

“Impact of Indian Government Policies on the Gold and Silver Business in India: An Analysis of Problems and Prospects”

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Introduction : In this context, the paper explores various dimensions of gold in the Indian economy through the ages. I underscore the sacred dimension of gold in the Indian subcontinent in Section 2. Section 3 addresses the importance Indians have attached to gold jewellery since ancient times and gives a few examples of the types of jewellery used then. Availability of gold in various forms in ancient India and the technological know how to extract it are covered in Section 4. That the Indians had an understanding of the precious metal as a medium of exchange and store of value is shown Section 5, and, Section 6 gives a nuance of why India was referred to as the land of Golden Sparrow. Finally, Sections 7 and 8 describe modern.

Used mostly for jewellery purposes, India's 22 karat gold stock is one of the purest in the world. With the current price of 22 carat gold hovering at about 4600 /gm₹, the value of the total stock of gold in India amounts to a whopping sum of about 112 trillion ₹ or about \$1.49 trillion. Importantly, despite huge demand for gold, India does not produce any gold and all has to be imported. In the 2020-21 union budget the basic customs duty on gold imports was reduced to 7.5 per cent and the import value had surged to about 2.54 trillion ₹ since then WGC, 2021. Accounting for about 9 per cent of India's total imports today, India has been the largest importer of gold after China. The huge demand for gold by India which has an annual per capita GDP of just about \$2000 seems intriguing. India's gargantuan stock of gold as accumulated hoardings rather than accumulated savings and discuss economic policy for re-channelling India's gold stock into financial markets.

Key Word : India's 22 karat gold stock, per capita GDP, Hiranya garbha, Dhana Lakshmi, In the post-Vedic period, Mining of Gold and Currency, Mauryan empire, The Golden Age of India, Sarasvati-Sindhu civilization, The Government's Focus On Aatmanirbhar Bharat, The Indian Gold Coin IGC Scheme, Silver Production in India.

Gold At Several Places In Ancient Indian Culture: The attributes of gold had caught the imagination of Indian seers many millennia ago. The innate understanding that gold was the most noble metal corrosion resistant, it was malleable, and, of course, had a radiant yellow hue was not lost on them. These attributes bestowed sacred references to In fact, the very creation of the universe is expressed in reference to gold. In Rig-Veda, the foremost of the sacred books of Hindus composed not later than the 2nd millennia BCE, one finds reference to gold in the Hiranya garbha Sukta Hymn 121 which appears in the 10th Mandala Book of the Rig-Veda Griffiths, 1886. The word Hiranya-garbha means a golden-seed, golden-egg or golden-womb. The seer who penned the hymn describes that the golden womb is the source of creation of the universe. The 'golden' part is supposed to represent primal radiant energy. In the Upanishad literature which followed the Vedas, Hiranya-garbha gets considered as the soul of the universe Deussen, 2009 Prior to the mention of Hiranyagarbha in Riv-Veda, there is also a supplementary hymn in praise of goddess Lakshmi titled Shri Sukta at the end of Rig-Veda. The Shri Sukta hymn describes goddess Lakshmi as one who shines with a golden hue wearing golden garlands. In the Buddhist and Jain literature too one finds adoration for Lakshmi. Though Buddhism and Jainism are monastic orders, which turned away from Vedic rituals circa 6th century BCE, they did not abandon the delightful goddess of wealth and beauty. For example, in Jatakas, the Buddhist books of tales, folks request Goddess Lakshmi to drive away Kalakani, the goddess of misfortune. Images of Lakshmi started appearing around the third century BCE in sculptures found in Kausambi and other places in north India Vishnu, she appears on gold coins issued during the reign of the Gupta dynasty around the third and fourth

century CE. Almost all images of Lakshmi have multiple arms with one of the arms depicted in the Abhaya Mudra, a hand-gesture representing benevolence, protection and peace. Importantly, in this hand-gesture, gold coins are shown flowing down from her palm in a continuous stream. Moreover, there are eight forms of Lakshmi representing various aspects of life. One among them is called Dhana Lakshmi which represents wealth in the form of money or gold. Even today, during the most important Indian festival, Diwali., the festival of lights, a particular day called of Lakshmi Pujan is reserved for worshipping Lakshmi.

Dhana Lakshmi which represents wealth in the form of money or gold: Gold and Silver Jewellery in Ancient India While Vedas are sacred texts, a significant part of the texts is also dedicated to secular thoughts, arts, crafts, music and dance. Rock carved figures, metal statues, and temple sculptures that are available from circa 3rd century BCE show elaborate gold jewellery worn by men and women. Contrast this to Greek statues which focus on depicting bare bodies conspicuously devoid of jewellery. Even in West Asia, Babylonian and Sumerian statues are adorned with scanty jewellery .The ornate ancient Indian sculptures did not evolve suddenly. The presence of gold jewellery is very much apparent in Vedic literature. Gift of gold ornaments like necklace and headgear are mentioned in RigVeda. Women wearing gold chains and glittering ornaments on their breast are also mentioned . If god Indra wears golden bracelets, so do Maruts. The word hiranya-mani has been used to mean gem-studded gold ornaments. In the Sankyayana Gruhya Sutra text, a wife is expected to sing song wearing many gold ornaments. In Atharva-Veda also one finds many references to gold jewellery. For example, ear ornament pravarta is mentioned in, golden amulets in, necklace of nishka gold coins nishariya and head ornament kurira. In the Tamil literature the word used for these nishka gold coins is kasu maalai. Similarly, Shatapatha Brahmana mentions golden chain rukma pasha in. There are quite a few such references to gold ornaments in Vedic literature. In fact, Vajasaneyi Samhita mentions jewellers and goldsmiths as well.

In the post-Vedic period: in the 4th century BCE Kautilya makes elaborate reference to goldsmith in his treatise Arthashastra Kangle, 1965. he states that manufacture of gold ornaments was under the supervision of superintendent of gold suvarnadhyaksha and royalgoldsmith sauvarnika would operate a shop in the market to make articles for the citizens. Along with wearing and manufacture of gold jewellery, one also finds instances of positive connotations associated with gold and the jewellery. Some references are very practical and other faith based. For example, the poet-philosopher Bhartrihari pens a witty couplet in his Sanskrit treatise Nitishataka that all good qualities being beautiful/handsome,connoisseur, good orator, master of scriptures, from a noble family are attributed to a personwho possesses gold. Bhartrihari drives home a real and practical truth that with the acquisition of gold and riches virtues get attached to a person irrespective of whether or not such qualities actually reside in that person. Similarly, the Atharva-Veda narrates a belief that one who dies of old age becomes what he wears if it is gold, one will get the splendour, strength and brilliance of gold . Gold Extraction in Ancient Times The sacredness associated with gold and the elaborate descriptions of the gold jewellery could not have materialized without the knowledge of extracting gold from natural resources. Ancient Indian literature specifies different ways of gold extraction. One was to extract gold by panning gold dust or particles from the alluvial placer gold deposits. Again, one of the earliest references to gold extraction occur in Rig-Veda. There are references to alluvial placer gold being extracted from the river beds, particularly from river Sindhu, Sarasvati, Jambu, and Ganga. Sindhu river was an important source of gold and in the Nadistuti Sukta of Rig-Veda, Sindhu river is called Hiranyayi , giver of gold. Since the path of Sindhu river contained alluvial gold it was also referred to as Hiranyavartanih. One of the seers Sayana mentions that both banks of Sindhu contained gold. Similarly, gold obtained from the river Jambu was called jambunada and that from the river Ganga was called gangeya. In fact,

he region of Manasarovar and Thokjalyug .Moreover, in the epic Mahabharata there are references to pipilika gold ants' gold. At the Rajasuya Yagna coronation ceremony we are told that this type of gold was heaped upon king Yudhishtira. Pipilika gold was of high quality and came in powdery form. This gold was called ant's gold because it was extracted by panning the auriferous soil of the ant and termite hills containing placer gold deposits. Buddhist treatise Anguttara Nikaya written in Pali language also refers to the process of extracting gold dust and particles from the alluvial placer gold deposits. Furthermore, Kautilya refers to a naturally occurring liquid with dissolved-gold which was found in rock crevices. One unit pala of such gold could be used to transmute 100 palas of copper or silver by way of gold coating. Later, circa 4th century CE playwright Kalidasa also refers to such dissolved-gold which he calls as kanaka-rasa. Yet another reference to it is found in Gandavyuha Sutra where it is referred to as hatakprabhasa.

Shatapatha Brahmana refers to gold being obtained by smelting from ore .Kautilya too had identified various kinds of gold ores suvarna-dhatav and the way to process them in chapters and He had clearly stated in that

the director of mines Aakaradhyaksha had to be an expert in science of metal veins in the earth, metallurgy, and the art of smelting. He had also given various tests for assaying of gold. He alludes to touchstones from the regions of Kalinga and Tapi to be the best ones to test gold. The details with which Kautilya has given information on gold ores, processing, testing, and manufacturing of articles is indicative of high level of metallurgical advances already made by the century BCE in India.

Mining of Gold and Currency : If the ancient Indians had cast gold into a sacred mould, if the artisans had expressed their creativity through gold jewellery, and, if the geologists and metallurgists had mastered the science of extracting gold, ancient Indians had also understood the importance of minting of gold coins as a medium of exchange and store of value. Del Mar asserts that the stamping and casting of coins had occurred in India prior to the advent of Greeks. According to Bhandarkar beginning of the art of coin making must be placed much before 7th century BCE. He also adds that gold was the earliest of the metals used for making coins during the Vedic period. In fact, Buddhaghosha, a Buddhist commentator had alluded to a treatise on the science of minting coins titled Rupa-sutra; however, like many other treatises this text is lost in history. Through the many anecdotes found in the Vedic treatises, namely Rig-Veda, Atharva Veda, and the Brahmanas, one can identify quite a few types of gold coins. There are references to kings doing charity in the form of gold coins and people purchasing goods using gold coins. In the Vedic literature, unstamped bullion or button-gold was called as Hiranya-pinda. Stamped or punch-marked gold coins were variously called as Nishka, Satamana, Suvarna, and Krishnala in the descending order of their value at different points in time. Jataka stories also corroborate the use of gold coins. Jatakas are the loan-stories from the pre-Buddhist literature reflecting on the socio-political life in India around 7th century. Jataka stories refer to three types of gold coins in the descending order of their value Nishka, a gold Satamana would equal 100 gold Krishnalas as mentioned in Shatapatha Brahmana. In Tamil, Krishnala was termed as Kunthumani. A Suvarna was later called as a Dinara in the common era. Suvarna, and Mashaka. Another coins that gets mentioned is Karshapana, which was minted predominantly in silver.

Though cheaper than gold, however, even silver was getting relatively scarce. As a result, while both gold and silver were a good store of value, rulers had to pay attention to the more immediate function of money medium of exchange. Samples collected by Cunningham had showed 20 per cent copper and other alloys in the silver Karshapanas. By the post-Vedic period, however, easily panned deposits of alluvial placer gold had dried up and Karshapana coins made of silver and/or copper had become more prevalent⁵. In this period, we find references to minting of coins in Arthashastra. Kautilya makes references to Superintendent of the Mint Lakshadhyaksha and next in the hierarchy was Coin Examiner Rupadarshaka under him. They oversaw the circulation of coins in the economy and replenishing of the treasury. Circulating counterfeit coins was to be punished heavily with 1000 Karshapanas and those who deposit such counterfeits in the government treasury would attract death penalty. Post-Kautilya and after the death of Ashoka in the 3rd century BCE, kingdom of Kalinga had regained independence under the leadership of King Kharavela. The Hathigumpha inscriptions near Bhubaneswar, Odisha tell us that between the age of 16 to 24, among other things Kharavela had learned, was the science of minting coins Rupa Sutra. Buddhaghosha describes a goldsmith having coins of different shapes such as rectangular chaturasra, circular parimandalala, elongated dirgha, and of irregular form Chitra-vichitra. That gold was getting scarce had become obvious from the fact that not even once Kautilya made any reference in Arthashastra regarding production of gold coins. However, one notices that Kautilya had allowed 31.25 per cent of copper and other hardening alloys being used to produce a silver karshapana. This goes to show that as silver continued to become expensive, Kautilya had allowed increased proportion of copper in the silver Karshapana. Muller also alludes to an anecdote where Kautilya had reminted a crore of Karshapanas into 8 crore Karshapanas to finance war against the Magadha king Dhanananda. He perhaps increased the alloy content of the coins or gave a silver coating. From Vedic times to post Kautilyan period, while names of coins and their content may have changed, there was standardization of coin weights. For example, a base weight was called Raktika or Rati red seed and Krishnala black seed of the gunja creeper *abrus precatorius*. Five Ratis equalled 1 Masha black and gray pulse-seed called phaseolis padiatus. Sixteen Mashas equalled 1 Karshapana. As per modern system, a Rati equalled 1.825 troy grains 118.26 milligrams. Therefore, a Karshapana coin weighed 9.46 grams. A gold Karshapana would be called Suvarna. Coins of smaller denominations also existed. to the copper coins to increase money supply. This anecdote may be one of the very first recorded instances of quantitative easing of money. Similar increase in money supply was carried out by the Bactrian kings, rulers of Hindu Shahi of Kabul, and the subsequent rulers.

The sparry iron : Though gold was getting more scarce in the post-Vedic times, in the Indian cultural ethos it maintained its sacredness as also the usefulness in jewellery making. While the accumulated stock of gold in

India was huge and it continued to be used as a store of value, gold ceased to function as a medium of exchange in the ordinary business of life. Relative to silver, gold was getting expensive over the millennia. For example, during the Vedic period relative value of gold and silver was 1 silver = 1 gold. However, by the time Alexander's army had a tangential brush at the north western borders of India, the ratio had turned 2 silver = 1 gold. And it went down to 6 silver = 1 gold by the 5th century Del Mar, 1885. There was always some amount of trade with the Occident by the end of the Vedic period. However, after Alexander's departure and the subsequent establishment of the Mauryan empire by Kautilya and Chandragupta, there was a heightened activity of trade with Greece and Rome. By the turn of the common era, Romans were allegedly calling India the land of the Golden Sparrow Soney ki Chidia. The newly found insatiable interest in Indian textiles, iron, spices, perfumes, silk, gems, and exotic birds and animals meant that Indian merchants would now receive volumes of precious metals like gold and silver in return. In 1st century CE, Pliny the Elder, a writer, naturalist, commander of the Roman forces and a friend of Emperor Vespasian lamented that Romans were importing unproductive luxuries which were not worth the gold Rome was giving up and that their luxuries and women were costing them one million sesterces Roman coins per year. Tamil Sangam literature too mentions that Yavanas would return with pepper and Muziris part of the Kerala coast would resound with the noise of gold. Roman gold would land at various other Indian ports such as Barbaricum Karachi and Baruch as well. The enormity of the precious coins received by Indians can be appreciated by the colonial era find in south India, where a cache of Roman gold and silver mintage was estimated to be 'eight coolie-loads' with 20,000 coins per porter Dasgupta, 2017. Four centuries after Pliny the Elder lamented about the drain of 6 Relative value of gold against silver has continued to increase steadily over the ages. Based on the current rupee prices of silver and 22- carat gold, the ratio was 73 silver = 1 gold, on 1 November 2021. 8 gold from Rome, the Roman empire had come to an end. And, at about the same time, Gupta empire had emerged in the Indian subcontinent in the 4th and 5th century CE, representing.

The Golden Age of India : In these times of prosperity, it should not come as a surprise that between 355 CE and 414 CE, successive emperors of the Gupta dynasty, Samudragupta, Chandragupta II, and Kumaraguta I minted gold coins in honour of goddess Lakshmi. The engravings on the gold coins Dinara Suvarna depicted goddess Lakshmi with the attendant pictures of a lotus and elephants CoinIndia, 2021. If Gupta empire represented the Golden Age of India, Angus Maddison's 2003 work further showed that India's GDP had acquired more than a third to half of the total GDP of the world during the 1st millennium CE. If the epithet, land of the Golden Sparrow was justified, it also meant that invaders were attracted to India's wealth. Just to give a few examples, if Mahmud of Ghazni raided India 17 times to plunder her treasures Anjum, 2007, Nadir Shah too had ransacked Delhi for many days looting the famous Golden Peacock throne The tradition of minting gold coins continued for a while. In the 12th century, King Vigraharaja IV of the Chahamanas dynasty from the present day state of Rajasthan had minted gold coins called Rama-tankas. Similarly, mint-master of the Delhi Sultanate, Thakkar Pheru made a mention of gold coins known as Sita-Rami in his work Dravya-Pariksha written in 1318. Even during the Moghul period gold coins were being minted. The system of minting coins in gold Mohur, silver Rupiya, and copper Dam was initiated by Sher Shah Suri in the 16th century and carried forward by the Mughals. As has been said earlier, gold remained more of a store of value. It was being used more for minting commemorative coins. Silver coin named Rupiya, named after the Sanskrit name Raupya for silver, became the commonly used currency. This Rupiya coin became the precursor of the modern currency Indian rupee RBI, 2021. It should not come as a surprise that in modern times, in the neighbourhood of the Indian subcontinent, countries from Mauritius to Maldives, Seychelles to Sri Lanka, India to Indonesia, and Nepal and Pakistan, all have the word Rupiya or Rupee in the name of their official currency. From the recorded history starting with the Vedic period, we know that gold acquired the status of auspiciousness, a fine medium for jewellery, a medium of exchange, and a store of value⁷. Therefore, gold has had more than 40 unique names in Sanskrit, quite a few derived as adjectives, depending upon the form in which it was found, the region or the river where it was found, its sensory attributes, its metallic properties, its end-use in jewellery, and its literary and sacred connotations. Gold seems to have been available in relative abundance during Vedic period to be used as medium of exchange. However, it became scarce over the millennia and it went out of circulation in ordinary matters of trade. It continued to be minted by rulers for commemorative purposes until the late medieval period. Importantly, however, it retained a strong affinity among Indians as an auspicious metal and a store of value even in modern times. Econometric studies show that the short-run price elasticity of demand for gold in India is -1.2 and the long-run price elasticity. It is a stylized fact that consumer durables have a higher price elasticity of demand in the short run but a much less elasticity in the long run. An elastic demand for gold in the short-run and an acutely inelastic demand in long-run is a clear corroboration of the fact that gold is considered.

Highly Prized Consumer Durable By Indians : It is for this reason that come 2021 Diwali, Royal Mint of UK released a gold bar exquisitely engraved with the picture of goddess Lakshmi. This 20-gram gold bar retailing at £1,080 in faraway UK is an indicator of the high propensity of Indians across the world to possess gold, gold jewellery, and/or gold coins. It is this psyche of Indians, which is leveraged by corporates to market their products during festive season – Firms luring customers by offering a chance to win a gold coin hidden randomly in some of the FMCG packages. Gold Hoardings to Savings The multi-millennia association of gold with sacredness, continued obsession of Indians with gold jewellery, and their perception of gold as a permanent store of value has come at a cost. For an emerging economy like India, despite having an accumulated stock of gold of about 24,245 tonnes valued at a whopping sum of about ₹112 trillion or \$1.49 trillion, gold imports continue to be more than ₹2.5 trillion a year. Gold imports being about 9 per cent of India's total value of imports, it is an important item contributing to the deficit on the external account. Augmenting supply of gold to counter imports is not an option as of now, at least in 7 Rare gold ornaments such as necklace, headbands, and beads are found in the archaeological excavations from **Sarasvati-Sindhu civilization** prior to the Vedic period . However, no literary records are yet available from that period regarding sacredness, extraction, processing, exchange, and gift of gold, gold jewellery, and gold coins. 10 the foreseeable future. If Kolar gold mines in Karnataka had stopped producing gold many decades ago, yearly gold production at the **Hutti Gold Mines, also in Karnataka** is barely more than 1.5 tonnes. The 12th 5-year plan working group had outlined that with new investments, production could be augmented to about 70 tonnes by 2030. This is pittance compared to India's annual import of about 900 tonnes of gold. Moreover, hitherto absent gold demand from the industrial sector is also likely to go up substantively. A mobile phones contain 0.034 gram of gold. As an efficient and corrosionfree conductor of tiny current, gold is used in all kinds of electronic goods, appliances, and components. It will be required in sustainable generation of power through photocell panels. In fact, gold has become an extremely dependable material in all space applications including making of satellites, rockets, and rovers . So are its uses in medical field, be it dentistry, Ayurveda, or medical equipment. Currently, the worldwide use of gold for technology purposes accounts for 8 per cent of the yearly global demand . In comparison, India's annual demand for industrial use is barely 1.4 per cent .

The Government's Focus On Aatmanirbhar Bharat : aiming to take contribution of technology and manufacturing to 25 per cent of GDP, there is huge potential for growth in gold demand from industrial sector. Given this context, most of the gargantuan stock of India's idle gold cannot be viewed as accumulated savings but hoardings. Possessing gold gets considered as an auspicious act and Indians seem to view gold as a 'permanent abode of purchasing power' . Therefore, government will have to adopt an effective economic policy that recycles the stock of idle gold and channel it for productive purposes through financial markets. Re-channelling idle gold will also reduce annual gold imports significantly and save precious foreign exchange for the country. Importantly, the policies will have to convert not only the stock of hoardings into financial savings and investment but also increase the propensity of the flow of annual savings going into financial markets and not in physical gold. To give an example, for the year 2018- 19 India's gross domestics savings rate was 30.1 per cent of GDP. Out of this 18.2 per cent was the annual household savings rate . However, the annual household financial savings rate was only 7.2 per cent . Moreover, a study conducted by NCAER has 8 Milton Friedman had qualified that money consists of “.. anything that serves the function of providing a temporary abode for general purchasing power”. Thus money was both a medium of exchange and a temporary store of value. Gold has turned into a store of value alone, although it has some liquidity. 11 indicated that nearly 11 per cent of Indian households' savings are in gold .

Clearly, there is scope for increasing India's gross savings rate in general and household financial savings rate in particular Policies to Re-Channel Idle Gold The most critical part of the government policy would be to re-channel the existing stock of gold which remains idle in the private hands. Of course, householders, both men and women would keep a certain amount of gold jewellery with them for regular use and for festive purposes. However, most with additional idle stocks can make their gold/jewellery available to jewellers and industry through market. To this effect, Gold Monetization Scheme was announced in the union budget of 2015-16, whereby individuals could deposit gold with banks and earn interest of about 2.5 per cent. However, by 2018 the scheme had attracted only 11 tonnes of gold. Clearly, the scheme has to be recalibrated to make it more efficient. By 2018 only about 10 banks were participating in the scheme and that too only a few branches would act as collection centres for GMS deposits. Both, the number of banks and their branch network for deposit collection needs to be substantially widened to access the household gold stocks. Contrary to perceptions, disproportionately large gold holdings in smaller quantities are with the lower-wealth strata of the society. Rural India accounts for 60 per cent of the gold jewellery demand . Therefore, bank branches in rural areas need to participate in GMS scheme with deposits as small as 1 gram. Just as government allowed Jan Dhan

bank accounts to be opened even with zero bank balance, similar initiative could be taken for penetration of GMS. Moreover, banks could be incentivised for their effective participation by allowing their gold deposits to be counted in their mandatory cash reserve requirement. Furthermore, it would help to give behavioural nudges to customers to open GMS accounts. For example, in the case of LPG subsidy, initially government had appealed to the conscience of the people through print and electronic media to give up the subsidy. Many gave up their subsidy voluntarily before eventually the subsidy got removed. Government and banks could give similar nudges to the individual customers, religious trusts, and temples through print and electronic media to deposit their idle gold/jewellery in 9 China's gross domestic savings rate has been quite high. It averaged much higher than 45 per cent in the last decade.

12 GMS. The nudging could happen by providing information that the gold deposits are not only secure with banks but they earn interest of about 2.5 per cent; that there is no wealth tax, capital gains tax, and income tax on valuation, appreciation and interest, respectively. and that customers have the flexibility either to take cash or gold at the end of the deposit tenure. In fact, customers also save the fee they would have paid otherwise when they keep their gold in banks' lockers. If the gold coins were a medium of exchange in Vedic times and eventually gave way to silver coins, copper coins, paper currency, and now electronic transactions, and, they still retained faith in the newer mediums of money; Indians could also retain the auspiciousness associated with their idle physical gold, jewellery, and coins; albeit in the form of modern gold deposit receipts. Only when the GMS network infrastructure is widened sufficiently and banks generate substantive gold deposits, the complementary Gold Metal Loan GML scheme can be concurrently promoted widely. Under GML, banks will be able to use the gold deposits of the customers to provide gold inventory needs of jewellers at competitive interest rates. Similarly,

The Indian Gold Coin IGC Scheme : which was introduced along with the GMS in 2015-16 can also be effectively used by banks. With the GMS gold deposits at their disposal, banks should be allowed to meet the demand of the fresh customers looking for purchasing minted gold coins through IGC. The process of hallmarking of gold has been standardized by Bureau of Indian Standards by now and this can effectively complement both the GMS and GML. Recycling of gold through these mechanisms has a potential to reduce imports substantially. Temptation, however, to increase basic customs duty from the existing level of 7.5 % should be resisted. Decades of experience suggests that higher customs duty leads to circumvention of rules, smuggling, and black marketing; usually with active participation of anti-social elements of the society. Once household idle gold holdings are channelled through the banks, other gold based financial instruments too will be useful to recycle those gold stocks for new gold customers. For example, gold-backed exchange traded fund ETF is listed on National Stock Exchange NSE and Bombay Stock Exchange BSE. It is fully backed by gold of 99.5 per cent purity. This market will develop well when recycled gold deposits through GMS are available for onward loan or sale by banks. Development of such market will help household savings going into financial investments rather than going in physical gold hoardings. Sovereign Gold Bond SGB scheme was yet another instrument issued in 2015-16. However, it has not been backed 13 by gold. As pointed out by Reddy, efficacy of this instrument and its benefits are not that obvious both to government and the buyers. Niti Aayog Committee had also proposed a Gold Saving Account GSA in addition to GMS. GSA would allow customers to save up in rupees but the accumulated amounts are translated into physical gold. This instrument is meant mostly for lower income new customers to buy gold. Further, Niti Aayog had also proposed setting up a Bullion Exchange that would provide a transparent ecosystem for trading gold, which will aid functioning of other gold schemes. Postscript Museo del Oro, a gold museum in Bogota, Colombia claims to be the world's largest gold museum. Established almost 8 decades ago, this museum showcases preColumbian gold artefacts as Colombia's national heritage. In the Indian context, as individuals, trusts, and temples take inventory of their idle gold stocks with a view to participate in GMS; it is hoped that precious coins, jewellery, artefacts, statues, sculptures, and perhaps related scientific treatises and sacred texts associated with gold will come to light. While voluminous generic gold materials can be deposited under GMS, priceless gold objects can be displayed in a magnificent state-of-the-art gold museum built at one of the important tourist destinations. Visitors would be happy to pay a price to watch India's multi-millennial gold heirlooms at a dedicated museum, potentially the largest in the world. That will be another practical extension of the gold monetization effort. In India, Silver has great importance in aspects of Cultural, Economic, and Strategic, especially in Rural Areas where it is preferred over Gold for savings and rituals. Although India is not in the list of Major Producers of Silver Globally but is one of the largest consumers. According to the World Silver Survey 2023 conducted by The Silver Institute, India had about 25% of Silver demand in 2023. This highlights the growth in need of Silver for domestic, industrial and Economic purposes.

Rank	Company	Core Business	Strengths	Founded	HQ Location
1	Titan (Tanishq)	Jewellery retail	Nationwide brand trust, Tata Group backing	1984	Bengaluru
2	Kalyan Jewellers	Jewellery retail	Strong regional base, international stores	1993	Thrissur
3	Malabar Gold & Diamonds	Jewellery retail	400+ stores worldwide, diverse offerings	1993	Kozhikode
4	Rajesh Exports Ltd	Refining & exports	World's largest refinery, global reach	1989	Bengaluru
5	Muthoot Finance Ltd	Gold loans	5,000+ branches, rural financial inclusion	1939	Kochi
6	Senco Gold & Diamonds	Jewellery retail	Affordable designs, strong eastern presence	1938	Kolkata
7	Thangamayil Jewellery Ltd	Jewellery retail	Temple designs, stock market strength	2000	Madurai
8	TBZ	Luxury jewellery retail	Premium bridal and diamond collections	1864	Mumbai
9	P. N. Gadgil Jewellers	Heritage retail	Legacy brand, deep regional trust	1832	Pune
10	Kundan Group	Gold refining	Large refinery, bullion trading	1998	New Delhi

Top 10 Gold Business Centers in India

Problem And Challenges Of Gold Business In India : Our country is known for consumption of gold. Other countries use gold for investment and industrial purpose but Indians consume gold for as storage of wealth and ornamentation. This shows that gold doesn't yield any profit or income in our country compared to other countries. Moreover our country is very much affected by gold due to smuggling , high Imports resulting the Current Account Deficit CAD of our economy. So there is a need to study the problems of Gold Market in detail to strengthen the Gold Market so that it could support or boost the Indian economy.

Evolution Of India's Gold Policies: The Government will also establish a system of consumer friendly and trade efficient system of regulated gold exchanges in the country. Gold Monetization Scheme will be revamped to enable people to open a hassle-free Gold Deposit Account 1. India's gold-related policies and regulations have undergone significant changes over the years, gradually shifting towards a more streamlined and transparent framework. In February 2018, the Hon'ble Finance Minister announced in the Union Budget that the Centre would develop a comprehensive gold policy, aiming to establish gold as a recognized asset class, similar to shares, bonds, property, and commodities. Recent initiatives, such as the Indian Gold Coin and proposed hallmarking regulations, setting up of an International Bullion Exchange in GIFT City, aim to create a trusted standard for gold transactions in India. In addition to the above initiatives, a report titled 'Transforming India's Gold Market' by NITI Aayog was submitted to the government in February 2018, that focused on the

five core areas: Make in India in Gold, Financialization of Gold, Tax and Duty Structure, Regulatory Infrastructure, Skill Development and Technology Upgradation 2

Further we explore the evolution of these policies since Independence.

The Restriction Phase 1947 - 1962 : The Foreign Exchange Regulation Act FERA of 1947 controlled foreign exchange transactions and - In 1956, India transitioned from a gold-backed proportional reserve system to a minimum reserve system for currency issuance, During this period, policies focused on regulating gold supply and domestic prices while curbing smuggling. - requiring the RBI to maintain specific gold and foreign exchange reserves of Rs 200 crore, with at least Rs 115 crore in gold 3. The first gold bond scheme was introduced in 1962 to boost public funding amid international border disputes that drained foreign reserves.

Desai's Gold Control Act 1963 – 1989 : Prohibited Indian citizens from owning gold coins and bars. All existing gold had to be converted to jewellery and declared to the authorities. This act resulted in an unprecedented increase in gold smuggling, black market, In 1962, the government-imposed restrictions on gold production and transactions, leading to the Gold Control Act of 1968. This aimed to address excessive gold imports that devalued the Indian rupee. The objectives of the Act were to reduce the price of gold, to reduce the demand for gold for ornaments, to bring out the hoarded gold and to check its smuggling. The Gold Control Act prohibited manufacturing gold jewelry above 14 karats and limited individual gold holdings. drug trafficking and tax evasion. Corruption became an integral part after the act 4. The Gold Control Act was in execution for 27 years. The act not only failed to bring out in open the hoarded gold but also failed to achieve the objectives. Only people benefited from this act were the greedy sarrafs and corrupt officials . Out of the 17460 lakh gms. of hoarded gold only 0.15%. 27.46 lakh gms. was deposited in the government treasury in lieu of gold 6. Initiatives like the Voluntary Disclosure of Income and Wealth Amendment Ordinance of 1975 encouraged people to disclose undeclared wealth. Other measures included gold auctions 1978 and gold bonds to reduce smuggling and budget deficits.

The Gold Control Act 1990 - 2011 : This phase marked the deregulation of the gold industry. Due to strong agitation the government was forced to modify the act from time-to-time. The Gold Control Act was revoked in 1990, allowing free gold imports and generating income from import taxes. The Non-Resident Indian NRI scheme 1992 and Special Import License scheme 1994 enabled NRIs to bring gold into India. By 1997, several banks were authorized to import gold. The Gold Deposit Scheme GDS of 1999 mobilized idle gold, allowing gold holders to earn interest. Post-2002, banks could sell gold coins, and by 2008, even post offices sold gold. The launch of Gold Exchange Traded Funds ETFs in 2007 digitized gold investment, ensuring quality, flexibility, and secure storage.

The 80:20 rule was introduced :The Intervention Phase 2012-2013 ,The global financial crisis of 2008 renewed consumer interest in gold, tripling its prices. By 2010, India's total gold demand soared to 1,001.7 tons 7 However, global uncertainties and domestic Current Account Deficit CAD issues between 2012 and 2013 led to further policy interventions to curb gold demand.The import duty on gold was raised from 2% to 10% 7. A ban was imposed on the import of gold coins and their sale through banks and post offices. The 80:20 rule was introduced, requiring importers to export 20% of imported gold before bringing in new consignments.

The Gold Monetization Scheme 2014 - 2018 : During this period, the government promoted transparency across economic sectors. The 80:20 rule was withdrawn, and the ban on importing gold coins was lifted in 2014. In 2015, the Gold Monetization Scheme was relaunched, and Sovereign Gold Bonds were introduced, offering interest on paper bonds. The Indian Gold Coin IGC was launched in 2015. By 2016, PAN disclosure became mandatory for purchases above Rs 2 lakh, a 1% excise duty was levied on jewellers with a turnover of over Rs 12 crore, and the 1% excise duty on branded gold coins with 99.5% purity was abolished. The 2018 Union Budget announced a comprehensive Gold Policy to develop gold as an asset class, establish regulated gold exchanges, and revamp the Gold Monetization Scheme for hasslefree Gold Deposit Accounts. In the Union Budget 2020, the establishment of an International Bullion Exchange in GIFT-IFSC was announced which eventually was launched in July 2022. These developments reflect the government's efforts to create gold policies that benefit gold buyers in India.

Current Gold Scenario: The past few years have seen an upsurge in the gold prices due to multiple reasons like tension within Middle East countries, health crisis due to COVID-19, geopolitical instability due to Russia-Ukraine war and Israel-Hamas war, rising crude oil prices, persistent inflation, interest rate cuts in the US making gold a safe haven for investors.

Silver Production in India : Although silver production is limited in India as compared to the demand, it plays a great role in mining sectors. The metal is largely obtained as a by-product during the refining of lead, zinc, copper, and gold ores. India's primary silver production comes from Rajasthan, with other contributions from Jharkhand and Andhra Pradesh. According to the Indian Bureau of Mines IBM Annual Report 2023, India produced nearly 700 tonnes of silver in 2022 to 2023. With growth in Industrial demands in the sector of electronics, solar panel, energy storage, etc. the Silver Sector in India is strategically gaining importance. Silver Production in India .The Comprehensive overview of the Silver Production in India is tabulated below highlighting major aspects of the Metal and its features.

In India, Silver has great importance in aspects of Cultural, Economic, and Strategic, especially in Rural Areas where it is preferred over Gold for savings and rituals. Although India is not in the list of Major Producers of Silver Globally but is one of the largest consumers. According to the World Silver Survey 2023 conducted by The Silver Institute, India had about 25% of Silver demand in 2023. This highlights the growth in need of Silver for domestic, industrial and Economic purposes.

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Silver Production in India Overview Aspect Description Chemical Symbol Ores and Minerals of Silver
 Argentite Ag_2S Chlorargyrite $AgCl$ Polybasite $Ag_3Cu_{16}Sb_2S_{11}$ Proustite Ag_3AsS_3 Tetrahedrite $Cu,Fe,Zn,Ag_{12}Sb_4S_{13}$ **Major Producing States** Rajasthan Khetri, Zawar, Rampura Agucha mines, Jharkhand, Andhra Pradesh, Karnataka **Major Company** Hindustan Zinc Limited HZL, a subsidiary of Vedanta Ltd.
 Production 2022-23 Around 700 tonnes IBM Report Global Rank Not in top 10 producers Demand-Supply Gap Imports meet over 70% of demand.

India's top silver manufacturing : India is a highly recognized overseas center for silver

jewelry manufacturing. The country possesses its age-old history of craftsmanship and growing demand for high-quality, contemporary workmanship jewelry. India has special areas producing silver jewelry with respective specialist designs, craftsmanship, and specializations. The following brief summary presents centers:

1. DELHI NCR Specialty: Custom and Fusion Jewelry Delhi NCR is now a center of **silver** jewelry manufacture in India that is customized, in which ancient Indian ornamentation blends with modern fashion. The local manufacturers here are mostly high-end, customized market-serving.

2. MUMBAI, MAHARASHTRA : Specialty: Trendy, Contemporary Designs Mumbai, India's financial hub, is a center of contemporary and fashionable silver jewelry. The city has large-scale jewelry manufacturers that produce jewelry to export that typically make light, thin, and fashionable jewelry.

3. KOLKATA, WEST BENGAL : Specialty: Filigree Jewelry Kolkata's silver filigree work is unique, with beautiful patterns demanding high levels of precision and skill. Craftspeople in the city are artisans of fine, lace-like designs, which are in big demand locally and worldwide.

4. JAIPUR, RAJASTHAN : Specialty: Handmade, Gemstone-studded Jewelry Jaipur, or the "Pink City," is famous for its beautiful silver jewelry, especially gemstone-embellished jewelry with stones of turquoise, amethyst, and garnet. Jaipur artisans are famous for processes like Kundan and Meenakari that impart a royal appearance to jewelry.

5. UDAIPUR, RAJASTHAN : Specialty: Ethnic Jewelry Udaipur, another one of Rajasthani treasures, is renowned for its ethnic silver jewelry that reflects the history of the state as a kingdom. Jewelry designs here, feature elaborate patterns, traditional themes, and hand-crafted embellishments.

6. RAJKOT, GUJARAT : Specialty: Machine-made Silver Jewelry Rajkot is a world-famous centre for bulk production of silver jewelry utilizing advanced machinery in producing homogenous, precision-produced pieces. This region is best suited for bulk orders and offer cost-effective solutions for bulk requirements.

7. HYDERABAD, TELANGANA : Specialty: Temple and Tribal Jewelry Hyderabad is well-known for **traditional temple jewelry**, which will have engraved designs with complicated patterns and motifs based on Indian mythology and culture. It also produces tribal silver jewelry with heavy and rustic designs.

7. COIMBATORE, TAMIL NADU : Specialty: Oxidized and Antique-finish Jewelry Coimbatore is particularly skilled at making oxidized and antique-finish silver jewelry, which appeals to a niche customer base who want vintage looks. Here the artisans use South Indian designs while crafting jewels.

8. SURAT, GUJARAT : Specialty: Designer Jewelry with Gemstones Also known as the diamond capital of India, Surat is a budding center for the manufacturing of silver jewelry. The city excels in matching gemstones with modern silver fashion, and thus, a prime pick for high-end markets.

10. CHENNAI, TAMIL NADU : Specialty: Minimalist Jewelry Chennai has an increasing market for everyday simple silver jewelry. The companies here emphasize light designs with fresh, clean appearances that are perfect for city-dwelling consumers. Many **925 sterling silver manufacturers in India** are now exploring Chennai's growing demand for quality yet minimal silver jewelry.

Conclusion : The trend analysis was pivotal in visualising how Traded Contracts (Lots) and Total Value Laksh evolved. By plotting these metrics monthly, the study identified distinct patterns and fluctuations within the trading activities of gold and silver. Notably, both metals exhibited significant variability, with the total value of silver generally trending higher than gold's. This visualisation underscored the cyclical nature of the trading volumes and values, revealing periods of high and low activity that are crucial for investors to consider when timing their market entries and exits. Next, the volatility analysis provided more profound insights into the investment stability of gold and silver. The study quantitatively assessed the volatility by calculating the monthly percentage change and standard deviation. The attributes of gold had caught the imagination of Indian seers many millennia ago. The innate understanding that gold was the most noble metal corrosion resistant, it was malleable, and, of course, had a radiant yellow hue was not lost on them.

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