A Study on the Impact of Gold Rate Fluctuations on Indian Economy Since 2020

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How to Cite this Article:

RAJ, D. P. (2026). A Study on the Impact of Gold Rate Fluctuations on Indian Economy Since 2020. International Journal of Creative and Open Research in Engineering and Management, <i>02</i>(8), 1-9. https://doi.org/10.55041/ijcope.v2i8.163

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ABSTRACT

Gold has always held a special place in the Indian economy as a traditional method of saving, a symbol of wealth, and an important financial asset. Since 2020, COVID-19, global inflation, geopolitical conflicts, interest-rate changes, currency volatility, and economic uncertainty have caused significant gold-price fluctuations. These fluctuations have affected investment patterns, household savings, imports, inflation, foreign-exchange reserves, and economic performance. This study examines factors influencing gold prices and their effects on investment behaviour, inflation, imports, financial markets, savings, and economic growth. Primary and secondary data were used, and percentage analysis was applied to interpret questionnaire responses from 100 respondents. Overall.

Keywords: Gold Prices, Indian Economy, Investment Behaviour, Inflation, Economic Growth

INTRODUCTION

Gold has been one of the most valuable precious metals throughout human history and occupies a unique position in the Indian economy. It functions as a store of wealth, investment asset, symbol of financial security, and important component of cultural and social practices. Indian households purchase gold for festivals, marriages, religious activities, savings, and investment. Gold is also considered a safe-haven asset because it can preserve wealth during periods of financial and economic uncertainty. Consequently, changes in gold prices influence individual investors, households, businesses, financial markets, and the wider economy. Gold prices are influenced by several domestic and international factors, including global demand and supply, inflation, interest rates, exchange rates, geopolitical tensions, central-bank policies, crude-oil prices, and investor sentiment. Since India imports a significant proportion of its gold requirements, international gold prices and the Indian Rupee–US Dollar exchange rate directly influence domestic gold prices. A depreciation of the Indian Rupee increases the domestic cost of imported gold and can therefore affect consumer demand, investment behaviour, and import expenditure. The period since 2020 has been particularly important because the COVID-19 pandemic created substantial economic and financial uncertainty. During the pandemic, investors shifted towards safe-haven assets, contributing to increased global demand for gold. Following the pandemic, inflation, supply-chain disruptions, geopolitical tensions, rising oil prices, and changing monetary policies continued to influence gold prices. Higher interest rates generally reduce the attractiveness of non-interest-bearing gold, although geopolitical uncertainty and inflation concerns can continue to support gold demand. Gold also affects India's external sector. Rising gold prices can increase import expenditure, place pressure on foreign-exchange reserves, and contribute to the current account deficit. At the household level, gold-price movements influence savings and purchasing decisions. Financial alternatives such as Gold ETFs, Sovereign Gold Bonds, digital gold, and gold mutual funds have expanded investment opportunities and reduced dependence on physical gold. The present study examines the causes of gold-price fluctuations since 2020 and evaluates their effects on investment behaviour, inflation, household savings, imports, exchange rates, financial markets, foreign-exchange reserves, and economic growth in India. It also considers government policies, technological developments, and changing investor behaviour.

REVIEW OF LITERATURE

Sharma and Gupta (2019) found that investors consider gold a secure investment during difficult economic conditions and highlighted its importance in portfolio diversification and household wealth. Kumar and Verma (2020) reported that COVID-19 uncertainty substantially increased demand for gold as a safe-haven investment. Reddy and Rao (2020) established a positive relationship between inflation and gold prices and identified gold as an inflation hedge. Singh and Mehta (2021) found that Indian Rupee depreciation against the US Dollar increases domestic gold prices. Patel and Shah (2021) reported that lower interest rates make gold more attractive than fixed-income investments. Nair and Joseph (2022) emphasized that rising gold imports increase import expenditure and place pressure on foreign-exchange reserves and macroeconomic stability. Chandra and Arora (2022) highlighted gold's contribution to portfolio diversification and risk reduction. Gupta and Ramesh (2023) linked gold-price movements with geopolitical conflicts, global inflation, and economic uncertainty. Prasad and Kiran (2024) found that digital gold, Gold ETFs, and Sovereign Gold Bonds have improved accessibility and convenience. Malhotra and Jain (2024) concluded that gold-price changes affect inflation, household savings, consumer spending, imports, investment behaviour, financial markets, and economic growth.

OBJECTIVES OF THE STUDY

1. To investigate the causes of India's gold price swings since 2020.
2. To investigate how changes in the price of gold affect the Indian economy.
3. To examine the connection between investing behavior, inflation, and gold prices.
4. To assess how changes in the price of gold affect imports, foreign exchange reserves, and economic expansion.
5. To make appropriate recommendations for controlling the economic effects of changes in the price of gold in India.

RESEARCH METHODOLOGY

The study follows a descriptive research design using primary and secondary data. Primary data were collected through a structured questionnaire from 100 respondents selected through convenience sampling. Secondary data were obtained from RBI publications, government reports, journals, books, economic surveys, and financial sources. Percentage analysis was used for interpreting questionnaire responses.

STATISTICAL TOOL

Percentage Analysis is the appropriate statistical tool used in the study because the questionnaire responses are categorical and were collected from 100 respondents. The uploaded report specifically states that the basic percentage method was used and that responses were organized into tables and converted into percentages for interpretation.

DATA ANALYSIS AND INTERPRETATION

The questionnaire data are based on 100 respondents.

Table 1: Knowledge of Changes in Gold Prices Since 2020

Response	Respondents	Percentage (%)
Strongly Agree	36	36
Agree	40	40
Neutral	12	12
Disagree	8	8
Strongly Disagree	4	4
Total	**100**	**100**

Interpretation: A combined **76%** of respondents strongly agree or agree that they have knowledge of changes in gold prices since 2020. This indicates a high level of awareness regarding recent gold-price movements.

Table 2: Gold as a Secure Investment in Uncertain Economic Times

Response	Respondents	Percentage (%)
Strongly Agree	35	35
Agree	41	41
Neutral	12	12
Disagree	8	8
Strongly Disagree	4	4
Total	**100**	**100**

Interpretation: A combined **76%** of respondents strongly agree or agree that gold is a secure investment during uncertain economic times. This supports the report's finding that gold continues to be viewed as a safe investment during periods of economic uncertainty.

Table 3: Investment Decisions Are Affected by Changes in Gold Prices

Response	Respondents	Percentage (%)
Strongly Agree	34	34
Agree	42	42
Neutral	12	12
Disagree	8	8
Strongly Disagree	4	4
Total	**100**	**100**

Interpretation: A combined **76%** of respondents strongly agree or agree that gold-price changes affect investment decisions. This indicates that movements in gold prices influence investors' choices and investment behaviour.

RESULTS

1. Gold-price fluctuations since 2020 have been influenced by the COVID-19 pandemic, inflation, geopolitical conflicts, exchange-rate movements, and changes in international monetary policy.
2. The majority of respondents consider gold a secure investment during uncertain economic conditions.
3. Gold-price changes significantly influence investment behaviour and portfolio decisions.
4. Rising gold prices affect household savings and encourage investors to consider gold as a wealth-preservation asset.
5. Gold-price movements have an important relationship with inflation because investors often use gold as a hedge against declining purchasing power.
6. Rising gold prices increase India's gold-import expenditure and can place pressure on foreign-exchange reserves and the current account balance.
7. Exchange-rate movements, particularly changes in the Indian Rupee against the US Dollar, significantly influence domestic gold prices.
8. Gold-price fluctuations affect financial-market behaviour because investors compare gold with stocks, bonds, and other financial assets.
9. Digital gold, Gold ETFs, and Sovereign Gold Bonds have become increasingly popular alternatives to physical gold since 2020.
10. Government policies, monetary policies, import taxes, and financial-market regulations influence the domestic gold market.
11. Gold-price variations have an effect on India's broader economic development and financial stability.
12. The study concludes that effective policies, financial literacy, diversified investment strategies, and sound economic management are necessary to reduce the negative effects of gold-price volatility.

SUGGESTIONS

1. The government should continue implementing policies that encourage financial investment alternatives and reduce excessive dependence on imported physical gold.
2. The Reserve Bank of India should closely monitor inflation, exchange rates, international economic developments, and other factors affecting gold prices.
3. Investors should diversify their portfolios by combining gold with mutual funds, equities, fixed-income securities, and government-backed savings instruments.
4. Greater awareness should be created regarding Sovereign Gold Bonds, Gold ETFs, and digital gold as alternatives to physical gold.
5. Financial-literacy programmes should educate investors about the advantages and risks associated with gold investment during changing market conditions.
6. Jewellery businesses should adopt improved pricing and inventory-management strategies to manage gold-price fluctuations effectively.
7. Policymakers should continuously monitor international commodity prices, interest rates, geopolitical developments, and exchange-rate movements.
8. India should strengthen exports and foreign-exchange reserves to reduce the economic pressure created by increasing gold imports.
9. Financial institutions should promote diversified investment options to reduce excessive dependence on physical gold.
10. Coordinated government policies and sound economic management should be maintained to strengthen financial stability and support sustainable economic growth.

CONCLUSION

Gold continues to occupy an important position in the Indian economy because of its cultural significance, investment value, wealth-preservation characteristics, and role in financial security. The study examined the impact of gold-rate fluctuations on the Indian economy since 2020 by considering investment behaviour, inflation, household savings, imports, exchange rates, financial markets, foreign-exchange reserves, and economic growth. The findings indicate that COVID-19, inflation, geopolitical conflicts, exchange-rate fluctuations, and changes in monetary policy have contributed substantially to gold-price movements. Rising gold prices influence investor behaviour, household savings, import expenditure, and the current account position. The analysis also indicates growing acceptance of digital gold, Gold ETFs, and Sovereign Gold Bonds as modern investment alternatives. The three selected tables show that 76% of respondents positively assessed awareness of gold-price changes, gold as a secure investment, and the influence of gold-price changes on investment decisions. Overall, coordinated government policies, stable macroeconomic conditions, financial literacy, and diversified investment strategies are necessary to manage gold-price volatility and promote financial stability and sustainable economic growth in India.

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