ABSTRACT

India is the largest consumer of gold in the world. Gold is viewed as a commodity, a store of value, a form of adornment and an investment. It is demanded for in different forms and this demand is driven by several macroeconomic and financial variables. This dissertation, “Determinants of Gold Demand in India” aims to understand the factors that drive the demand for gold in India, during the period 1994 – 2014, in the light of the changing face of the economy. Empirical findings suggest that the demand for gold is driven by real income, real equity prices, domestic interest rates, exchange rates and supply along with the relative price of gold. These findings have a significant importance in understanding and suggesting policies that would drive the country’s economic growth.

Keywords: Gold, Consumption, Demand, Trend, Error Correction Model