

Case Study Introduction Example

INTRODUCTION:

Demand for gold is widespread observable fact around the world. India's share for gold alone comes to around 25%. Hutti gold mine company located in Karnataka is the only company in India which produces gold by mining and processing the gold ore. It produces around 3 tonnes of gold every year. Over the past 5 years; Indians have recycled an average of 105 tonnes of gold per annum. In October 2008, demand for gold increased for celebrations like Diwali and Akshaya Tritiya was the main reason for high demand. Imports of gold are reported to have fallen by 83% in December 2008 and by 91% in January 2009. In March 2009 imports were ZERO. In 2005, demand went up and price also went up. Indian people tend to invest in gold because of culture and belief, so the demand always remains elastic. In 2004, it was reported that, "Indians are enjoying a rapid acceleration in income growth, which is supporting discretionary spending on consumer goods, including gold." Some non-price factors like income of the consumer, price of related goods, consumer's tastes and preferences, population and expected future price of the good also effects in the increase in price of gold. Later on in the year 2009, platinum which is a substitute good for gold started declining from Rs.35000 to Rs.22000 which made people of India to purchase platinum as a substitute good for gold.

DEMAND:

The amount of a particular economic good or service that a consumer or group of consumers will want to purchase at a given price. The demand curve is usually downward sloping, since consumers will want to buy more as price decreases. Demand for a good or service is determined by many different factors other than price, such as the price of substitute goods and complimentary goods. In extreme cases, demand may be completely unrelated to price, or nearly infinite at a given price.

In the case study we saw the price of gold increases but the demand for gold does not decrease. It does not follow the law of demand. In India due to several festivals and people emotions towards gold make it a paradox to law of demand. People still tends to buy gold even if its price are increased. Gold sales in India does not follow demand rule.

DEMAND FUNCTION:

The demand function relates price and quantity. If the price of the good is high then people will buy lesser quantity and vice versa. It tells about how many units of goods will be purchased at different prices.