Vice President IGPC-IIMA

Purpose: To disseminate how IIBX is placed for gold trading after various circulars issued by IFSCA and RBI.

Key takeaways:

- RBI recently issued a circular along with an SOP enabling dollar flow from the DTA area to IFSCA. It allows gold trading on IIBX directly from vaults in GIFT City. It can be a game changer for the Indian bullion industry as it allows better price discovery and eliminates the need for Indian importers to import gold through nominated agencies or specific suppliers.
- IIBX is well prepared for trading risk management, with proven software and resources in place. The exchange is also in the process of onboarding team members who are joining from the BSE (Bombay Stock Exchange) tech team.

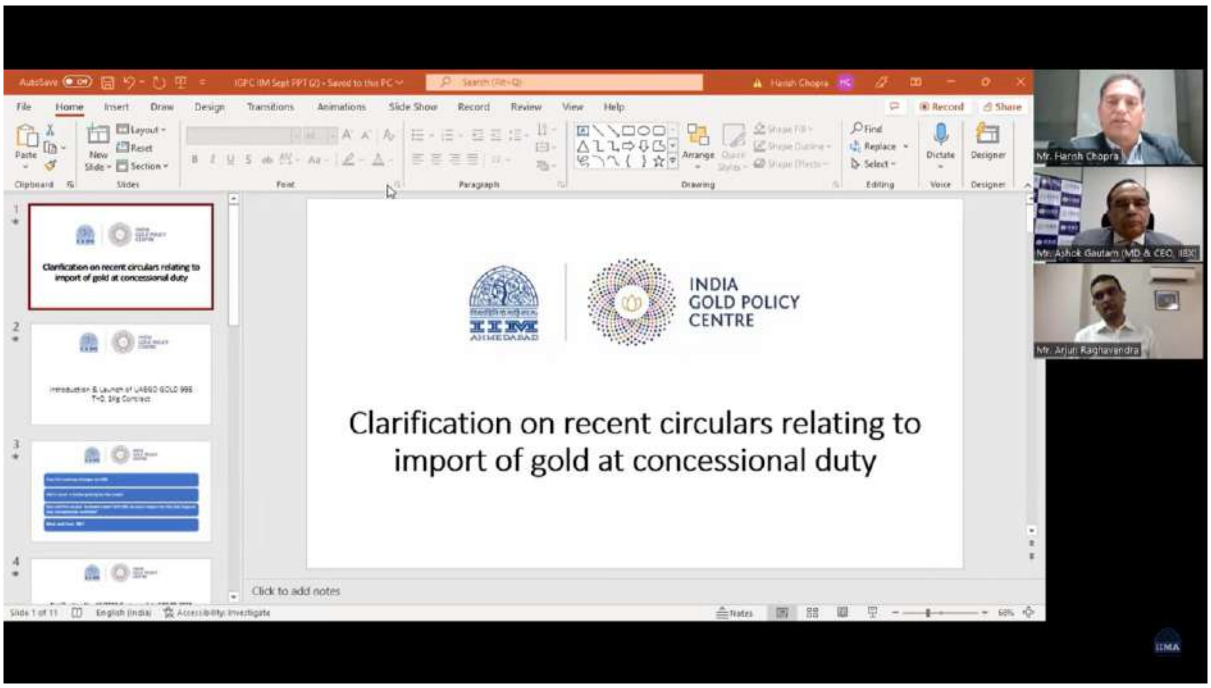
- To become a trading member of IIBX, one needs to have a setup in IFSC (International Financial Services Centre) GIFT City and go through internal processes and risk management checks. Banks with IFSC banking units can also become trading members.
- Qualified suppliers can come on IIBX as clients or limited-purpose trading members. They will need to open a demat account with India International Depository IFSC Limited, which is a sister company of IIBX and have tie-ups with world-class bullion facilities.
- Gold in IFSC vaults can be re-exported to any other country without hassles, as it has not yet entered the DTA area. Pricing and costing on IIBX are aimed to be as low as possible, and the exchange strives to conduct trades quickly while maintaining the due diligence processes.

Knowledge Series on import of gold from IIBX – Webinar IV

Clarifications on recent circulars on import of Gold at concessional duty with focus on UAE CEPA – September 2022

Speakers: Ashok Gautam-CEO IIBX, Harish Chopra-Vice President IGPC-IIMA, Arjun Raghavendra-IGPC-IIMA

Purpose: To provide clarifications on recent circulars issued by the Department of Revenue (DOR) related to the import of gold at concessional duty. To also inform about the new product, "UAE Good Delivery Contract", launched by IIBX.



Key takeaways:

- IIBX has launched a new product, the UAE Good Delivery Contract, for 995 purity one-kilogram gold bars, which the regulator, IFSCA, has approved. It aims to cater to UAE gold delivery gold demand in India, particularly for TRQ holders.
- IIBX has been receiving inquiries and interest from global bullion banks and refineries who are keen to understand and take advantage of the qualified supplier route and other relaxations provided by the regulator.

- IIBX has been organizing outreach programs in major cities to connect with participants in person, address their queries, and provide clarifications on the recent circulars and regulations.
- IIBX has received 64 applications from qualified jewellers, and another 30 applications are in the pipeline, expected to be completed in the next 15 days.
- The CGST rules, specifically Customs Notification 74 of 2022, have brought changes to the import process for nominated banks and nominated agencies related to replenishment schemes, qualified jewellers through IIBX, and TRQ license holders. These changes aim to ensure compliance and prevent fraud.
- Importers on record are required to have an Importer Identification Number and provide additional information related to the imported goods to ensure proper compliance with the new rules.
- The bond value for entities mentioned in Circular 18 of 2022, such as nominated banks or nominated agencies for the import of gold under the CEPA, is equal to the assessable value of the goods being imported, as per Clause 4.3B. There is no requirement for security or bank guarantee. Only a bond is required in the prescribed format.
- There may be compliance issues during the transition phase, which can be addressed with clarifications or modifications from the Department of Revenue. Continuous improvement and coordination may be required to address challenges and make the export process more efficient.
- The compliance requirements under the IGCR have made the export process more complicated and time-consuming. There is a need for more facilitation and simplification of the process to support small exporters and to ensure smooth operations.

Knowledge Series on import of gold from IIBX – Webinar V

Import of UAE Good delivery gold by TRQ holders through IIBX - Recent Circular from IFSCA – January 2023

Speakers: Ashok Gautam-CEO IIBX, Harish Chopra-Vice President IGPC-IIMA, Arjun Raghavendra-IGPC-IIMA

Purpose: To discuss the implications of the circular issued by IFSCA on 11 January 2023

Key takeaways:

- All regulators are aligned on the belief that IIBX is a great initiative and will be the future of how gold is traded in India, as evidenced by circulars and guidelines issued by various regulators to facilitate the growth of IIBX.
- IFSCA issued a circular on 11th January 2023 about the qualification criteria for jewellers to become qualified jewellers on IIBX, based on the market's feedback and ongoing discussions with stakeholders.
- Various initiatives have been taken to enable qualified jewellers to import gold through IIBX, allow dollar flow to IIBX, and allow Indian banks with IFSC banking units to become professional clearing members of IIBX.
- Qualified jewellers (QJs) have the responsibility to learn and understand how trading is done and how the trading system works, and mock trading sessions are conducted regularly to help QJs and others who are not yet qualified to practice and learn how trading is done.
- The membership onboarding process for QJs and trading will be uploaded on the website soon, including information about opening an account with the Depository. A common minimum KYC process has been developed to make it easier for applicants to provide necessary documents. An application tracker will also be introduced to allow applicants to track the status of their applications.
- The public notice from the Ministry of Commerce and Industry requires TRQ holders to update their IEC Code for import-export activities, and the IGCR procedure applies to the importer until the supply of gold to the end-use recipient, with restrictions on job work applies only to goods belonging to the importer, not the end-use recipient.
- IIBX has demonstrated same-day physical delivery of gold with plans to further improve the process by delivering BDRs in the buyer's account within four hours of the rupee-to-dollar transaction and allowing buyers to take physical delivery of gold within the same day.
- Currently, deliveries have taken place in Gujarat, Maharashtra, Kerala, and Karnataka, within the given time frame after clearance of customs duty, with certain activities needing to take place before the gold is delivered, including indenting for the desired quantity, agreeing on a premium with the supplier, and paying or blocking the upfront premium and custom duty element with the bank.
- The importance of working with competitors for mutual growth and success was suggested, also the need for due diligence in onboarding suppliers to ensure the integrity and well-being of the exchange.

::Chapter 8::
Appendix

WORLD OFFICIAL GOLD HOLDINGS

International Financial Statistics, May 2023*

		Tonnes	% of reserves**	Holdings as of			Tonnes	% of reserves**	Holdings as of
1	United States	8,133.5	68.7%	Mar 2023	51	Finland	49.0	18.7%	Mar 2023
2	Germany	3,354.9	68.2%	Mar 2023	52	Jordan	43.5	17.6%	Oct 2017
3	IMF	2,814.0	[1)]	Mar 2023	53	Bolivia	42.5	74.1%	Jan 2023
4	Italy	2,451.8	65.4%	Mar 2023	54	Cambodia	42.5	14.8%	Feb 2023
5	France	2,436.8	67.0%	Mar 2023	55	Bulgaria	40.8	6.3%	Mar 2023
6	Russian Federation	2,326.5	24.9%	Mar 2023	56	Malaysia	38.9	2.1%	Mar 2023
7	China, P.R.: Mainland	2,068.4	3.9%	Mar 2023	57	Serbia, Rep. of	38.5	10.8%	Feb 2023
8	Switzerland	1,040.0	7.3%	Feb 2023	58	WAEMU[3)]	36.5	13.5%	Mar 2023
9	Japan	846.0	4.3%	Mar 2023	59	Peru	34.7	3.1%	Jul 2021
10	India	794.6	8.7%	Feb 2023	60	Ecuador	33.8	26.7%	Feb 2023
11	Netherlands, The	612.5	57.7%	Mar 2023	61	Slovak Rep.	31.7	19.4%	Mar 2023
12	Turkey[5)]	572.0	34.1%	Nov 2022	62	Ukraine	27.1	5.0%	Mar 2023
13	ECB	506.5	39.4%	Mar 2023	63	Syrian Arab Republic	25.8	9.0%	Jun 2011
14	Taiwan Province of China	423.6	4.6%	Feb 2023	64	Morocco	22.1	4.4%	Feb 2023
15	Portugal	382.6	70.1%	Mar 2023	65	Afghanistan, Islamic Rep. of	21.9	14.4%	May 2021
16	Uzbekistan, Rep. of	381.3	68.5%	Mar 2023	66	Nigeria	21.5	3.2%	Jan 2018
17	Kazakhstan, Rep. of	332.0	58.5%	Mar 2023	67	Kyrgyz Rep.	16.4	36.0%	Nov 2022
18	Saudi Arabia	323.1	4.3%	Feb 2023	68	Bangladesh	14.0	2.8%	Jan 2023
19	United Kingdom	310.3	11.4%	Mar 2023	69	Cyprus	13.9	48.6%	Mar 2023
20	Lebanon	286.8	53.9%	Jan 2023	70	Czech Rep.	13.5	0.6%	Mar 2023
21	Spain	281.6	18.3%	Mar 2023	71	Curaçao and Sint Maarten	13.1	32.8%	Mar 2023
22	Austria	280.0	50.1%	Mar 2023	72	Mauritius	12.4	11.9%	Mar 2023
23	Thailand	244.2	6.9%	Jan 2023	73	Ireland	12.0	5.8%	Mar 2023
24	Poland, Rep. of	228.7	8.5%	Mar 2023	74	Ghana	8.7	7.5%	Jun 2022
25	Belgium	227.4	33.8%	Mar 2023	75	Paraguay	8.2	5.6%	Mar 2023
26	Singapore	222.4	4.4%	Mar 2023	76	Nepal	8.0	5.6%	Oct 2022
27	Algeria	173.6	14.2%	Mar 2023	77	Mongolia	7.9	17.6%	Oct 2022
28	Venezuela, Republica Bolivariana de	161.2	84.2%	Jun 2018	78	Tajikistan, Rep. of	7.4	13.1%	Feb 2023
29	Philippines	159.0	10.2%	Feb 2023	79	Myanmar	7.3	5.7%	Mar 2021
30	Iraq	130.3	8.1%	Jan 2023	80	Guatemala	6.9	2.2%	Mar 2023
31	Brazil	129.7	2.4%	Mar 2023	81	North Macedonia, Republic of	6.9	9.7%	Mar 2023
32	Sweden	125.7	12.6%	Mar 2023	82	Tunisia	6.8	5.5%	Mar 2023
33	Egypt, Arab Rep. of	125.7	24.6%	Jan 2023	83	Latvia	6.7	9.1%	Mar 2023
34	South Africa	125.4	12.9%	Feb 2023	84	Lithuania	5.8	6.0%	Mar 2023
35	Mexico	120.3	3.7%	Mar 2023	85	Colombia	4.7	0.5%	Mar 2023
36	Libya	116.6	9.2%	Nov 2020	86	Bahrain, Kingdom of	4.7	6.7%	Apr 2022
37	Greece	114.3	54.8%	Mar 2023	87	Brunei Darussalam	4.5	7.2%	Nov 2022
38	Korea, Rep. of	104.4	1.6%	Feb 2023	88	Mozambique, Rep. of	3.9	8.1%	Feb 2023
39	Romania	103.6	10.2%	Mar 2023	89	Slovenia, Rep. of	3.2	8.6%	Mar 2023
40	BIS[2)]	102.0	[1)]	Feb 2023	90	Albania	3.1	3.8%	Feb 2023
41	Hungary	94.5	13.9%	Mar 2023	91	Aruba, Kingdom of the Netherlands	3.1	12.6%	Nov 2022
42	Qatar	91.8	11.9%	Feb 2023	92	Luxembourg	2.2	4.8%	Mar 2023
43	Australia	79.8	8.9%	Mar 2023	93	Oman	2.2	0.8%	Feb 2023

44	Kuwait	79.0	8.8%	Feb 2023	94	Hong Kong SAR	2.1	0.0%	Feb 2023
45	Indonesia	78.6	3.6%	Feb 2023	95	Iceland	2.0	2.1%	Mar 2023
46	United Arab Emirates	73.9	3.3%	Feb 2023	96	Papua New Guinea	2.0	5.3%	Jun 2020
47	Denmark	66.5	4.3%	Mar 2023	97	Trinidad and Tobago	1.9	1.8%	Mar 2023
48	Pakistan	64.7	43.7%	Mar 2023	98	Haiti	1.8	4.4%	Jul 2019
49	Argentina	61.7	10.1%	Mar 2023	99	Yemen, Republic of	1.6	1.9%	Jul 2014
50	Belarus, Rep. of4)	53.6	43.9%	Jun 2022	100	Bosnia and Herzegovina	1.5	1.1%	Feb 2023

WORLD OFFICIAL GOLD HOLDINGS

International Financial Statistics, May 2023*

Other	Tonnes	% of reserves**	Holdings as of
World6)	35,682.2	1)	Feb 2023
Euro Area (incl. ECB)	10,773.2	55.7%	Mar 2023
State Oil Fund of the Republic of Azerbaijan (SOFAZ)8)	101.8	13.2%	Mar 2023

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India: Foreign Exchange Reserves & Gold (1959-60 to 2022-23)							
Year	**Total Foreign Exchange Reserves (USD Mn)**	**Gold (USD Mln)**	**Gold (% of Reserves)**	**Year**	**Total Foreign Exchange Reserves (USD Mn)**	**Gold (USD Mn)**	**Gold (% of Reserves)**
1959-60	762	247	32.4%	**1991-92**	9,220	3,499	38.0%
1960-61	637	247	38.8%	**1992-93**	9,832	3,380	34.4%
1961-62	624	247	39.6%	**1993-94**	19,254	4,078	21.2%
1962-63	619	247	39.9%	**1994-95**	25,186	4,370	17.4%
1963-64	642	247	38.5%	**1995-96**	21,687	4,561	21.0%
1964-65	524	281	53.6%	**1996-97**	26,423	4,054	15.3%
1965-66	626	243	38.8%	**1997-98**	29,367	3,391	11.5%
1966-67	638	243	38.1%	**1998-99**	32,490	2,960	9.1%
1967-68	718	243	33.8%	**1999-00**	38,036	2,974	7.8%
1968-69	769	243	31.6%	**2000-01**	42,281	2,725	6.4%
1969-70	1,094	243	22.2%	**2001-02**	54,106	3,047	5.6%
1970-71	975	243	24.9%	**2002-03**	76,100	3,534	4.6%
1971-72	1,194	264	22.1%	**2003-04**	1,12,959	4,198	3.7%
1972-73	1,219	293	24.0%	**2004-05**	1,41,514	4,500	3.2%
1973-74	1,325	293	22.1%	**2005-06**	1,51,622	5,755	3.8%
1974-75	1,379	304	22.0%	**2006-07**	1,99,179	6,784	3.4%
1975-76	2,172	281	12.9%	**2007-08**	3,09,723	10,039	3.2%
1976-77	3,747	290	7.7%	**2008-09**	2,51,985	9,577	3.8%
1977-78	5,824	319	5.5%	**2009-10**	2,79,057	17,986	6.4%
1978-79	7,268	377	5.2%	**2010-11**	3,04,818	22,972	7.5%
1979-80	7,361	375	5.1%	**2011-12**	2,94,398	27,023	9.2%
1980-81	6,823	370	5.4%	**2012-13**	2,92,647	26,292	9.0%
1981-82	4,390	335	7.6%	**2013-14**	3,03,674	20,978	6.9%
1982-83	4,896	324	6.6%	**2014-15**	3,41,378	19,837	5.8%
1983-84	5,649	320	5.7%	**2015-16**	3,55,560	19,325	5.4%
1984-85	5,952	325	5.5%	**2016-17**	3,69,955	19,869	5.4%
1985-86	6,520	417	6.4%	**2017-18**	4,24,361	21,615	5.1%
1986-87	6,574	471	7.2%	**2018-19**	4,11,905	23,408	5.7%
1987-88	6,223	508	8.2%	**2019-20**	4,74,660	30,550	6.4%
1988-89	4,802	473	9.9%	**2020-21**	5,76,869	34,023	5.9%
1989-90	3,962	487	12.3%	**2021-22**	6,17,648	43,241	7.0%
1990-91	5,834	3,496	59.9%	**2022-23**	5,76,761	44,027	7.6%

Source: https://rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=20118 ; Bloomberg

Commodity composition of India's Imports from World
From 2007-08 to 2022-23

(Rs. In Million)

Year	All Commodities	Petroleum & crude products (POL)	Electronic Goods	Gold	POL % of actual commodities	Electronic Good % of actual commodities	Gold % of actual commodities
2007-08	1,00,51,594.90	32,05,471.80	8,12,086.10	6,72,260.40	31.89	8.08	6.69
2008-09	1,37,44,355.60	41,99,676.10	10,73,197.80	9,53,238.00	30.56	7.81	6.94
2009-10	1,36,37,355.50	41,16,490.70	9,94,186.10	13,58,779.10	30.19	7.29	9.96
2010-11	1,68,34,669.60	48,22,816.90	12,10,172.00	18,47,422.10	28.65	7.19	10.97
2011-12	2,34,54,632.50	74,30,748.80	15,65,036.20	26,99,007.10	31.68	6.67	11.51
2012-13	2,66,91,619.60	89,18,708.60	17,09,851.70	29,21,462.90	33.41	6.41	10.95
2013-14	2,71,54,339.10	99,78,854.50	21,65,832.70	16,62,426.20	36.75	7.98	6.12
2014-15	2,73,70,865.80	84,28,744.80	24,71,533.10	21,06,580.40	30.79	9.03	7.70
2015-16	2,49,02,980.80	54,05,046.90	28,44,345.80	20,74,875.30	21.70	11.42	8.33
2016-17	2,57,76,655.90	58,32,171.70	30,55,918.30	18,44,387.60	22.63	11.86	7.16
2017-18	3,00,10,334.30	70,03,208.10	35,93,334.10	21,70,720.70	23.34	11.97	7.23
2018-19	3,58,76,839.10	98,60,196.10	42,08,935.70	22,94,473.30	27.48	11.73	6.40
2019-20	3,30,79,770.50	92,36,247.35	40,17,556.90	19,92,483.43	27.92	12.15	6.02
2020-21	2,90,98,641.64	43,96,561.62	16,77,311.87	25,42,884.70	15.11	5.76	8.74
2021-22	4,57,27,745.89	1,20,78,029.61	30,42,831.26	34,40,935.12	26.41	6.65	7.52
2022-23	5,73,39,451.86	1,68,24,753.69	34,49,669.96	28,04,817.28	29.34	6.02	4.89

*Electric goods include consumer electronics, electronics components and electronics instruments
*POL includes Petroleum crude and petroleum products

Source: DGCIS

Exports of precious metals, stones, diamonds and jewelry 2007-08 to 2022-23

(Rs. In Million)

Year	Total value	Cut & polished diamonds	Gold jewelry	Gold medallions & coins	Colored gemstones	Silver jewelry	Rough Diamonds	Rough diamonds (qty in million carats)
2007-08	8,37,654.80	5,71,171.70	2,23,157.00	-	11,110.50	9,211.10	22,803.20	28.7
2008-09	11,16,114.80	6,62,246.80	3,96,001.50	-	11,835.30	10,647.40	35,176.00	30.7
2009-10	13,87,522.90	8,60,951.70	3,27,749.60	1,29,750.70	13,580.10	19,519.00	35,254.20	24.5
2010-11	19,57,358.40	12,85,140.60	3,52,682.70	2,24,794.00	14,325.40	25,662.10	51,750.60	33.5
2011-12	20,60,800.90	11,09,267.70	4,72,796.30	3,34,703.80	16,472.00	36,772.30	85,137.20	33.9
2012-13	21,26,855.00	9,47,391.60	7,12,078.10	2,84,900.60	35,278.10	50,164.60	85,920.50	35.2
2013-14	21,11,913.00	14,81,852.00	5,07,388.50	1,85,645.30	39,097.00	88,987.80	95,559.70	43.3
2014-15	22,13,321.60	14,15,142.80	6,05,100.30	1,73,924.70	27,733.90	1,25,689.40	86,666.70	33.9
2015-16	21,35,946.60	13,54,012.20	5,61,368.10	3,44,172.50	28,445.00	1,94,109.00	76,758.30	30.6
2016-17	23,77,026.70	15,26,825.90	5,84,649.20	3,62,437.50	28,166.60	2,69,232.50	1,00,559.10	30
2017-18	21,07,850.80	15,29,087.30	6,23,812.10	1,27,080.50	27,854.90	2,18,121.80	92,002.10	38.1
2018-19	21,65,021..00	16,65,731.10	8,32,384.60	61,260.80	27,907.80	59,033.50	94,792.30	30.1
2019-20	20,42,407.90	13,20,152.50	8,42,708.10	54,698.60	22,696.90	1,19,557.50	78,419.10	21.3
2020-21	15,22,002.00	12,03,020.40	3,54,831.70	18,349.80	13,773.00	1,71,630.30	24,487.70	17.3
2021-22	29,40,970.40	18,21,138.30	6,87,800.10	5,327.70	23,210.30	2,03,061.60	74,306.30	28.5
2022-23	22,94,405.90	13,20,754.70	5,88,144.40	85.80	22,728.90	2,01,367.20	40,213.00	-

Source: GJEPC Trade Statistics

Imports of precious metals, stones, diamonds and jewelry 2007-08 to 2022-23

(Rs. In Million)

Year	Total value	Rough Diamonds value	Rough Diamonds (Qty in million carats)	Rough diamonds unit Rs/carat	Cut & Polished diamonds	Gold bar (for exports)	Gold jewelry	Rough colored gemstones	colored gemstones	silver bar
2007-08	7,41,505.40	3,99,215.00	171.5	2,327.10	2,22,520.00	89,496.10	17,088.70	5,994.60	2,767.30	796
2008-09	10,33,441.70	3,50,412.50	118.8	2,950.10	4,06,382.90	2,10,769.40	13,363.30	4,814.20	4,464.20	1,194.90
2009-10	13,48,625.10	4,27,331.10	149.9	2,851.70	5,47,466.40	3,40,186.00	15,343.60	5,543.30	6,808.80	1,458.20
2010-11	19,19,820.70	5,45,642.70	154.2	3,538.80	9,47,256.50	3,82,450.80	22,133.90	6,818.30	5,538.40	1,900.70
2011-12	20,12,384.70	7,22,218.90	131.5	5,490.40	6,83,564.00	5,02,833.40	70,693.90	6,954.10	14,053.90	3,897.10
2012-13	20,31,934.00	8,09,925.20	148.4	5,458.10	3,02,008.90	6,04,708.10	2,50,193.40	11,277.80	27,762.30	2,809.90
2013-14	18,71,098.90	10,03,772.70	162.0	6,195.50	3,95,859.70	3,36,495.40	34,959.40	14,447.80	19,723.50	2,360.80
2014-15	19,08,534.60	10,22,350.90	146.2	6,993.20	4,05,435.90	3,25,626.30	22,238.90	17,395.00	48,678.70	1,936.70
2015-16	15,86,549.80	9,19,705.30	138.4	6,645.00	1,81,277.00	2,65,367.40	18,972.20	24,241.70	68,804.80	2,593.40
2016-17	19,25,130.90	11,44,764.00	153.3	7,466.80	1,76,493.20	2,83,624.10	18,079.90	38,256.40	95,815.00	3,218.80
2017-18	20,30,227.70	12,17,445.40	187.7	6,487.40	1,44,076.40	3,67,036.20	18,004.00	56,688.90	35,169.60	3,467.90
2018-19	18,39,833.10	10,95,237.90	165.0	6,637.60	92,684.90	5,48,059.50	20,405.10	23,900.90	27,624.90	2,649.50
2019-20	17,26,372.20	9,21,688.10	151.5	-	1,21,982.20	5,53,837.30	20,324.80	17,690.10	37,304.50	2,879.20
2020-21	12,15,383.40	8,01,957.50	125.9		1,61,101.10	1,10,486.7	19,363.30	12,916.90	41,886.90	3,049.80
2021-22	19,87,867.10	14,11,758.50	166.2		1,03,267.90	1,65,070.4	20,361.00	24,478.90	1,12,284.20	28,717.60
2022-23	16,04,144.90	10,51,426.60	-	-	83,308.10	1,41,145.70	17,226.30	26,744.40	1,81,106.30	2,783.40

Source: GJEPC Trade Statistics

IIMA विद्याविनियोगाद्विकासः | INDIA GOLD POLICY CENTRE

Global Jewellery Fabrication	
Year	Volume in tons
2010-11	2,089.6
2011-12	2,048.7
2012-13	2,186.6
2013-14	2,752.5
2014-15	2,551.9
2015-16	2,338.7
2016-17	2,084.5
2017-18	2,239.5
2018-19	2,302.8
2019-20	1,938.1
2020-21	1,533.5
2021-22	2,207.8
2022-23	2,184.5

India's Gold Imports and Gold Price: 1971 to 2023

Financial year ending March	Volume in tonnes	Rs per 10 grammes	$/ounce, LBMA Price
1970-71	217.0	185.0	36.8
1971-72	176.0	200.2	43.0
1972-73	110.3	242.6	64.9
1973-74	63.6	369.3	115.8
1974-75	15.7	519.2	166.4
1975-76	26.2	545.2	149.5
1976-77	33.8	549.8	126.6
1977-78	40.5	637.9	157.6
1978-79	45.2	791.2	208.3
1979-80	10.9	1,158.8	405.4
1980-81	8.3	1,522.4	584.9
1981-82	25.4	1,719.2	421.0
1982-83	60.0	1,722.5	401.4
1983-84	53.0	1,858.5	404.2
1984-85	94.5	1,983.9	340.0
1985-86	123.4	2,125.5	327.8
1986-87	88.4	2,323.5	383.3
1987-88	99.2	3,082.4	458.8
1988-89	135.0	3,175.2	422.0
1989-90	172.5	3,229.3	384.8
1990-91	170.0	3,451.5	374.6
1991-92	190.0	4,297.6	357.4
1992-93	384.0	4,103.7	338.4
1993-94	354.0	4,531.9	373.4
1994-95	345.0	4,667.2	382.8
1995-96	406.0	4,957.6	389.4
1996-97	433.0	5,070.7	375.5
1997-98	672.0	4,347.1	316.9
1998-99	387.6	4,268.2	292.3
1999-00	417.8	4,393.6	279.6
2000-01	410.2	4,473.6	272.1
2001-02	434.4	4,579.1	277.7
2002-03	574.0	5,332.4	325.5
2003-04	594.5	5,718.9	377.6
2004-05	523.0	6,145.4	413.9
2005-06	320.0	6,900.6	476.6
2006-07	417.1	9,240.3	628.4
2007-08	441.1	9,995.6	765.8
2008-09	631.4	12,889.7	867.2
2009-10	846.2	15,756.1	1,023.0
2010-11	917.8	19,227.1	1,293.5
2011-12	1,028.5	25,722.4	1,644.9
2012-13	915.4	30,163.9	1,653.5
2013-14	608.2	29,190.4	1,326.7
2014-15	903.4	27,414.6	1,247.4
2015-16	959.8	26,534.3	1,147.4
2016-17	765.4	29,665.3	1,258.0
2017-18	953.2	29,300.1	1,285.3
2018-19	979.9	31,193.4	1,263.2
2019-20	720.0	37,017.9	1,462.2
2020-21	651.2	47,970.7	1,824.8
2021-22	879.0	52,507.0	1,922.0
2022-23	678.3	52,725.4	1,803.2

Note: India started importing unrefined gold (dore') in large quantities from 2012 thus the volumes include unrefined gold. The dollar payout is only on the gold content in the total dore' volume

Source: https://www.rbi.org.in/scripts/PublicationsView

Economic and Political Weekly, February 20 1999, "Consumption of gold in India, Trends and determinants" by A Vaidyanathan

Prices: MCX Average spot price; Spot Gold price from Bloomberg

Goals and Objectives for 2023-24

Goal

1. To perform and Increase the availability of independent research-based insights relating to the gold consumer and industry in India.
2. Enable policymakers and stakeholders in the industry to take better and more informed decisions in developing the gold market in India based on unbiased information.

Objectives for 2023-24

1. **IGPC-PRICE Survey Second Round**
   The survey for the reference period April 2022 to March 2023 is in progress. The listing of 200,000 households is likely to get completed by June 2023. The survey for the whole year will be completed in a single wave covering over 40,000 households. The results will be presented in our Annual Conference planned for February 2024.

2. **Gold Book**
   The book on gold, co-authored by Prof Arvind Sahay, Harish Chopra, and Sudheesh Nambiath, is nearing completion and will soon be prepared for publishing. The author's objective is to cater to a professional readership comprising scholars, policymakers, and individuals/ businesses invested in the gold sector through their written output.

3. **To be the knowledge creator on the gold markets**
   Gaining a comprehensive understanding of the best practices that have propelled the growth of the gold and jewellery industry in developed gold markets is imperative for the establishment and advancement of Indian gold markets to meet global standards. With this objective in mind, IGPC remains committed to the ongoing effort of generating insightful case studies and research highlighting Indian and global industry practices and policies.

4. **Data Repository**
   IGPC will continue to improve its endeavours to gather Indian and worldwide demand and supply data, as well as other pertinent information on gold from diverse sources. This includes survey data on consumer and industry trends, which will be regularly updated in the IGPC data hub.

5. **Creating a responsible sourcing guidance framework for the Indian market**
   IGPC will further boost its efforts in establishing a comprehensive responsible sourcing guidance framework that aligns with India's unique requirements while gaining global acceptance. To achieve this objective, IGPC will collaborate closely with IFSCA, BIS, and other relevant authorities, both on a commercial basis and through pro bono contributions. IFSCA has already included IGPC in the Advisory Committee along with other stakeholders from the gold industry. A similar approach will be suggested to BIS.

6. **Engagement with Domestic and International Gold Spot Exchanges**
   IGPC will keep engaging with India International Bullion Exchange (IIBX) and all domestic Spot Exchanges to facilitate the development of products and operational frameworks through direct engagement or through the regulators IFSCA and SEBI.

7. **Collaboration with Industry Bodies and Associations**
   IGPC will collaborate with various associations such as CII, ICC, ASSOCHAM, IBJA, GJEPC, GJC, and others to push policy research work through workshops, webinars, conferences and joint events with industry and policymakers.

STATEMENT OF FUNDS (Provisional & Unaudited)

Particulars	Amount	
Opening Balance		10,20,00,756
Receipts during the year:		
- Grants	-	
- Sponsorships/ Fee	12,64,102	
- Interest (provisional)	64,28,316	76,92,418
Expenditure during the year		
- Research Projects	1,02,94,512	
- Other Expenditure	1,27,39,545	2,30,34,057
		8,66,59,117

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