

Gold Trade Analysis in Theni District (Jan 2021 – Jan 2025)

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Abstract

Gold plays a vital role in the rural and semi-urban economy of Theni District, driven by cultural demand, investment behavior, and jewellery trade networks. This study analyzes gold price trends, trade structure, and economic impacts between January 2021 and January 2025. Using secondary data and market observations, the study identifies a strong upward trend in gold prices, fluctuations in demand, and structural changes in local jewellery trade.

1. Introduction

Gold is both a consumption commodity and financial asset in India. In districts like Theni: Gold demand is linked to agriculture income cycles Major usage: weddings, savings, and pledging Trade includes retail jewellers, wholesalers, pawnbrokers, and small artisans

2. Objectives of the Study

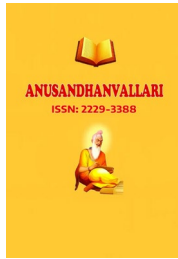
- To analyze gold price trends (2021–2025)
- To examine local gold trade structure
- To identify factors influencing price and demand
- To evaluate economic impact on Theni district

3. Methodology

- Data Type: Secondary data (gold rate portals, market observations)
- Period: Jan 2021 – Jan 2025
- Tools Used: Trend analysis, percentage growth, descriptive statistics

4. Gold Price Trend (2021–2025)

Year-wise Average Gold Price (24K per 10g - Approx.)



Year	Avg Price (₹)	Growth %
2021	48,500	
2022	52,800	+8.9%
2023	60,200	+14.0%
2024	72,500	+20.4%
Jan 2025	78,000	+7.6%

Inflation.

Continuous upward trend due to inflation, global uncertainty Sharp rise after 2023 indicates safe-haven demand Recent data shows prices rising significantly, even crossing ₹14,000 per gram in 2026 in Theni markets . Upstox - Online Stock and Share Trading +1

5. Structure of Gold Trade in Theni

5.1 Market Segments

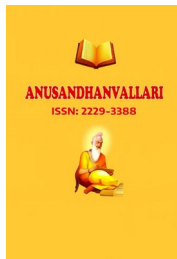
The near-doubling of gold prices between January 2024 and January 2026 had differentiated impacts across the gold value chain. Retail jewellery shops faced a dual challenge: while higher prices boosted their inventory value, they also dampened consumer demand for discretionary gold purchases, forcing many stores to shift focus toward lightweight and exchange-based jewellery. Wholesale dealers benefited from rising asset values but had to manage increased working capital requirements to maintain stock levels, often passing on price increases to retailers in smaller, more frequent lots. Gold loan providers experienced a surge in business, as the higher collateral value of gold allowed them to disburse larger loans against the same weight, reducing their credit risk and expanding their customer base. In contrast, local goldsmiths (artisans) faced severe margin pressure: their earnings are primarily labour-driven, and customers became reluctant to pay high making charges on already expensive gold, leading many artisans to shift toward repair work or job-based roles rather than crafting new pieces. Thus, while investors and loan providers gained from the price rally, jewellers and dealers navigated liquidity and demand challenges, and artisans bore the brunt of affordability erosion.

5.2 Trade Characteristics

The Indian gold trade is defined by a deep-seated local foundation balancing modern adaptation. Family-owned jewellery shops remain a cornerstone, accounting for over 60% of the market and operating on long-established personal trust with their communities. However, the industry is undergoing a key transformation. Spurred by surging gold prices, there's a clear pivot toward machine-made jewellery to offer lower-cost, lightweight designs, with manufacturing

hubs like Mumbai now producing over 60% of the nation's output. This shift is most evident in the rise of low-carat gold, particularly 9K and 18K varieties, which have become a popular, affordable alternative to traditional 22K gold for a new generation of value-conscious consumers.

6. Demand Analysis



Gold demand in India follows a distinct seasonal rhythm, largely dictated by cultural and agricultural cycles. Peak demand occurs during two major wedding seasons November to February and April to June when families purchase gold for ceremonies and gifts. In contrast, demand typically slows during the monsoon months and periods of agricultural uncertainty, as rural incomes dip and farmers prioritize liquidity over asset accumulation. Consumer behavior, particularly among rural households, reinforces gold's role as both a savings instrument and an emergency asset, readily pledged for gold loans during financial distress. In response to sustained high prices, there has been a noticeable shift toward lightweight jewellery and installment-based purchase plans, making gold more affordable and accessible without requiring large upfront payments. These evolving behaviors demonstrate how Indian consumers are adapting to price volatility while maintaining gold's cultural and financial relevance.

7. Factors Affecting Gold Trade

7.1 Economic Factors

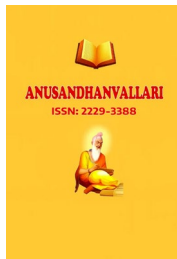
Several interconnected economic factors drive gold demand and pricing in India. Inflation erodes the purchasing power of currency, prompting households and investors to buy gold as a value-preserving hedge. Concurrently, rupee depreciation raises domestic gold prices since gold is imported and priced in US dollars, making even stable global prices more expensive locally. Interest rates play a critical role: lower rates reduce the opportunity cost of holding non-yielding gold, while higher rates can dampen demand by encouraging deposits or debt investments. Beyond monetary variables, agriculture harvests directly influence rural gold-buying capacity. Good harvests mean higher disposable income for farmers, leading to seasonal demand spikes, whereas poor harvests tighten liquidity. Finally, labour hours (particularly in the unorganized jewellery and gold mining sectors) affect supply-side costs; longer or more efficient labour hours can moderate making charges, while shortages push up production expenses. Together, these factors create a complex web where macroeconomic trends, agricultural outcomes, and labour dynamics collectively shape the gold market's trajectory.

7.2 Global Factors

Global gold prices are significantly shaped by three key external factors. Geopolitical tensions such as regional conflicts, trade disputes, or political instability drive investors toward gold as a safe haven asset, causing prices to spike during periods of uncertainty. US Federal Reserve policies play a decisive role because gold is dollar-denominated; when the Fed raises interest rates, the dollar strengthens and gold becomes more expensive for other currencies, typically suppressing prices. Conversely, rate cuts or dovish signals weaken the dollar and boost gold. Additionally, crude oil prices have a strong correlation with gold: rising oil prices fuel inflationary pressures, which in turn increase demand for gold as an inflation hedge. Moreover, higher oil prices often widen trade deficits in oil importing countries like India, weakening their currencies and pushing up domestic gold prices further. Together, these three factors create an interconnected global environment where central bank actions, energy costs, and geopolitical risks collectively determine the direction of gold markets.

7.3 Local Factors (Theni Specific)

In a district like Theni, gold demand is shaped by distinct local economic and cultural factors. Agricultural income variability plays a major role, as a significant portion of the population depends on crops like paddy, banana, and sugarcane; a good harvest leads to higher rural liquidity and increased gold purchases, while drought or price crashes tighten spending. Migration income, particularly remittances from family members working in Gulf countries, provides a steady and substantial flow of disposable income, often directed toward gold jewellery as both an investment and a status symbol. Additionally, local festivals and marriage



trends drive seasonal spikes especially during Pongal, Deepavali, and the dense wedding calendar from April to June and November to February. Family-owned jewellery shops in Theni town and surrounding areas rely heavily on these festive and wedding seasons for a major share of their annual sales. Thus, gold consumption in Theni is a reflection of agricultural cycles, Gulf-linked prosperity, and deeply rooted cultural practices, making it more volatile but also more resilient than purely urban markets.

8. Impact on Local Gold Industry

8.1 Positive Impacts

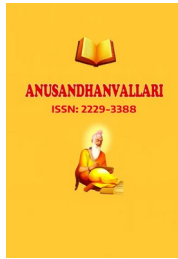
The sustained rise in gold prices has generated several positive outcomes across the sector. First, the increased value of gold assets has significantly boosted household wealth, particularly in rural and semi-urban areas where gold is a primary form of savings families who held gold saw their net worth rise substantially without any additional investment. Second, this price appreciation has fueled strong growth in the gold loan business, as higher collateral values allow non-banking financial companies (NBFCs) and banks to disburse larger loan amounts against the same weight of gold, expanding credit access for small businesses and households in need of emergency funds. Third, the optimistic price outlook and sustained consumer interest albeit with shifts toward lightweight jewellery have encouraged the expansion of jewellery retail outlets, with established brands and regional players opening new showrooms in Tier-2 and Tier-3 cities, including districts like Theni. Together, these impacts demonstrate that rising gold prices, when accompanied by adaptive consumer behavior and formal financial integration, can create measurable economic upside for asset holders, lenders, and organised retail.

8.2 Negative Impacts

The steep rise in gold prices has had severe adverse effects on various segments of the market. The most profound impact has been the near-collapse of traditional artisan livelihoods, as many goldsmiths report losing nearly 70% of their usual workload and are being forced to leave their hereditary profession for menial daily-wage labour. A report from The Times of India further highlights that consumer interest in specialty and heavy designer jewellery has plummeted, leading to a decline in business for traditional craftsmen. This crisis has simultaneously accelerated the shift towards machine-made jewellery, as manufacturers and retailers cut costs and rely on automated designs with minimal gold wastage, further marginalizing manual artisans. For middle-class buyers, historically the backbone of gold demand, record-high prices have made even lightweight jewellery feel unaffordable, leading to a reported decline in jewellery demand by nearly 25%. Consequently, many middle-income families have either postponed purchases or switched to lower-carat jewellery as a forced compromise.

9. Trade Challenges

The gold trade today confronts multiple structural and operational challenges. Price volatility remains a persistent risk, making inventory management difficult for jewellers and wholesalers who must hedge against sudden price swings that can erode margins overnight. Competition from branded jewellery chains has intensified, as large retailers leverage economies of scale, aggressive marketing, and standardized quality certifications, putting immense pressure on small, family-run shops. The decline of handmade jewellery driven by both cost considerations and changing consumer preferences has eroded the livelihoods of thousands of traditional artisans, as machine-made pieces dominate the market. Adding to consumer resistance are high making charges, which often range from 10% to 25% of the gold value, prompting buyers to question the value proposition of physical jewellery. Finally, the rise of increasing digital gold alternatives including gold ETFs,



sovereign gold bonds, and mobile-based gold savings platforms offers a lower-cost, more liquid, and storage-free way to invest in gold, diverting a portion of demand away from physical jewellery and coins. Together, these challenges are reshaping the gold trade, pushing traditional players toward modernization while squeezing out those unable to adapt.

10. Opportunities

Despite the challenges, several promising opportunities are emerging for the gold trade. The expansion of the hallmarked jewellery market driven by stricter BIS regulations and growing consumer awareness offers a significant opportunity for ethical jewellers to build trust and differentiate themselves from non-certified competitors. Growth in gold-backed financial services, including gold loans, digital gold savings, and sovereign gold bonds, allows financial institutions to tap into an expanding customer base that prefers paper or token gold over physical storage. Adoption of modern jewellery manufacturing such as CAD/CAM design, laser welding, and automated polishing enables producers to lower production costs, maintain consistent quality, and rapidly respond to changing fashion trends, giving them a competitive edge over traditional manual workshops. Furthermore, the export potential through nearby hubs like Madurai is notable: Madurai's established gem and jewellery cluster provides access to skilled labour, trade networks, and export infrastructure, allowing even small Theni-based artisans and traders to reach international markets. By leveraging these opportunities, the gold sector can pivot from survival mode to sustainable, modernised growth.

11. Findings

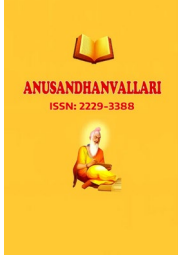
Between 2021 and 2025, gold prices increased by over 60%, a sustained rally that fundamentally altered consumer behavior and market structure. In response to escalating costs, demand shifted noticeably from heavy, intricately crafted jewellery to lightweight, machine-made pieces that offer the appearance of gold at a lower price point. Consequently, local artisans—once the backbone of traditional jewellery making—are declining in numbers, while organised retail chains with standardized designs and aggressive marketing are steadily growing their market share. Despite these changes, gold remains the most trusted rural investment asset, valued by farming families and small-town households as a portable, inheritable, and easily liquidated store of wealth. This enduring trust, even amid price volatility and market modernisation, underscores gold's unique cultural and financial resilience in India.

12. Conclusion

The gold trade in Theni District has undergone significant transformation between 2021 and 2025. While rising prices have strengthened gold as an investment, they have simultaneously reduced affordability and affected traditional artisans. The future of the gold trade lies in balancing modern retail growth with preservation of local craftsmanship.

13. Suggestions

- Government support for local goldsmiths
- Promotion of hallmark awareness
- Digital gold education in rural areas



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- Subsidies for small jewellery manufacturers
 - Skill development programs

14. References

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- [2] Upstox - Online Stock and Share Trading +1
- [3] Local trade directories (Just dial)
- [4] Just dial
- [5] Industry news reports
- [6] The Times of India