Introduction to Session 2: The Need for Development of the Indian Bullion Market

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The gold reform process in India traces its origins to the early 1990s, which saw the balance of payments crisis. The government’s gold policy over the last three decades has been guided by its economic philosophy in general as well as external trade pressures. The policy was based on the broad achievement of a general reduction in the demand and appetite for gold, a change in the savings pattern of the population into other types of investments, stopping gold smuggling and the conservation of foreign exchange, which was regarded as a precious commodity.

In retrospect, very little of the above has been achieved. There are different schools of thought on the reform process and its basis. One is cautious optimism, favouring an approach that would see the government and central bank proceeding in a slow and careful manner. The other view is that the current pace is too slow and needs to be hastened so that the parts of the reform process are not hindered by antiquated regulations and procedures, which in the present day context have, perhaps, outlived their usefulness.