Why India needs a Gold Policy

The Federation of Indian Chambers of Commerce and Industry (FICCI) and the World Gold Council have released a report that highlights key policy recommendations to monetise India’s large stock of household gold. The report titled ‘Why India needs a gold policy’ makes seven key recommendations for an effective ‘India Gold Policy.’

Key findings of the survey are:

- **Consumers continue to buy gold whatever the fiscal circumstances**: 77% of respondents bought gold at least once during 2013 and more than half bought more gold in 2013 than the previous year.

- **Indian consumers buy gold as an investment as well as an adornment**: 77% of respondents bought gold as a safe investment and 53% consider it primarily an adornment; overall 50% believe that gold is both.

- **Gold demand is not dependent on price fluctuations**: Among respondents, 19% said they would buy more gold if prices rose and 34% said they would do nothing. Only 14% said they would stop buying gold if prices increased, while just 6% said they would sell.

- **Gold is an integral part of the family budget**: The purchase of gold jewellery and coins comprises of 8% of daily consumption of a household, which is only marginally behind medical expenses and education.

- **Gold price**: The gold price is depicted with a graph showing fluctuations.

- **Consumer attitudes towards utilising gold as an investment product**: 50% of respondents said they would be willing to deposit their gold to earn interest while a further 12% said they might do so. More than a third of respondents would be willing to deposit 26-50% of gold in their possession while 3% would deposit between 76% and 100% of their gold.

- **Among the respondents’ savings and investments, gold products lie just behind cash, bank deposits and other mainstream savings accounts.**

- **Consumers view on gold monetisation**: 49% of respondents said they would be willing to deposit their gold to earn interest, 73% said they were happy to receive different gold from their initial deposit while 62% said they would prefer cash or India branded coins at maturity.
Establish an India Gold Exchange to ensure pricing standardisation, increase transparency and improve supply and demand analysis.

Establish a Gold Board to manage imports, encourage exports and facilitate development of the infrastructure needed to ensure the Indian gold market functions to maximum effect.

Develop accredited refineries in line with international standards including upscaling the current domestic refineries.

Allow Indian banks to use gold as part of their liquidity reserves. This would incentivise them to introduce gold-based savings products.

Drive monetisation of gold by incentivising banks, revitalise Gold Deposit Schemes, introduce gold-backed investment and savings products.

Create a more active marketing strategy for Indian handcrafted jewellery. This could boost exports and highlight India’s expertise in this highly-valued sector e.g. by promoting handcrafted ‘India-made jewellery’ like the Swiss-made watches.

Drive the standardisation of gold so that buyers and sellers can have faith in both the quality and price of their products. Introduce guidelines for compulsory quality certification of all forms of gold to encourage accountability and foster an environment of trust.