

NBFCs to Play Crucial Role in the Growth of India's Gold Loan Industry

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India's gold loan industry has witnessed significant growth momentum in the recent years driven by various factors. The role of the regulator has been paramount in the development of the industry while ensuring stability, fair play and transparency in the sector. The guidelines introduced by the Central Bank lately are strong indicators of the sturdiness and the significance the industry is set to play as Indian economy is poised to grow.

NBFCs play a significant role in enhancing India's gold loan market. Their unparalleled reach cutting the geographical boundaries has enabled financial inclusion to a greater extent in the country. The NBFC sector is well regulated and governed by the Central Bank ensuring transparency, fair play and consumer protection which has only contributed to the strengthening of the organised players in the sector. Adhering to governance and risk management guidelines, maintaining minimum capital adequacy ratios, license regulation, customer disclosures are few significant practices followed by the NBFCs maintaining trust and stability while promoting a healthy financial environment for customers and investors.

Some significant steps that can be undertaken to develop the organised gold loan market in India include:

- 1. Allowing NBFCs to expand** – NBFCs with their ability to reach the masses should be provided with opportunities to expand their branches/ services especially those who have contributed significantly to the growth of the gold loan industry with rich traditional heritage. Their ability to tailor products to specific customer needs is a key strength, enabling them to effectively cater to diverse customer requirements. Currently, gold loan NBFCs require to follow separate branch licensing guidelines when expanding beyond 1000 branches which can slow down speed of expansion and limit their ability to meet growing customer demands. Allowing NBFCs to expand closer to the customer would be of great impetus for industry and reaching to families for their credit need. Muthoot FinCorp, the flagship Company of 138-year-old business conglomerate Muthoot Pappachan Group has received 250 licenses in the recent period, enabling us to expand our services to the hinterlands of the country. Our focus is to reach the untapped, provide them with the financial support and ensure financial inclusion while contributing to nation building.
- 2. NBFCs must adopt a phygital model to serve the customers** – physical branches as well as digital services. Customers today need immediate resolutions to their requirements. Digital presence is a significant aspect for an NBFC today to ensure customer satisfaction and enhance customer experience. But at the same time, it is important to have your branches close to your customers especially for the gold loan NBFCs with pledge being a physical process and customers need to know and see in person where their gold is kept safely. At Muthoot FinCorp, we serve India's common man with a Purpose to transform their lives by improving their financial well-being. We have both phygital and digital presence with our 3700+ branches across the country and Muthoot FinCorp ONE mobile app ensuring timely seamless services to our customers.
- 3. Build Financial Awareness** – Unorganised lenders are not part of the regulated environment and may not follow the customer fair practices. Moreover, the customers dependent on the unorganised lenders will not be a part of the formal banking system either. It is important that there is financial awareness across regions, and the significance of regulated entities need to be highlighted. With more than 60% of the gold loan market unorganised today, there is huge scope for building awareness, and curating the right tools and methodologies to empower the common man on financial aspects.
- 4. Trust is paramount to gold loan business** – Trust is the cornerstone of the gold loan industry, where customers entrust their valuable jewellery to lenders in times of need. As a result, NBFCs have a fiduciary duty to uphold the highest standards of integrity, transparency, and security. This includes implementing robust security measures to safeguard pledged jewellery, maintaining transparent business practices, and fostering a culture of trust and reliability. By doing so, NBFCs can build and maintain customer confidence, which is essential for the long-term success of the business.

As we strive towards a Viksit Bharat by 2047, every individual plays a vital role in driving economic growth. At Muthoot FinCorp, our 27,000+ strong Muthootian family is propelling this growth momentum. With a diverse portfolio of over 36 products along with our flagship gold loan service, we cater to the varied lifecycle needs of India's common man, empowering them to achieve their goals