

High inflation prompting more gold buys, says RBI Governor D Subbarao

Reserve Bank of India Governor Duvvuri Subbarao expressed concern that high inflation was forcing people to indulge in buying gold rather than depositing funds with banks.

The government has announced several measures to discourage people from buying gold and prodding them to invest in financial instruments.

Deposits were up 11.2 per cent in the first 10 months of financial year 2012-13, compared with 11.5 per cent in the same period a year ago.

Subbarao was speaking at the convocation ceremony of a banking and finance institute in Pune.

The government on Monday said it is not considering any proposal to reduce import duty on gold in view of the impact it will have on the country's Current Account Deficit (CAD).

The government has taken a number of measures to reduce imports of gold to arrest the widening of CAD, which represents the difference between inflows and outflows of foreign currency.

In January, the government had hiked the import duty on gold and platinum to 6 per cent, from 4 per cent -- a move aimed at curbing imports of the precious metals to check the widening current account deficit.

In an attempt to curb investment in gold, Finance Minister P Chidambaram during his Budget speech announced three measures that aimed at encouraging the common man to invest in other avenues.

While he announced making Rajiv Gandhi Equity Saving Scheme (RGESS) more liberalised, Chidambaram also proposed introducing inflation indexed bonds.

(Economic Times)