

# The Problems of Indian Gold Retail Market- A Study in Selected States of India.

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**Abstract:** The Gold Retail market has undergone several challenges that influence its integrity and overall business. Illegal trade namely smuggling, tax evasion, fraud activities done in business i.e. misrepresentation of purity, weight manipulation etc creates a distrust among the consumers affecting the market reputation. Customer behavior also adds complexity to the problems. All these factors create a challenging environment for both customers and retailers in gold retail sector.

**Keywords:** Gold, Retail Market, Illegal Trade, Market, Misrepresentation, Purity.

## INTRODUCTION

The Indian Gold market faced several issues, though India being one of the largest consumer of gold at Global level. Our country is the leading consumer of Gold compared with other countries in the world but is largely fragmented and unorganized. As India is the leading consumer it imports major portion of gold in the world. Due to this reason the potential of Indian Bullion Market has risen to a large extent.

## STATEMENT OF PROBLEM

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.

## OBJECTIVES

- To take into account the customer behavior and the perception of the customer in gold retail market.

- To analyze the fraud and illegal gold business activities done in gold business.

## HYPOTHESIS

- H01: There is no significant correlation between consumer behavior in retail stores and problems encountered with customers in the business.
- H02: There is no significant association between education qualifications of the retailers and fraud done to the customers in retail business.
- H03: There is no significant relation between experience of the retailer in the business and reasons for illegal trade in the gold market.

## REVIEW LITERATURE

Ganapathy .R.et.al., (2010) in his study identified the extent to which the retailers can maintain customer relationship and the measures to be taken to improve their relationship. The study concludes that without customers the retailer firm has no reason to exist.

Ramachandran .KK and Karthik .KK (2014) have explained the perception of the customers and resulted that retailers have to increase the level of trust, authenticity, credibility, objectivity of the customers and serve them the best of possible.

Thirumagalvijaya .M (2014) in his study states that the purchasing level of the consumers depends upon the retailers approachment and the relationship of the retailers with the customers.

Amutha. P (2014) in her study suggested that level of satisfaction of the customer towards the service make them choose the same retail store always. Also suggested that retailers should go for intensive advertisement campaign to gain customers and take promotional activities by conducting more exhibitions.

Chitra Chellam.K (2015) has pointed out that some retail marts influence by purity, design, credibility etc. In his study he revealed 86 percent of the respondents prefer retail marts rather than goldsmith. His study suggests that a one old customer is equal to five new customers.

Leemput & Wiencek 2017 stated in his research that Implementation of GST would benefit the organized sector and having pellucidity and liability but it caused few retailers to move to unorganized sector resulting in smuggling of gold and selling without bills.

Anubumani.P and Sundar.V (2014) in their study highlighted the frauds done by branded retailers namely no billing for sale transactions is given and also no buy back of gold jewellery sold by them. The study suggests the consumer council, forums under the Government of India to take necessary steps to bring awareness in the minds of consumers and save the consumers from unorganized retailers.

Thomas Victor Raja. D and Gunaseelan.S (2015) discussed in their research about the SWOT analysis of the retailers in India. In their research they clearly stated the strengths of the retailers, purchase of gold jewels, liberalized regulations etc. At the same time they showed the weakness of the retailers like no advanced technology used, tax regulations, no original invoice bill etc.

#### Study Area:

The study area is confined to five states of our Southern India namely Andhra Pradesh, Tamil Nadu, Kerala and Karnataka. The retailers business in these selected states is observed. In each of the selected states three cities are selected for observation of retail business. Moreover in these selected states only five branded retail stores namely Tanishq, Kalyan Jewellers, Joyalukkas, Malabar Gold & Diamond and TBZ retail stores are taken to conduct field study.

#### Period of Study:

Primary data was conducted during the year 2023. Secondary was collected from 2014-2023 related to Imports, Consumption, Gold Prices and Production of Gold.

### DATA AND METHODOLOGY

Primary data was collected from gold retailers in selected states and selected retail stores. Secondary

data was various magazines, Journals and text books, Research Bulletins and websites related to RBI, World Gold Council etc.

#### Sampling Unit and Sample Size:

The study was conducted in Andhra Pradesh, Tamil Nadu, Kerala and Karnataka. For the present study, the sample size of 60 Jewellery retailers was surveyed from the selected states and 15 retailers were contacted in each of the selected states.

#### Tools for Data Analysis:

The data analysis is done using Chi-square test tool to know the relationship between dependent variables and independent variables.

The major issues faced in Indian Retail Market are as follows:

India being leading consumer of gold, supply could not meet the demand as such imports more amount to gold. This affects the CAD of our country as it puts pressure on the country's foreign exchange. Smuggling of gold is caused due to increase in import duties on gold leading to hike in gold prices. Since the traders/retailers are unable to afford these hike in gold prices, they use all the ill-legal means to smuggle gold namely near Airports, sea harbours leading to a loss to the Government revenue. Multiple taxes are imposed on gold namely GST and Customs duty. These taxes make the gold expensive for the consumers and thereby leading to smuggling. Gold prices often are not stable, these prices makes the gold prices unpredictable as they are mainly influenced by International Market, local market currency exchange rates, inflation rates etc. The number of unorganized sectors is more compared to organized retail stores. As such these small retailers operate without any strict regulation of Hallmark or purity of gold resulting to lack of standardization and customer trust. The changes in consumer leads to outdated stock which becomes an issue to the retailers dispose his gold products. Moreover there are different consumers visit the gold stores who do not what to purchase. This troubles the retailers in their business.

H01: There is no significant correlation between consumer behavior in retail stores and problems encountered with customers in the business.

Association between Consumer Behavior and

Problems encountered with consumers.

Consumer Behaviour	Problems encountered with consumers.				
	Impulse buyer	Limited decision	Routine purchase	Complex buying	Total
Price purity	4 (6.7)	12 (20)	4 (6.7)	8 (13.3)	28 (46.7)
Purchase price	4 (6.7)	8 (13.3)	8 (13.3)	4 (6.7)	24 (40)
Purchase brand	2 (3.3)	2 (3.3)	1 (1.7)	3 (5)	8 (13.3)
Total	10 (16.7)	22 (36.6)	13 (21.7)	15 (25)	60 (100)
Chi-square Test	$\chi^2$ Calculated value 4.89. It is insignificant at 5% level.				

Source: Field Data

$\chi^2$  tabular value = 12.59

$\chi^2$  calculated value = 4.89

Statistical Inference: The Chi-square value is 4.89 and it is insignificant at 5 percent level. It can be inferred that there is Association between Consumer Behavior and Problems encountered with consumers. Hence the Null hypothesis  $H_0$ 1 stating that there is “Association between Consumer Behavior and Problems encountered with consumers” is accepted.

Reason: The behavior of the consumers and the problems encountered with consumers by the retailers are closely related as it reflects the decision

making process while purchasing gold. Also the consumer problem in gold stores often arises due to unmet expectations or issues that affect the consumer experience. So consumer behavior and problems encountered are closely related.

Suggestion: The retail stores must focus on several key strategies that focus to enhance consumer satisfaction and resolve the issues quickly.

H02: There is no significant association between education qualifications of the retailers and fraud done to the customers in retail business.

Association between Qualification of retailers and Fraud done in Business.

Qualifications	Fraud done in Business				
	Karat	Gold Plated	Online scams	Wrong certifications	Total
Graduation	8 (13.3)	4 (6.7)	16 (26.6)	4 (6.7)	32 (53.3)
Post-Graduation	4 (6.7)	3 (5)	2 (3.3)	4 (6.7)	13 (21.7)
Matriculation	4 (6.7)	3 (5)	4 (6.7)	4 (6.7)	15 (25)
Diploma	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Total	16 (26.6)	10 (16.7)	22 (36.6)	12 (20)	60 (100)
Chi-square Test	$\chi^2$ Calculated value 6.4. It is insignificant at 5% level.				

Source: Field Data

$\chi^2$  tabular value =12.59

$\chi^2$  calculated value =6.4

Statistical Inference: The Chi-square value is 6.4 and it is insignificant at 5 percent level. It can be inferred that there is Association between Qualification of retailers and Fraud done in business. Hence the Null hypothesis  $H_{02}$  stating that there is “Association between Qualification of retailers and Fraud done in Business” is accepted.

Reason: Education alone is not the determining factor in which a gold retailer engage in fraudulent behavior. Ethical behavior is much influenced by

personal behavior, work environment and other opportunities rather than educational qualifications.

Suggestion: Cultural accountability should be focused, consistent ethical training to the retailers could significantly reduce the likelihood of fraud irrespective of educational background.

$H_{03}$ : There is no significant relation between experience of the retailer in the business and reasons for illegal trade in the gold market.

Association between experience of Retailers and Illegal Trade in Gold market.

Years of Experience	Reasons for Illegal Trade in Gold Market				
	Sale	High tax	Huge Imports	More Demand	Total
Less than 10 years	4 (6.7)	8 (13.3)	4 (6.7)	4 (6.7)	20 (33.3)
10-20 years	4 (6.7)	3 (5)	8 (13.3)	1 (1.7)	16 (26.7)
20-30 years	4 (6.7)	4 (6.7)	4 (6.7)	2 (3.2)	14 (23.3)
30-40 years	3 (5)	3 (5)	3 (5)	1 (1.7)	10 (16.7)
Total	15 (25)	18 (30)	19 (31.7)	8 (13.3)	60 (100)
Chi-square Test	$\chi^2$ Calculated value 16.92. It is significant at 5% level.				

Source: Field Data

$\chi^2$  tabular value =16.92

$\chi^2$  calculated value =20.41

Statistical Inference: The Chi-square value is 16.92 and it is significant at 5 percent level. It can be inferred that there is no association between experience of retailers and Illegal trade in gold business. Hence the Null hypothesis  $H_{03}$  stating that “there is no Association between experience of Retailers and Illegal Trade in Gold market” is rejected.

Reason: Illegal transactions often occur due to external factors namely taxation, profit motives which affect both experience and inexperience of the retailers alike.

Suggestion: If legal trade is made more attractive and that illegal activities risk could be high then retailers

regardless of their experience will have few incentives to engage in unlawful practice.

### CONCLUSION

The Indian gold market faces numerous challenges despite the country's status as a leading global consumer of gold. The study details several core issues such as heavy dependence on imports, leading to a current account deficit, widespread smuggling due to high import duties, and the fragmentation of the market with a large unorganized sector. The analysis reveals the critical consumer behaviour patterns, retailer fraud, and illegal trading, which are exacerbated by issues like fluctuating gold prices, taxation policies, and insufficient standardization. The study concludes that consumer behaviour is closely linked with the problems encountered in gold retail stores. Retailers must improve customer relations and service quality to address consumer issues effectively. Experience in the gold market also

does not prevent illegal trade, as external factors such as high taxation and demand drive both experienced and inexperienced retailers to engage in unlawful activities. The study suggests that focusing on legal trade, stricter regulations, and improving ethical standards could boost the organized gold sector, reduce illegal trade, and support the Indian economy. Retailers need to adopt strategic approaches in enhancing the customer trust, such as better transparency, strict adherence to gold purity standards, and addressing challenges like outdated stock and high taxes.

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