



INDIA
GOLD POLICY
CENTRE

Customs Duty Revisions, Informal Trade, and Gold Flow in Kerala's Gold Market

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5-K belt: From Kochi to Koduvally, can Kerala build a gold empire beyond smuggling?



Dr. G. Shreekumar Menon

03 February 2025, 08:09 PM IST



Kerala's 5-K Gold Belt holds untapped potential to become a global gold hub but faces bureaucratic challenges.



Objective

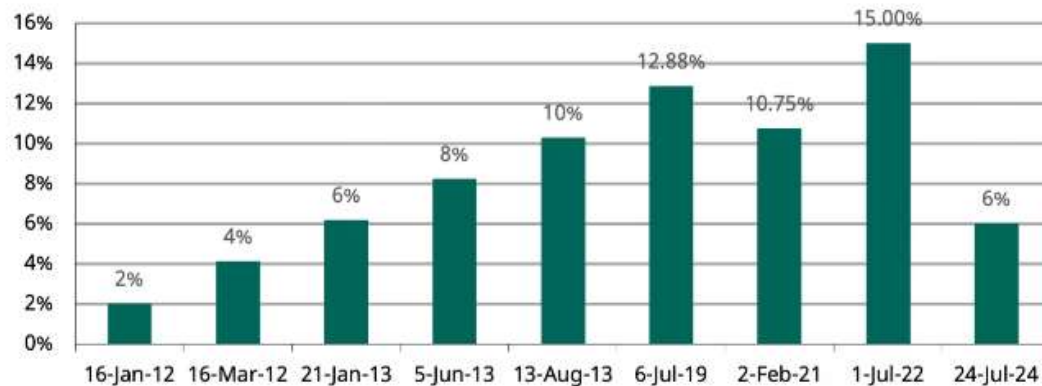
“golden village” “golden town”

To examine how independent small-scale gold retailers navigate their existence amid increasing market formalization, evolving regulatory frameworks, and competition from corporate jewelry brands

The Latest Intervention

Chart 1: Significant cuts in customs duty on gold

% of customs duty on gold



Source: Ministry of Finance, World Gold Council

“The bold decision to slash this duty marks a significant step in the right direction. This reduction has been a long-standing demand of traders in the gold sector, as it is expected to curb the rampant issue of gold smuggling, which poses a substantial threat to India’s economy. With the new rates, the duty on one kilogram of gold drops from Rs 9.82 lakh to Rs 3.93 lakh, making smuggling less attractive and more manageable” **MP Ahammed, Chairman, Malabar Group** (Adgully 2024)

Price gap

Formal business practices and largely welcomed the recent changes

The Potential Impact

“This will lead to growth in the organized jewelry sector and increasing government revenue through GST and income tax. For consumers, the budget announcement brings a significant reduction in gold jewellery prices, which will further stimulate the jewellery business” (**MP Ahammed, Chairman, Malabar Group** (Adgully 2024))

Local jewelry dealers, who rely on the informal gold market for sourcing gold bars and bullion while supplementing with formal source

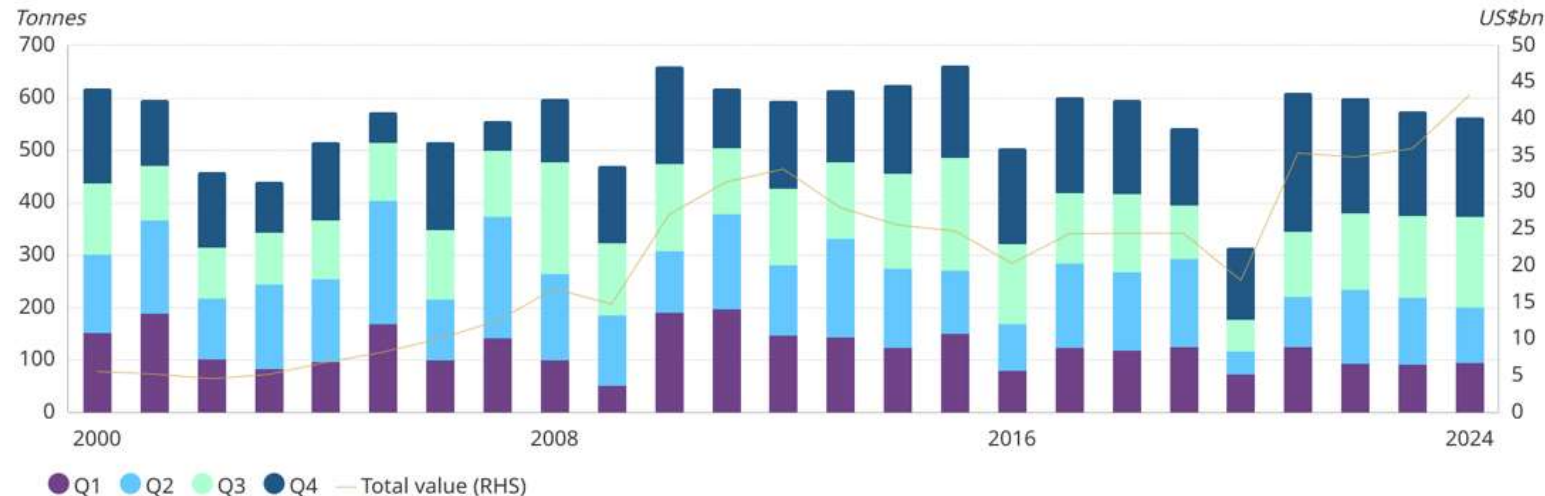
The impact in Gold Smuggling (Central Board of Indirect Taxes and Customs (CBIC) (Economic Times 2025))

India moving towards formal firms (Economic Times, 2024)

The Market Later

Chart 4: Jewellery demand in India was resilient in the face of record gold prices

Indian quarterly gold jewellery consumption in volume, tonnes and value, US\$bn*



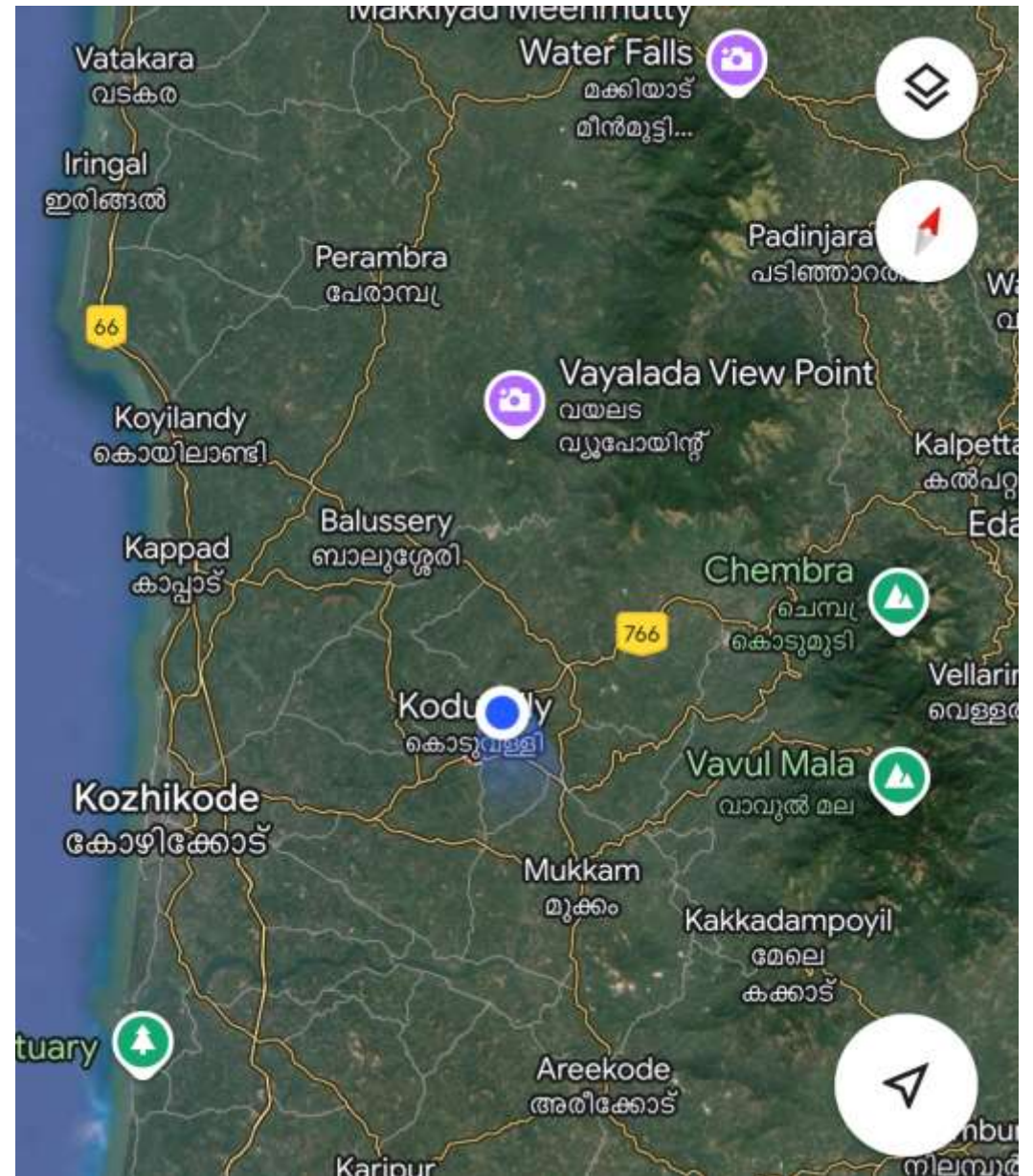
*Data to 31 December 2024.
Source: Metals Focus, ICE Benchmark Administration, Refinitiv GFMS, World Gold Council

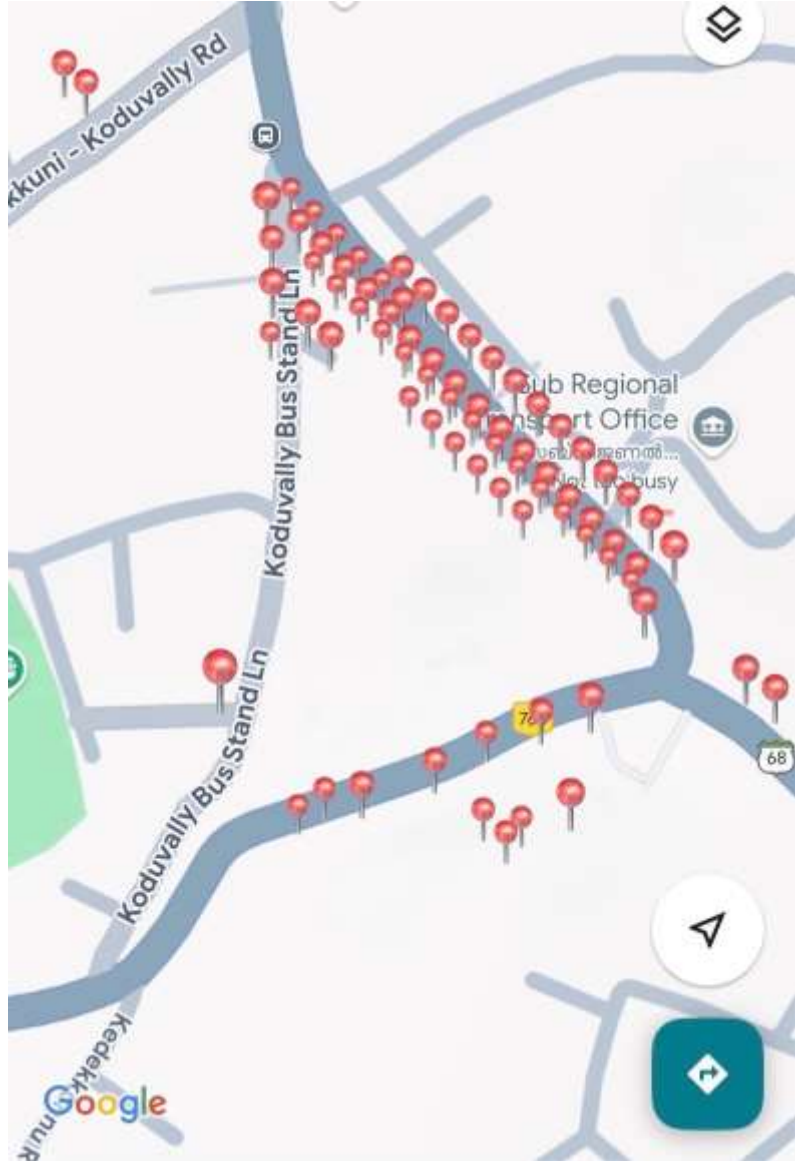
This trend aligns with the data for the third quarter of 2024, which reports an 18% year-on-year surge in gold demand, totaling 248.3 tonnes.

12% decline in global demand for gold jewellery

Methodology

- Ethnographic interviews
- Market Mapping: spatial organization, geographical spread of retail clusters, and the movement of gold





Thangalsons Jewelry
 Alikkunji Jewelry
 PVS Jewelry
 Laskhmi Jewelry
 Elettil Jewelry
 Sand Gold
 Soundarya Jewelry
 Mapattil Jewelry
 Iris Gold
 Soubhagya Jewelry
 Patiyil Jewelry
 Al-Marjan Jewelry
 Gold Souk Jewelry
 Taj Gold and Diamonds
 Better Gold
 Avenue Gold
 Keezhampattil Jewelers
 Ameer Jewelry
 Ullas Jewellery
 Kerala Gold
 Mehrin Gold
 Modern Diamond Cutting

CK Gold
 Century Jewelry
 Fathima Jewelry
 Atlas Jewelers
 Kottaram Jewelry
 Silsila Jewelers
 Pleasant Gold
 Tanima Jewelers
 Malanad Gold
 Immaratharayil
 Fashion Jeweller
 RC Jewelers
 Grand gold and
 diamond
 Bright Gold
 Modern Jewelers
 New Mahima Jewelry
 Karat Gold and
 Diamonds
 Athira Gold
 Dinar Gold and
 Diamonds
 Fashlon Gold

Sulthana Gold
 Arabia Jewelry
 Viva Gold
 Mercy Jewelers
 Mayura Jewelry
 Chuzhalikkara Jewelry
 Chonangad Jewelry
 Samgamam Jewelry
 Puthuma Jewelry
 Vanitha Jewelry Lounge
 Archana Jewelry
 Gold Mahal
 Pinki Guarantee Gold

MPC Gold
 Karuna Jewelry
 SR Diamond Cutting
 Peedikathodiyil Jewelry
 Ruby gold and diamonds
 Shareef Jewelry
 Al-Fardan Jewelry

Rajadhani Jewelry
 KDY Gold
 Riya Gold
 Elite Jewelry
 Siraj Jewelry

The Dull Market in Q4

Chart 1: Gold breaks previous records

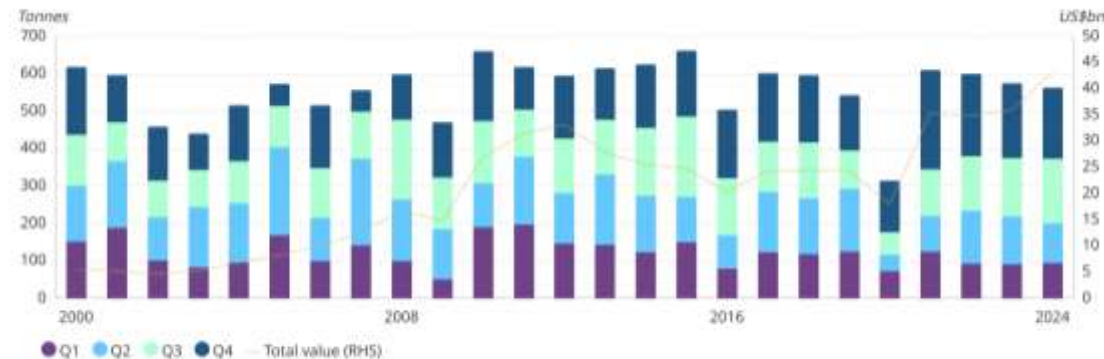
LBMA Price AM and domestic landed price by month, US\$ and INR*



*Based on the LBMA Gold Price AM in USD expressed in local currency as of 14 February 2025. Landed price includes import tariff and tax.

Source: Bloomberg, World Gold Council.

Indian quarterly gold jewellery consumption in volume, tonnes and value, US\$bn*



*Data to 31 December 2024. Source: Metal Focus, ICE Benchmark Administration, Refinitiv (GFMS), World Gold Council.

Gold Price Changes in Q3 and Q4 2024:

Third Quarter (Q3): The average gold price in Q3 2024 was \$2,474 per ounce, marking a 28% increase compared to the same period in 2023.

Leading to an 18% year-on-year surge in gold demand, totalling 248.3 tonnes.

Fourth Quarter (Q4): Gold prices continued their upward trajectory, with the average price reaching \$2,663 per ounce, a 35% rise year-on-year.

Led to a 5% decline in jewellery demand in India, with consumption at 189.8 tonnes compared to 199.6 tonnes in Q4 2023.

The demand remained lacklustre due to high and fluctuating prices.

Negotiations

Trust Based Market

The Hallmarking Impact: formal certification and personal trust

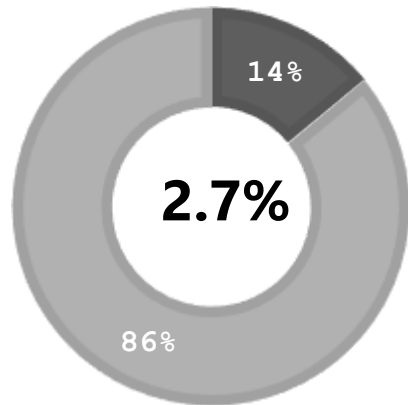
Traditional Jewelry like *Chittu*

Small purchases



Consumption: Gold

Kerala on Top



■ KERALA ■ REST OF INDIA

Kerala's consumption based on India's total demand (WGC, 2017)

Monthly Per capita

	Rural India	Urban India
01	208.55	189.95
	KERALA	KERALA
02	34.07	44.86
	GOA	TAMIL NADU
03	28.01	33.2
	KARNATAKA	HARYANA

<https://www.newindianexpress.com/states/kerala/2019/sep/16/still-shining-keralas-5000-year-old-love-affair-with-gold-2034145.html>

<https://www.livemint.com/Opinion/yLqLISrnY6OAt9xtH13rnM/Who-are-the-biggest-buyers-of-gold-in-India.html>

Wedding Jewellery Tastes by Region

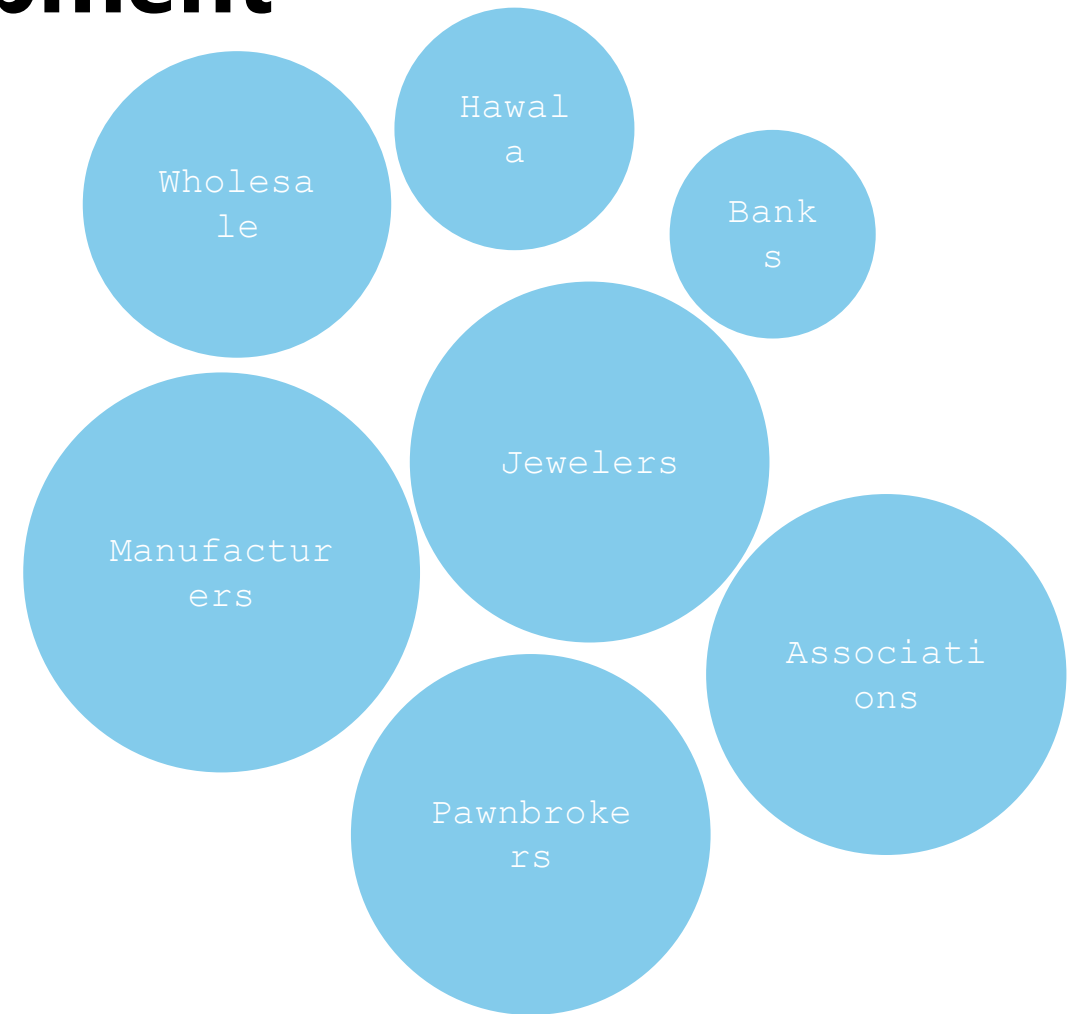
Bride	Bangles	Earrings	Chains	Small necklace	Large sets	Others	Gross weight (Average upper middle class consumption)
Kerala Bride	Kolkata Bangle, Machine cut Bangle, Thoda Bangles	Jhimki	Kurumulaku Mala, Patthakam	Kingini Mala, Manga Mala	Kazuthulia, Kasu Mala, Lakshmi Mala, Mulla Motu	Toe Ring, Minnu	320gm
Tamilian Bride	Muthu Valayal, Lakshmi Valayal, Kemu Valayal	Kempu Kal Jhimkki	Mangal Sutra	Vella Kal Mookhuthi	Lakshmi Haram, Muthu Haram	Ottiyanam, Nethichutty, Jada Billai	300gm
Gujarati Bride	Bangdi, Kundan Bangdi	Kundan Butti	Mangal Sutra	Chandan Haar		Nath, Baju Band, Damani, Pocha	180 gm

Wholesale and Manufacturers



Clustered Economic Development

- Within the informal or shadow economy
- Modern capitalism is seen as having a distinct type of clustered growth, based on the principle of zoning, (Bresnahan et al, 2001; Harriss-White, 2010; Ketels & Memedovic, 2008; Porter, 2000).
- As Stanley (2016) pointed out; clusters are low-tech, with highly exploitative labour arrangements; others are cloaked and outsourced manufacturing units of a couple of large corporations.
- Thrives on spatial proximity
- Where informality is not merely a byproduct of weak regulation but an economic strategy



Clustered Shadow Economy

Passive Collective Efficiency

- Spatial Proximity: Retailers, wholesalers, workshops, pawnbrokers, and financial intermediaries; rapid capital and commodity flow
- Information Flow: Market intelligence on gold prices, sourcing, and design trends circulates
- Subcontracting and Specialization: while Koduvally functions as a retail hub, its supply chains extend to workshops for ornament production, repair units, and non-banking financial channels that facilitate transactions.

Active Collective Efficiency

- Trade Associations and Informal Regulation: Local gold associations serve as arbitration bodies
- Market Adaptability: Traders swiftly adjust to regulatory changes and gold price fluctuations, relying on informal financial practices to sustain capital circulation.
- Supply Chain Resilience: Koduvally's wholesalers maintain cross-border networks, sourcing raw materials from Mumbai and Dubai

An Anomaly?!

It should be understood within a broader pattern of economic spatialization in India

Social Reproduction and Kin-Based Expansion

- Many jewelers open new shops within their extended family networks instead of growing a single enterprise.
- Capital remains within the **social structure** of kinship rather than being pooled for large-scale expansion.

Farooq Jewelry



MPC



Alikkunji



Why Not Going Big?

- **Clustered Growth as Fragmented Multiplication**
- Unlike industrial clusters that scale up through technology and formal investments, Koduvally's economic cluster persists through:
 - **Decentralized, small-scale production**, avoiding the vulnerabilities of a single large enterprise.
 - **Flexibility in ownership**, where jewelers can exit and re-enter the market easily.
 - **Low barriers to entry**, allowing multiple small traders to survive, rather than a few dominant players emerging.

A Big Brand? The Case of KGM Gold



Thank You!