

The Role of Gold in India's Household Economy

Key findings
ICE 360° SURVEY, 2014

PRICE Presentation

February 2015

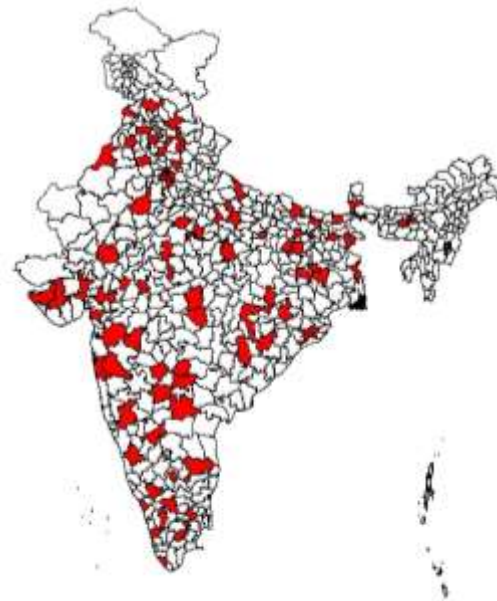
Areas of enquiry (objectives)

- Gold as a part of household saving and investment portfolio
- Frequency, form and source of gold purchases
- Factors that drive the household demand for gold
- Usage of gold as a security against loan
- Attitudes towards hallmarking of gold
- Attitude towards potential gold investment schemes such as gold deposit schemes in banks, ‘paper gold’, and so on;
- Barriers to gold purchase/investment; and
- Profiling of gold buyers/investors

ICE 360° Household Survey: Main Feature

- Pan-India survey covered 21 major states.
- “Gold Investment/Purchase” is a **RIDER** on the “Middle India” survey
- **Probability sample design**
- **Sampling frame:** Listing of over 101,534 households (500,000 individuals), distributed over 67 districts and 81 towns.
- **Main Survey:** 20,195 (Rural : 6,000, Urban:14,000 HHDs).
- **Survey period :** August-November 2014
- **Respondents:** Head of household (CWC)
- **Questionnaire based approach:** Face-to-face interview

Sample districts



	Distribution	ICE 360° Survey
Rural sample	Districts	67
	Villages	300
	Households listed	30,048
	Households selected	6,000
Urban sample	Towns	81
	UFS blocks	700
	Households listed	71,500
	Households selected	14,200

Key Findings

Whether growth is empty?

Population quintile based on per capita income	Estimated households (Million, 2014)	Rural-Urban split (%)	Share in household income (%)		Annual growth (%)
			2004-05*	2014-15**	
India-Q1 (Bottom 20%)	44.6	80-20	5.4	6.7	5.9
India-Q2 (21%-40%)	47.8	74-26	9.1	11.2	6.5
India-Q3 (41%-60%)	54.8	70-30	13.4	15.1	5.3
India-D4 (61%-80%)	60.2	64-36	21.2	21.2	4.1
India-D5 (81%-100%)	62.6	45-55	51.0	45.7	3.9
Total	270	66-34	100.0	100.0	4.8

Source:

* 2004/05 "How India Earns, Spends and Saves (Rajesh Shukla, Sage Publication).

** 2014-15, ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

The Richest 20% gain the most

Total household income (2013-14 prices, Rs. Billion)

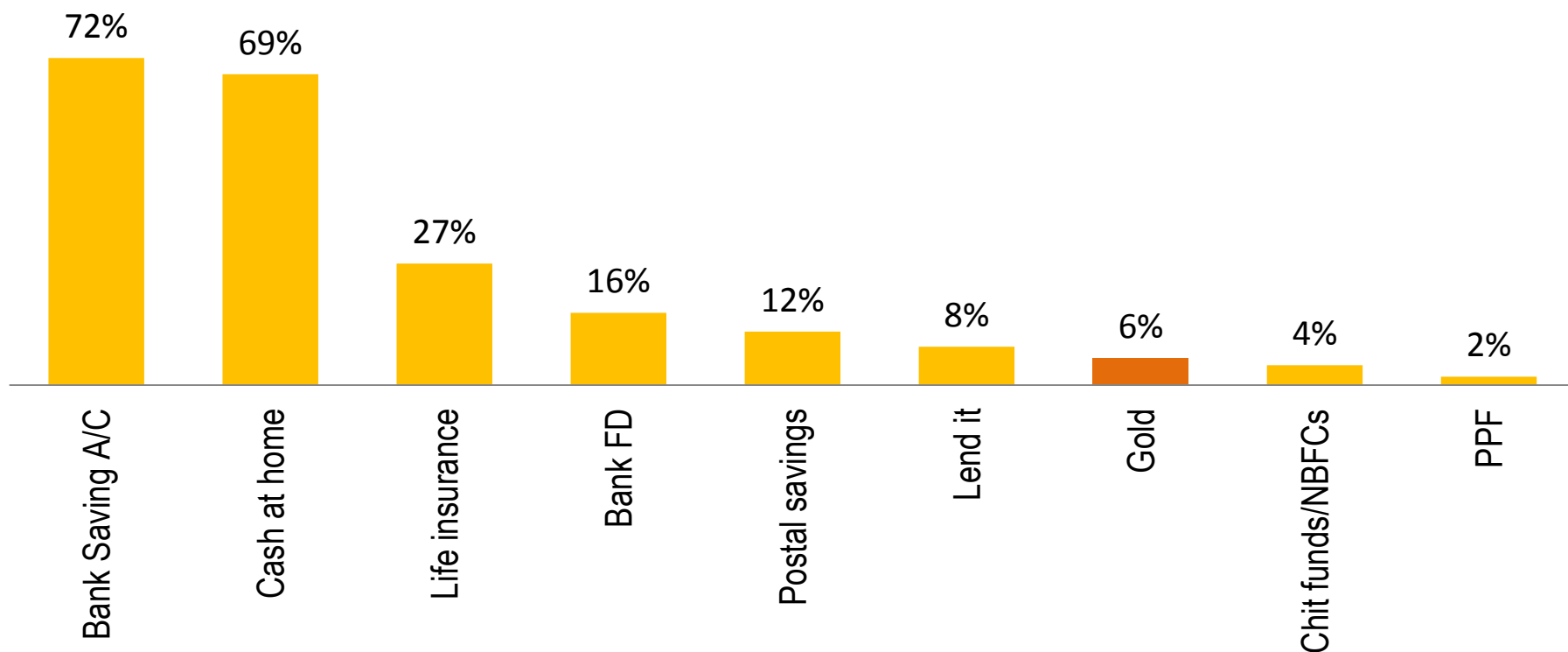
2004-05	48,230
2014-15	93,980
Decadal incremental household income (2004-14)	45,750

Population quintile based on per capita income	Share in incremental income (%)	Absolute increase (Rs. per households)
	2004-14	2004-14
India-Q1 (Bottom 20%)	7%	55,000
India-Q2 (21%-40%)	12%	90,000
India-Q3 (41%-60%)	16%	92,000
India-D4 (61%-80%)	22%	97,000
India-D5 (81%-100%)	44%	2,00,000
Total	100%	1,15,000

Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (**PRICE**).

Gold as households saving tool

- 94% households reported that they save in some form
- About 6% households rank gold as saving tool among the top 3 modes of saving



Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

Gold as households saving tool...

Gold ranks much lower (6th rank) among different saving modes; way below saving in banks, life insurance, fixed deposits and postal savings

Saving Modes	Poor (Bottom 20%)	Rich (Top 20%)	Total
Banks	52.0	81.0	72.2
Keep Cash at Home	68.5	59.3	68.6
Life Insurance	11.9	42.1	26.8
Post Office	12.1	9.0	11.8
Lend It	8.1	9.0	8.5
Gold	2.1	13.5	6.4
Consumer Durables	4.0	5.0	4.6
Chit Funds/Nbfc's	2.6	6.9	4.4
Farm Assets	1.4	2.3	2.1
Public Provident Fund	1.4	3.9	1.9
Stock Market	1.1	2.4	1.1
Real Estate	0.1	1.7	0.7

Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (**PRICE**).

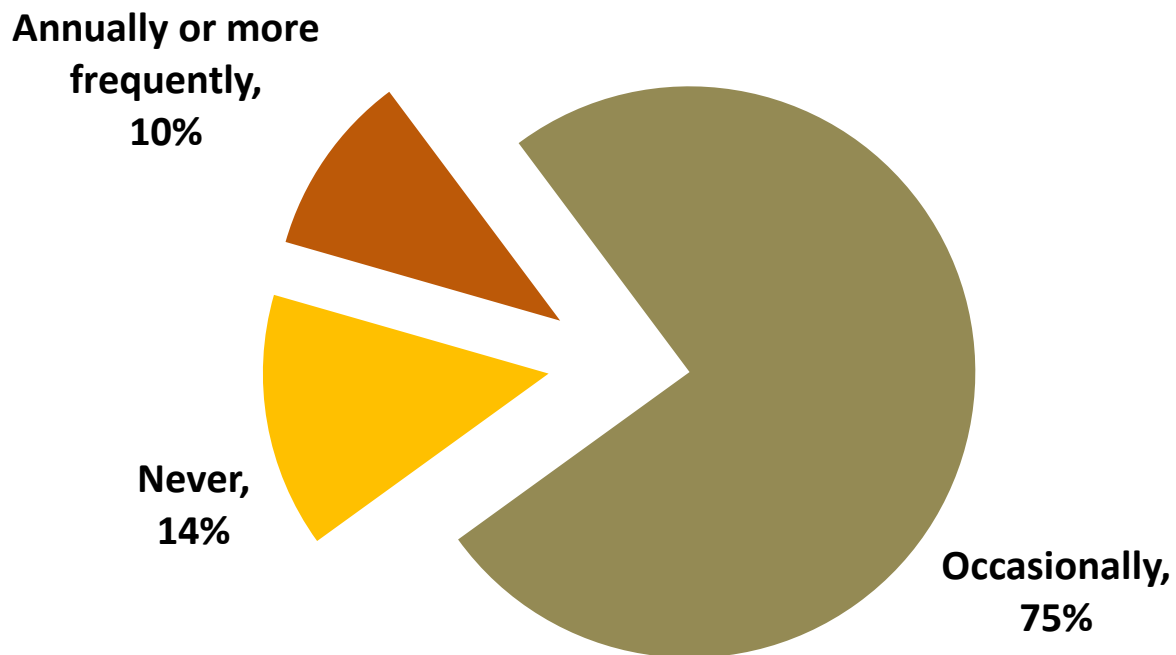
When did you or your household member last purchased or invested in gold?

Gold is important when we look at entire lifecycle; majority (86%) purchased in gold at some point .

	Households (Million)	% of households	Rich	Poor
FY15 (Till Oct.)	10	4%	8%	3%
FY14	24	11%	17%	6%
FY13	31	13%	15%	13%
FY12	20	9%	8%	7%
FY11	29	12%	13%	14%
FY10	23	10%	9%	12%
FY09	18	8%	8%	6%
Pre FY09	77	33%	23%	40%
Total	231	100%	100%	100%

Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (**PRICE**).

Distribution of households: Frequency of gold purchase



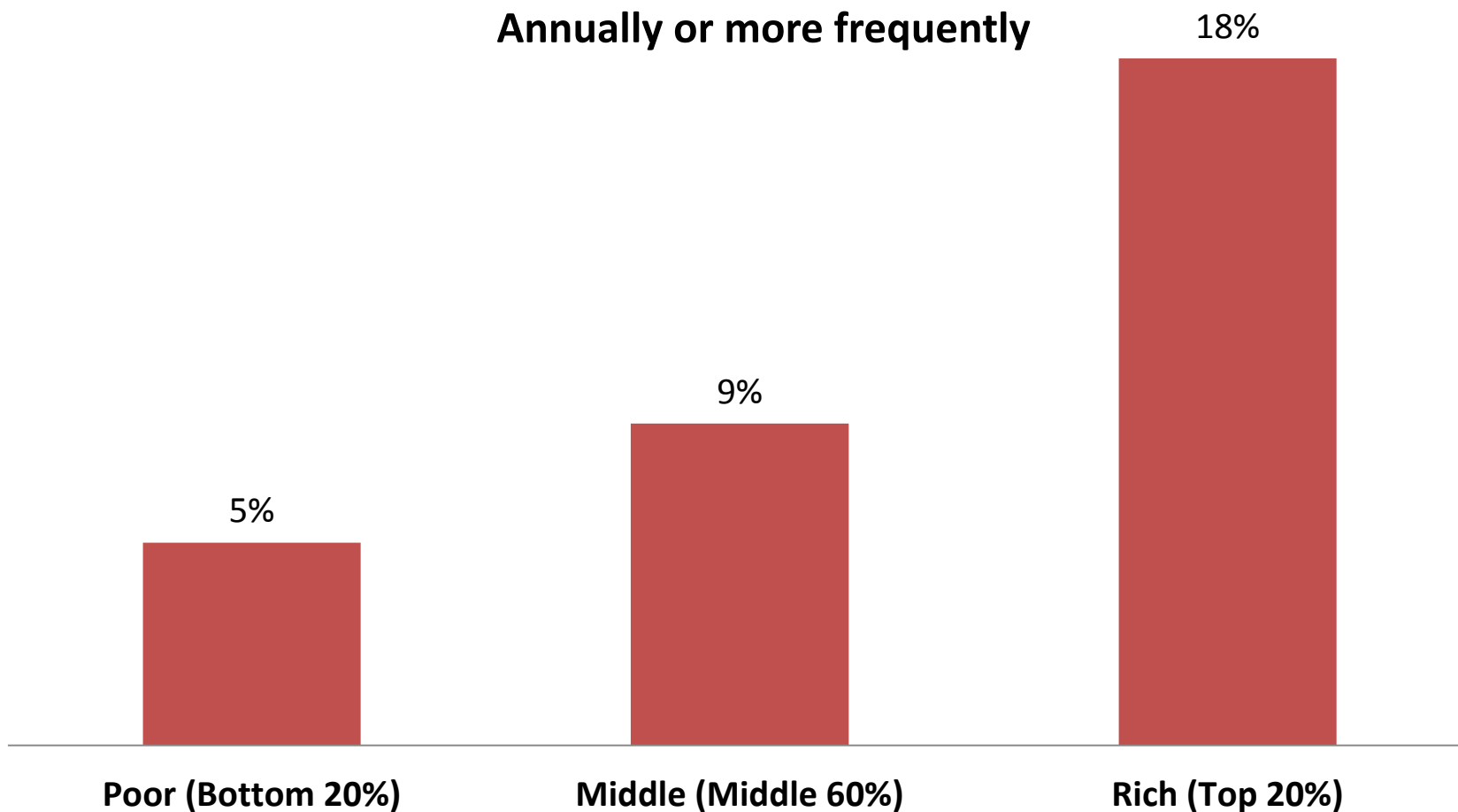
Note: "Annually or more frequently" includes annually, bi-annually, quarterly or monthly

Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

Frequency of gold purchase

- Three fourth (75%) households purchase gold occasionally
- Financially well-off, highly educated and regular income earning households purchase gold more frequently (annually or bi-annually or monthly)
 - Car owners (27 per cent) versus non-owners (10 per cent)
 - Salaried workers (17 per cent) versus labors (6 per cent)
 - Graduate & above (17 per cent) versus below primary (6 per cent)
 - 'Rich' (18 per cent) versus 'Poor' (5 per cent)
 - Southern states (18 per cent) versus northern states (5 per cent)

More frequent gold buyers: Rich Vs. Poor



Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

Frequent buyers are financially more optimistic

Confidence about stability in major source of household income	% Households who purchase gold annually or more frequently
Most confident	16.6
Confident	12.5
Less confident	8.1
Least confident	6.4
Can't say	6.9
All households	10.3

Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (**PRICE**).

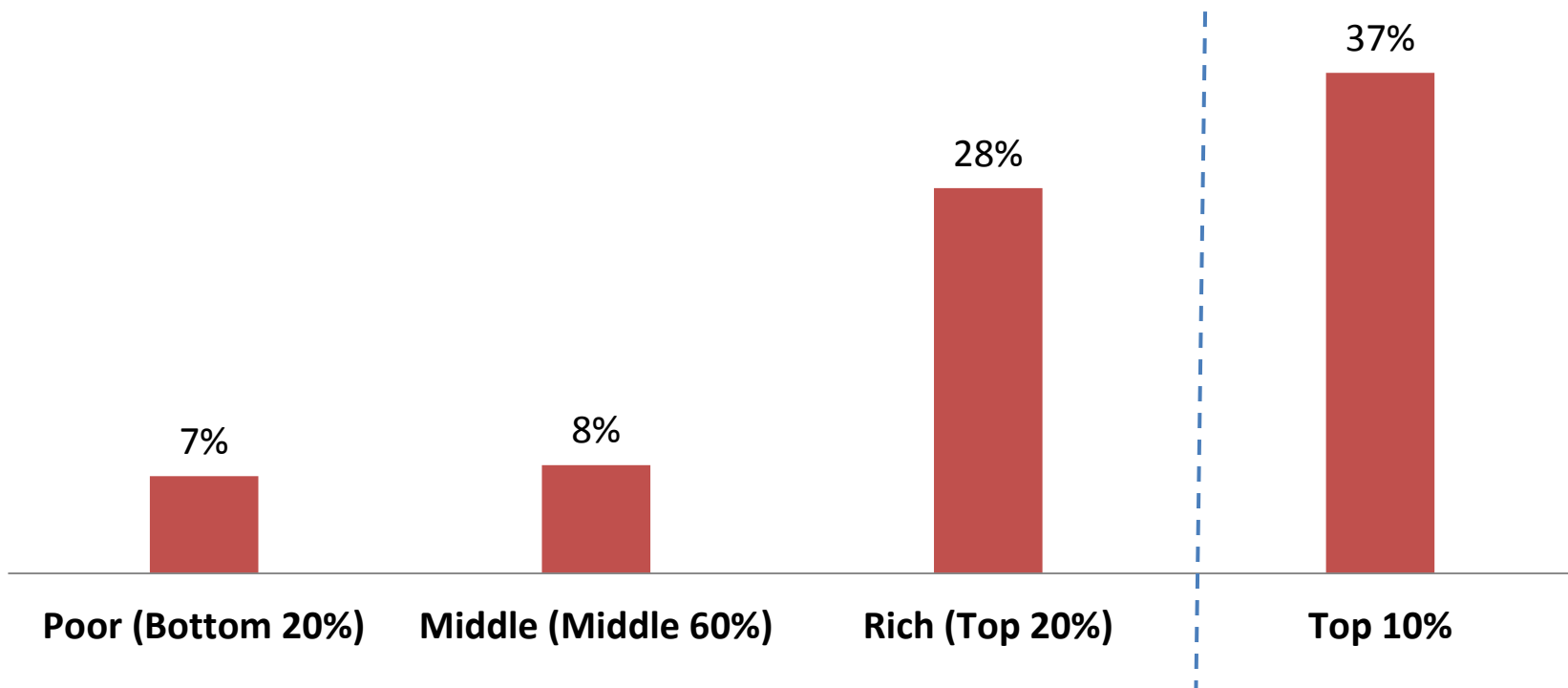
Frequent buyers are financially more optimistic

Agreement with the current slogan “Achche Din Aayenge”	% Households who purchase gold annually or more frequently
Strongly agree	12.9
Somewhat agree	10.0
Somewhat disagree	6.4
Strongly disagree	5.8
Can't say/no comment	6.1
All households	10.3

Source: ICE 360^o Survey (October 2014) from People Research on India’s Consumer Economy (**PRICE**).

Form of gold purchase

- Form of purchase: 86% Jewelry, 13% Coins/bars , 1% others
- Large rural-urban difference: Urban (24 per cent), Rural (7 per cent)
- More than one third (37 per cent) households in top decile purchased gold in coin/bar form



Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

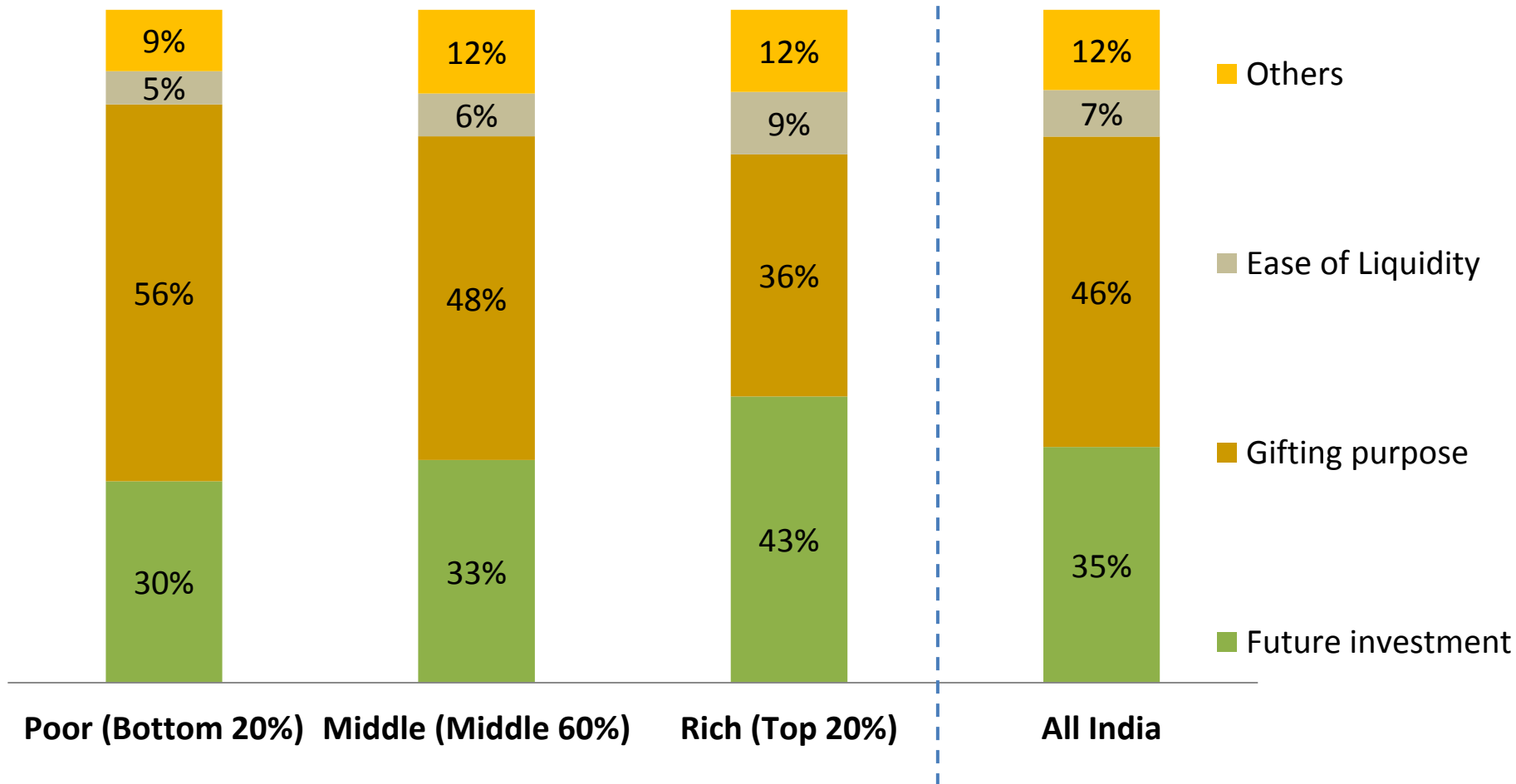
Source of gold purchase

- Jewelry shops are the most preferred point of purchase (93%)
- The trend is universal across all sections of society
- Banks and post-offices are not popular points of purchase (only 2%);
- Banks as source of gold are more popular in South India (6 per cent) and boom towns (5%)
- There is hardly any variation in preferred point of purchase across 'Poor', 'Middle' and 'Rich'

Gold is still not a mainstream saving instrument

Reasons for saving in general	% Distribution of all households	Reasons for gold purchase/investment	% Distribution gold buyers
Contingencies	24.6	Gifting	46.1
Old age security	24.6	Children's wedding-Future	27.2
Medical emergencies	18.5	Liquidity	6.9
Education of children	15.6	Betterment of social status	5.4
Social/religious Ceremonies	7.8	Religious/ Cultural ceremony	5.2
Against income uncertainty	2.2	Children's education-Future	5.0
Other reasons	6.7	Others	4.1

Giftng is the most important demand driver



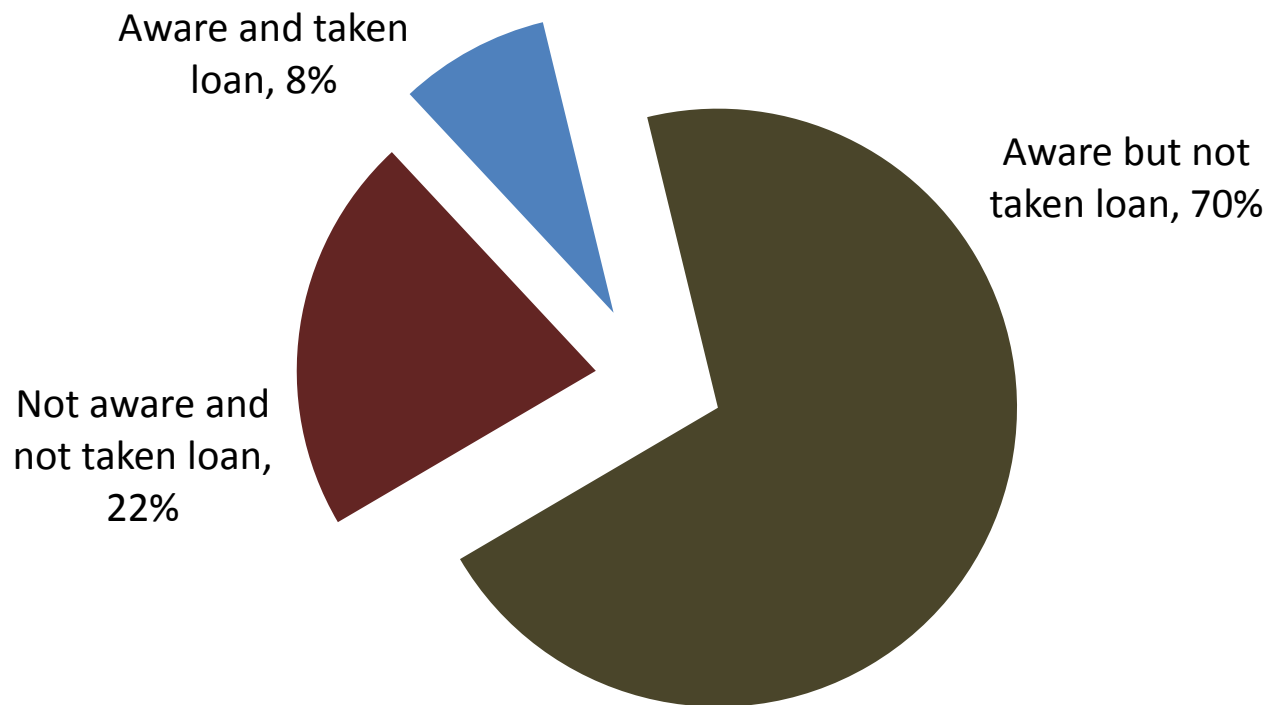
Note: Future investment includes children’s education, children’s wedding and purchase of property/real estate

Source: ICE 360^o Survey (October 2014) from People Research on India’s Consumer Economy (PRICE).

Gold for investment purpose

- 35% households purchased gold for the purpose of **future investment**
 - funding children's education
 - funding children's wedding
 - building or buying a house
- Investment objective is observed more southern and northern states
- 'Middle India' behaves similar to 'Poor India' (30% - 33%)
- Much higher proportion of 'Rich' (42%) purchased for investment purpose

Awareness and prevalence of loan against gold



Source: ICE 360⁰ survey, 2014

- Share is highest in South India (15%) and negligible in Central and North India

Most important purpose of taking loan against gold

Purpose	% Households who ever took loan against loan
Social occasion	33.2
Medical emergency	23.4
Repay other loan	13.0
Business investment & others	12.2
Financial crisis	9.8
Children's education/wedding	8.3
Total	100.0

Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

Relevant questions in ICE 360⁰ Survey

Question 8.11 : If banks/post offices give interest on gold deposits, would you like to deposit gold in banks/post office? (Codes:1-Yes, 2-No)

Question 8. 12: If a recognized builder accepts gold from you as security in lieu of down payment and returns it after the agreed amount is paid, would you keep gold in such a scheme? (Codes:1-Yes, 2-No)

Question 8. 13: If government issues “Paper Gold” that ensures regular income/returns, would you invest in it? (Codes:1-Yes, 2-No)

Schemes	Share of households willing to invest
Gold deposit scheme	43%
Security against down-payment	22%
Paper Gold	31%

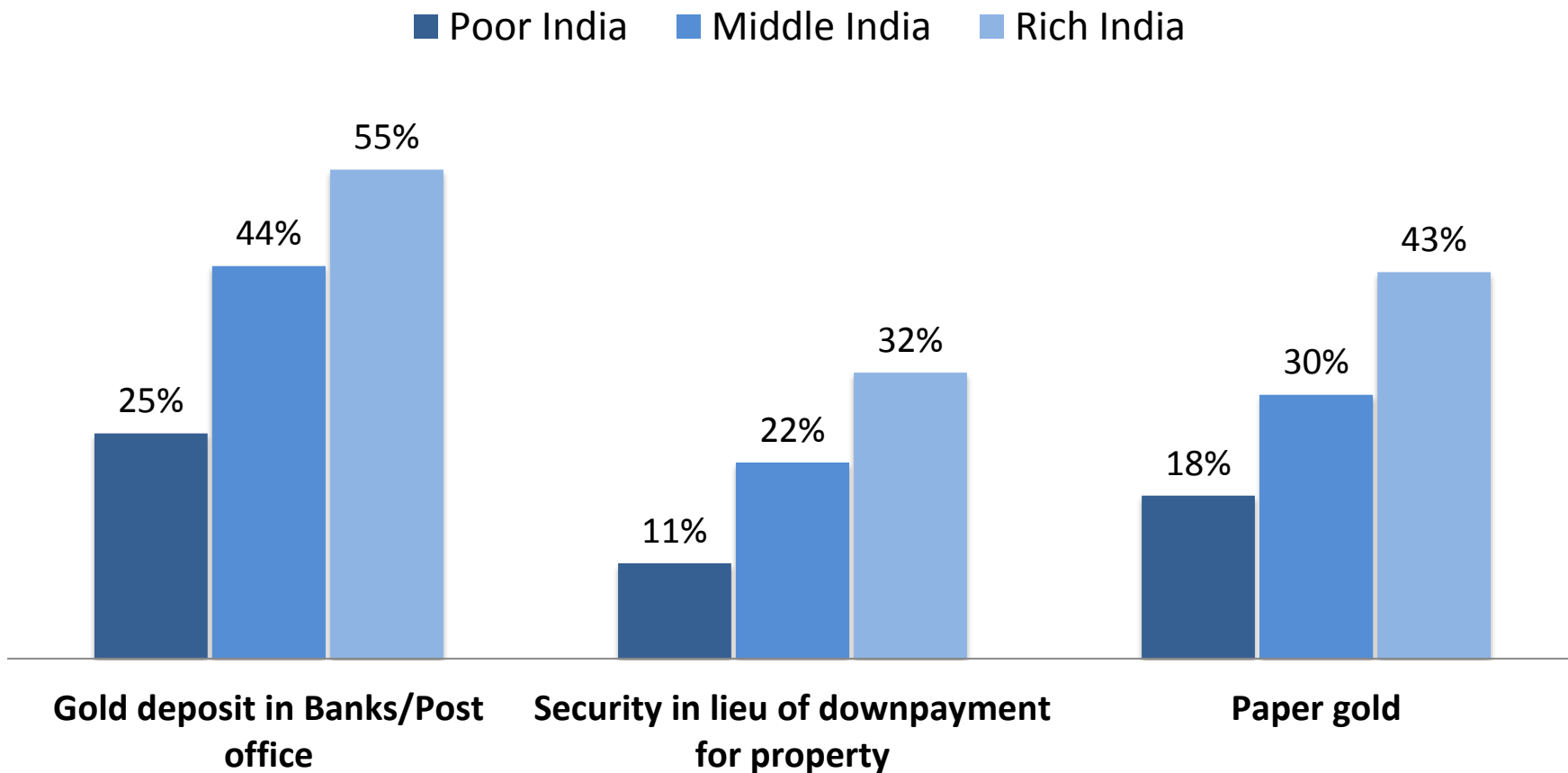
Gold deposit scheme in banks and post offices

- Relatively higher proportion is willing to invest in gold deposit scheme (43%) than in other 2 schemes
- Proportion is relatively higher in
 - **Metros** (47%) vs. Underdeveloped rural (35%)
 - **Western** (56%) and **Northern** (53%) India vs. Eastern India (24%)
 - **Rich** (55%) vs. Poor (25%)
 - **Graduate & above** (57%) versus below primary (28%)
 - **Regular salaried/wage** (53%) vs. Labor (33%)

Paper Gold

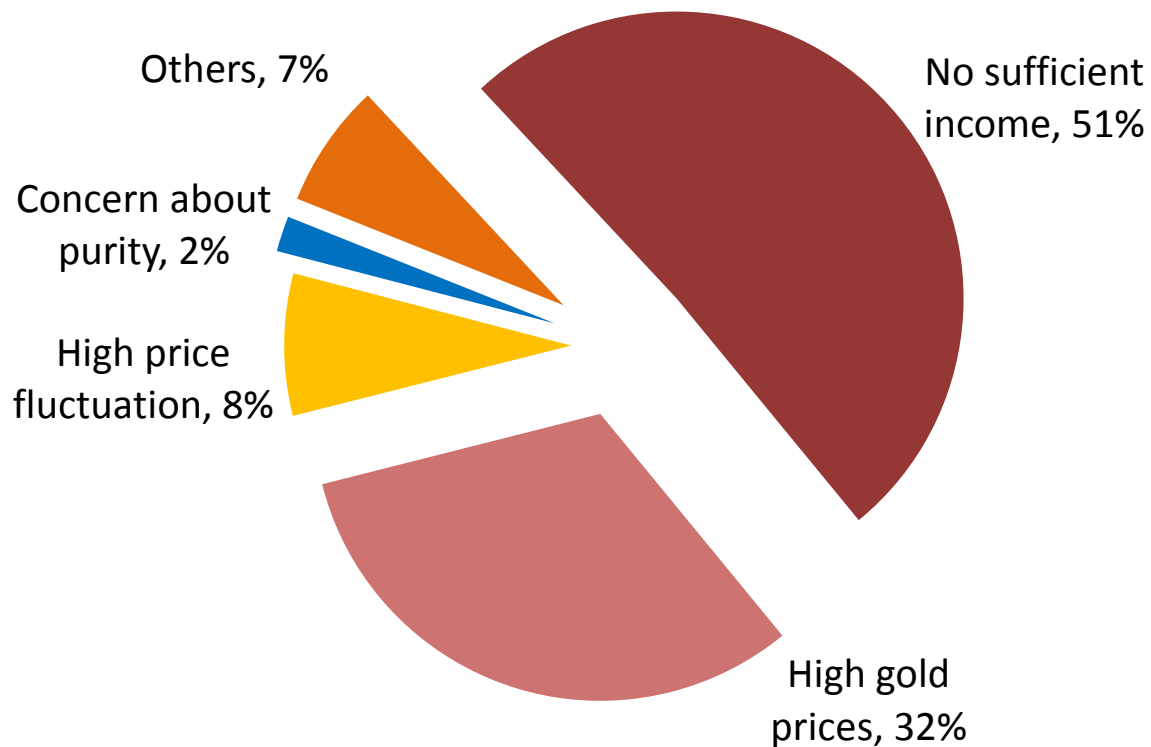
- Less than one-third (31 %) households are eager to invest in 'Paper Gold'
- Willingness to invest in 'Paper Gold' is relatively higher in South India (38 per cent) as compared to other zones
- Greater willingness to invest in 'Paper Gold' among households that are rich, earning regular salaries, and highly educated.
- There is wide rich-poor gap. 43% 'Rich' are ready to invest in 'Paper Gold' as compared to 18% 'Poor'

'Middle India' lies somewhere in between 'Poor' and 'Rich' India



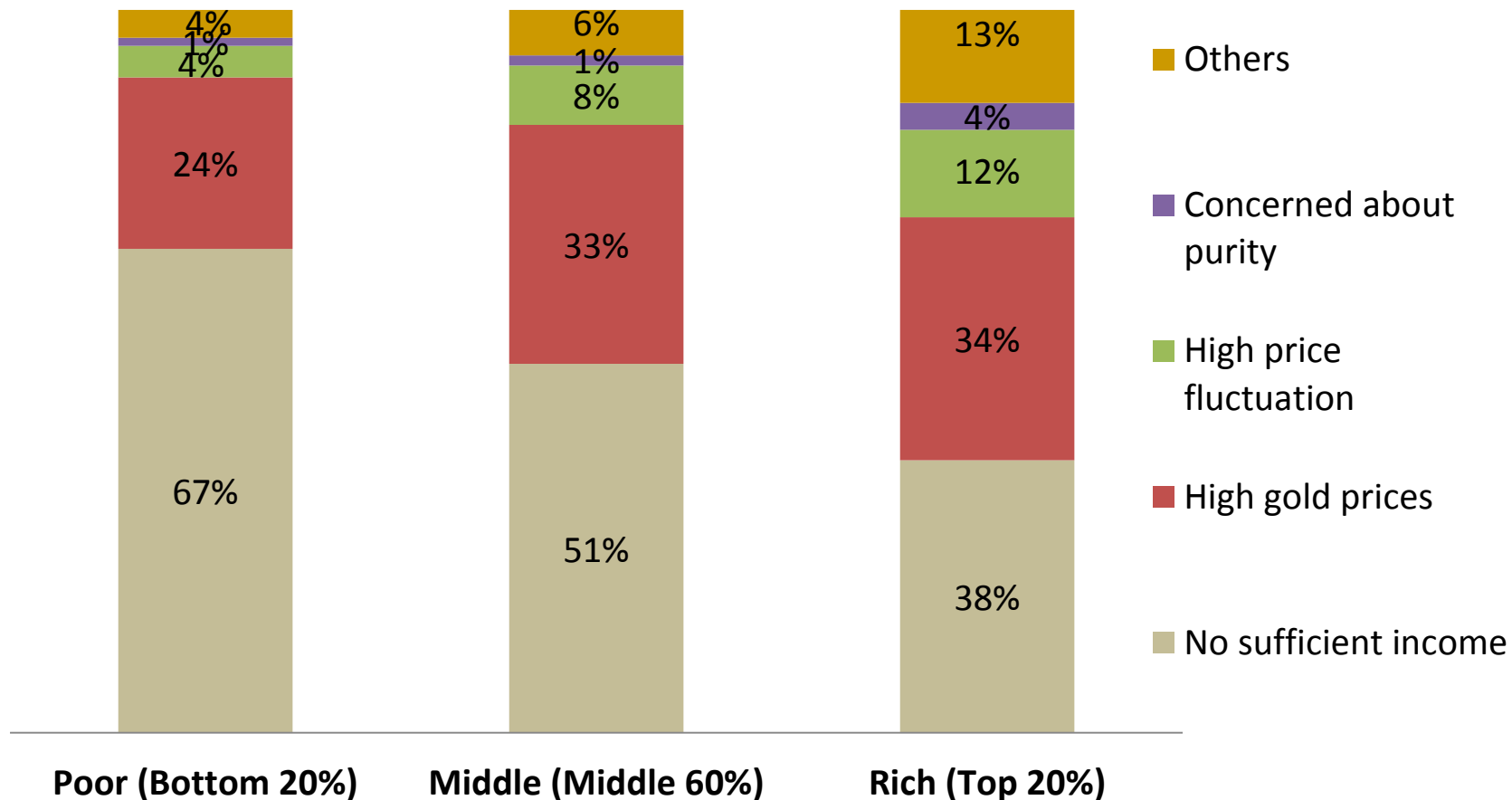
Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

Perceived barriers to gold investment



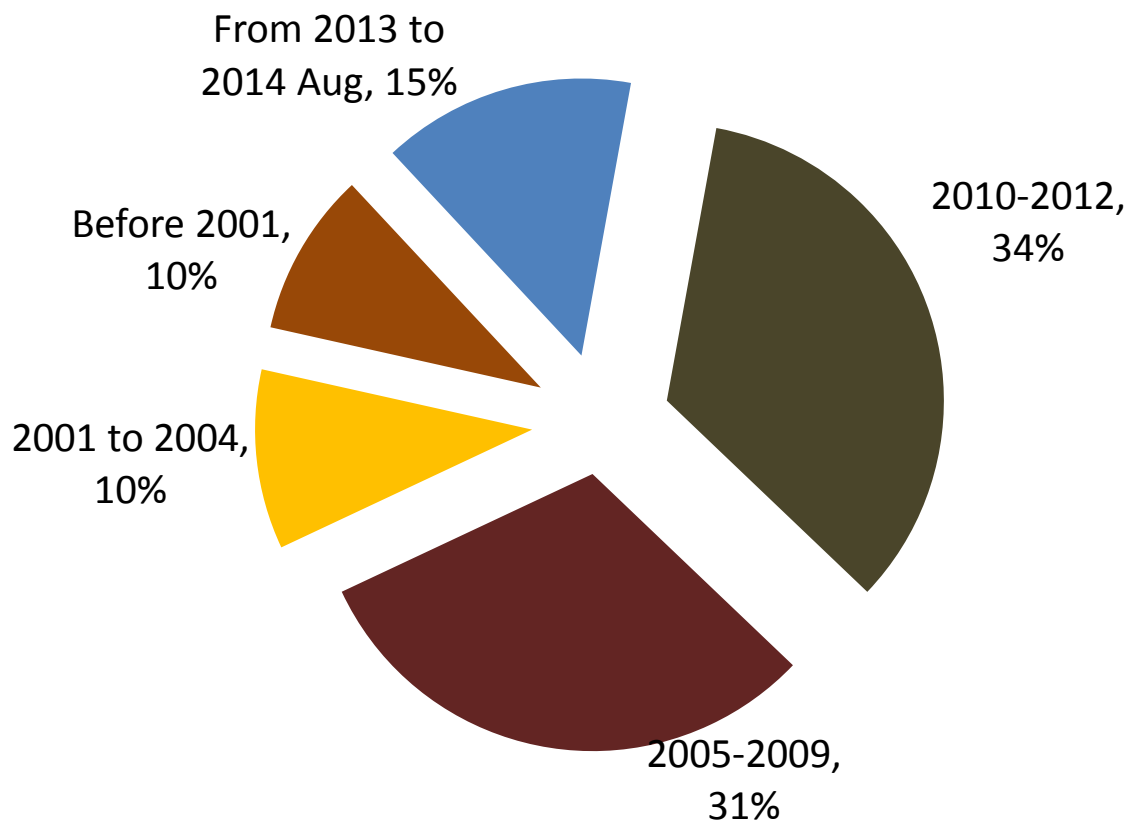
Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (**PRICE**).

Perceived barriers to gold investment



Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

Distribution of households: Year of last gold purchase



Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (**PRICE**).

Profiling based on year of gold purchase

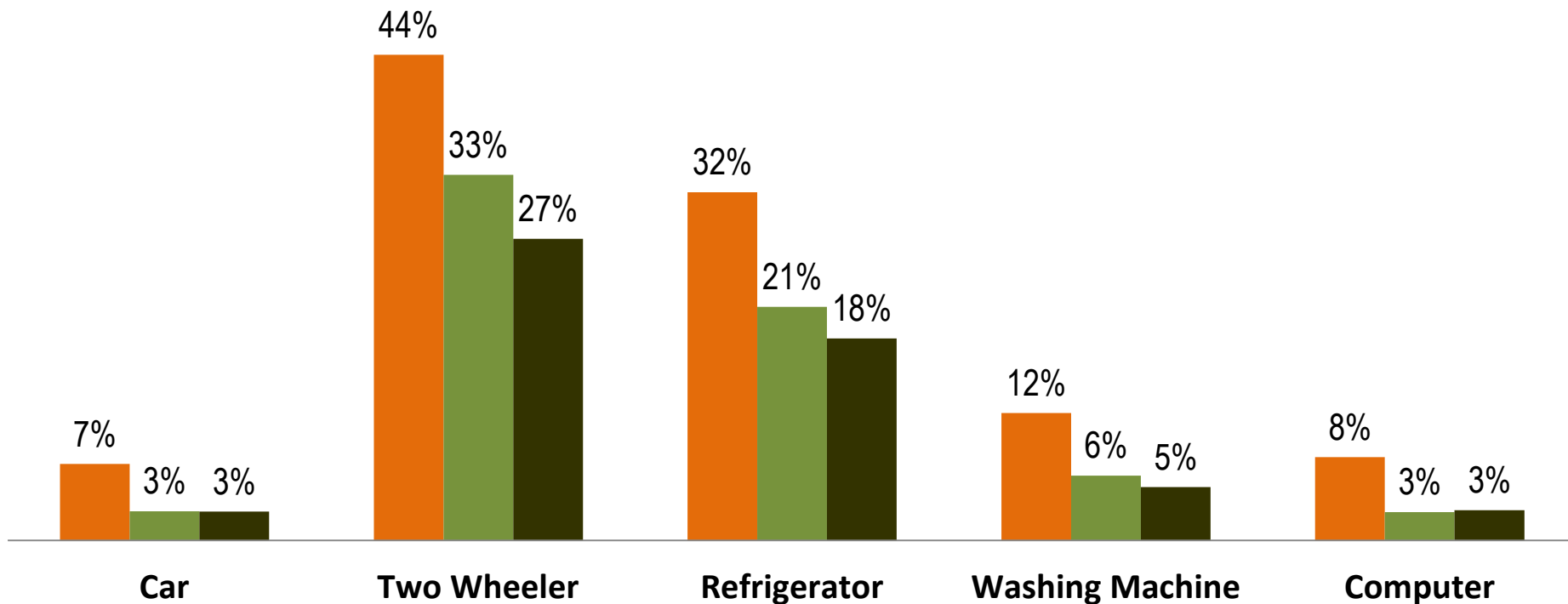
- Gold purchase behavior is studied across three time periods
 1. Below-par growth period (2010 to 2014),
 2. High growth period (2005 to 2009), and
 3. Mixed growth period (before 2005)
- Around half (49%) purchased in last 5 years: Relative better-off, highly educated, have regular income, have greater ownership of high-value assets and consumer durables
- Average income is 30% higher than that in high growth period
- 31% purchased during high growth period (2005 to 2010) is similar to average India
- 20% purchased during mixed growth period (before 2005): They are worse-off in terms of economic status, education and asset ownership

Profiling based on year of gold purchase

Characteristics		Below-par Growth (2010-2014)	High Growth (2005-2009)	Mixed Growth (Before 2005)	All India
Average annual household income (Rs.)		2,49,608	1,93,191	1,47,471	1,97,686
Average annual household expenditure(Rs.)		1,70,636	1,35,383	1,12,845	1,39,833
Major Source of Household Income	Regular Salary/Wages	26%	21%	14%	20%
	Labour	24%	35%	37%	33%
Highest Education Level	Graduate and above	31%	18%	12%	21%
	Below Primary	10%	20%	28%	20%
Population Quintile based on per capita income	Top Quintile	31%	22%	16%	23%
	Bottom Quintile	11%	14%	17%	16%
Asset Ownership	Car	7%	3%	3%	4%
(% Households Owning Asset)	Two Wheeler	44%	33%	27%	35%
	Refrigerator	32%	21%	18%	24%
	Washing Machine	12%	6%	5%	8%
	Computer	8%	3%	3%	4%

Willingness to invest is much higher among latest buyers

■ Below-par Growth (2010-14)
 ■ High Growth (2005-09)
 ■ Mixed Growth (Before 2005)



Source: ICE 360^o Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

Conclusion

- About 86% households have ever purchased gold; about 6% households rank gold as saving tool among the top 3 modes of saving
- One in every 10 Indian households, purchase gold annually or more frequently
- Gold demand in India is hardly affected by economic, fiscal or political downturn
- Jewelry is the most preferred form of gold in India (86% Jewelry, 13% Coins/bars, 1% others)
- More than one third households (35%) bought gold for 'future investment purpose; among 'Rich' it is as high as 43%
- More than two third (68%) households believe hallmarking of gold is important
- Gold deposit scheme in banks are most preferred (43%), followed by "Paper gold" (31%) and gold as security for down-payment to builders (22%)
- Higher proportion of frequent buyers/investors (South: 18%, India: 10%)
- Gold purchase for investment is much higher (South: 46%, India: 36%)
- Interest in "Paper gold" is much higher (South: 38%, India: 31%)

Thank you

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LESS is MORE

Keep it Simple

"Live simply so that others may simply live."

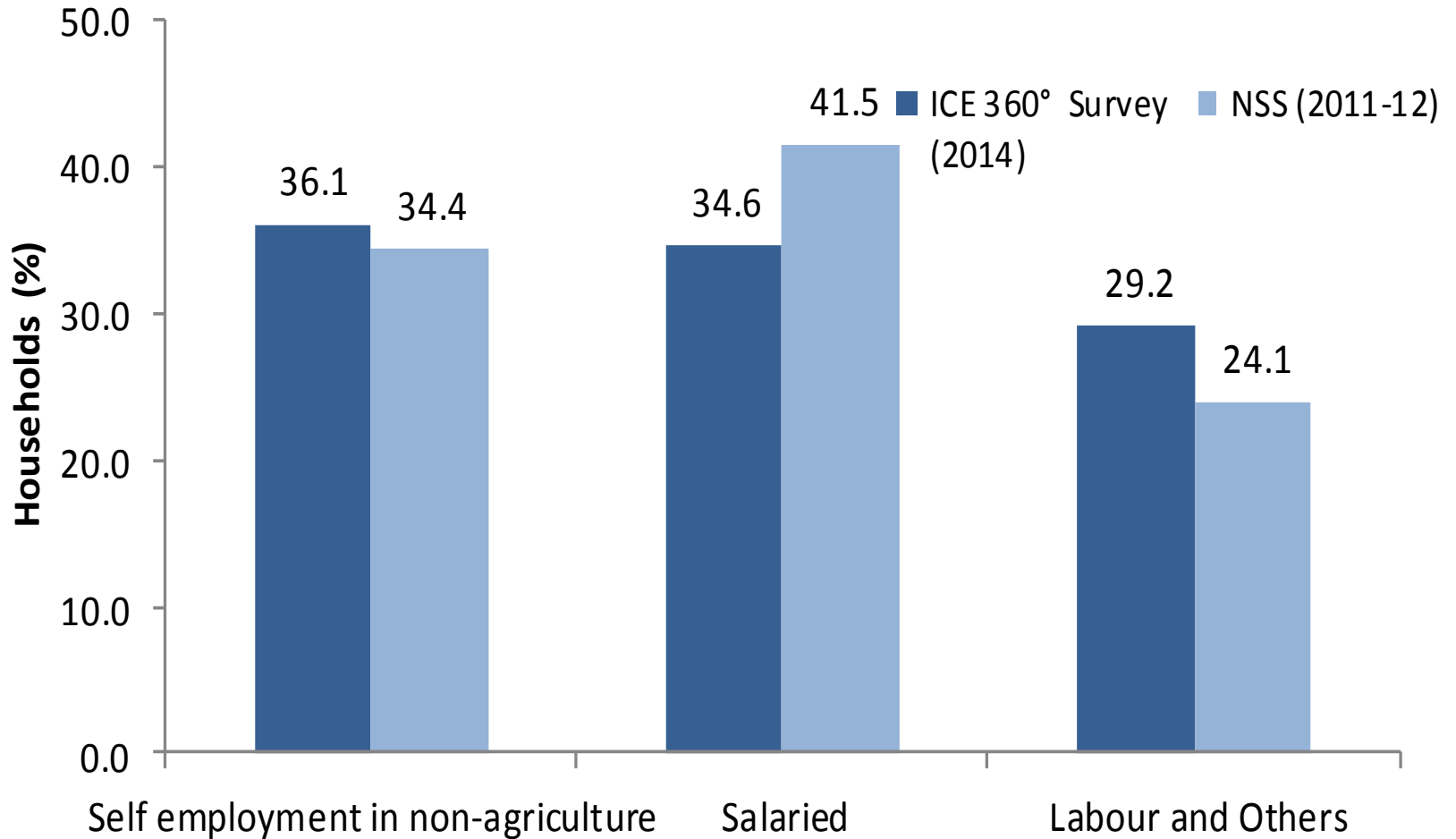
~ Mahatma Gandhi

Data Validation: Compare ICE 360⁰ Survey with NSSO and Census of India

Demographic profile of Indian Household

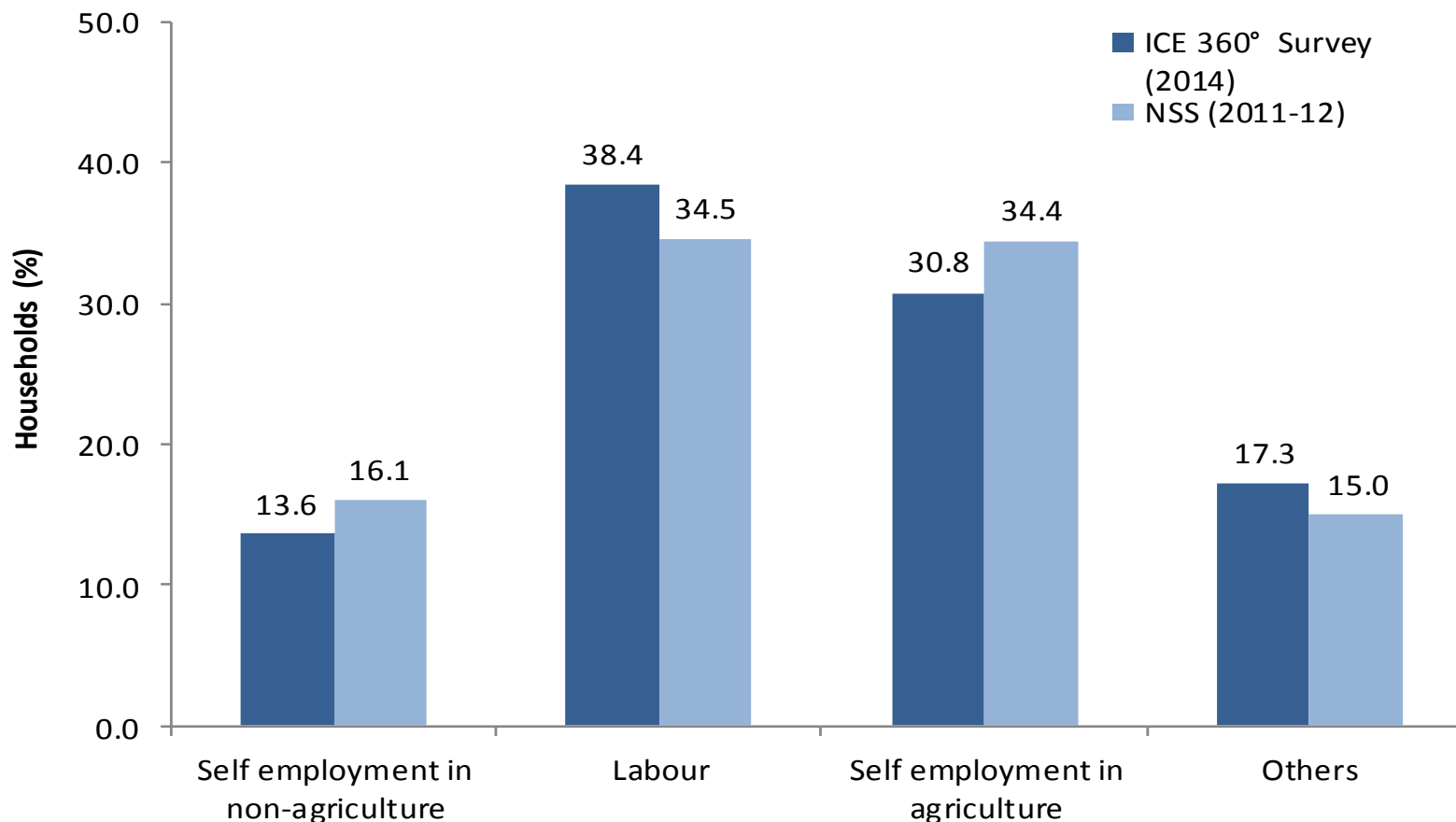
Characteristics	Rural			Urban		
	ICE 360° Survey (2014)	Census (2011)	NSS (2011-12)	ICE 360° Survey (2014)	Census (2011)	NSS (2011-12)
Estimated households (Million)	177.4	168.6	172.1	92.6	80.9	78.2
Estimated population (Million)	836.1	833.7	792.1	428.7	377.1	316.9
Household size	4.71	4.94	4.60	4.63	4.66	4.05
Distribution of households by social groups (%)						
Schedule Castes	19.9	19.5	21.2	21.1	14.0	14.2
Schedule Tribes	11.9	11.9	11.4	6.0	3.9	3.6
Others	68.1	68.5	67.4	72.9	82.1	82.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Distribution of households by religion (%)						
Hindu	85.6		84.4	85.2		80.4
Muslim	11.0		11.0	9.9		13.6
Christian	1.5		2.2	1.3		3.0
Sikh	1.3	NA	1.6	2.8	NA	1.3
Others	0.5		0.8	0.8		1.6
Total	100.0		100.0	100.0		100.0

Distribution of households by source of income - Urban

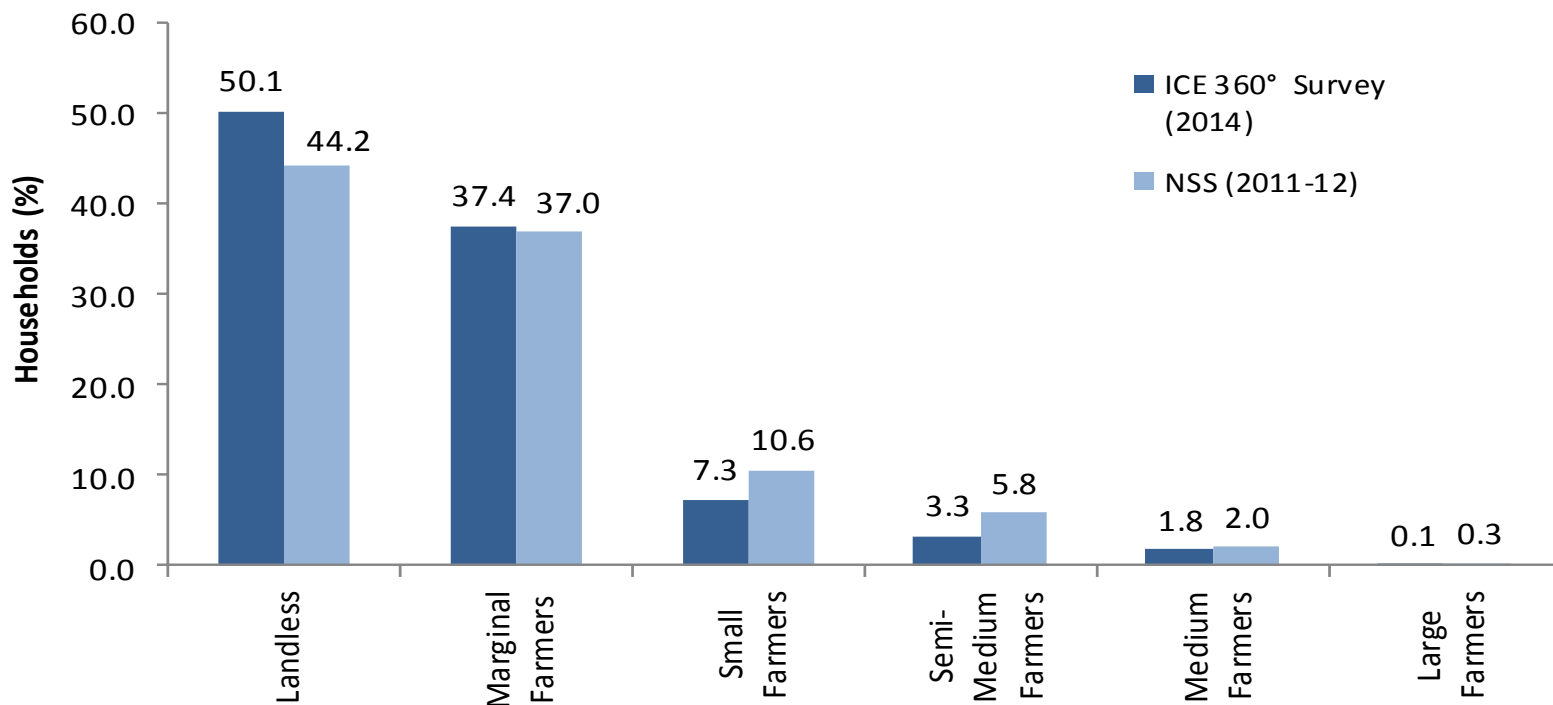


Source: ICE 360° Survey (October 2014) from People Research on India's Consumer Economy (PRICE).

Distribution of households by source of income - Rural



Distribution of RURAL households by size of cultivable land category



Estimates of standard errors

Per capita income quintile	% share in households	% share in total income	Per capita income (₹ Per annum)	Standard error of mean income	Coefficient of variation (%)
Q1-Bottom quintile (0-20%)	16.5	6.6	14,010	6.5	54.9
Q2-Second quintile (21-40%)	17.6	11.0	23,345	7.7	42.6
Q3-Middle quintile (41-60%)	20.1	15.0	31,648	8.9	44.7
Q4-Fourth quintile (61-80%)	22.6	21.2	44,797	12.6	52.9
Q5-Top quintile (81-100%)	23.2	46.1	96,918	31.3	63.2
Total	100	100	42,207	10.7	88.7

Source: ICE 360 Survey (October 2014) from People Research on India's Consumer Economy (PRICE).