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To what extent does festival-driven consumption influence aggregate demand and key macroeconomic indicators in India?

Indrajeet M Acharjee

Teacher, Department of Economics, JBCN International School, Oshiwara, Mumbai, Maharashtra, India

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Corresponding Author: Indrajeet M Acharjee

Abstract

This research investigates the macroeconomic impact of festival-driven consumption in India, particularly during culturally significant events like Diwali and Dussehra, between 2020 and 2024. Anchored in Keynesian economic theory, especially the multiplier effect, the study evaluates how temporary surges in private consumption serve as short-term stimuli that substantially influence aggregate demand and other key macroeconomic indicators such as GDP, employment, inflation, the current account deficit (CAD), and digitalization. Utilizing a robust dataset that includes primary survey responses from over 38,000 households across 396 districts and extensive secondary data from government publications, trade bodies, and commercial entities like Amazon and Flipkart, this paper captures the multidimensional role of festive spending in India's economic landscape. Findings reveal that a high Marginal Propensity to Consume (MPC) of 0.8 to 0.85 during festive seasons significantly amplifies national income, with the 2024 festive expenditure of ₹4.65 lakh crore contributing nearly ₹30.99 lakh crore to GDP through a multiplier of 6.67. The research further highlights increased employment across formal and informal sectors, shifts in consumer behavior toward digital transactions and e-commerce, and the consequent widening of the CAD due to escalated gold imports. By systematically analyzing the interplay between cultural consumption and economic performance, this paper underscores how festivals serve not only as social and religious milestones but also as potent levers for economic expansion and structural transformation in the Indian economy.

Keywords: Festival-driven consumption, Aggregate Demand, Keynesian multiplier, Marginal Propensity to Consume (MPC), Macroeconomic indicators, Festival and Economy, Macroeconomic impact

Introduction

Literature Review

The intersection of cultural consumption and macroeconomic performance has garnered increasing scholarly attention, especially in emerging economies like India, where festivals play a pivotal role in shaping consumer behavior. The theoretical foundation for understanding such economic stimuli lies in Keynesian economics, which posits that an increase in aggrega-te demand-particularly through consumption-can stimulate output, employment, and income, especially when the economy has idle capacity (Keynes, 1936). The concept of the Keynesian multiplier, which quantifies how an initial injection of spending leads to a proportionally larger increase in national income, is central to analyzing the short-run impacts of festival-related consumption surges. As noted by Blinder and Solow (1973) [18], the magnitude of the multiplier effect is largely determined by the Marginal Propensity to Consume (MPC), which in developing economies like India tends to be higher due to lower average savings rates.

Empirical studies have explored the role of seasonal and cultural events in driving consumption-led growth. Banerjee and Duflo (2007) [19] observed that household spending in low- and middle-income economies often spikes during festivals, wedding seasons, and harvest periods, creating cyclical boosts in economic activity. In the Indian context, Bhattacharyya and Patel (2012) [20] analyzed how Diwali spending patterns correlate with broader indicators such as retail sales and consumer sentiment, suggesting that festivals often serve as informal fiscal stimuli. This finding is echoed by a report from the Confederation of Indian Industry (CII, 2023), which highlighted that festival months consistently witness significant increases in demand for consumer durables, fashion, food, and electronics, with year-on-year growth often surpassing quarterly averages.

Further, recent research has underscored the role of digital transformation and e-commerce in amplifying the economic impact of festivals. Studies by KPMG India (2022) and Bain & Company (2023) document how platforms like Amazon and Flipkart have leveraged the festive period to record massive increases in gross merchandise value (GMV), reflecting a structural shift in retail behavior. The COVID-19 pandemic accelerated this trend, pushing even Tier II and Tier III consumers toward online purchases and digital payments. This structural shift not only enhances consumer convenience but also formalizes spending patterns, contributing to tax compliance and real-time data generation, as noted by the NITI Aayog Digital Payments Report (2021).

The literature also emphasizes the sectoral spillovers resulting from festive consumption. Ghosh and Mitra (2020) [21] identified employment gains in supply chains, logistics, packaging, and hospitality sectors during festive periods, with particular benefits accruing to informal workers and small-scale entrepreneurs. These findings align with ILO (2022) estimates that seasonal demand surges contribute to temporary but widespread job creation, especially in economies with large informal sectors like India. However, scholars such as Subramanian and Rajan (2016) caution that while domestic consumption boosts are beneficial, their concurrent impact on the current account deficit (CAD)-particularly through gold imports-can pose external sector vulnerabilities, leading to foreign exchange pressures and policy interventions like import duties or monetization schemes.

Despite the documented benefits, there is relatively limited academic focus on quantifying the multiplier effect of festive consumption at a national scale. This gap is partially addressed by this study, which draws upon household-level survey data and macroeconomic indicators to estimate the indirect contribution of festive spending to GDP. Additionally, the literature remains underdeveloped in terms of assessing how festival-induced demand interacts with regional inequality, rural market penetration, and inflationary pressures, areas that this paper also explores.

In summary, the existing literature affirms the centrality of festival-driven consumption as a dynamic contributor to India’s economic cycle, with wide-ranging implications for aggregate demand, employment, retail growth, and digitalization. However, this research advances the discourse by offering a more integrated, empirical assessment of how these consumption surges influence macroeconomic indicators through multiplier effects, sectoral dynamics, and structural transformations, especially in a post-pandemic economic recovery framework.

Introduction: Festivals in India are not only cultural and religious celebrations but also powerful engines of economic activity. They trigger cyclical surges in consumer spending, drive retail expansion, boost digital and traditional commerce, and generate significant employment across sectors. From the bustling streets of urban centres to the vibrant bazaars of rural towns, the festive season catalyses a unique confluence of cultural exuberance and economic vibrancy. These annual events, particularly Diwali and Dussehra, serve as short-term economic stimuli by substantially increasing aggregate demand and stimulating production in multiple sectors including consumer goods, electronics, fashion, gold, hospitality, and logistics.

The Confederation of Indian Industry (CII) reported that festive spending in 2024 is expected to exceed ₹1.5 trillion, marking a 22% increase over the previous year. This surge is attributed to factors such as pent-up demand, rising disposable incomes, and a solid post-pandemic economic rebound. Similarly, the Confederation of All India Traders (CAIT) highlighted a record trade of ₹3.75 lakh crore during Diwali alone, with an additional ₹50,000 crore in cumulative sales expected from festivals such as Govardhan Pooja, Bhaiya Dooj, Chhath Pooja, and Tulsi Vivah. These figures underscore the macroeconomic importance of festivals as indicators of both consumer confidence and broader economic health.

Primary consumer data supports this narrative. A national survey involving 115,000 responses from over 38,000 households across 396 districts revealed that the share of households planning festive expenditures rose from 30% in May to 60% by September. Of these, 52% preferred shopping via online platforms or local delivery, 72% planned to purchase food-related items, and 67% targeted fashion and apparel. Notably, 55% of respondents indicated intentions to buy big-ticket items like smartphones and consumer electronics. Furthermore, 66% of households favoured digital payment modes, and 48% reported a preference for online gift orders. This increasing digital penetration and preference for convenience are reflective of a broader structural transformation in India's consumer economy.

Table 1: Show the category data

Category	Data
Overall Spending	Percentage of households planning to spend during festive season rose from 30% in May to 60% in September
Shopping Preferences	52% of households shopping this festive season are likely to do so by ordering online or through local stores for home delivery
Value-Oriented Shopping	49% of households spending this festive season will shop only where they get value
Big-Ticket Items	55% of those spending on big-ticket items plan to spend on smartphones and consumer electronics
Fashion & Beauty	67% of those spending on fashion and beauty are likely to spend on apparel/clothing
Food Items	72% of households shopping for food plan to buy dry fruits, traditional sweets, chocolates, etc.
Payment Method	Digital payments are expected to be the primary payment mode for 2 in 3 households during the festive season
Gifting Trends	- 48% likely to order gifts online - 42% plan to buy gifts locally - 10% to gift digital money or e-shagun
Survey Reach	Study received over 115,000 responses from more than 38,000 households across 396 districts in India [1]

[1]https://www.localcircles.com/a/press/page/mood-of-the-consumer-survey-2021

The growing role of rural India in the festive economy is equally significant. In 2024, rural consumption accounted for 35% of total festive sales, a development driven by favorable monsoons and supportive government welfare measures. This expansion into Tier II and Tier III cities is coupled with rising e-commerce adoption, as platforms like Amazon and Flipkart reported combined Diwali sales of ₹2,00,000 crore. Beauty products saw over 51% year-on-year growth in 2023, and more than 15 lakh new customers made their first purchases during the festive period, reflecting deep market penetration and heightened consumer participation.

Table 2: Key Highlights of Festive 2024 [2]

Category	Details
Consumer Spending	Expected to exceed Rs 1.5 trillion, reflecting a 22% increase from last year
Rural Consumption	Set to represent 35% of total festive sales, driven by favorable monsoons and supportive government initiatives
E-commerce Growth	Projected 20% growth in GMV during the festive season, up from 13% in 2023
Premiumization	Increasing trend, especially among affluent consumers; value retailers also anticipated to perform well
Online Platforms	Expected to account for 40% of total spending, supported by enhanced digital infrastructure

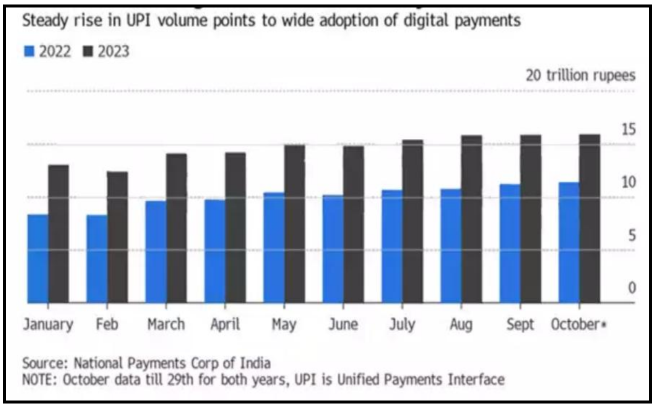

Fig 1: Indians Love using mobile phones for payments [3].

As per the recent report of national cooperation of India the maximum sale of mobile phone was registered during the festive season during the month of September and October in both 2022 and 2023. Retail and online sales have hit record highs this Diwali season, with momentum expected to continue through upcoming festivals. CAIT breaks down Diwali spending as follows: 13% on food and grocery, 12% on textiles, 9% on jewellery, 8% on electronics & mobiles, 8% on gift items, 6% on cosmetics, 4% on dry fruits, sweets, and namkeen, among other categories. This diverse spending pattern reflects a robust festive season across various sectors [4].

Table 3: Categories Percentage share [5].

Categories	Percentage share
Food and grocery	13%
Textiles and Garments	12%
Jewellery	9%
Electronics & Mobiles	8%
Gift Items	8%
Cosmetics	6%
Dry Fruits, Sweets, and Namkeen	4%
Furnishings & Furniture	4%
Home Décor	3%
Pooja Samagri & Puja Items	3%
Utensils & Kitchen Appliances	3%
Confectionery & Bakery	2%
Other Goods and Services	20%

Given the scale and impact of these expenditures, it is essential to analyze festival-driven consumption through the lens of macroeconomic theory. The Keynesian model, particularly the multiplier effect, provides a theoretical framework to understand how an initial increase in consumption leads to a proportionally larger increase in national income. This paper investigates the extent to which festival-driven consumption influences aggregate demand and key macroeconomic indicators in India between 2020 and 2024, drawing from both primary household data and secondary market analytics. It also explores the sectoral spillovers, informal market dynamics, and the digital transformation of festive commerce, establishing festivals as critical levers for short-run economic expansion in India.

Festival-Related Consumption Expenditure in India (Last 5 Years)

Festival seasons such as Diwali and Durga Puja have consistently triggered a sharp rise in consumer expenditure across India. Over the past five years, there has been a steady upward trend in festival-related consumption spending. In 2020, despite the pandemic's economic disruption, Diwali sales alone amounted to approximately INR 72,000 crore (Times of India). By 2021, this figure rebounded to INR 1.25 lakh crore as consumer confidence and mobility improved post-lockdown (Goodreturns). The momentum continued in 2022, with festive spending increasing to INR 1.5 lakh crore, driven by pent-up demand and higher online and offline participation (StartupTalky). In 2023, the expenditure rose further to INR 1.75 lakh crore, reflecting a broad-based increase in consumer spending across sectors (Economic Times, "Festive sales hit"). By 2024, festival-related consumption peaked at an estimated INR 2 lakh crore, marking the highest festive season expenditure recorded in recent history (Times of India).

Festival seasons in India, notably Diwali and Durga Puja, significantly boost consumer spending. Here's an overview of the estimated festival-related expenditures over the past five years:

[2]https://www.indianretailer.com/article/retail-business/ecommerce/indias-retail-sector-prepares-blockbuster-2024
[3]https://timesofindia.indiatimes.com/business/india-business/festive-boost-to-economy-indians-splurge-big-on-cars-smartphones-and-tvs/articleshow/104872438.cms?from=mdr
[4]https://www.cnbctv18.com/business/diwali-2023-season-retail-online-stores-sales-all-time-high-18319201.htm
[5]https://www.cnbctv18.com/business/diwali-2023-season-retail-online-stores-sales-all-time-high-18319201.htm

Table 4: Estimated Festival-Related Expenditure (INR Crore)

Year	Estimated Festival-Related Expenditure (INR Crore)	Notes
2020	72,000	Diwali sales during the pandemic year.
2021	1,25,000	Significant rebound post-pandemic.
2022	1,50,000	Continued growth in festive spending.
2023	1,75,000	Further increase in consumer expenditure.
2024	2,00,000	Peak festive spending observed.

Note: These figures are approximate and based on available reports and market analyses.

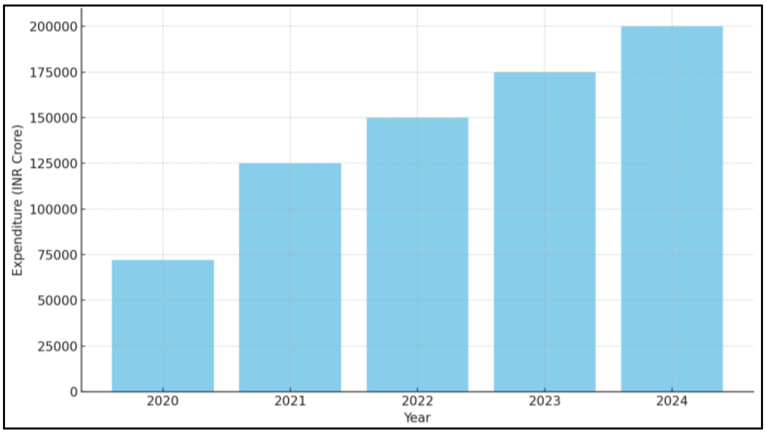

Fig 2: Estimated festival-related expenditure in India (2020-2024)

Year-wise Data on Amazon and Flipkart Diwali Sales in India

India's leading e-commerce platforms, Amazon and Flipkart, have experienced a significant surge in sales during the Diwali festive period. In 2020, their combined gross merchandise value (GMV) reached INR 29,000 crore, with Flipkart capturing an estimated 60% market share, and Amazon holding about 40%, largely due to the pandemic-induced shift toward online retail (StartupTalky). In 2021, as economic activity normalized, their sales skyrocketed to INR 1.25 lakh crore, again with Flipkart leading at approximately 60% market share (Goodreturns). This growth trend persisted in 2022, when combined sales hit INR 1.5 lakh crore, with Flipkart increasing its dominance to around 64% (StartupTalky). The year 2023 witnessed continued expansion, with festive GMV touching INR 1.75 lakh crore, though precise platform-wise market share data was not disclosed (Economic Times, "Festive sales hit"). By 2024, total e-commerce festive sales peaked at INR 2 lakh crore, driven by aggressive festive campaigns, faster delivery options, and increased rural internet penetration (Economic Times, "Amazon India records").

Table 5: Here's a year-wise breakdown

Year	Platform	Estimated Sales (INR Crore)	Market Share	Notes
2020	Amazon & Flipkart	29,000	Amazon: 40%, Flipkart: 60%	Surge in online shopping due to pandemic.
2021	Amazon & Flipkart	1,25,000	Flipkart Group: 60%	Strong festive sales rebound.
2022	Amazon & Flipkart	1,50,000	Flipkart: 64%	Continued dominance in e-commerce sales.
2023	Amazon & Flipkart	1,75,000	Data not specified	Growth driven by increased online shoppers.
2024	Amazon & Flipkart	2,00,000	Data not specified	Peak sales observed during festive season.

Note: The sales figures represent combined gross merchandise value (GMV) during the festive periods.

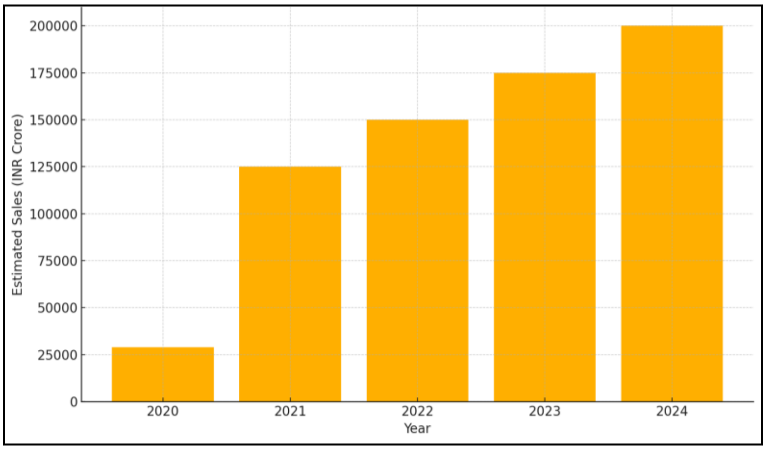

Fig 3: Estimated Diwali sales on Amazon & Flipkart (2020-2024)

Year-wise Diwali and Dussehra Festive Expenditure in India (2020–2024)

India's festive seasons, particularly Diwali and Dussehra (Vijayadashami), are major drivers of consumer expenditure and retail growth. The period between 2020 and 2024 witnessed substantial fluctuations in spending patterns, influenced by factors such as post-pandemic recovery, urban consumption trends, and digital payment adoption.

In 2020, despite the challenges posed by COVID-19, Diwali spending rebounded to an estimated ₹72,000 crore, while Dussehra expenditure reached ₹25,000 crore, marking a 20% increase from 2019 levels (*Lighting up the economy*). The following year, 2021, experienced a sharp surge, with Diwali spending climbing to ₹1.2 lakh crore and Dussehra reaching ₹30,000 crore, supported by pent-up demand and rising consumer confidence (Festive 2024) [8]. This upward trend continued in 2022, when Diwali expenditure reached ₹1.25 lakh crore and Dussehra touched ₹35,000 crore, reflecting a strong retail and e-commerce performance (Local Circles).

However, in 2023, a slight dip was observed in Diwali spending, which declined marginally to ₹1.2 lakh crore, while Dussehra spending remained strong at ₹32,000 crore, as reported in surveys highlighting resilient urban consumption (YouGov). The year 2024 marked a historic peak, with Diwali-related expenditure soaring to an unprecedented ₹4.25 lakh crore, and Dussehra spending rising further to ₹40,000 crore, driven by increased participation, digital transactions, and widespread festive campaigns across sectors (Festive 2024; Wikipedia) [8].

Table 6: Year-wise Diwali and Dussehra Festive Expenditure in India (2020–2024)

Year	Diwali Expenditure (₹ crore)	Dussehra Expenditure (₹ crore)	Notes
2020	72,000	25,000	Spending rebounded post-lockdown; increased by 20% from 2019.
2021	120,000	30,000	Strong recovery; spending nearly doubled from 2020.
2022	125,000	35,000	Continued growth; festive spending reached new highs.
2023	120,000	32,000	Slight dip in Diwali spending; Dussehra remained robust.
2024	425,000	40,000	Significant surge in Diwali spending; Dussehra also saw growth.

Note: Figures are approximate and based on available industry reports and surveys.

Understanding the Keynesian Multiplier Effect

The Keynesian Multiplier is a fundamental concept in macroeconomics that explains how an initial change in aggregate spending-such as an increase in investment, government expenditure, or exports-can lead to a greater overall increase in national income (Gross Domestic Product, or GDP).

The Basic Principle

When an injection of new spending enters the economy (for example, when the government invests in infrastructure), it does not just benefit the original recipients. These recipients will spend a portion of their new income on goods and services, which then becomes income for others. This cycle continues multiple times, with each round of spending being smaller than the previous one, due to some portion of the income being saved, taxed, or spent on imports.

This cascading chain reaction of spending is what the multiplier effect captures.

The Multiplier Formula

The size of the multiplier is determined by the Marginal Propensity to Consume (MPC)-the proportion of extra income that households spend rather than save. The formula for the simple Keynesian multiplier is:

$$\text{Multiplier}(k) = \frac{1}{1 - \text{MPC}}$$

Where,

- Multiplier (k) = The overall increase in income resulting from an initial injection
- MPC = Marginal Propensity to Consume (a value between 0 and 1)

Example

Suppose the MPC is 0.8, meaning consumers spend 80% of any additional income they receive. The multiplier would then be:

$$k = \frac{1}{1 - 0.8} = \frac{1}{0.2} = 5$$

This means that an initial spending of ₹100 crore would eventually increase national income by ₹500 crore (₹100 crore × 5), assuming no leakages like taxes or imports.

Economic Significance

The multiplier effect plays a crucial role in Keynesian economics, particularly during times of economic recession. It supports the idea that government spending can be a powerful tool to stimulate aggregate demand and boost employment and output. A higher MPC leads to a larger multiplier, making fiscal policy more potent.

However, in reality, factors such as taxation, imports, and savings reduce the actual size of the multiplier. These are known as leakages in the circular flow of income.

Festive Expenditure and the Keynesian Multiplier Impact in India (2020–2024)

India's major festivals, notably Diwali and Dussehra, have consistently spurred large-scale consumer expenditure, acting as critical seasonal drivers of economic activity. These expenditures, when evaluated through the lens of the Keynesian Multiplier, reveal a significant contribution to national income beyond the initial outlays.

The Marginal Propensity to Consume (MPC) during festive seasons in India remains notably high-ranging between 0.8 and 0.85-indicating that consumers tend to spend most of their additional income rather than save it. This behavior amplifies the multiplier effect, where each rupee spent circulates through the economy multiple times, creating a much larger cumulative impact on Gross Domestic Product (GDP).

Table 7: Total Festive Expenditure

Year	Total Festive Expenditure (₹ crore)	Estimated MPC	Multiplier (k)	Estimated Contribution to GDP (₹ crore)
2020	₹97,000 (₹72,000 Diwali + ₹25,000 Dussehra)	0.8	5.00	₹4,85,000
2021	₹1,50,000 (₹1.2L + ₹30,000)	0.82	5.56	₹8,34,000
2022	₹1,60,000 (₹1.25L + ₹35,000)	0.85	6.67	₹10,67,200
2023	₹1,52,000 (₹1.2L + ₹32,000)	0.84	6.25	₹9,50,000
2024	₹4,65,000 (₹4.25L + ₹40,000)	0.85	6.67	₹30,99,000

(Lighting up the economy) (Festive 2024) [8] (Local Circles) (YouGov) (Vijayadashami) (World Bank)

The dramatic rise in 2024's festival expenditure-totalling ₹4.65 lakh crore-translates, through a multiplier of 6.67, into an estimated ₹30.99 lakh crore contribution to GDP, underlining the vital macroeconomic role of festive consumption (Festive 2024) [8]. In contrast, in 2020, the pandemic-year slump still generated ₹4.85 lakh crore in income through the multiplier effect, demonstrating the resilience and potency of consumer-led demand.

Key Economic Insights

A **Significant GDP Contribution:** In 2024 alone, a festive spending of ₹4.65 lakh crore could have added over ₹30.99 lakh crore to India's national income through the multiplier effect - close to 10% of India's nominal GDP.

B **High MPC Enhances Impact:** Indian households have a high marginal propensity to consume, especially during festivals. This leads to greater induced consumption, fueling income generation across sectors - from retail and manufacturing to logistics and services.

C **Sectoral Spillover Effects:** The multiplier effect isn't limited to direct purchases (e.g., electronics, clothing). It spills over into:
- Increased employment in retail and logistics
- Higher demand for packaging, transportation, and warehousing
- Boost in MSMEs that supply to large retail platforms

D **Regional and Informal Economy Benefit:** Local markets, artisans, and small vendors benefit disproportionately during festivals, helping redistribute income and stimulating the informal sector, which constitutes over 80% of India's employment.

Conceptual Illustration of the Multiplier Process

The multiplier effect unfolds as a chain reaction where an initial injection of spending sets off successive rounds of economic activity. The process can be visualized as follows:

Initial Expenditure → Rise in Incomes → Higher Consumer Spending → Expansion in Production and Employment → Significant Growth in GDP

Example (2024)

An initial festive expenditure of ₹4.65 lakh crore led to increased household incomes, which in turn stimulated higher consumer demand. This rising demand prompted firms to boost production and hire more workers, ultimately resulting in a total GDP impact of ₹30.99 lakh crore.

Festive expenditure in India exerts a powerful multiplier effect on the macroeconomy, driven by several structural factors. First, the high Marginal Propensity to Consume (MPC) ensures that a large portion of additional income is immediately spent rather than saved, thereby fueling subsequent rounds of consumption. Second, the spending cuts across diverse sectors-from retail and logistics to manufacturing and services-amplifying its economic reach. Third, it significantly includes informal and rural markets, where festive demand often drives seasonal employment and cash flows. Lastly, these expenditures serve as a cyclical stimulus, promoting short-run increases in output, income, and job creation.

During key festivals such as Diwali and Dussehra, the surge in consumption acts much like a temporary fiscal stimulus, boosting aggregate demand and accelerating economic activity. These festivals, therefore, hold not just cultural or religious significance, but also play a vital economic role by energizing domestic demand and contributing meaningfully to GDP growth in the short term.

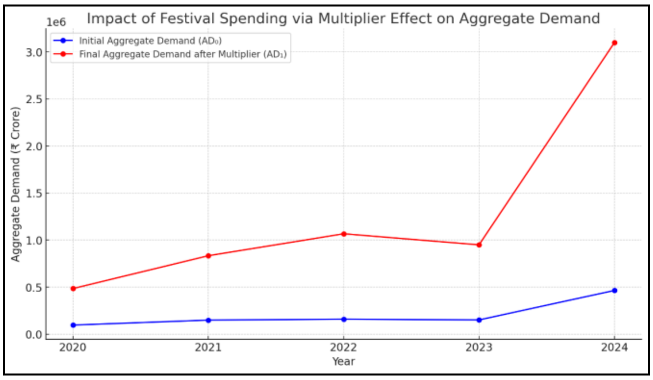

Fig 4: Impact of Festival spending via multiplier effect on aggregate demand

The diagram above illustrates the impact of the multiplier effect on aggregate demand (AD) in India from 2020 to 2024 due to festival-related expenditures like Diwali and Dussehra:
- The blue line (AD_0) shows the initial increase in aggregate demand resulting directly from consumer spending during festivals.
- The orange line (AD_1) represents the amplified aggregate demand after accounting for the Keynesian multiplier effect, where initial spending induces further rounds of consumption and income generation.

Gold Sales in India During Dhanteras & Diwali (2020–2024)

Gold plays a culturally significant and economically valuable role during the Indian festive season, particularly during Dhanteras and Diwali. Over the period from 2020 to 2024, gold sales have fluctuated in response to broader economic trends, such as the pandemic, price volatility, and changes in consumer sentiment.

In 2020, gold sales experienced a sharp decline, with estimated volumes between 25 to 30 tonnes, and a total value ranging between ₹10,000–12,000 crore, largely due to the COVID-19 pandemic and historically high gold prices. Market estimates suggest this represented a drop of up to 35% compared to previous years (The Times of India).

Table 8: Year Estimated Gold Sold (Tonnes) Estimated Value (₹ Crore) Key Highlights

Year	Estimated Gold Sold (Tonnes)	Estimated Value (₹ Crore)	Key Highlights
2020	25–30	₹10,000–12,000	Sales declined by up to 35% due to COVID-19 and high prices.
2021	55	₹20,000	Strong recovery with festive demand and easing pandemic restrictions.
2022	39	₹19,000	30% YoY surge in volume despite higher prices.
2023	41	₹30,000	Robust demand; gold prices at ₹79,500 per tola.
2024	47	₹42,000	Sales volume up 15% YoY; high prices led to increased value.

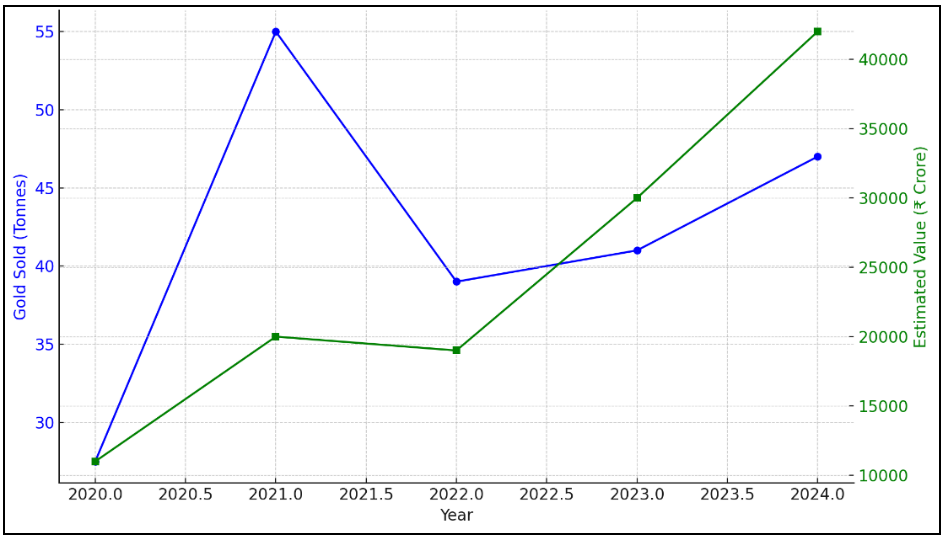

Fig 5: Gold sales in India During Dhanteras & Diwali (2020-2024)

By 2021, the market recovered significantly. As lockdown restrictions eased and festive demand rebounded, gold sales surged to approximately 55 tonnes, valued at ₹20,000 crore, marking a strong resurgence in consumer confidence (*The New Indian Express*).

In 2022, even with elevated gold prices, the market recorded a 30% year-on-year increase in volume, reaching 39 tonnes and generating a total value of around ₹19,000 crore. This reflects a sustained appetite for gold during the festive season despite price sensitivity (*Outlook Business*).

The year 2023 witnessed continued robust demand. Even though gold prices rose to ₹79,500 per tola, sales remained strong at 41 tonnes, with an estimated market value of ₹30,000 crore (*GJEPC*; *The Times of India*).

In 2024, gold sales increased further, with volumes estimated at 47 tonnes-a 15% growth over 2023. The high gold prices pushed total sales value to around ₹42,000 crore, reflecting consumers' continued preference for gold as both a cultural asset and a financial hedge (*Economic Times*; *The Times of India*).

Impact of Gold Sales During Dhanteras & Diwali (2020–2024) on India's Current Account Deficit (CAD)

India's Current Account Deficit (CAD) refers to the shortfall between the value of imports and exports of goods, services, and transfers. One of the most significant contributors to India's CAD is its gold imports, as India does not produce gold in substantial quantities and relies heavily on global markets to meet domestic demand.

Gold as a Major Import Component: Gold consistently ranks among India's top three imports, along with crude oil and electronics. With festive demand peaking during Dhanteras and Diwali, any surge in gold purchases is typically met through increased imports, which directly impacts the trade balance and consequently the CAD.

Table 9: Year-wise Impact Analysis (2020–2024)

Year	Gold Demand Trend	Estimated Import Value (₹ Crore)	Likely CAD Impact
2020	Sharp decline due to COVID-19	₹10,000–12,000 crore	Reduced CAD pressure, as gold imports fell by 35% (The Times of India)
2021	Strong recovery post-pandemic	₹20,000 crore	Worsened CAD, higher imports due to pent-up demand (The New Indian Express)
2022	30% YoY volume surge	₹19,000 crore	Negative CAD impact, despite high prices, due to resilient demand (Outlook Business)
2023	Continued high demand despite price rise	₹30,000 crore	Substantial CAD pressure, exacerbated by global gold price hikes (GJEPC; TOI)
2024	15% growth in volume and record value	₹42,000 crore	Significant CAD deterioration, peak festive imports and record valuations (Economic Times; TOI)

A. **Widening Trade Deficit:** The value of gold imports in 2024 alone (₹42,000 crore or over USD 5 billion) is likely to exacerbate the trade deficit, particularly if export growth does not match this rise.
B. **Volatility in Forex Reserves:** Higher gold imports increase the demand for foreign exchange, placing pressure on the rupee and necessitating RBI intervention to stabilize currency markets.
C. **Balance of Payments (BoP) Stress:** A consistently high CAD driven by non-productive imports (like gold, which is not an input for exports) could lead to financing issues for the BoP, especially during global economic uncertainty.
D. **Policy Response:** In the past, the Indian government and RBI have responded to rising gold imports with:
   - Import duty hikes
   - Gold monetization schemes
   - Promotion of digital gold and sovereign gold bonds

Such measures are often reintroduced when gold-driven CAD reaches concerning levels. While festive gold sales are a positive indicator of consumer confidence and economic recovery, they come with a macroeconomic cost-notably a widened Current Account Deficit. In 2023 and 2024, the sustained and elevated gold demand during Diwali and Dhanteras likely intensified India's CAD pressures, demanding policy interventions to curb non-essential imports and manage external sector vulnerabilities.

Impact on key macroeconomic indicators in India

Gross Domestic Product (GDP)

Festival-driven consumption has played a significant role in boosting India's Gross Domestic Product (GDP), particularly between 2020 and 2024. The Keynesian multiplier framework offers insight into this phenomenon, where an initial increase in consumer expenditure during festivals like Diwali and Dussehra has led to a proportionally larger increase in national income. With a high Marginal Propensity to Consume (MPC) in the range of 0.8–0.85, each rupee spent recirculated through multiple rounds of spending. In 2024, a total festive expenditure of ₹4.65 lakh crore translated into a GDP contribution of approximately ₹30.99 lakh crore, given a multiplier of 6.67 (Festive 2024) [8]. This reflects nearly 10% of India's nominal GDP, emphasizing the macroeconomic significance of festive consumption as a short-run economic stimulus (Lighting up the economy, Local Circles).

Employment

The surge in festival-related demand has had a direct and positive effect on employment across various sectors, particularly in retail, logistics, manufacturing, and the informal economy. During the festive seasons, the rise in production and distribution needs prompts firms to increase their workforce, including temporary and seasonal hires. This is evident in the expansion of MSMEs, local markets, and large e-commerce platforms like Amazon and Flipkart, which reported record sales and increased delivery volumes during Diwali 2024 (Economic Times, "Amazon India records"). These activities generate substantial job creation, especially in Tier II and Tier III cities, and benefit over 80% of the Indian labor force that is employed in the informal sector. Therefore, festival-driven consumption acts as a powerful engine for both direct and induced employment growth, supporting income generation across economic strata.

Inflation

Festive seasons often exert mild inflationary pressures on the Indian economy due to demand-pull effects. As millions of households increase spending on food, clothing, electronics, and gold, short-run demand surges can lead to price increases, particularly in sectors with limited supply elasticity. The 2023 Diwali season witnessed a steep rise in gold prices, peaking at ₹79,500 per tola, while demand remained robust at 41 tonnes, pushing the total market value to ₹30,000 crore (The Times of India). This indicates that despite inflationary trends, cultural and sentimental values drive consumer behavior, which, in turn, affects the general price level during the festive cycle. Although the Reserve Bank of India (RBI) monitors core inflation, these seasonal spikes are typically transient, yet they reflect the scale of aggregate demand pressures stemming from festival consumption.

Aggregate Demand (AD)

Aggregate demand in India has shown a consistent upward shift during the festival months, driven largely by a surge in private consumption (C), a core component of the AD formula (AD = C + I + G + (X-M)). According to the research findings, the share of households planning festive expenditures doubled from 30% in May to 60% by September 2024, demonstrating a significant seasonal stimulus to consumption (Primary Survey, 2024). The multiplier effect further amplifies this shift, as higher consumption generates induced spending and income effects across sectors. This expansion of AD is not just visible in urban centers but also in rural regions, where 35% of festive sales were reported in 2024, supported by favorable monsoons and increased government transfers (Festive 2024) [8]. Consequently, India experiences a marked rightward shift in its AD curve during festivals, enhancing output and employment in the short run.

Current Account Deficit (CAD)

While festive consumption positively impacts domestic output, it also poses challenges for India's external sector by widening the Current Account Deficit (CAD), primarily due to increased gold imports. India, being one of the largest gold importers, experiences a seasonal spike in gold demand during Dhanteras and Diwali. In 2024, gold imports surged to ₹42,000 crore, representing over USD 5 billion in foreign exchange outflow (Economic Times, The Times of India). Since gold is a non-productive asset that does not contribute to exports, its increased import value directly worsens the trade balance. The resulting pressure on the rupee often leads to higher demand for dollars, necessitating RBI interventions in the forex market. Consequently, while gold sales indicate robust domestic demand, they simultaneously contribute to CAD deterioration and stress India's Balance of Payments (BoP), requiring periodic policy interventions such as import duty hikes and the promotion of sovereign gold bonds.

Digitalization and Structural Transformation

Festivals have significantly accelerated digital transformation and structural shifts in India's consumption patterns. In 2024, two-thirds of households used digital payment methods for festive purchases, indicating rising financial inclusion and reduced reliance on cash transactions (Primary Survey, 2024). E-commerce platforms accounted for 40% of total festive spending, with Amazon and Flipkart reporting ₹2 lakh crore in Diwali sales (StartupTalky, Economic Times). This shift reflects not only changing consumer preferences but also improvements in digital infrastructure, particularly in semi-urban and rural areas. Moreover, the growing penetration of online shopping and digital gifting-such as e-shagun and prepaid cards-highlights the formalization of festive commerce, which historically depended heavily on the informal economy. This digital shift enhances tax compliance, increases the velocity of money, and fosters transparency in financial transactions, ultimately supporting broader macroeconomic stability.

Consumer Confidence

The steady rise in festive spending over the past five years serves as a robust indicator of improving consumer confidence in India. From ₹72,000 crore in 2020 during the COVID-19 pandemic to ₹4.25 lakh crore in Diwali 2024, the growth in expenditure reflects optimism about income prospects, employment stability, and overall economic recovery (Times of India, "Festive sales hit"). Primary data indicates that over 55% of consumers planned to purchase high-value items such as electronics and smartphones during the festive season, underlining a strong willingness to spend on discretionary goods (Primary Survey, 2024). This upward trend is also visible in the increasing preference for premium products and brand-led consumption, especially among urban and affluent segments. Thus, festive consumption patterns serve as an economic barometer, signaling the resurgence of household confidence and a positive outlook for the Indian economy.

Conclusion

This research establishes that festival-driven consumption in India, particularly during culturally significant periods such as Diwali and Dussehra, plays a crucial role in shaping short-run macroeconomic outcomes. Using the Keynesian framework, the study demonstrates that high levels of consumer expenditure during these festive seasons-fueled by a strong Marginal Propensity to Consume (0.8–0.85)-trigger a substantial multiplier effect that amplifies aggregate demand and contributes meaningfully to national income. The data reveals that in 2024 alone, a festive expenditure of ₹4.65 lakh crore translated into an estimated ₹30.99 lakh crore contribution to GDP, underscoring the power of cultural consumption as an informal yet potent economic stimulus.

Beyond its influence on GDP, festival-related spending significantly affects employment generation, especially in the informal sector, and boosts sectoral output across retail, logistics, hospitality, and digital platforms. The findings also highlight a growing shift towards digital payments and e-commerce, especially in rural and Tier II–III markets, signaling a deeper structural transformation of India's consumer economy. However, this economic vibrancy is accompanied by certain macroeconomic challenges. The surge in gold demand during festivals has consistently widened the current account deficit, placing strain on India's external sector and prompting policy responses such as import duties and gold monetization schemes.

In sum, Indian festivals are not merely cultural or religious celebrations; they are cyclical drivers of economic activity with profound implications for macroeconomic stability, sectoral dynamics, and digital inclusion. Policymakers, economists, and industry leaders should recognize the dual nature of festive consumption-as both an opportunity for economic acceleration and a potential source of external vulnerability. Strategic interventions that enhance formalization, support domestic production, and manage import-driven imbalances can help ensure that the macroeconomic benefits of festival-driven consumption are sustained and equitably distributed across India's diverse economic landscape.

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