

# A Study on Inflation of Gold Rate and its Impact on Economically Weaker Sections of Society

By Deepikajaisankar, BBA LLB(HONS), [deepijaisankar2006@gmail.com](mailto:deepijaisankar2006@gmail.com), School of Excellence in Law  
Tamil Nadu DR.Ambedkar law university, Chennai 600113

and

Dr.Chinnu, Assistant Professor,[chinnusoel@gmail.com](mailto:chinnusoel@gmail.com), School of Excellence in Law Tamil Nadu  
DR.Ambedkar law university, Chennai 600133

**Abstract:** *Gold has always played a significant role in the economic and social life of the Indian society, especially in the economically weaker section of the society. In recent years the continuous raise in price of gold has caused number of financial problems to the economically weaker section of the society. Gold is commonly used for saving, wedding, and during financial emergencies. Due to high price economically weaker people find it difficult to buy gold and are forced to reduce their purchase. Raising gold price also increase the financial burden during marriage and emergencies. The study shows that the raise in gold price create financial problems for economically weaker people. The study highlights the need for financial awareness and government support to reduce this burden.*

## **Key words**

*Inflation, Gold price, Low-income House, Financial Burden, Savings, Economically Weaker Section, Indian economy.*

## **1.Introduction**

Gold has always played a major role in Indian society. It is not only considered as a investment but also have some traditional and cultural values especially in marriage, festivals and family functions. In our Indian culture gold in playing a huge role from ancient times. In olden Tamil society people love to style them with gold, diamonds and pearls. They trade gold in south India and South East Asia. Still now in many family gold is considered as a pride especially in rural and low-income communities gold is seen as a form of safe investment. It act as a financial security during hard time of the families.

Inflation has major influence on the increasing gold price. As general price level in economy increase the value of currency decrease and leads to raise in gold price. Increase in demand for gold is also a big reason for price rise in gold. While raise in price may benefit the investors but not the economically weaker section who buy gold for marriage or make a small investment for future goals. Increase in gold price create challenges for people with low income and resource. It will make their life hard.

The continues increase in gold price has serious impact on economically weaker people of the society. They often struggle to buy gold for social and cultural purposes and that force them to reduce their daily expenses or make them get loan or borrow money for high interest which will make their living more hard. Therefore this topic become important to be studied that how inflation in gold rate affects the economic stability and living condition of economically weaker sections of the society.

## 2.Statement of the study

The primary purpose of the present study is to analyze the effects of inflation in gold on economically weaker section of society. It also tries to understand how the continue increase in price of gold affect the savings of society and tires to analyze the various socio-economic problems faced by the economically weaker sections of the society due to the huge increase in gold price. This also seeks to create awareness about the difficulties faced by economically weaker sections due to price rise.

## 3.Review of literature

### 1.Impact of rising gold price on household investment patterns(India)

This study say that how change in gold price affect household investment among household in India. It also show how even low and middle income families prefer gold as safe asset. When the gold price increase the economically weaker section reduce spending on basic items to purchase or own more gold for future. This research supports the theory that gold price inflation has a bearing on financial stability of weaker section.<sup>1</sup>

### 2.Impact of inflation on the price of gold in India

The research focuses on the relationship between inflation and gold price over many years. It also proves that the price of gold increases as inflation increases in the economy. The study explains that individual react to a situation of inflation by diverting their resources into gold. While being a micro economic phenomenon it affects the poor. Basically the increase in price of gold does not favor the weaker economies. This study has given a strong theoretical basis for gold price inflation analysis.<sup>2</sup>

### 3.Gold price and inflation relation in India : An Empirical study

Through statistical data this paper analyzes the relation ship between gold price and inflation. It concludes that gold act as a hedge against inflation in India. The study indicates that gold demand remains robust despite an increase in gold price. The poor are having difficulty in buying gold as price are raising. This paper helps in understanding why weaker section are excluded from owning gold. It supports the argument of prevalence of economic inequalities in society.<sup>3</sup>

### 4.Gold in household portfolios during economic shocks

This study examines household behaviour during inflation and economic crises. It explains that household shift savings towards gold during uncertainty. Rising gold prices benefit rich households more that poor households. Poor families face difficulty entering the gold market due to high prices. The study highlights

<sup>1</sup>Impact of rising gold price on household investment patterns(India)

<sup>2</sup>Impact of inflation on the price of gold in India

<sup>3</sup>.Gold price and inflation relation in India : An Empirical study

unequal wealth accumulation society. Weaker sections lost the opportunities to build long term assets. The research shows widening income inequality due to gold inflation. It supports the argument that inflation increase social and economic gaps.<sup>4</sup>

#### 5.A study on savings and investment behaviour in gold

This study focuses on household savings and investment behaviour in gold. It explains that gold is preferred due to trust safety and liquidity. Inflation makes gold unaffordable for low income household. Poor families are forced to reduce gold purchase or sell old jewellery. The study highlights economic pressure on weaker sections. Many families mortgage gold to meet education and medical expenses. This increase dependency on informal credit sources. The study clearly links gold inflation with financial vulnerability.<sup>5</sup>

#### 4.Research gap

Most studies focuses on the macroeconomic relationship between gold price and inflation. There has been very little study into how an increase in gold price directly affects the weaker section of society. There is a lack of studies regarding how escalating gold rate affect savings marriage and financial securities of poor families. Another area which is not being fully research is coping measure of the weaker economic section during gold price inflation. Accordingly this study attempts to bring this research gap by undertaking an analysis of the socio economic impact of gold price inflation on weaker section.

#### 5.Objectives of the study

- 1.To study causes of inflation in gold price in India
- 2.To analyse the impact of raising of gold price on economically weaker section
- 3.To examine how gold price inflation affects savings and investment of economically weaker section
- 4.To understand the social and cultural impact burden increase in economically weaker people
- 5.To suggest suitable solutions and policies to reduce the impact of gold price inflation on weaker section

#### 6.Methodology

The research is based on both doctrinal and non-doctrinal research. The sources of data are collected from different newspapers, magazine, journals, all India reports and e-resources. The samples size of the respondents are 100 and above. This research is used some statistical methods such as percentage and average method. The duration of the research is three months.

---

<sup>4</sup>Gold in household portfolios during economic shocks

<sup>5</sup>A study on savings and investment behaviour in gold

## 7. Significance of study

This study helps to understand how the raise in price of gold affects the economically weaker section of the society. It also highlights the difficulties faced by the low and middle income families in purchasing gold for savings, marriage and future needs. This study point out that people dependency on gold loans and mortgage of gold way too much because of the inflation. It also give some financial ideas for weaker sections. This also helps to people to find other kinds of investments for their savings and for future emergencies.

## 8. Hypothesis of the study

1. Inflation in gold price affect the savings of economically weaker sections.
2. Fixed gold price can reduce the impact of gold inflation.

## 9. Limitations of the study

This study is limited to a particular geographical area therefore the result cannot be generalized to all regions.

This study is limited to small population or sample which may not be applicable to general population.

This study is mostly rely on questionnaire method which is subject to personal bias.

Only present inflation of gold is taken into account in this study not its lengthy price in past.

The income employment and inflation on essential items have not taken into account.

## I. PART

## 10. Research and discussion

### Concept of inflation:

Inflation means continues raise in price level of goods and service over a period of time. When inflation increases, the purchasing power of money decreases. This means people can buy few goods with the same amount of money.

Inflation may occur due to,

- Increase in money supply,
- Rise in demand for goods increase in production cost,
- Impact dependence and global price.
- Gold price is also affected by inflation.

### Meaning and importance of gold in Indian:

Gold has been an integral part in Indian society. It is used for ornaments as well as for securing financial positions.

Importance of gold:

- Store of value,
- Used during emergencies,
- Cultural and social importance,
- Safe investments during inflation.

For economically weaker sections, gold is often the only form of savings.

### **Causes for inflation in gold rate:**

The inflation of gold rate is influenced by various factors

1. Global market fluctuations : Gold price are influenced by international markets and dollar value
2. Inflation in general economy: when inflations increases people will start investing more in gold it will increase the demand for gold
3. Import dependence of India: India imports most of its gold, making sensitive to exchange rate.
4. Geopolitical tensions and economic uncertainty: During war or financial crises, gold demand increases.
5. Government policies and taxes: Import duty and GST increase the price of gold.

### **Economically weaker sections of society**

Economically weaker section refers to people with low income and limited financial resources including daily wage labourers, small farmers, unorganized sector labourers, below poverty line families. For these sections gold is emergency, financial support, security for loan, dowry and marriage savings.

### **Impact of inflation of gold rate on economically weaker sections**

1. Reduce purchase

Due to high prices, Economically weaker people cannot afford to buy gold even in small rate. This affects the traditional practice using gold in marriage and festivals.

2. Increase in debt burden and shift to informal borrowings:

Economically weaker people often sell or pledge gold for loans. With high gold rate loans become expensive so repayment become difficult risk of losing pledged gold also increase. High gold rate also force the economically weaker people to borrow money from money lenders instead of in banks leading to exploitation.

3. Decline in savings:

Earlier gold was seen as safe investment option. Inflation in gold rate reduces the ability of economically weaker section to purchase gold.

#### 4. Social and psychological impact:

Gold holds social values. Inability to purchase gold causes social pressure, loss of dignity, emotional stress etc

#### **Legal and policy framework related to gold inflation**

Government regulates gold price through import export duties, GST, customs duty, Monetary policy by RBI. Schemes like gold monetization scheme, sovereign gold bonds, but these schemes mostly benefits middle and upper classes not economically weaker peoples due to lack of awareness and accessibility.

Scholars argue that inflation I gold price increase economic inequality. Court have also acknowledged that inflation adversely affects the poor more that the rich people as they lack financial buffers.

#### **Critical analysis, suggestions and recommendations:**

Though gold inflation reflects economic instability its impact on Economically weaker people is already negative. Government policies focuses on market regulations but fails to protect the weaker section. There is a need for better financial inclusion, awareness programs, affordable credit facilities.

#### Suggestions

- 1.Reduce import duty on small quantity gold,
2. promote low interest loans without gold security,
- 3.improve awareness of government schemes,
4. strengthen social security measures.

#### **11.Relevant caselaw**

##### 1.R.K. Garg v. Union of India (1981)

In this case some individuals complained against the economic law created by the government stating that they were the main cause of economic problem. The supreme court argued that the economic law were made to address critical issues such as inflation, balck money and inequality. Interference by court should be minimum when addressing such issues. The court argued that the government knew the critical issues facing the economy. This case supports the government intervention to control the price of gold to alleviate the burden of poor andlow income class. This case give prominence to practical aspect over the theoretical aspect.<sup>6</sup>

<sup>6</sup>R.K. Garg v. Union of India (1981)

## 2.Narendra kumar v. Union of India (1960)

This case was related to issue of whether the government has the power to regulate and control the business of trade in order to protect the public. This person argued that the government restriction were affected his freedom to do business. The Supreme court held that the freedom to do business in trade is not absolute in nature. In fact the government can impose some constraints if it is for the welfare of the public. It was related to the issue of the rise in prices that affects the poorer section of the people most. In fact the issue of government control over commodities like gold to prevent inflation and its consequences on the poorer section of the people is well explained in this case.<sup>7</sup>

## 3.Swiss Ribbons Pvt. Ltd. V. Union of India (2019)

This case was related to economic reform statutes that are intended to safeguard citizens during times of economic distress. The supreme court held the economic statutes must maintain a balance between economic development and social welfare. The court explicitly held that safeguarding the weaker sections of society is of utmost importance. This decision hold that economic stress caused to vulnerable sections of society should be alleviated by government policies. The same hold true for regulating gold price, as high gold price impact poorer sections of society compared to rich sections.<sup>8</sup>

## II. Part

A survey was conducted through google form and data is collected. The survey results are presented through pie-charts and tables and percentage method is used in table. The total number of sample respondents is 124. Below are the data collected through google form survey and percentage method is used in each table. It also includes pie-chart.

Table 1

Particulars	Government employee	Private employee	Self employes	Oldage and pensions	unemployed	student	total
illiterate	0(0.00)	1(0.81)	0(0.00)	0(0.00)	0(0.00)	0(0.00)	1 (0.81)
Primary school	1(0.81)	3(2.42)	3(2.42)	0(0.00)	0(0.00)	1(0.81)	8(6.45)
High school	1(0.81)	7(5.64)	4(3.22)	0(0.00)	2(1.61)	4(3.22)	18(14.51)
High secondary	1(0.81)	5(4.03)	2(1.61)	2(1.61)	2(1.61)	0(0.00)	12(9.68)
U.G.	4(3.22)	12(9.68)	9(7.25)	4(3.22)	2(1.61)	19(15.32)	50(40.32)
Diploma & ITI	2(1.61)	0(0.00)	5(4.03)	0(0.00)	1(0.81)	1(0.81)	9(7.25)
P.G.	6(4.84)	9(7.26)	4(3.22)	2(1.61)	2(1.61)	3(2.42)	26
TOTAL	15(12.09)	37(29.84)	27(21.77)	8(6.45)	9(7.26)	28(22.58)	124(100.00)

Source: primary data

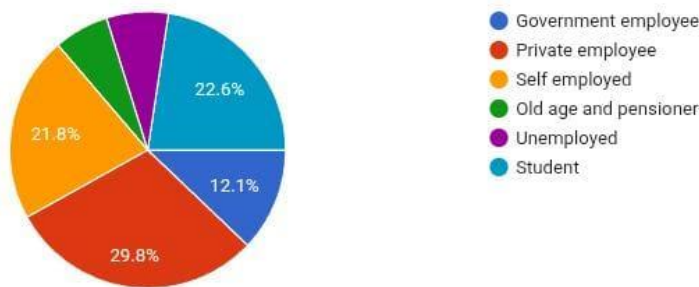
<sup>7</sup>Narendra kumar v. Union of India (1960)

<sup>8</sup>Swiss Ribbons Pvt. Ltd. V. Union of India (2019)

## Occupation of respondents

Occupation of the respondent

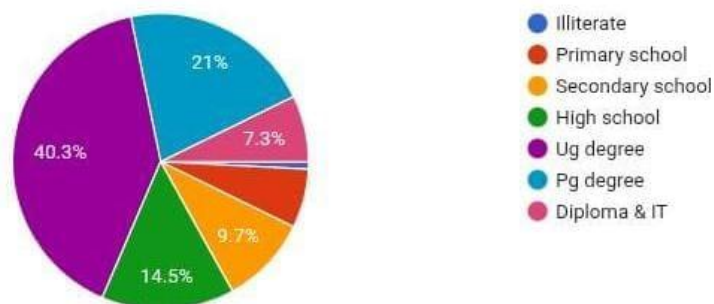
124 responses



## Education status of the respondent

Educational statof the respondent

124 responses



From the above chart it is shown that 29.8 percentage are private employees, 22.6 percentage are students, 21.8 percentage are self-employed, 12.1 percentage are government employees and the rest of other respondents falls under other categories. It is also shown that people who completed UG degree are more sample size that is 40.3 percentage PG graduates, 21 percent is from 14.5 percent are completed or currently pursuing high school. 9.7 percent is from secondary school. 7.3 percentage is from diploma&IT persons.

Table 2

Increase in gold price has affecting the savings of economically weaker sections

Particulars	Male	Female	Transgender	Total
Yes	60(48.39)	41(33.06)	0(0.00)	101(81.45)
No	17(13.71)	6(4.83)	0(0.00)	23(18.54)
Total	77(62.09)	47(37.9)	0(0.00)	124(100.00)

Source: primary source

From the above table it is shown that 81.5 percentage of sample respondents agrees to the **statement increase in gold price affecting the savings of economically weaker sections.**

Table 3

Fixed gold price is the solution for economically weaker section cope with raising gold price

particulars	Male	Female	Transgender	Total
Government subsidies	22(17.74)	10(8.06)	0(0.00)	32(25.80)
Low interest gold loan	18(14.51)	6(4.84)	0(0.00)	24(19.35)
Promotion of alternative savings schemes	12(9.68)	10(8.06)	0(0.00)	22(17.74)
Fixed gold rate	25(20.16)	21(16.93)	0(0.00)	46(37.09)
total	77(62.09)	47(37.90)	0(0.00)	124(100.00)

Source : primary data

From the above table it is shown that 46 percentage of sample respondent opinion is fixed gold price and 32 percentage is government subsidies.

## 12. Testing the hypothesis

H1 The result of this study indicate that 81.5 percentage of respondents agreed to the statement that inflation in gold prices affects their savings. This reveals that a majority of people belonging to economically weaker section are dependent on gold to store as a means of savings. Due to the constant rise in gold and are ending up saving less. Higher gold price is also limiting their option in using gold in case emergencies. However, 18.5 percentage of these respondent disagree with statement as they argued that gold price inflation does not impact their savings because they do not invest in gold or use any other method of savings money the findings clearly indicate that the price rise in gold has a great impact on economically weaker section of the society, thus this hypothesis is accepted.

H2 to test the second hypothesis respondent were asked to select a solution from the listed solutions 46 percentage support the fixed gold price and 32 percents support government subsidies and low-interest gold loan loans 22 percentage promotion of alternative saving schemes. This indicate that controlling the gold price is the most preferred measure among people to protect their financial interest followed by government support and affordable gold loans.

### 13. Conclusion

Gold has always played a major role in Indian society. Not just as an investment but as sense of pride. In my previous research “gold a social and economic perspective on women” I researched about how society view gold for women as cultural practice or as a safe investment in that research majority responded as its investment / its act as a security for women’s future. Now in this research is about how inflation affects weaker sections. Weaker section of society mostly buy gold for marriage and emergency needs. In this research majority said gold inflation affects the economically weaker section. Also they suggested ‘fixed gold price scheme’ as solutions and second majority government subsidies.

### 14. Reference

1. Impact of Inflation on the Price of Gold Through the Years in India – [www.hillpublisher.com](http://www.hillpublisher.com)
2. Gold Price and Inflation Relationship in India: An Empirical Study – [www.ijraset.com](http://www.ijraset.com)
3. Exploring the Dynamics of Gold Prices in India: Factors and Trends – [www.shodhsagar.com](http://www.shodhsagar.com)
4. Analysing the Impact of Macroeconomic Factors on Gold Prices in India – [www.allcommercejournal.com](http://www.allcommercejournal.com)
5. Functional Transformation of Gold Pricing and Its Impact on Economic Progress in India – [www.allcommercejournal.com](http://www.allcommercejournal.com)
6. Rising Gold Prices: Causes and Impact on Indian Economy – [www.iasexpress.net](http://www.iasexpress.net)
7. Why Is the Gold Price Increasing in India? – [www.icicidirect.com](http://www.icicidirect.com)
8. Gold Prices and Inflation: Evidence from Indian Economy – [www.ijraset.com](http://www.ijraset.com)
9. Macroeconomic Determinants of Gold Price Movements in India – [www.shodhsagar.com](http://www.shodhsagar.com)
10. Gold Price Fluctuations and Economic Impact in India – [www.hillpublisher.com](http://www.hillpublisher.com)