

Is Gold Jewellery a Luxury Item or an Investment?

Most jewellers would decry gold jewellery being classified as a luxury item, as would I, simply because luxury is defined as 'extravagance' and has connotations of negativity. Obviously, such a type of categorization would lead to formation of government policies that would curtail the purchase, rather than help support the growth of this industry.

The fact that luxury products have a negative is probably easy to understand, given that such a large portion of our population continues to be 'below-the-poverty-line'. Be that as it may, I am of the opinion that gold jewellery is not at all a luxury item and should only be classified as an investment. And I shall attempt to substantiate this through this article.

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jewellery being sold in rural areas. By and large, this statistic itself should decimate any debate on the classification of gold jewellery as a luxury item. Delving deeper into the reason

for this large consumption by rural areas throws up some interesting facts.

Firstly, farmers purchase gold jewellery simply because it is the only product that may be sold back to the jeweller at times of difficulty. The fact that famines and excessive rains play havoc in their lives is commonly accepted and it is for this that farmers need access to some financial instrument that may be sold at times of duress immediately.

The lack of financial inclusion further supports this hypothesis. In an attempt to increase the access to banks in the rural areas, the Government had launched the Prime Minister's Jan Dhan Yojna, but widely accepted reality is that there is still a long way to go before India has complete financial inclusion.

Furthermore, farmers give trousseau in the form of gold jewellery, as it is the only

product that may be physically kept by the daughter. Not only may this jewellery be used as a safeguard against a villainous husband, it also indemnifies the daughter against any mishap, (i.e. death of her husband or her husband's inability to work due to any reason, etc.), and it may be sold instantaneously and without much complication. Once again, another case in point for gold jewellery being used as an investment.

A report published by AT Kearney states that gold jewellery is the second largest choice of investment after Fixed Deposits that are offered by banks. Obviously, such a hypothesis would have only been arrived at after much research on the subject matter.

On the other hand, when one considers the case made out for classification of gold jewellery as a luxury product, one quickly arrives at the conclusion that the person/agency classifying it as thus is simply unaware of the situation on the grassroots level.

To elaborate, gold jewellery is equated with 'sacks of money', ultra-wealthy people using it as bribes etc. By and large all the imagery and conjectures point



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in the direction of 'of no use' and thus, 'wasteful'. And this is the single largest problem that our industry faces: that of poor perception. Unfortunately, perception is the single most difficult thing to change.

All retailers of gold jewellery have a different experience when the customer sells back the jewellery purchased earlier. More often than not, the jewellery is sold back at times of crisis, such as a health emergency etc. If those customers were asked as to

what the classification ought to be, they would certainly categorize it as an investment, for obvious reasons. How then is gold jewellery an item of luxury?

On another tangent, the good news is that NITI Aayog formed a "Committee To Transform India's Gold Market" and has published its report. Fortunately, the report covers all segments of the gold industry from tax legislation, recycling, mining, formation of a single government statutory body, a Domestic Council and much more.

Hopefully, the findings of this report shall help uncover the mysticism that surrounds the gold industry and issues such as the classification of gold jewellery shall be made correctly as 'investment'. ■



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