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Incentivise banks to promote gold monetisation: IGPC

VINAY UMARJI
Ahmedabad, 22 January

With the government's gold monetisation policy yet to trigger increased circulation of bullion in the economy, a research paper at the India Gold Policy Centre (IGPC) suggests the policy's effectiveness depends on incentivising banks and understanding consumer sentiments.

The scheme launched in November 2015 to mobilise idle gold in the country has met with a poor response with a few tonnes in fresh mobilisation. Part of 14 such papers introduced at the recent Conference on Gold and Gold Markets, 2018, by IGPC at the Indian Institute of Management, Ahmedabad (IIM-A), the research paper was co-authored by Priya Narayanan, Balagopal Gopalakrishnan, Arvind Sahay of IIM-A.

The paper quotes a nation-wide survey-based study of 1,171 households as well as an interview-based study of the senior management of six banks, five gold refiners and one industry consultant. Titled 'Gold Monetisation in India as a Transformative Policy: A Mixed Method Analysis', the paper also uses an

WGC probes standard for gold kilobars

PRATIMA DESAI
London, 22 January

The World Gold Council (WGC) is studying the creation of a global standard for gold kilobars so they can be deployed as collateral in futures markets and potentially encourage demand, sources close to the matter said. Kilobars – 1 kilogram gold bars – dominate Asian trade but a lack of transparency about their origin and the absence of a global standard hinders their use on exchanges elsewhere. Clearing houses, some of which allow bullion to be used as collateral on futures markets, might accept such bars if they all met a set of internationally recognised criteria.

London Metal Exchange clearing arm LME Clear cannot accept the kilobars used in Asia because they differ from London Good Delivery standard bars, typically around 400 ounces, as specified by the London Bullion Market Association (LBMA).

REUTERS

econometric analysis of gold consumption and its potential determinants. The study was conducted using household data from all 640 districts of the National Sample Survey for 2011-12.

Based on the results of the studies and analysis, the paper suggests that the effectiveness of the gold monetisation policy depends on a "deeper understanding of consumers' interactions with and sentiments towards gold".

"The effectiveness of the policy also depends on recognising the challenges faced and incentives required by banks, refiners and other stakeholders in implementing this policy. This research is an attempt at developing such an understanding," it states.

Among the three methods in the paper, the survey across 10 states constituting roughly three-quarters of annual national gold consumption was conducted to

understand the consumer associations with and attributions related to gold. The study showed that family functions and festivals were triggers for gold purchases, indicating the ingrained habit and planned accumulation.

"There is also high liquidity and safety associated with gold, which is also not considered as having any substitute, along with a clear reluctance to sell gold received as a gift. Rural consumers are more reluctant to part with gold as compared to urban consumers but are also ready to pledge gold as collateral, suggesting requirement related liquidity use of gold," the paper states.

Further, discussions with different stakeholders in the interview-based study showed that banks would promote products based on this policy if they had more control on the process and if there was clear separation of risks or effective mitigation of risks relating to the operationalisation of the policy.

Finally, the analysis showed that the propensity to consume gold was positively correlated with the proportion of females in the household and with the number of daughters in the household.

Online coverage

Business Standard

Incentivise banks to promote gold monetisation: India Gold Policy Centre

The paper quotes a nation-wide survey-based study of 1,171 households as well as an interview-based study of senior management of six banks, five gold refiners and one industry consultant

With the Government of India's (GoI) Gold Monetisation Policy yet to taste real success in triggering increased circulation of gold in the economy, a research paper at [India Gold Policy Centre \(IGPC\)](#) suggests the policy's effectiveness depends on incentivising banks and understanding consumer sentiments. The scheme launched in November 2015 with a much fanfare to mobilise idle gold in the country to use it for the economy has met with a poor response with a few tons fresh mobilisation.

Part of 14 such papers introduced at the recent Conference on Gold and Gold Markets, 2018 by [IGPC](#) at the Indian Institute of Management, [Ahmedabad \(IIM-A\)](#), the research paper was co-authored by Priya Narayanan, Balagopal Gopalakrishnan, Arvind Sahay of IIM-A.

The paper quotes a nation-wide survey-based study of 1,171 households as well as an interview-based study of senior management of six banks, five gold refiners and one industry consultant. Titled as '*Gold Monetisation in India as a Transformative Policy: A Mixed Method Analysis*', the paper also uses an econometric analysis of gold consumption and its potential determinants were conducted using household data from all 640 districts of the National Sample Survey for 2011-12.

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"The effectiveness of the policy also depends on recognising the challenges faced and incentives required by banks, refiners and other stakeholders in implementing this policy. This research is an attempt at developing such an understanding," it further states.

Among the three methods in the paper, the nation-wide survey across 10 states constituting roughly three-quarters of annual national gold consumption, was conducted to understand the consumer associations with and attributions related to gold. According to the paper, the study showed that family functions and festivals were triggers for gold purchase, indicating ingrained the habit and planned accumulation.

"There is also high liquidity and safety association of gold (which is also not considered as having any substitute) along with a clear reluctance to sell gold received as a gift. Rural consumers are more reluctant to part with gold as compared to urban but are also ready to pledge gold as collateral suggesting requirement related liquidity use of gold," it stated.

Further, discussions with different stakeholders in the interview-based study showed that banks would promote products based on this policy if they had more control on the process and if there was a clear separation of risks or effective mitigation of risks relating to the operationalisation of the policy.

Finally, the analysis showed that propensity to consume gold is positively correlated with the proportion of females in the household and with a number of daughters in the household. "Also, ceteris paribus, rural households have a higher propensity to consume gold, and Hindu households have a higher propensity to consume gold," the paper stated.

http://www.business-standard.com/article/economy-policy/incentivise-banks-to-promote-gold-monetisation-india-gold-policy-centre-118012200915_1.html

Gold imports may drop to 650 tonnes this fiscal

Investors' shift to other asset classes reason for the dip

RUTAM VORA

Ahmedabad, January 12

The country's duty-paid gold imports for fiscal 2017-18 may touch 650 tonnes at an average price of \$1,280 per ounce.

This, according to industry experts, would still be manageable on the current account deficit front, thanks to lower global prices of the yellow metal as compared to what they were in 2013-14.

Speaking on gold import trends in India, Rajesh Khosla, Chairman Emeritus, MMTC-PAMP, said that gold imports for the financial year 2017-18 may touch 650 tonnes — almost the same level as last year.

Experts stated that the shift in investment preference from gold to other asset classes coupled with higher import duty may curb imports, which were

GOLD IMPORTS			
Year	Imports (tonne)	Avg price \$/Oz	Exch rate ₹
2013-14	665	1,411	60.77
2014-15	915	1,266	61.27
2015-16	968	1,160	65.60
2016-17*	660	1,250	66.90
2017-18*	650	1,257	64.40



Source: RBI, Kitco, Market estimates * Estimated

earlier estimated to touch 700 tonnes.

Investment pattern

"The younger generation doesn't look at gold as haven. Emerging asset classes such as cryptocurrencies are turning out to be the preferred investment avenue for people below the age of 35," said Joshy Jacob of the India Gold Policy Centre.

"In the first nine months of the fiscal (April-December 2017), gold imports hovered at about 500 tonnes. We expect this to touch 650 tonnes by the end of the fiscal — almost at the same

level as that of last year. But the imports will still be manageable as the average international gold price has come down as compared to previous years," Khosla said.

According to Khosla, in the past, average international gold prices had touched \$2,000/oz, while this fiscal the average gold prices would hover around \$1,280-1,300. "It will be manageable as the spending on the imports will reduce and the revenues from the imports will go up. Therefore, even if the volume has not come down significantly, the absolute value of im-

ports will come down. Therefore, there will be less burden on our pockets," added Khosla, who was in Ahmedabad for a conference on Gold and Gold Markets organised by the Indian Institute of Management-Ahmedabad on Friday.

Cut in duty unlikely

Khosla, however, expressed his apprehensions over the possibility of a reduction in the import duty on gold, as widely demanded by jewellers and bullion traders. "Until we make stable revenues from GST, there doesn't seem any possibility of reducing import duty. There is no point in cutting government revenues from one source, before the other source of income gets stable," he added.

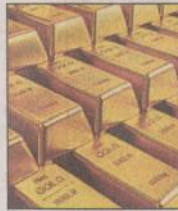
Notably, the import duty on gold is 10 per cent, in addition to the Goods and Services Tax of 3 per cent. This higher import duty, as claimed by jewellers, is prompting smugglers to resort to illegal imports.

'Cut in Customs duty on gold unlikely'

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Ahmedabad: Despite industry expecting a cut in the basic Customs duty (BCD) on gold imports, experts don't foresee a reduction, at least in this budget session. BCD on gold imports is 10% in addition to 3% GST. With more incidents of gold smuggling, analysts and bullion traders want to see BCD on the yellow metal reduced.

Rajesh Khosla, chairman emeritus, MMTC-PAMP said, "A reduction of BCD on gold imports is needed and jewellers and bullion traders have asked for it. However, unless GST revenue stabilizes, a cut in BCD is not possible. It doesn't make sense to cut one source of revenue when the other isn't stable."



Khosla was at a conference on 'Gold and Gold Markets' at the Indian Institute of Management, Ahmedabad on Friday. "We can look forward to 5% cut in 6-8 months, when GST revenues is in line with expectations," he said.

Industry experts said duty-paid gold imports for the financial year 2017-18 will hit 650 tonnes, at an average price of US \$1,300 per ounce. Analysts say this won't hurt the current account deficit, because international gold prices are low, compared to 2013-14 financial year.

"From April to December 2017, 500 tonnes of gold was imported. Imports will hit 650 tonnes by the end of the fiscal, at a par with the 2016-17 fiscal," said Khosla.

યુવાનોને સોના કરતાં ક્રિપ્ટો કરન્સીમાં વધુ લગાવ: IGPC

નવગુજરાત સમય > અમદાવાદ

શેરબજારની તેજ અને ક્રિપ્ટો કરન્સીના ગાંડપણને કારણે હાલ યુવાનોમાં સોનામાં રોકાણનો મોહ જોવાતો નથી. તેથી સોના કરતાં શેરબજાર અને બિટકોઈન જેવી ક્રિપ્ટો કરન્સીમાં વધુ રોકાણ કરતાં જોવાયા છે. જોકે, વરિષ્ઠ નાગરીકો સોનાને વધુ પસંદ કરે છે એમ આઈઆઈએમની ઈન્ડિયા ગોલ્ડ પોલિસી સેન્ટરના પ્રોફેસર અરવિંદ સહાયે જણાવ્યું હતું. સોના કરતાં શેરબજારમાં છેલ્લા 30 વર્ષની સરેરાશ જોવા જઈએ તો ઊંચું રિટર્ન જોવાયું છે. સોનામાં રોકાણ સુરક્ષાના હેતુસર કરવામાં આવે છે અને તેને કારણે 2008ની ફાઈનાન્સિયલ ક્રાઈસિસ પછી ઈમર્જિંગ માર્કેટની સેન્ટ્રલ બેન્કોએ સોનામાં 83 ટકા સુધી રોકાણ વધાર્યું હોવાનું જોવાયું છે. 2008માં 136 મિલિયન ઓંશનું રોકાણ હાલ વધીને 252.3 મિલિયન ઓંશ પહોંચ્યું છે. ચીન, બ્રાઝિલ, ઈન્ડોનેશિયા, રશિયા જેવા દેશોનું સોનામાં રોકાણ વધ્યું છે જ્યારે ભારતનું 2011થી 557 ટન સોનાનું રિઝર્વ સ્થિર રહ્યું છે. આ માટે આંતરિક નાણાકીય તેમજ જીયો પોલિટીલ સ્થિતિ મુખ્યત્વે જવાબદાર રહી

હોવાનું આઈજીપીસીના પ્રોફેસર સંકેત મહોપાત્રાનું કહેવું હતું.

ભારતમાં 10,000થી 12,000 ટન સોનું વણવપરાયેલું છે. દર વર્ષે સ્થાનિકમાં ઘરમાં રહેલું 100થી 150 ટન સોનું જ ફરી વપરાશમાં આવે છે એમ જણાવીને તેમણે કહ્યું હતું કે, ભારતીય સમાજમાં સોનાને વધુ મહત્ત્વ આપવામાં આવ્યું છે. આથી તેના પર પોલિસી અને પ્રાઈસ બન્નેની દિશામાં સતત ચર્ચા વિચારણા થતી રહી છે. લોકોને સરળતાથી સોનું પ્રાપ્ત થાય અને સરકારની રેવેન્યુ જળવાય તે પણ આર્થિક પેરામિટરને નુકશાન થયા વગર તેવી પોલિસીનું સંશોધન કરવાની જરૂરીયાત રહી છે. ભારતમાં સોનાના વેપાર સાથે 50 લાખથી વધુ લોકો જોડાયેલા છે અને વર્ષે બે લાખ કરોડ રૂપિયાની આયાત થાય છે. ભારત દુનિયામાં બીજા નંબરનો સૌથી મોટો વપરાશકાર દેશ છે. સોનાની કિંમતમાં ચડઊંતર, આયાત, ભયત અને વીમામાં સ્થાન તેમજ તેને કેવી રેતી નાણામાં પરીવર્તિત કરીને ઉપયોગમાં લઈ શકાય તે દરેક બાબતમાં વિચારવાની જરૂરીયાત રહી છે: સોના પર થતી અસર આપણી ઈકોનોમીથી લઈને સમાજ સુધી સીધી થતી હોવાનું જોવાયું છે.