



**UNIVERSITI TEKNOLOGI MARA**

**THE IMPACT OF ECONOMICS ON GOLD PRICE  
IN INDIA**

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## **ABSTRACT**

Gold has held the attention of mankind. It is one of the most valuable metals discovered to date, as well as the most liquid asset. Since its origin, gold has been the backbone of all economies. Other than that, has been highly prized by nearly all societies. The reasons behind this appear to be self-evident. It's beautiful, its hue and gloss evoke the sun which making it one of the most plausible objects of human devotion, it's highly flexible, and it doesn't corrode. India is the world's greatest consumer of gold. For a considerable number of low and middle-income households in both rural and urban areas, gold is a substantial source of savings. The sharp increasing trend of gold price since the year 2017 had pulled the attention from researchers and investors. In 2017, gold price was only at the RS 26,600, 24 karats per 10 grams and then it had dramatically increased to RS 48,800, 24 karats per 10 grams in 2020. The purpose of this study is to examine the implication of economic determinants on gold price in India. The research is performed using interest rate, consumer price index, exchange rate, and stock market returns. Most of the information for this analysis were collected from the world bank data. This study uses secondary data from India in January 2017 until December 2020. The results of this study are focused on descriptive analysis, correlation analysis, regression analysis, and test assumptions.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 INTRODUCTION

Gold is a valuable commodity that has a significant economic impact. It is also a valuable item that can be exchanged for paper money. Within an economy, gold is used as a monetary, asset reserve, and equity value. Gold can be utilised as a secure investment asset during economic uncertainty.

According to Ahmad Raza Bilal & Noraini Bt Abu Talib (2013) the World Gold Council research (Liquidity of the world gold market), gold is the finest yellow precious metal, and it is almost an incomparable element due to its distinctive qualities. Half of gold's resources are utilised for jewellery, while the other half is used for investment. The third advantageous application of gold is in financial dealings. Gold is used as a store of wealth, an investment, and a primary source of collateral in financial transactions by market participants.

In addition, research have been done from Dr Sindhu (2013) which she states that diversified portfolios including assets like private equity, hedge funds, real estate, and commodities can benefit from a discrete gold allocation as a foundation. Investors want to diversify their portfolios and increase their risk-adjusted returns. Gold, on either hand, has advantages that set it apart from other assets. It is not only an invaluable resource of diversification for an investor's portfolio, but it also serves as a foundation for risk management and capital preservation, especially during times of financial instability when stability is most needed.