

GLOBALIZATION AND ITS IMPACT ON WORLD ECONOMY REFERENCE TO GOLD MARKETING

S. Christopher¹

¹(Reg. No: 20213011011012), Ph.D Research Scholar, AnnaiVelankanni College, Tholayavattam, Affiliated to ManonmaniamSundaranar University, Tirunelveli, Tamilnadu, India

Dr. T. Vijayakumar²

²Associate Professor, PG& Research Department of Commerce, AnnaiVelankanni College, Tholayavattam.

ABSTRACT

Indian e-commerce paves the way to all Kinds of products to online customers especially trading of Gold and silver through online trade. The Gold and Silver are deliverable in physical form at wholesale market price. A customer can buy and sell gold online too. In Gold business, people think that India is a Gold crazy country. People started buying gold in the form of Gold coins or Jewellery. Gold is the most loved precious metal. People are confused and fear of buying Gold due to the price fluctuations, purity of gold and preach of trust regarding the Jewellers.

The main aim of the study is to find out the buying behaviour of gold for ornamentation or for investments. In this study, I have collected secondary data from online gold rate and rate of investments from website. In India, 52% of gold production is for jewellery alone. This is a 25% of the total physical demand of world wide. Gold consumption in India shows that it is not just for an ornamentation rather it is an investment. People rush to buy gold when they feel that it is a safe investment during fluctuation and future uncertainty.

KEY WORD: Gold coins/ bars, Bullion, Gold market, Over the counter, London Bullion Market Association, Commodity exchange, Shanghai gold exchange Sovereign gold bond, Taxation.

INTRODUCTION

“Bullion India” a Mumbai based company says that our price is lower by about 8% from other branded retailers or bank coins. We don't keep or expect high margins rates. We look for a high volume which will yield high profit in long run”. The customers can buy gold online which will be delivered at their doorstep. These gold coins can be sold at anywhere and get their full consideration monetary value.

The purchased quantity reflects in the e-statement but the physical gold remains in the vault of Riddisiddhi Bullions Limited which is the largest bullion dealers in Mumbai, India. They keep the online purchased Gold ingot or coins in their vault with no storage fees on delivery and the customer receives certification of the purity of the gold. The payments are made by online gateways like internet banking or with a Debit card for the

online purchases. The customers can sell their holdings online as well as for cash.

FESTIVAL OFFER

The Indian Gold companies used to offer a discount sale of 2% during festival times like Diwali, Makarsankranti, AkshayaTritiya and Dhanteras. People believe that buying gold on these days or at a specific time on these days brings abundance and prosperity. This traditional belief plays a major role in the increase of the volume of gold sales.

WEDDING SEASONS

The demand for gold Jewellery increases during the wedding seasons, as does the price of the gold goes up. A noticeable volume of gold is consumed by the people during these seasons. Southern Indians consume greater amount of this precious metal compared to others. People of Kanyakumari buy more than the rest of the

states of Tamil Nadu because of the dowry system which does not have a legal base. The volume of gold get differs based on the respective society and its culture and customs. During the marriage a bridegroom from poor family must give minimum 200 grams gold jewellery. The rich people provide 800 to 1200 grams of gold jewellery and above. The world market gold price hike directly affect the general public at large especially the people of kanyakumari district, India.

STATEMENT OF THE PROBLEM:

The present scenarios of all marketing activities are affected by the war between Russia and Ukraine since the 24th of February 2022. This war has increased the price of gold globally. Besides, sanctions on Russia, a major produce of gold, are expected to reduce supply. The gold spot price increased by 4.30% to \$1970.35 per ounces (1 ounce = 28.35 grams). The global supply shock in commodities may keep inflation levels high with crude oil trading about \$ 100 per barrel. This pushed the inflation of money and cost of products were went high price. This affects the life of the poor and common people worldwide.

OBJECTIVES OF THE STUDY

- To discover the possible impact on the gold market and its effect on people's lives.
- To study various factors of gold in the global marketing with local marketing and theirs features.
- To compare the investment in gold and term deposits in regulated banks.
- To provide knowledge of the tax on gold purchases which may be for personal use or business.

METHODOLOGY OF STUDY

Secondary data has been used for the research paper. Various published articles from journals and websites.

REVIEW OF LITERATURE

The review of literature view briefly of earlier studies, which have been in the area of present study. Focuses on this study, is to assess the role of gold as an investment asset for Kanyakumari District people and to establish the viability thereof. Emphasis is place on how gold has performed

in comparison to term deposit with schedule bank in India. The role of gold in different countries has been investigated by a number of researchers. Most of them established that gold as a potential portfolio diversifier. Investing in gold is famous by the development of gold ETF's which are easily accessible.

Various research studies have been carried out on different aspects of gold by researcher, economist, academicians and administration in India and outside India.

BeyersBosman (2011) explains the advantages of gold ETFs how it is more advantages with gold stocks.

Lixia Wang et al (2010) explain the development of gold exchange traded funds in China and its favourable circumstances for gold ETFs.

Tim Pullen et al (2011) explain diversifying, hedging and safe haven properties of gold bullion, gold stock, gold mutual funds and gold ETFs.

Rabi N. Mishra and G. Jagan Mohan (2012) finalised that domestic gold prices and international gold prices are closely interlinked.

Mishra p.k (2010) explains the gold price volatility and the causality between domestic gold price and stock price.

Capie et al (2005) studied the possibility of using gold as a hedge against exchange rate. This paper focuses on gold investors' behaviour changes in accumulating gold jewellery, online gold trading and with investing in term deposits.

WORLDWIDE GOLD TRADING:

The most important worldwide gold trading markets are,

- i. London Market
- ii. USA Market
- iii. China market.

These Markets comprise of more than 90% of worldwide trading volumes which are complemented by smaller secondary market centres of the world.

THE LONDON MARKET

The London market is over-the-counter, parties trade directly with each other. The buyer and seller trade bilaterally agree on a price and they settle the transaction in cash for gold with each other. Twice daily at 10.30 am and 3.00pm the London bullion market

association publishes the gold price in US dollars. The forward market for gold is fixed by spot prices and interest rate differentials as they do in the foreign exchange market.

The London OTC market has long standing as the centre of the gold trade. Today it comprises approximately 70% of world wide trading volume according to our estimates. The **London Bullion Market Association (LBMA)** fixes the gold price. This is the world reference benchmark for gold.

THE USA GOLD (COMEX)

The United States of America future market is COMEX.(Commodity Exchange). This has the primary function is that market for trading metals such as gold, silver, copper and aluminium.

THE CHINESE GOLD MARKET (SGE AND SHFE):

The Chinese gold market is **Shanghai gold exchange** which was started in 2002 by the people's Bank of China. SGE's spot and deferred contracts go with hand in hand by very active futures trading on **shanghai Futures market (SHFE)** even though they are not directly linked.

SECONDARY GOLD MARKET CENTRES

The worldwide Secondary gold market places are in **Dubai, Japan, Singapore, India, and Hong Kong**. In all these markets offer a range of spot trading facilities which fulfil the demand of local people. An example is Singapore which is established itself as an important place for sale trading in the ASEAN region.

TAXATION ON GOLD

Gold attracts 3% of the **goods and services tax (GST)**. The Authority for Advanced Ruling ruled that the company cannot claim input tax credited on procurement of gold coin which are to be distributed to customers. Selling physical gold by individuals must pay 20% tax rate along with 4% cess as a long-term capital gain when they sell after 3 years, before this period will be considered as short term. To avoid GST on gold one has to buy new gold jewellery in exchange of old gold.

The Indian revenue service (Income tax) demands that one must file returns for the

sale of 25 or more ounces of gold, including Maple leaf gold(Canadian coin), Mexican Onza coins and gold Krugerrand(south African coins), and sale of gold bars equal to a kilogram or 100 oz.

The circular issued by the Central Board of Direct Tax specifies that a married lady is permitted to have 500 grams of gold jewellery, an unmarried lady can have up to 250 grams and a male member of the family holds up to 100 grams of gold ornaments and jewellery. Profit on bullion held more than a year are taxable at a maximum 28% tax rate. The Sale of physical gold are to be filed on schedule D of Form 1040 on one's own tax return. Form 1099-B should be filed with IRS at the time of the sale as Income.

Legal tender gold coins like the Britannia and Sovereign minted by the Royal mint are exempt from capital gain tax. The Indian government levies GST on both manufacturing and services of gold. Gold is one of the few products that are subject to varying GST rates at various stages of its life, i.e., from purchase to manufacturing. One can save GST taxes by way of buying new gold in exchange of gold pieces.

The current rate for buying new gold jewellery includes 10% customs duty on imported gold. 3% GST on price of gold which is used in jewellery. 5% GST is on making charges for jewellery.

ANALYSIS AND INTERPRETATION

The collected data were analysed by various statistical measures of percentage and ranking technique.

Table No 1

GST on Raw gold purchasing of 10 grams cost, let us assume the cost as

	Tax rate	Price before GST	Price after GST
10 grams gold price		50000	50000
Customs duty	10%	5000	5000
Service tax	1%	550	Nil
GST	3%	Nil	1650
VAT	1.2%	666.60	Nil
Total cost		56,216.60	56,650

Source: RBI Bulletin 2022

Table No 1 shows that there is a cost increment of 10 grams purchase of raw gold between the implementation of GST. The cost difference is Rs. 434 which gives greater impact to high volume of sales. This GST generate more revenue to government but affects the general public at large especially the poor.

Table No 2**How GST affects the price of gold jewellery**

	Tax	Price before GST	Price after GST
Price of 10 grams		50,000	50,000
Customs duty	10%	5000	5000
Service tax	1%	550	Nil
GST	3%	Nil	1650
VAT	1.2%	666.6	Nil
Making charges	10%	5500	5500
GST on making charges	5%	Nil	275
Total cost		61,716.60	62,425

Source: RBI Bulletin 2022

Table 2 shows the variation of 10 grams gold jewellery before and after GST. The total cost difference is Rs. 709 only. This will be a greater expenditure when people buy more in volume of gold jewellery. Here the cost increased because of the implementation of GST.

Table No 3**Analysis of gold price with money value and its buying capacity**

YEAR	GOLD PRICE FOR 10 GRAMS	F.D ROI (IN %)	INTEREST	MATURITY AMOUNT (DURATION 1YEAR)	P.Y MATURITY RATE (-) C.Y GOLD
2011	26,400	9.00	2376	28776	
2012	31,050	8.75	2717	33767	-2274
2013	29,600	8.75	2590	32190	4167
2014	28,006	8.50	2381	30387	4184
2015	26,343	7.25	1910	28253	4044
2016	28,623	6.75	1789	30412	370
2017	29,667	6.40	1899	31656	745
2018	31,438	6.25	1965	33403	218
2019	35,220	5.00	1761	36981	1817
2020	48,651	5.00	2433	51084	-1170
2021	50,045	4.25	2127	52172	1039

Sources :RBIDOC.S.RBI.ORG

Table 3 shows that the gold price from 2011 to 2021 and if the same amount is invested in scheduled bank. The one year term investment gives the matured amount at the year end. The comparison is made with previous year end matured amount and the following year purchasing cost of gold. In the years of 2012, 2016, 2019 and 2020 the gold price of 10 grams was higher than the matured amount of fixed deposits of previous years 2011, 2015,2018,2019. Investing in the gold market is more beneficial than fixed deposit earnings. There are tremendous fluctuations between gold price and the fixed deposit maturity amount. The rates of interest for fixed deposits are continuously falling or decreasing. The cost of gold is gradually higher and in 2018 to 2019 and 2019 to 2020 there were big gap between the purchasing price of 10grams gold.

FINDINGS

- Goods and service tax made greater impact on purchase and sale of gold. The cost of gold increased because of GST implementation.
- Gold Jewellery is expensive than the raw gold or gold coin/bullion. The jeweller's cost added with making charges (service charges) are additional.
- Investment in gold is more beneficial than investment in term deposits. This is because of cost of gold increased and rate of interest decreased constantly.
- Revolving funds scarcity is created due to investment in gold rather than in term deposits.

Cost increment in gold affects the people directly based on the world market of gold price. War between countries and restrictions of free trade and economy affect the gold price. The money values and its fluctuation/depletion is the cause for increment of gold price. (value dollar and Indian rupee)

SUGGESTIONS

➤ Gold become an idle investment when we kept it for long time as precious which does not generate any revenue. To avoid this one can exchange old ornaments for new designed jewelleryes.

- Deposited money becomes a revolving fund for the banking or finance sector. This fund has been used to support both the government and the public.
- In order to avoid theft and danger to life, one must split one's valuables between the home and the bank locker. Bank lockers are the safest place to store valuable jewellery.
- Indians can own gold without its inherent risks or making cost and wastage charges while investing in Sovereign Gold Bond (SGB) which is offered by the government of India and Reserve bank of India. One can invest in SGB and have gold in "certificate format". This scheme was introduced in November 2015. It is a government security which is considered safe. This SGB value is denominated in multiples of grams of gold. One can approach a SEBI authorized agent or broker and buy the SGB. The redeemed bond amount will be credited in a customer's registered bank account of the customer. The maturity period for the SGB is 8 years. In the case of SGB redemption the capital gain tax is exempted for individual. The SGB holder gets 2.5% additional interest in every year and gets the same volume of purchased unity of gold after the redemption of the bond.

CONCLUSION

The importance of financial investment is highlighted rather than investment in gold even though which is more beneficial. Fixed deposit provides rotation of money. The cash turnover ratio reveals the number of times that cash is turned over in an accounting period. This gives return or interest on it. Otherwise the existing money value will devalue but also one will earn anything.

REFERENCES

- [1] BIS. (2011, May 18). Regular OTC Derivatives updates: Semi-annual report on G10 reporting countries.
- [2] London Bullion Metals Association. (2014). Retrieved from <http://www.lbma.org.uk>
- [3] Nelson, R R, 1966, Speculations on Gold Speculation, Science 151, 867–868.
- [4] Sanderson, H., 2015, Gold rises amid expectation of ECB move on QE,

- The Financial Times.
- [5] E – Commerce & its Types, <https://www.techtarget.com/searchcio/definition/e-commerce>
- [6] Fineness of Gold, <https://www.paysera.com/v2/en/blog/gold-fineness-check>
- [7] Sovereign Gold Bond, <https://www.taxmann.com/post/blog/1372/all-about-sovereign-gold-bond-scheme-2020-21/?amp>
- [8] Features of Gold Bond, <https://groww.in/p/sovereign-gold-bonds>
- [9] Taxation of Gold, <https://www.goodreturns.in/personal-finance/investment/income-tax-on-gold-how-different-forms-of-gold-investment-taxed-in-india-1209259.html>
- [10] Facts & Features of Gold, <https://www.thenaturalsapphirecompany.com/education/precious-metals/characteristics-of-gold/>
- [11] What determines the Spot gold price <https://www.bankbazaar.com/gold-rate/how-gold-rates-determined.html>
- [12] Electronics demand for Gold <https://www.theassay.com/articles/gold-and-the-electronics-sector/>

Note: kindly publish it in Scopus journal. I have paid the Registration fees of Rs. 400. Transaction id is 208695851158.