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RBI to study why Indians spend big to buy gold

By PTI | Updated: Aug 04, 2016, 11.46 PM IST

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MUMBAI: [Reserve Bank of India](#) has set up a committee to study Indian household financing pattern and why they spend large sum of money on [gold](#).

The panel will look at various facets of household finance in India and to benchmark India's position vis-a-vis both the peer and advanced countries, it said in a statement today.

The panel headed by [Tarun Ramadorai](#), Professor of Financial Economics, [University of Oxford](#) will have representation from financial sector regulators, Sebi, Irdai, PFRDA apart from [RBI](#).

It will consider "whether, how, and why the financial allocations of Indian households deviate from desirable financial allocation and behaviour (eg, the large household allocation to gold)".

The committee has also been asked to benchmark the current depth of household financial markets in India vis-a-vis those in other major world markets and to identify areas of priority for growth and change.

To characterize and evaluate households' demands in formal financial markets (for assets such as pensions as well as liabilities such as home loans) over the coming decade, is another key term of reference given to it.

RBI further said that the panel will evaluate the "design of new systems and the redesign of existing systems" of incentives and regulations to encourage and enable better participation by households in formal financial markets.

The terms of reference also include assessing the role of new financial technologies and products (robo-advising, automatically refinancing mortgages) in the cost-effective provision of high-quality and suitable financial products to Indian households while containing risks.

The committee is expected to submit its report by end July 2017.

The demand for formal financial market investment product like pension as well as liability product like home loan from the Indian household was discussed during the meeting of the Sub Committee of Financial Stability and Development Council (FSDC-SC) held in April.

It was decided that a committee should be set up to look at various facets of household finance in India and submit a report, RBI said.

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