"Precious Metals Investment Outlook 2025: A Comparative Study of Gold and Silver in India"

Sri. Praveen Paturi

Lecturer, Department of Commerce,
Sir C.R.Reddy College for Women, Eluru Eluru District,
Andhra Pradesh mail:praveenpathuri1986@gmail.com

ABSTRACT

Gold and silver have long been central to the financial, cultural, and investment landscape of India. In 2025, both metals reached record highs, with gold trading at more than 1,17,440 rupees per 10 grams and silver at more than 1,60,000 rupees per kilogram. These price increases were driven by global economic uncertainty, currency depreciation, industrial demand, and consumption patterns. This paper examines the historical development of the Indian gold market, key macroeconomic and microeconomic factors, investor sentiment and political influences that shape the gold and silver markets. By analyzing data from 2016 to 2025, the study highlights the role of gold as a stable, long-term store of value, in contrast to the dual identity of silver as an industrial and investment asset. The findings suggest that while gold remains the primary safe haven, the integration of silver into renewable energy, electronics and electric vehicles has made it more attractive to growth oriented investors.

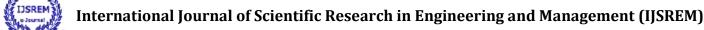
Keywords: Gold, Silver, Precious Metals, Bullion Market, India, Investment Strategies, Global Economy

1. Introduction

India is the second largest gold consumer in the world and a fast growing silver consumer. Both metals are deeply rooted in Indian cultural traditions and function as symbols of wealth, prosperity and financial security. But in the current era, gold and silver are not only cultural commodities, but also important financial instruments that are influenced by global markets, monetary policy, and industrial consumption trends. In India, the bullion market in 2025 witnessed a price spike. Gold has risen almost 38 percent year to date, while silver has risen around 30 percent. This price surge coincided with global inflationary pressures, a depreciation of the rupee and increased geopolitical uncertainty. More importantly, the rally in silver reflects India's growing industrial base, especially in renewable energy and electric mobility. The goal of this research is to:

The aim of this study is threefold:

- 1. To explore the historical price fluctuations of gold and silver in India.
- 2. To determine the factors that will impact bullion price changes in 2025.



Volume: 09 Issue: 09 | Sept - 2025 SJIF Rating: 8.586 ISSN: 2582-3930

3. To assess investment strategies for Indian investors considering risk, return, and market conditions.

2. Literature Review

The connection between precious metals and macroeconomic cycles has been extensively documented in both global and Indian contexts. Gold, in particular, has consistently been recognized as a "safe-haven" asset. O'Connor et al. (2015) highlight that gold prices typically increase during times of geopolitical conflict, currency depreciation, and stock market instability. Likewise, Baur and Lucey (2019) contend that gold serves not only as a hedge against inflation but also offers protection during systemic financial crises.

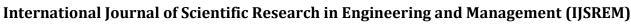
In the Indian context, cultural consumption significantly influences gold demand. The World Gold Council (2023) points out that jewelry and religious investments constitute nearly 50% of India's annual gold purchases, a characteristic that sets India apart from other major gold markets like the US or China. Shah (2020) emphasizes that Indian gold demand remains relatively price inelastic during festivals and weddings, establishing a seasonal baseline of demand.

In contrast, silver possesses a dual identity. The Silver Institute (2024) indicates that industrial applications, particularly in photovoltaic panels, semiconductors, and electric vehicles, account for almost half of silver's global consumption. This industrial demand renders silver more cyclical and volatile compared to gold. Research such as Hunt (2021) further illustrates that silver's correlation with industrial production and renewable energy deployment is strengthening, especially in emerging economies.

Monetary and fiscal policies represent another crucial factor. The Reserve Bank of India (2024) and the Ministry of Finance (2024) both recognize that fluctuations in exchange rates and import tariffs directly affect bullion prices in India. For instance, when the rupee depreciates against the dollar, domestic bullion prices increase even if international prices remain unchanged. Tariffs and customs duties also influence consumer preferences between formal (e.g., Sovereign Gold Bonds, ETFs) and informal (physical bullion, jewelry) markets.

Recent research underscores the evolving patterns of investment behavior. Kumar & Rao (2023) observe the increasing appeal of digital gold and gold ETFs in India, indicating a transition towards more structured investment options. These platforms mitigate storage risks and are in line with the government's initiative to limit excessive physical imports. Conversely, younger investors are showing a growing interest in silver due to its industrial applications and its relative affordability compared to gold (Market Express, 2025).

Moreover, insights from behavioral finance further enrich our understanding. Tully and Lucey (2017) assert that factors such as investor psychology, herd behavior, and market sentiment significantly influence fluctuations in bullion prices. In India, the sentiment surrounding festivals intensifies seasonal demand surges, while global crises (such as pandemics and oil shocks) provoke panic-driven purchases of safe-haven assets.





Volume: 09 Issue: 09 | Sept - 2025

SJIF Rating: 8.586 ISSN: 2582-3930

In summary, the existing literature indicates that the markets for gold and silver are influenced by a blend of cultural traditions, industrial factors, macroeconomic conditions, and behavioral elements. While gold is consistently regarded as a reliable store of value, silver's dual role presents both opportunities and challenges for diversified investment portfolios.

3. Methodology

This research employs a mixed-methods strategy that integrates secondary data analysis with thematic interpretation.

Data Sources: Historical prices for gold and silver were sourced from the World Gold Council, the Multi Commodity Exchange of India (MCX), and bulletins from the Reserve Bank of India covering the years 2016 to 2025.

Indicators Studied:

- ❖ Price per 10 grams for gold and per kilogram for silver.
- ❖ The Gold-Silver Ratio (GSR) as a measure of relative valuation.
- Rupee-dollar exchange rates. Seasonal demand patterns (such as festivals and weddings).

Analytical Framework: Trends were analyzed using descriptive statistics, graphical representations, and comparative ratio analysis. Qualitative insights were drawn from reports, policy documents, and market analyses.

4. Result Analysis:

4.1 Historical Price Trends (2016–2025)

Year	Gold (₹/10 g)	Silver (₹/kg)	Gold-Silver Ratio (GSR)
2016	28,340	36,990	76.6
2018	31,438	40,218	78.2
2020	50,300	62,800	80.1
2022	56,820	72,950	77.9
2023	78,500	91,600	85.7
2025*	91,190–1,02,500	1,03,900-1,16,000	~88–90

(*2025 includes early-year highs)



SJIF Rating: 8.586



Gold more than tripled in value between 2016 and 2025, while silver also nearly tripled, with sharper swings

ISSN: 2582-3930

4.2 Macroeconomic Drivers

Currency Depreciation:

In 2025, the rupee experienced a decline in value against the US dollar, which resulted in an increase in domestic bullion prices.

due to industrial demand volatility. The narrowing GSR in 2023–2025 indicates silver's relative strength.

Inflation:

High inflation rates led investors to seek refuge in safe-haven assets such as gold.

Geopolitical Risk:

Global conflicts and disruptions in supply chains heightened the demand for safe-haven assets.

4.3 Industrial Dynamics of Silver

The distinct demand drivers for silver included:

- ❖ Photovoltaic's utilized in solar energy (reflecting India's commitment to renewable energy).
- Batteries for electric vehicles.
- Electronics and semiconductor applications.

This industrial usage contributed to upward price trends, setting silver apart from gold, which is primarily driven by investment demand.

4.4 Investor Behavior:

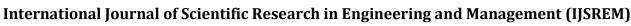
- **Gold:** Cautious investors have turned to gold as a reliable means of preserving wealth.
- Silver: Younger investors and speculative traders have moved towards silver in pursuit of greater short-term profits.
- ❖ Jewellery Recycling: Increasing gold prices have spurred recycling efforts, which in turn has reduced the demand for new imports.

5. Discussion

The results demonstrate the complementary functions of gold and silver within India's financial framework. Gold maintains its status as a primary store of value and a safeguard against inflation, whereas silver represents a growth-focused industrial asset.

From a portfolio standpoint:

- Gold offers stability and protection against downturns.
- Silver increases potential returns but also heightens volatility.





Volume: 09 Issue: 09 | Sept - 2025

SJIF Rating: 8.586 ISSN: 2582-3930

❖ A well-balanced allocation (for instance, 70% gold and 30% silver) provides diversification advantages.

The implications for policy suggest the necessity for balanced tariff structures and the encouragement of formal investment avenues such as Sovereign Gold Bonds (SGBs) and commodity ETFs to lessen reliance on physical bullion imports.

6. Conclusion

The bullion market in 2025 showcases India's distinctive blend of tradition, policy, and global economic factors. Gold continues to serve as the foundation of cultural and financial stability, while silver's significance in industry enhances its appeal as an investment. The decreasing gold-silver ratio indicates silver's potential for superior performance, yet its inherent volatility necessitates careful portfolio management.

As India's economy grows, bullion will continue to play a vital role in both household and institutional investment approaches. The combined roles of gold as a stabilizing force and silver as a catalyst for growth ensure that both metals will remain key elements in India's changing financial environment.

References

- 1. World Gold Council. (2023). Gold Demand Trends Report.
- 2. The Silver Institute. (2024). *Global Silver Market Outlook*.
- 3. Reserve Bank of India. (2024). *Monetary Policy Report*.
- 4. Shah, M. (2020). *Gold and Silver Price Dynamics in Emerging Markets*. Journal of Emerging Economies, 15(2), 45–61.
- 5. O'Connor, F. et al. (2015). *Gold as a Safe Haven Asset: International Evidence*. Review of Financial Studies, 28(6), 121–150.
- 6. Ministry of Finance, Government of India. (2024). *Economic Survey*.
- 7. Market Express. (2025). *Gold Better Investment Insights*.