

Gold loan lenders start lowering rates

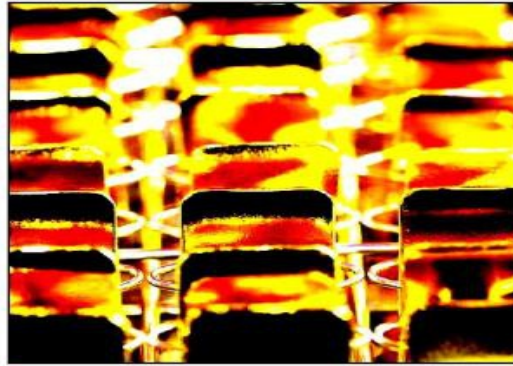
Aparna Ramalingam | TNN

Chennai: On the back of Reserve Bank of India enhancing the loan to value (LTV) ratio —the loan to value ratio implies the amount of loan availed for every gram of gold pledged —for gilt lenders to 75% from 60%, lenders have started to lower rates to increase business flow.

Muthoot Fincorp has unveiled new schemes for trade whereby, interest rates have been lowered to 16% from 18% to 22% earlier. “We are anticipating a 10% growth in business this fiscal as a result of this announcement,” Thomas George Muthoot, director, Muthoot Fincorp said.

Lenders cheered RBI’s announcement. “This has created a level playing field for the organized gold loan sector, i.e. banks and NBFCs (non banking finance companies),” I Unnikrishnan, executive director and deputy chief executive officer, Manappuram Finance said.

“It has been a flat year for the gold loan industry,” he said and was hopeful of a 20% growth in FY15 over FY14. The company’s gold loan outstanding was Rs 9,189 crore at the end of the second quarter as against



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Rs 9,930 crore on March end.

As per industry estimates, the organized gold loan segment (assets under management) is around Rs 1.3 lakh crore. “Earlier customers were confused as they were only looking for higher LTV and were misled by the unorganised players. Now they have fair options for selection from the organised market. This will now see more customers being freed from unorganised lenders. RBI’s move is definitely in the favour of the customer,” George Alexander Muthoot, managing director, Muthoot Finance said.