



According to a study conducted by the WGC two years ago, Indian households had 23,000-24,000 tonnes of gold stashed away (Photo: Mint)

## Jewellery deposit schemes are more glitter than gold

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Jewellery schemes are not well-regulated, so it's better to go for safer alternatives

The scheme lets customers accumulate money to buy gold, but there are other safer investing options

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Goodwin Jewellers, a Maharashtra-based jewellery chain, was recently in the news after its owners allegedly ran off with investors' money and the stores' gold stock. Customers took to social media and then to the streets to protest, and police cases were registered against the owners. According to newspaper reports, the jewellery chain also had several subscribers paying equated [monthly instalments](#) (EMIs) for its [gold deposit scheme](#).

Under such schemes, jewellers, typically, ask investors to pay 11 instalments and add the 12th instalment. At the end of 12 months, the investor can buy a piece of jewellery against the accumulated amount from the jeweller itself. Instead of adding the 12th instalment, some

jewellers ask investors to pay all 12, but exempt the making charges, which is, typically, 13-15% of the total price.

While such schemes sound good, the problem with jewellery deposit schemes like the one offered by Goodwin Jewellers is that they are not well-regulated. Read on to find out if your money is safe with a jeweller.

## **In gold we trust**

Indians, traditionally, consider gold a worthwhile investment. According to a study conducted by the [World Gold Council](#) (WGC) two years ago, Indian households had 23,000-24,000 tonnes of gold stashed away. The WGC predicted that the number might have touched 25,000 tonnes now.

“Gold is traditionally viewed as one of the most reliable investment instruments whose value has the potential to grow during a geopolitical crisis or economic instability,” said Harsh Jain, co-founder and chief operating officer, Groww, an online mutual fund platform.

But as much as Indians love the yellow metal, it’s high price tag means that many have to save up to buy it, especially for events like a wedding in the family. This is where gold deposit schemes come in. Jewellery shops across the country have been offering gold purchase plans or gold saving schemes to customers for many decades.

## **Under scrutiny**

This is not the first time that such deposit schemes have come under scrutiny. In February, the government cracked down upon high-risk deposit schemes offered by builders and jewellers by passing the Banning of Unregulated Deposit Schemes Ordinance. The practice was especially common in Tier II and III cities, where builders and jewellers attracted customers using offers and high interest rates, and used the deposits to fund their immediate needs. The ordinance made all such deposit schemes, except those with specific regulatory approval, illegal. It was aimed at imposing a more thorough regulatory regime.

The government mandates that jewellers can only take deposits if it’s part of their business as usual. “The deposit taker must (provide) evidence that he is doing this in the normal course of business, which in this case is selling jewellery. There must be an invoice of the jewellery sold and documentation of how the payment was made,” said Rajesh Khosla, spokesperson of the India Bullion and Jewellers’ Association, an all-India jeweller’s body.

This means that the deposit schemes that culminate into you buying gold have essentially slipped through the regulatory cracks and are still legal. "This is because the deposits can be accounted for as an advance for buying jewellery. But these schemes are still poorly regulated, and unless the jeweller is a renowned one and a name you trust, there is risk involved," said Khosla. If something were to go wrong, your only recourse would be to take the jeweller to court.

## Alternative investments

At the end of the day, the point of a jewellery deposit scheme is to help the customer accumulate enough money to buy something they want. But if the objective is to save systematically, there are other, safer, options to do it. "It only makes sense to invest in gold jewellery if you want to wear it. In olden days, gold served as a kind of security because other options were not available. Now we have other investing options which are more flexible and can give you comparable returns without risking your entire capital, like recurring deposits or an SIP in a debt fund," said Shilpi Johri, certified financial planner and founder of Arthashastra Consulting. Keep in mind that the making charges of gold jewellery are arbitrary and determined by each jeweller. So you can haggle it down and getting a concession on it might not be as good a deal as it seems. Also, when you buy gold jewellery, you pay for the making charges, but when you sell such jewellery, you only get the value of gold.

Also, if you are considering buying physical gold as an investment, it might be wiser to consider other alternatives. "Physical gold comes at a cost and brings in the risk of storage, theft, and concerns around purity. Gold monetisation schemes available with banks, on the other hand, seek to mobilize idle gold by putting it to use, at the same time, allowing investors to earn an interest upon the unused gold, as well as reap benefits when its value appreciates," said Jain. Other ways to invest in gold include buying [Sovereign Gold Bonds](#) offered by the government, gold ETFs and [digital gold](#).

If you are looking for a way to save up to buy gold or safely invest in the yellow metal, it might be a good idea to steer clear of jewellery deposit schemes, unless you trust the company completely, and opt for better regulated alternatives

## Topics

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