

Even in cash-drained economy, gold is most liquid asset, says Manappuram Finance chief

Vinson Kurian

The transition to a cashless society has to be carefully managed, says VP Nandakumar



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The perception that gold has lost the 'most liquid asset' status in a cash-drained economy is wrong, says VP Nandakumar, MD and CEO, Manappuram Finance, a leading gold-loan NBFC.

Gold continues to be the most liquid asset for millions of ordinary Indians who buy it in relatively small quantities and for whom it is the preferred way to deploy their savings, he told *BusinessLine*.

Not for the rich

"Of course, it can be different for the rich who may have used it as a conduit for unaccounted wealth. This is not of concern to us because we deal largely with the bottom of the pyramid." The 'cash to cashless' transition is taking place already in customer transactions at Manappuram. In fact, even before demonetisation, about 50 per cent of the total disbursements was made through NEFT payments or cheques.

"We had set up alternative repayment channels like online repayments using Net banking, debit cards and e-wallets and we have encouraged customers to make use of these channels."

Last year, Manappuram had launched an online gold loan product, which is fully cashless at its end.

A customer needs to come to a branch only once to deposit his gold and execute necessary documents.

After that, he can take a loan up to his eligibility any time, from anywhere in the world using a smartphone, computer, or other Internet-enabled devices.

The loan proceeds are instantaneously transferred to his bank account. Even after repayment, the gold will continue to remain with the Manappuram branch for future loans to be taken online.

Nandakumar was of the view that demonetisation may curb demand and delay collections/repayments. But over the medium and long term, it will actually improve efficiency. Demonetisation has led to a sharp increase in low-cost deposits with banks and they have already begun to cut interest rates on deposits.

This augurs well for the economy as the prospect of reduction in interest rate brightens. "This will benefit both banks and non-banks," he said.

Demonetisation has also boosted the supply of money in the formal economy. This will initiate a long-term trend of transfer of business from the unorganised to the organised (and tax-paying) sectors.

The drive against black money is a measure whose long-term benefits are not in doubt. "The short-term pains, though inevitable to some extent, should be minimised to the extent possible.

"While the vision of a cashless society is laudable, given that cash is widely used by micro and small enterprises, the transition has to be carefully managed."

Demonetisation may not lead to revision of loan-to-value, Nandakumar said. There is no such linkage between the two, he added.

Relaxation of rules for classifying bad loans for small borrowers is not particularly relevant to gold-loan NBFCs since the loan is fully secured by 'liquid' collateral, he added.