

NBFCs, LIC agents may be roped in to give gold monetisation scheme a leg-up

K Ram Kumar

1

Top Rated Gold Mutual Funds

2

Gold Investment Plans

3

Top 10 Gold Stocks



Sentimental attachment Most Indians are averse to melting jewellery that has been handed down through generations

Launched in November 2015, individual investors are yet to warm up to the scheme

Mumbai, June 27:

Lacklustre interest from households and the common man to deposit gold under the Gold Monetisation Scheme (GMS) has prompted the government to examine the possibility of involving non-banking finance companies and agents of the Life Insurance Corporation of India to push the scheme.

A chunk of the gold deposited under the scheme has so far come from temple/religious trusts, such as the Tirumala Tirupati Devasthanam, the Shirdi Sai Baba Sansthan and high net worth individuals, say bankers.

Finance Ministry data show that 1,467 kg of gold has been deposited by just 86 depositors since the launch of GMS in November 2015. This clearly shows that individuals have not warmed up to the idea of depositing idle gold with them and earning returns on it.

More interest in GBS

In contrast, retail investors seem game for investing in the Gold Bond Scheme (GBS). This is underscored by the fact that in the three tranches of GBS issued during the financial year 2015-16, about 4.50 lakh investors purchased total bonds equivalent to 4,908 kg, amounting to about ₹1,320 crore.

A banker, who was privy to the deliberations to perk up retail interest in GMS, said the government is examining the feasibility of roping in NBFCs and LIC agents as they have strong last-mile linkages to retail customers.

Though depositors can earn interest ranging from 0.50 per cent to 2.50 per cent (depending on the tenor) on gold deposits and their earnings are exempt from capital gains tax, wealth tax and income tax, they don't seem impressed.

Among the reasons cited by bankers for the lukewarm response to GMS include irreplaceable jewellery, such as those handed down through generations, needing to be melted. Further, even though the depositor can get redemption proceeds under the GMS either in rupee equivalent of the value of deposited gold at the time of redemption or in gold, he/she has to incur making charges when he/she buys jewellery.

To make the scheme a success, the government needs to mount an awareness campaign to address retail investors' concerns and convince them about the benefits of GMS.

Huge stock

Indians reportedly hold about 20,000 tonnes of gold in the form of jewellery, coins or bars and their yen for the yellow metal continues. The government has found it necessary to introduce GMS and GBS in order to bring down gold imports. In the last few years, gold imports have contributed to the large current account deficit that the country faced.

The government's pitch for promoting the GMS has been that gold lying in lockers appreciates in value if the price goes up but it doesn't pay you a regular interest or dividend. On the contrary, you incur carrying costs on it (bank locker charges). The monetisation scheme will allow you to earn some regular interest on your gold and save you carrying costs as well.

(This article was published on June 27, 2016)

01. BUY GOLD BULLION ONLINE

02. GOLD INVESTMENT PLANS

03. GOLD IRA ROLLOVER

04. THE BEST GOLD ETF

05. GOLD PRICE FORECAST

06. GOLD STOCK ANALYSIS

07. TOP 10 GOLD STOCKS

08. BEST GOLD IRA COMPANIES

09. TOP RATED GOLD MUTUAL FUNDS

10. BEST GOLD INVESTMENTS

11. LIFE INSURANCE FOR SENIORS

12. SMALL BUSINESS IDEAS



Buy Gold Bullion Online