"A Comparative Analysis of Gold Price Trends in India Before and After the COVID-19 Pandemic: Economic Drivers and Investment Behaviour"

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Abstract

This study presents a comparative analysis of gold price trends in India before and after the COVID-19 pandemic, with a focus on identifying the key economic drivers and shifts in investment behaviour. India, being one of the world's largest consumers of gold, witnessed significant changes in its gold market dynamics during the pandemic years (2020–2021) and the subsequent recovery period. The research examines gold price fluctuations from 2015 to 2025, dividing the timeline into pre-pandemic (2015–2019) and post-pandemic (2020–2025) phases.

The study is based entirely on secondary data sourced from government reports, financial databases, and institutional publications. Through statistical and trend analysis, it explores the correlation between gold prices and macroeconomic variables such as inflation, interest rates, exchange rates, and global uncertainty. The findings indicate that during periods of economic instability—particularly during the pandemic—gold acted as a safe-haven asset, leading to record-high prices and a marked shift from physical gold purchases to financial instruments like Sovereign Gold Bonds (SGBs) and Gold Exchange-Traded Funds (ETFs).

Additionally, the research highlights a growing awareness and maturity among Indian investors, who increasingly view gold as a strategic component of their portfolios. This transformation reflects not only market-driven factors but also the influence of government policy and financial innovation. The study offers insights valuable to policymakers, financial advisors, and researchers interested in commodity markets and behavioral finance in emerging economies.

Introduction

Gold has historically played a pivotal role in India's economic, cultural, and financial landscape. It is more than just a precious metal—it serves as a symbol of wealth, a critical component in social rituals, and increasingly, a strategic investment instrument. India is one of the largest consumers of gold globally, with demand driven by a complex interplay of socio-cultural practices and economic motivations. Traditionally, gold was viewed primarily as a physical asset passed through generations or purchased for ceremonial purposes, especially during festivals and weddings. However, its function as a financial instrument and hedge against economic instability has gained prominence over the past decade. Investment attention towards gold has revived in the last two decades. Investor behaviour in emerging gold markets is speculative due to the information asymmetry present in fundamental market operations. This calls for the attention of regulators to employ speculative activity indicators in the regulation, to reduce the unfavourable effects of herding. It is observed that the period during which gold speculation is found to drive herding also corresponds to the market state in which volatility positively contributes to herding. Stringent regulations are imperative as unsupervised herding coupled with market volatility can create chain of events where one drives the other making it especially challenging for policy makers

The outbreak of the COVID-19 pandemic in early 2020 marked a turning point in global economic dynamics, triggering unprecedented disruptions in supply chains, employment, global trade, and financial markets. During this turmoil,

investors across the world, including in India, turned to gold as a safe-haven asset. As a result, gold prices soared to record highs in 2020 and 2021. In India, the per 10 grams price of 24K gold surged from around ₹39,000 in 2019 to over ₹50,000 in 2020. This marked not only a significant economic shift but also a behavioural one, as more investors began to view gold as a reliable financial safeguard rather than just a cultural commodity.

The post-pandemic period (2022–2025) has seen continued volatility in global markets due to factors such as inflation, geopolitical tensions, and fluctuating interest rates. Gold has remained a favoured investment option in this uncertain environment, although high prices have somewhat dampened physical consumption. At the same time, newer forms of gold investments—like Sovereign Gold Bonds (SGBs), Gold Exchange-Traded Funds (ETFs), and digital gold platforms—have gained traction among Indian consumers, particularly among younger, tech-savvy investors.

This study aims to compare the trends in gold prices and investment behaviour in India before and after the COVID-19 pandemic. By analysing macroeconomic drivers such as inflation, currency depreciation, interest rate shifts, and global uncertainties, the research seeks to understand the factors behind price movements. Furthermore, it explores how Indian consumers' attitudes towards gold have evolved—shifting from primarily cultural usage to a more structured, risk-averse financial approach.

Ultimately, this research seeks to bridge the gap between economic theory and real-world investor behaviour in the context of one of the world's most gold-obsessed markets. It will provide insights that can inform future policy decisions, investment strategies, and academic research on commodity markets in emerging economies.

Scope of the Study

This research paper focuses on a comparative analysis of gold price trends in India before and after the COVID-19 pandemic, with particular emphasis on the economic factors influencing these trends and the evolving patterns of investment behaviour among Indian consumers.

The scope is defined along the following dimensions:

1. Time Frame

The study examines gold price movements and investment patterns across a 10-year period from 2015 to 2025, divided into two key phases:

- **Pre-COVID Period**: 2015–2019
- **Post-COVID Period**: 2020–2025

This division allows for a clear assessment of how the pandemic influenced economic drivers and gold-related investment decisions.

2. Geographic Focus

The study is limited to India, one of the largest gold-consuming nations globally. It analyses:

- National-level data (RBI, Ministry of Finance)

- Urban market trends in cities such as Mumbai, Delhi, and Chennai

- Insights into rural and semi-urban behaviour where gold remains a key store of wealth.

3. Variables Covered

- Gold Prices (22,000 and 24,000 per 10 grams)

- Economic Indicators: inflation, interest rates, currency fluctuations (INR vs USD), GDP trends

- Market Factors: import duties, central bank policies, gold reserves

- Investment Instruments: Sovereign Gold Bonds (SGBs), Gold ETFs, digital gold platforms

- Consumer Behaviour: shift from physical gold to financial gold, seasonal demand variations, demographic patterns

4. Analytical Focus

The study employs both quantitative and qualitative analysis, including:

- Trend and correlation analysis of gold prices with macroeconomic indicators

- Behavioural analysis based on available survey data and market reports

- Impact evaluation of government policies on gold investment preferences

5. Purpose and Relevance

The scope includes assessing how external shocks like the COVID-19 pandemic reshape consumer preferences, price dynamics, and the role of gold in Indian portfolios. It also seeks to provide insights valuable to policymakers, financial analysts, retail investors, and academic researchers.

The analysis covers:

- The variation in gold prices across urban centres such as Mumbai, Delhi, and Chennai.

- Economic indicators such as inflation, interest rates, exchange rates, and GDP growth that influence gold prices.

- Changes in consumer investment behaviour, especially the shift from physical gold to digital and paper-based gold instruments like ETFs and Sovereign Gold Bonds (SGBs).

The study does not account for gold trends outside India but considers global trends where they directly impact the Indian market.

Literature Review

Numerous studies have examined the role of gold as a hedge against inflation and economic volatility. Prior to COVID-19, gold demand in India was largely driven by cultural factors, including weddings and festivals. However, research during and after the pandemic has shown a significant rise in gold investment through financial products, as investors sought to mitigate risks amid market uncertainty.

Jayaprakash et al., (2017) in their study on 'Investment Pattern: A Comparative Study on the Government and Private Employees with Reference to Kerala' reported that safety and tax savings were the important factors as most of the employees from both government and private sectors preferred PPF, bank deposits and insurance as the investment options. Bhardwaj et al. (2013), in their study of employees of a private university in Himachal Pradesh, India, concluded that the majority of the employees knew about industrial securities, also as the income of the employees increases, awareness about securities also increases. Further, the analysis showed that some employees have invested in equity shares and very few in debentures while most of the employees do not invest in industrial securities. Further, none of the employees was satisfied with such investments. Thus, at last, it could be concluded that most of the employees are aware of investments in securities, but they are not investing in it as they consider it a risky investment. Investments in the form

of bank deposits have been found more popular among employees as it alone accounts for more than the half of the total investments made by them in the form of financial assets. These employees attribute safety as the main reason behind investing in bank deposits.

Totala (2016) carried out a study on 'Investment Preferences of Salaried Persons of Indore' and concluded that people invest for tax benefits, higher returns, safety, liquidity, future needs, and hedge against inflation. The author found a significant difference between investment preferences across gender, marital status, age, education, annual income, annual savings, return on investment, etc. Chaurasia (2017) too carried out a study in Indore with 229 respondents. The main findings of the research are that fixed deposit is the most preferred and capital market debt instruments are the least preferred options. Demographic variables have been found to have significant associations with investment preferences. Gender has a significant association with preferences for saving accounts, postal saving schemes, mutual funds, shares, real estate, gold, and silver jewelry. The educational qualification has been found to impact preferences toward gold and silver jewelry.

Pandey & Kathavarayan (2017), in their study entitled 'Empirical Analysis of Savings and Investment Behavior of College Faculty Members in Puducherry Region' with 113 respondents, concluded that most of the respondents prefer GPF/PPF, life insurance, and post office savings. Also, a good number of faculty members are saving money for children's education, marriage, and almost all the faculty members invested in instruments with tax benefits.

Bhavsar (2013) Another research work entitled 'A Study of Saving and Investment Pattern of School Teachers with Special Reference to Ahmednagar City, Maharashtra, India', on 100 schoolteachers by corroborated the above findings when she found that the primary purpose of investment by most teachers is children's education, marriage, security, and their own retirement plans.

Reddy and Narayanan (2015), in their study with 246 respondents stated that women show preference towards bank savings, retirement plans, provident fund, postal savings and life insurance plans in the highest to the lowest order.

Ramanujam and Emilruban (2018) carried out a study entitled 'Analysis of Relationship Between Socio-Economic Variables Towards the Selection of Investment Avenues Among the Information Technology Managerial Executives' and found that marital status does not play any role in the selection of investment avenues.

Geetha & Ramesh (2011) in their study entitled 'A study on people's preferences, in Investment Behavior' with 210 respondents from Kurumbalur town in Tamil Nadu, India, stated that all age group people gave preference to insurance, national savings scheme, public provident fund and bank deposits. The study further concluded that there are no significant relationships between investment avenues and annual income and the annual savings of the respondents. However, another study (Kothari, 2014) concluded that younger people are more interested in investment in comparison to the older & middle-aged people.

National Council of Applied Economic Research, NCAER (2011) in its survey 'How Households Save and Invest' reported that insurance schemes and bank deposits were the most preferred choices for urban India whereas postal savings were the least preferred destinations.

Ibrahim (2012) examined the relationship between gold recovery and stock market return and whether its relationship changes during consecutive market volatility returns in Malaysia. A good but low value correlation is found between the gold and the return of the stock that once remained. Moreover, the subsequent negative market recovery does not seem to strengthen the movement between the gold and the stock markets as it has often been written between the national stock markets during times of financial crisis. Indeed, there is some evidence that the gold market rises in the face of successive market declines.

Baur (2013) This research investigates the annual events that may cause gold prices to fluctuate seasonally. They look at gold's monthly returns from 1980 to 2010 and discover that September and November are the only months with positive and significant changes in its value. This "autumn effect" is both unconditional and dependent on certain risk factors. They

proposed that the misunderstanding might be explained by investor demand in anticipation of the stock market's "Halloween effect," Indian demand for gold wedding jewellery, and investors' negative feelings about having a short lunch. Autumn has a stronger influence on unconditional and unconditional variations than other seasons.

Jain &Biswal (2016) To control the impact of gold and crude oil from other countries on an exchange rate, governments impose taxes and levies. In turn, this has an impact on the global economy, which is represented in the stock market index. The purpose of the research is to look into the relationship between worldwide gold prices, crude oil prices, the USD/INR exchange rate, and the Indian stock market. DCC-GARCH models (standard, exponential, and threshold) were used to examine modern dynamic connections, and lead lag connections were tested using Non-Linear Causality and asymmetry tests. According to thorough research, falling gold and crude oil prices are triggering a drop in the Indian Rupee and the Sensex stock index. The study's findings also point to gold's rise as a category of investment assets among investors. More importantly, this study highlights the need for flexible policy development in India to address the volatility of the exchange rate and volatility of the stock market using the price of gold and the price of oil as instruments.

Choudhry et al. (2015) During the recent global financial crisis, this research explores the indirect shift between gold recovery, stock market recovery, and stock market upheaval in the UK (FTSE 100), the US (S&P 500), and Japan (Nikkei 225). The volatile bivariate relationship between) gold and stock market gains and ii) gold returns and stock market volatility is first researched; both of these associations are then investigated in non-multivariate situations by changing LIBOR rates for three months. Choudhry et al., developed a bivariate correlation compound based on the influence of indirect response between variables during the financial crisis period of all illiterate countries demonstrates considerable evidence of the effect of indirect response between variables. In the pre-disaster period, there is very little evidence of the critical response. Results from a variety of tests, including changes in LIBOR levels provided similar results to bivariate results. These results mean that gold may not function as a safe haven in times of financial crisis due to the dual interdependence between gold recovery, stock recovery and stock market volatility. However, gold could be used as a barrier against stock markets and volatile financial conditions.

Manuj, (2021) Though plenty of research is available in the study area, some gaps exist in the literature. Most of the studies are carried out in developed market contexts, where the investment role of gold is prominent. There is also consensus among researchers and academicians that gold is a robust haven in these countries.

Bekiro et al. (2017) The literature is theoretically speaking about the effect of financialization in increasing the correlation between gold and the stock market. The diversification potential of commodities diminished considerably due to increased co-movement and volatility transmission between commodities and financial markets. The financialization process increased the volatility and prices of commodities and intensified the correlation between commodities, making portfolio allocation decisions challenging. The existing studies did not provide empirical evidence on the role of gold against stock during gold market financialization, though there is empirical evidence about the role of commodities during post financialization period, mainly agricultural and crude oil. Also, empirical evidence regarding the effect of gold market financialization on the role of gold during crises is scarce.

Baur and Lucey (2010) conducted a comprehensive empirical study to evaluate the role of gold as a hedge and a haven in financial markets. Their research, titled *"Is Gold a Hedge or a Safe Haven? An Analysis of Stocks, Bonds and Gold"*, analyses the performance of gold relative to other asset classes during periods of market volatility and economic stress. The authors define a hedge as an asset that is uncorrelated or negatively correlated with another asset on average, and a haven as an asset that retains value or even appreciates during market turmoil.

RBI Reports (2020–2023) RBI Reports (2020–2023) provide valuable insights into the evolving landscape of gold investments in India, particularly highlighting the increased investor interest in **Sovereign Gold Bonds (SGBs)** during and after the COVID-19 pandemic. Introduced as a part of the Government of India's efforts to reduce the demand for physical gold and control gold imports, SGBs emerged as a preferred investment instrument due to their safety, government backing, and interest-bearing features.

According to RBI's data, the **subscription to SGBs witnessed significant growth during the pandemic years (2020–2021)**, as investors sought safe, stable, and inflation-resistant alternatives amid financial market volatility and low interest rates. The upward trend continued into **2022 and 2023**, with retail participation increasing steadily, especially through digital platforms and banks.

Research Methodology

Research Design

This study employs a comparative and analytical research design, utilizing both primary and secondary data sources.

Data Collection

- **Secondary Data**: Historical gold price data from World Gold Council, RBI, and financial news portals. Economic indicators from government publications (MOSPI, RBI, Ministry of Finance).

Tools and Techniques

- Descriptive statistics to identify trends and averages.

- Regression analysis to examine relationships between gold prices and economic indicators.

- Graphical analysis to visualize price trends across the study period.

Gold (24 Karat) Rate in India (approximate in INR/10gm)
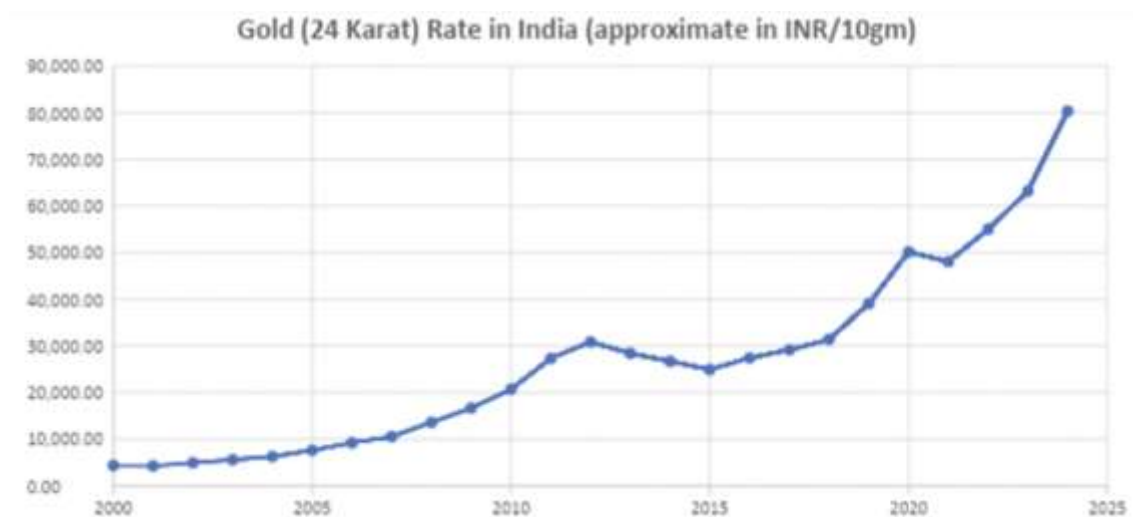
Annual Average Gold Prices (24K per 10 grams)

Year	Price (INR)
2015	₹24,931
2016	₹27,445
2017	₹29,156
2018	₹31,391
2019	₹39,108
2020	₹50,151
2021	₹48,099
2022	₹55,017
2023	₹63,203
2024	₹78,245
2025	₹85,060

Source: Forbes India

Objectives of the Study

- To analyse gold price trends in India before and after the COVID-19 pandemic.

- To identify and evaluate the economic factors influencing gold prices during these periods.

- To examine changes in investment patterns, including the shift from physical to financial gold assets.

- To assess the role of gold as a hedge against uncertainty during and after the COVID-19 crisis.

- To provide policy-level insights and investment recommendations based on observed trends.

Limitations of the Study

- The study focuses solely on the Indian gold market and may not account for broader international dynamics unless they have a direct domestic impact.

- Investment behaviour insights are limited by the availability and accuracy of secondary data; primary data collection may be constrained by sample size.

- The unpredictable nature of macroeconomic variables and global crises may affect the generalizability of findings beyond the COVID-19 period.

- Primary data collection is beyond the scope of this research; the analysis is based solely on secondary data obtained from credible and published sources

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