

IMPACT OF DEMONETIZATION ON GOLD JEWELLERY MARKETING

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ABSTRACT

The demonetization program is likely to adversely impact consumer spending and domestic demand for jewellery is expected to be muted in the near to medium term. It is estimated that the unorganized segment comprises around 70 – 75% of the domestic gold jewellery market; although the share of organized jewellery retail segment (comprising national and regional retail chains) is estimated to be growing at approximately 15% on y-o-y basis. The study was conducted to find out the consumer preference towards branded and traditional gold jewellery. The data collected was classified and analyzed below in order to find out the consumer preference while purchasing gold jewellery.

Key words: *Demonetisation, consumer preference, gold jewellery.*

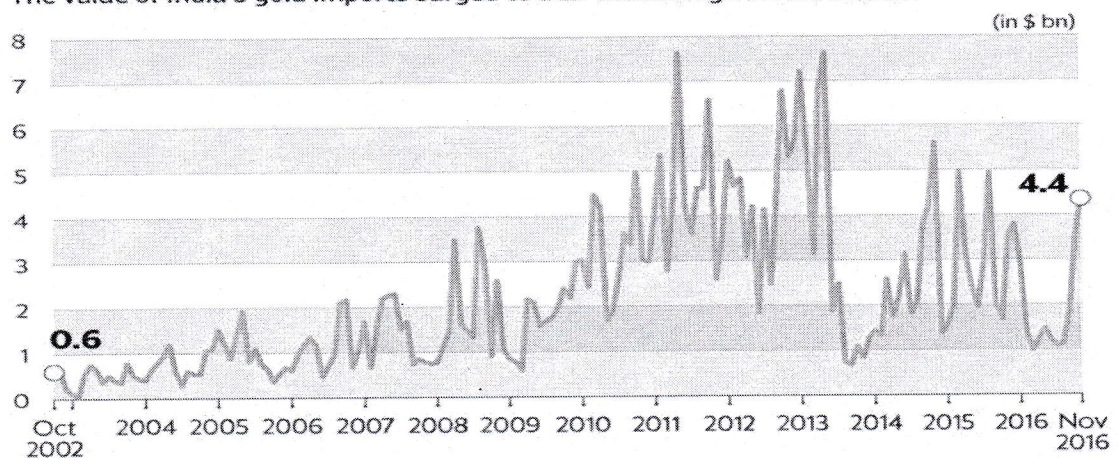
India and China are the biggest buyers of gold, together consuming about 50% of the total that dwarfs developed countries like the U.S., central banks and everyone else. China's still the biggest player in the gold market, but Indians are second at 700-800 tons a year. [1] The demonetization program is likely to adversely impact consumer spending and domestic demand for jewellery is expected to be muted in the near to medium term. Although declaration of PAN had become mandatory for purchases above Rs. 2 lacs, still lot of small ticket gold/jewellery purchase in India was being undertaken on cash-basis (especially in the backdrop of the fact that more than 60% of the demand is estimated to originate from rural India). Though there was a brief spike in demand witnessed soon after the news of implementation of demonetization, in the medium-term a slowdown in demand for jewellery is expected with the smaller jewellery retailers in the unorganized sector being the most impacted. However, in the long-run, the move could turn out to be positive for organized jewellery retailers as they would benefit from a more level-playing field [2]. The primary cause of discrepancy in the domestic gold market, notably,

jewellery, bars and coins purchase was Demonetisation which hugely impacted the buying patterns of the consumer and prices tarnished significantly. It was only on November 8 from 8 pm when people wanted to buy bulk quantity of gold, so that they could give all whatever they could (black money) and invest in gold the jewellery showrooms were open till 11.30 pm. After that day, everything went completely down; there is no sales as people still do not have enough money in hand to spend. But demonetisation impacted the wedding season as big ticket purchases happen at this point of time. We are a cash-based economy, housewives save money for their daughter at home [3]. The highest level of currencies in circulation in India is at 12.1% of GDP. Cash on hand is estimated around 3.2% of household assets, higher than investment in equities, or roughly around \$ 220 billion. Of this cash, 87% is in the form of Rs 500 and Rs 1,000 notes or roughly Rs 14 lakh crore (\$190 billion). A significant portion of the household cash on hand is generated by economic transactions that are not reported to tax authorities or generated through corruption. Till the early 1990s, the average Indian bought jewellery for investment rather than for adornment. Jewellery made of 18-karat gold was not favoured as it was considered a poor investment. Confidence in the local jeweller was the hallmark of the gold jewellery trade in India and had a fixed and loyal clientele who catered to the local taste for traditional jewellery. However, since the late 1990s, there was a shift in consumer tastes: women were increasingly opting for fashionable and lightweight jewellery instead of traditional chunky jewellery. Consumers in the 16 to 25 age group demanded lightweight jewellery, and regarded jewellery as an accessory and not an investment. The new millennium witnessed a definite change in consumer preferences. Branded jewellery also gained acceptance forcing traditional jewellers to go in for branding. Branded players such as Tanishq, Oysterbay, Gili and Carbon opened outlets in various parts of the country. Traditional jewellers also began to bring out lightweight jewellery, and some of them even launched their in-house brands. The Government of India's announcement on November 08, 2016 to demonetize the Rs. 500 and Rs. 1,000 currency notes is expected to impact liquidity in the short term. With 80% of jewellery purchases in the country done on cash basis, the tightened liquidity scenario is expected to lead to postponement in purchases and hence impact the near term gold jewellery demand. While the lower penetration of plastic currencies lead to higher cash purchases in rural markets, it is observed that urban markets too witness high cash purchases, the primary incentives being – (I) evasion of VAT (for customers) and income tax (for unorganized jewellers), (ii) levy of card transaction

charges (2-3%) by few jewellers on credit cards. This apart the mandatory disclosure of Permanent account number (PAN) for transactions above Rs. 2 lacs has so far met with limited success. ICRA had estimated the overall volumes to decline by 20% during CY2016; but with this recent development, ICRA research expects the volume de-growth to be higher at 30% for CY2016. The currency curbs are unlikely to cause demand disruption over the long term with the expected easing of liquidity position, and continuing demand shift towards organized players backed by increasing formalization of the sector, in addition to inherent long term demand drivers.

GLITTER BOMB

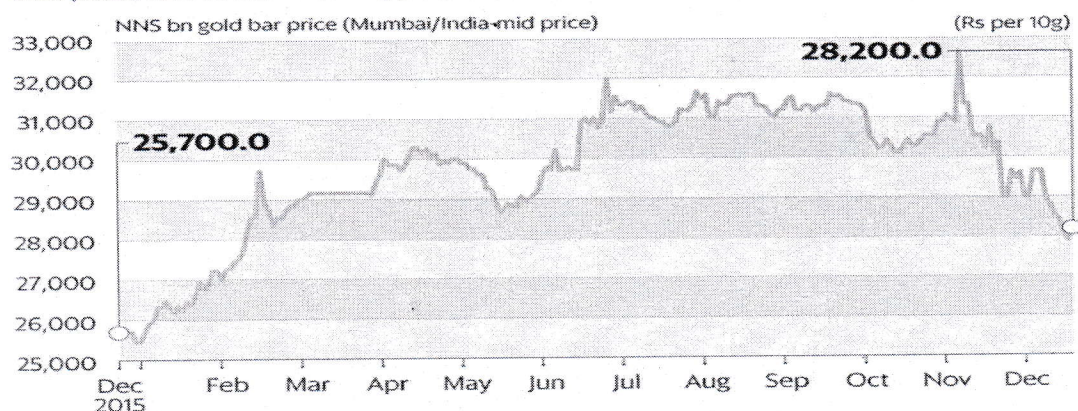
The value of India's gold imports surged to a 15-month high in November.



Source: <http://www.livemint.com/Money/b9qc3REsMMAMj223bDFgvM/Gold-and-demonetisation.html>

BOUND TO RETURN

Gold prices in Mumbai have dropped to levels at which Indians start buying again.



Source: <http://www.livemint.com/Money/b9qc3REsMMAMj223bDFgvM/Gold-and-demonetisation.html>

Customers' preference for new concepts like 1 gm jewellery and the Italian jewellery which is throwing varieties of fancy items in place of the heavy and outdated designs is another reason for the decline of traditional sector. The cultural importance of gold for Indian marriages and religious festivals and almost every celebration being associated with gold jewellery purchase has seen a phenomenal increase in exports despite economic slowdown. [4]

Objectives of the study

1. Gender preference towards the purchase of branded and traditional gold jewellery.
2. Consumer's preference for gold as an investment.
3. Influence of price changes on demand for purchase of gold jewellery.
4. Reasons for the purchase of branded gold jewellery

Scope

This study basically focuses on consumer preference while purchasing gold jewellery. The study included 120 households from various parts of south Goa.

Statement of the problem

This study is conducted to find out the preference of the consumer while purchasing gold jewellery and to find out whether they prefer to buy from showrooms or traditional goldsmiths. The study also tries to show various factors influence the purchase of gold jewellery like family income, religion, events and other reasons.

Limitations of the study

1. The data or information collected may not be accurate as the respondents may have given the wrong information.
2. The study covers only 3 talukas of south Goa.

Methodology, data collection and statistical methods

To carry out this study, the researchers used primary as well as secondary data. The primary data was collected from three talukas of south Goa namely Salcete, Canacona and

Quepem. A total of 120 households were interviewed belonging to forty Christians, Hindus and Muslims respectively.

Table 4.1 Gender preference towards the purchase of branded and traditional gold jewellery.

| Preference for purchase of gold | Gender | | Total |
|---------------------------------|-----------|-----------|------------|
| | Male | Female | |
| Traditional gold jewellery | 29 | 24 | 53 |
| Branded gold jewellery | 21 | 46 | 67 |
| Total | 50 | 70 | 120 |

Source: Field work.

Table 4.1 indicates the relation between gender preference towards the purchase of branded and traditional gold jewellery. Out of 120 consumers, there were 50(41.66%) males and 70(58.33%) females. 29(58%) males and 24(34.28%) female's preferred traditional gold jewellery and 21(42%) males and 46(65.71%) females opted for purchase of branded gold jewellery from the showrooms. It is seen that a total of 53(44.16%) consumers purchase from traditional gold smiths while 67(55.83%) consumers brought branded gold jewellery from showrooms. It can be inferred that males preferred purchasing gold from traditional goldsmiths whereas females preferred branded gold jewellery. The data was analyzed and the study found that there was a significant association found at the 0.02 level ($p=0.010$) between gender and the preference for purchase of gold jewellery.

Table 4.2 Consumers preference for gold as an investment.

| Use of gold as an investment | Religion | | | Total |
|------------------------------|-----------|-------|--------|-------|
| | Christian | Hindu | Muslim | |
| Yes | 19 | 19 | 17 | 55 |
| No | 21 | 21 | 23 | 65 |
| Total | 40 | 40 | 40 | 120 |

Source: Field work.

Table 4.2 indicates consumer's preference for gold as an investment. The study also tried to find out whether consumers bought gold as an investment or not. From the table we can see that out of the 120 participants, 55(46%) of the participants said that they purchase gold as an investment and 65(54%) of the total participants said that they did not buy gold as an investment. The study proved that most of the people did not buy gold as an investment. Thus it was revealed that there was no significant association found at the 0.05 level ($p=0.874$) between the participants and use of gold jewellery as an investment

Table 4.3 Influence of price changes on demand for purchase of gold jewellery.

| Influence of price changes | Gender | | Total |
|----------------------------|--------|--------|-------|
| | Male | Female | |
| Yes | 40 | 51 | 91 |
| No | 10 | 19 | 29 |
| Total | 50 | 70 | 120 |

Source: Field work.

Table 4.3 indicates their influence of price changes on demand for purchase of gold jewellery. The data shows that 91(75.83%) of the consumers agreed that the price changes influenced the demand for gold and 29(24.16%) of them bought gold jewellery irrespective of the price prevailing in the market. It meant that out of 50 males, 40(80%) of them responded to the price changes prevailing in the market and only 51(73%) out of 70 females responded to the price changes. The study clearly indicates that men responded more to price variations than women. Nevertheless there was no significant association found at the 0.05 level ($p=0.368$) between gender and influence of price changes on demand for purchase of gold jewellery.

Table 4.4 Reasons for the purchase of branded gold jewellery.

| Reasons | Gender | | Total |
|-------------------------------------|-----------|-----------|-----------|
| | Male | Female | |
| Wide variety of designs | 16 | 29 | 45 |
| The quality of product is excellent | 4 | 8 | 12 |
| The showrooms are easily accessible | 1 | 2 | 3 |
| They provide good exchange offers | 0 | 1 | 1 |
| The jeweler is certified | 0 | 6 | 6 |
| Total | 21 | 46 | 67 |

Source: Field work.

Table 4.4 indicates the various reasons for the purchase of branded gold jewellery. The data revealed 67 participants preferred branded gold jewellery. Out of 67 participants, 45(67.16%) of them purchased branded gold jewellery as they could choose from a wide variety of designs. 12(17.91%) of them brought branded gold jewellery because the quality of the product was excellent. 3(4.47%) of them brought branded gold jewellery as the stores were easily accessible and only 1(1.49%) of the 67 participants said that as branded

gold jewellery provided good exchange offers and finally 6(8.95%) of the participants said they preferred branded gold jewellery because the jewellery was certified. Through the data we came to know the various factors that are attracting the consumers towards branded gold jewellery. This also pointed out the fact that there was no significant association found at the 0.05 level ($p=0.464$) between gender and reasons for the purchase of branded gold jewellery.

The study found that there was a strong significant association found between gender and the preference for purchase of gold jewellery. Males preferred purchasing gold from traditional gold jewellery whereas females preferred branded gold jewellery.

The researchers found that there was a very strong significant association found between preference for purchase of gold jewellery and educational qualification. It favoured the graduates as a great number of them preferred branded gold jewellery. The data shows in general that people who have higher educational qualifications preferred to buy from branded jewellery.

The study found that there was also a very strong significant association found between the frequency of buying gold and religion. It was found that Muslims buy gold jewellery very often and followed by Hindus and Christians.

The data also proved that there was a significant association found between the occasions of purchase of gold jewellery and religion.

CONCLUSION

The present generation does give a lot of importance to the branded jewellery and the awareness is actually growing to a great extent in today's scenario. Nearly 22% of the working women purchase jewellery only once a year and nearly 35% of the ladies are aware of the cosmetic jewellery which shows that the trend is changing to greater extent. 44% of the women is aware of hallmark jewellery which is a positive sign for the branded jewellery industry. Today the scenario has changed where people not only buy gold as an investment but also for adornment. 60% buy as an investment whereas 40% buy for the sake of adornment which is still a positive sign. There is a perception that lack of Indian demand is driving the gold price down however it can be concluded that

demonetization will not have any impact on gold jewellery marketing in India. Even though demand of gold is consistently declining in India from last few years still the gold price appreciated more than 20% during first 3 quarters of CY 2016. It proved the point that the demand for gold in India does not have any impact on the gold price. Post demonetization the supply of "legitimate" gold will reduce in India because purchase through black money will dry up. The Govt of India may take stringent action to flush out the "Black" Gold from the market. "Black" Gold will be sold at heavy discounts in the gray market and people who bought gold from black money will not be able to sell it in white. Therefore, it will be sold at almost 30% to 50% discount similar to demonetized "black" currency. These transactions will be negligible thus not impacting overall supply in the market. On the other hand, choking off supply will increase the "white" gold price in India provided the demand remains the same. The reason for this optimism can be summarized from famous saying in India "Gold is Gold". Maybe this optimism is because of traditional thinking but fortunately, the factors also support this optimism. A reliable forecast of the future demand or price of gold in 2017 will be difficult. Currently, the buying patterns of the consumers has changed drastically and looking at the uncertainties and policies, and with the markets embracing risk, the first few months, especially the first quarter of 2017 is predicted to be soft. Furthermore, gold will continue to remain a preferred metal for various prestigious family occasions for coming generations. Prices will not soar and remain stable between Rs 26,000 to Rs 29,000. Gold is a volatile asset and 2017 prices heavily depend on geopolitical scenarios and monetary policies in global markets. One of most common reasons why people buy gold is for safe investment. Gold is not just a symbol of wealth or status; it has an emotional significance and hence has become an integral part of Indian lifestyle.

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