

What was the 20:80 gold import scheme?

The Centre on Monday announced its intention to probe the circumstances behind the extension of the 20:80 gold import scheme, previously restricted to banks and PSUs, to private parties in the final days of the previous government's term in 2014.

What prompted the scheme?

In response to a stressed current account deficit in 2012-13 due to a surge in gold imports, the government at the time introduced an import scheme in 2013, which mandated that 20% of all gold imports would have to be exported.

"The scheme was designed to restrict the import of gold, conserve foreign exchange by imposing export obligations, and ensure that the premium from purchase and sale of gold resided in the hands of public agencies," according to the Commerce Ministry.

Who could import gold under the scheme?

At the time of its implementation, the 20:80 scheme was open only to banks and to public sector companies such as the Metals and Minerals Trading Corporation and the State Trading Corporation of India. In May 2014, the RBI in consultation with the government widened the scheme to also allow Premium Trading Houses (PTH) and Star Trading Houses (STH), both private sector entities, to import gold.

How did the scheme fare?

According to the Commerce Ministry, a review of the scheme found that since liberalisation in May 2014, gold imports had increased substantially, averaging about 140-150 tonnes a month. Within this, the government found that gold imported by STHs and PTHs increased 320% following the May 2014 decision compared with the earlier period.

The share of these entities in the total gold imported into the country also increased from 20% before May to 60% after, according to the government.

The government on November 28, 2014 scrapped the 20:80 scheme and removed all restrictions on gold imports.

What was the impact of the abolition?

The Centre, citing the Comptroller and Auditor General of India, said that the average monthly import of gold fell to 71.5 million tonnes in the months following the abolition of the 20:80 scheme [December 2014 to March 2015] from the monthly average of 92.16 million tonnes in the period following the widening of the policy [June 2014 to November 2014].

Gold imports averaged 33.6 million tonnes per month before STHs and PTHs were allowed to import under the 20:80 scheme [from August 2013 to May 2014], according to the government.

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