

NEED OF THE HOUR – CREATE A MECHANISM FOR RECYCLING THE GOLD LOCKED IN TEMPLES AND HOUSEHOLDS

The rapid increase in India's current account deficit, fuelled by a remarkable decline in value of the rupee vis-à-vis the dollar and other global currencies, has resulted in concerted efforts by the government to reduce its import bill through various policy measures. With the nation's heavy dependence on oil imports and subsequent inability to significantly reduce the purchase of crude, the focus has shifted on moderating the imports of non-oil commodities, the primary amongst which is gold.

The need for lowering import of gold has been brought about as a result of the commodity's position as the second highest item of import, only behind import of crude. The government has taken numerous initiatives to curb the imports for the commodity, the latest being an increase in the import duties levied on both raw and processed gold. The policy changes, announced in August, although having witnessed a decline in import figures in the subsequent 15-20 days period, are expected to be a short term measure with demand expected to pick up, especially in light of the festive and wedding period looming on the horizon. Moreover, rural demand, which accounts for over 70% of the overall demand of gold in the country, is also anticipated to lead to further import of the commodity, irrespective of the prevailing prices.

An alternate solution to the above is to recycle the gold already available within the country and locked up inside households and temples. With an estimated stash of over 25000 tonnes of the yellow metal in temples alone, a 10% utilization of those reserves, held largely with temples, can accommodate the country's gold imports (which stood at around 850 tonnes in 2012) for the next three years.

A mechanism can be devised in such a way that articles of religious importance can be kept aside and only gold available in form of reserves like bars, coins and offerings given by devotees can be brought back into the system to cater to the domestic demand so that the religious sentiments of the public are not hurt. One such example is seen in the case of the Tirumala Tirupati Devasthanam (TTD) temple, which receives around 80-100 kg of gold offerings every month and deposited 338 kgs of gold with Indian Overseas Bank which would pay the temple interest at 1.61% p.a. on the deposited gold.

Such an initiative would result in significantly lowering the import of the commodity for a few years and help the government contain its current account deficit. It would also help in restricting the impact of exchange rate fluctuations on the domestic price of the metal.

