

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**RAJYA SABHA**  
**UNSTARRED QUESTION NO-3421**

ANSWERED ON TUESDAY, 1 APRIL, 2025/11 CHAITRA, 1947 (SAKA)

**RIISING GOLD LOAN DEFAULTS**

3421. SMT. RANJEET RANJAN

Will the Minister of FINANCE be pleased to state:-

- (a) whether Government has identified reasons for the significant rise in gold loan Non-Performing Assets (NPAs), along with the total number of such cases currently identified;
- (b) Government's assessment of irregularities in gold loan practices, as highlighted by the Reserve Bank of India (RBI), including weak monitoring of loan-to-value ratios, inaccurate risk assessments, and lack of transparency in gold auctions;
- (c) the measures implemented to enhance borrower financial literacy and improve credit assessments to reduce defaults in the gold loan sector; and
- (d) the initiatives proposed to ensure sustainable growth in the sector while protecting both lenders and borrowers?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a): As per Reserve Bank of India (RBI) data, Gross non-performing asset (GNPA) ratio pertaining to gold loans in upper- and middle-layer non-banking financial companies (NBFCs) has marginally increased to 2.37 % in March 2024 from 2.35% in March 2023. Further, GNPA ratio of gold loans in scheduled commercial banks (SCBs) was at the same level of 0.20% in March 2023 and March 2024.

(b) to (d): The Department of Financial Services, *vide* its communication dated 27.2.2024, advised Public Sector Banks (PSBs) to conduct a comprehensive review, including assessment and assaying of collateral, analysis of interest and other charges collected from borrowers, *etc.*, of entire gold loan portfolio sanctioned/ disbursed during the period from 1.1.2022 to 31.1.2024, to ensure that gold loans disbursed by banks are adhered to regulatory requirements and internal policies of the bank. Subsequent to the said DFS communication, banks have confirmed having undertaken a comprehensive audit of their gold loan portfolio.

Subsequently, RBI, *vide* circular dated 30.9.2024, advised all supervised entities (SEs) to comprehensively review their policies, processes and practices on gold loans to identify gaps and initiate appropriate remedial measures in a timebound manner. RBI has apprised that as a follow-up to the aforesaid circular, SEs, *inter alia*, have—

- (i) undertaken review of their policies, processes, and practices on gold loan to identify gaps.
- (ii) reported having strengthened the process for monitoring of loan-to-value (LTV) limits and breaches thereof.
- (iii) strengthened the process for ensuring end use of agricultural gold loans.
- (iv) devised systems to track evergreening of gold loans and offsite tracking is used to detect instances of gold loans which are closed soon after sanctioning.
- (v) developed robust systems checks to detect and prevent closure of gold loans accounts through debit of internal accounts.
- (vi) widened the scope of internal audit to detect the risk in gold loan portfolio.
- (vii) have revisited the standards for gold loan appraisal and auctions.

In addition to the aforesaid RBI circular, several other steps have been taken to improve credit assessment and to ensure sustainable growth in gold loans while protecting the interest of both lenders and borrowers. These include, *inter alia*, the following:

- (i) To safeguard lenders against risks such as gold price fluctuations, valuation errors, *etc.*, as per the extant RBI instructions, regulated entities are not permitted to extend loans exceeding 75% of the value of gold ornaments and jewellery. This Loan-to-Value (LTV) ratio of 75% is required to be maintained throughout the tenure of the loan.
- (ii) For loans, where both interest and principal are due for payment at maturity of the loan (bullet repayment loans), banks are not permitted to extend loans exceeding tenure of 12 months from the date of sanction so as to reduce the risk of loan defaults.
- (iii) Assessment and Reassessment of gold offered as collateral at regular intervals to ensure purity of gold by various methods, such as acid tests, touchstone testing, X-ray fluorescence (XRF) analysis, *etc.*
- (iv) Empanelment of trained and skilled appraisers to assess the value of gold pledged.
- (v) Valuation of the gold pledged by the borrower is done under CCTV surveillance in the presence of branch officials and borrower.
- (vi) Audits at periodic interval is carried out, *inter alia*, to ensure that gold loans are made in accordance with the regulatory guidelines and internal policies.

Various awareness measures and initiatives have been taken by RBI to enhance financial literacy, which include, *inter alia*, the following:

- (i) Centre for Financial Literacy set up at block level in collaboration of NGOs and sponsor bank conducts free camps for individuals on different themes of financial literacy.
- (ii) Financial Literacy Centres set up at the district level, *inter alia*, conduct camps on digital financial literacy.
- (iii) RBI has developed Financial Awareness Messages (FAME) booklet with standardized content to meet the requirements of general audience for financial awareness on important banking aspects, including messages on loan processing.
- (iv) Rural branches of banks are required to conduct one camp per month covering all the messages that are part of FAME booklet, which *inter-alia* includes messages on various facets of loan processing, *viz.* credit assessment, responsible borrowing, *etc.*
- (v) RBI has been conducting Financial Literacy Week every year since 2016 to propagate financial education messages on various themes across the country.

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