

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
STARRED QUESTION NO. *82

ANSWERED ON MONDAY, 10TH FEBRUARY, 2025 / MAGHA 21, 1946 (SAKA)

GOLD LOAN NPAs IN BANKS AND NBFCs

***82. SHRI ANAND BHADAURIA:**
SMT KANIMOZHI KARUNANIDHI

Will the Minister of FINANCE be pleased to state:

- (a) whether gold loan NPA has been increased by 30% in the first quarter of 2024-25 as per the data of RBI;
- (b) if so, the details of Non-Performing Assets (NPAs) arising from gold loans during the last five years, year-wise, bank-wise and Non-Banking Finance Company (NBFC)-wise;
- (c) whether commercial banks have reported 62% rise in gold loan NPA to Rs. 2445 crore in June, 2024 from Rs. 1513 crore in March, 2024 and if so, the details thereof, bank-wise;
- (d) the percentage of gold loan NPAs in the overall loan portfolio of banks and Non-Banking Financial Companies (NBFCs) during the current financial year; and
- (e) the steps taken by the Government to mitigate the risk of NPAs in the gold loan sector along with the measures taken to improve credit access for small borrowers while ensuring proper valuation and risk assessment in gold loan disbursements?

ANSWER

FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) in respect of Lok Sabha Starred Question No. *82 for reply on 10.02.2025 regarding Gold Loan NPAs in Banks and NBFCs asked by Shri Anand Bhadauria and Smt Kanimozhi Karunanidhi.

(a) to (e): The gross non-performing assets (GNPAs) pertaining to gold loan in Scheduled Commercial Banks (SCBs) and Upper and Middle-Layer Non-Banking Financial Companies (NBFCs) have increased by 18.14% from March 2024 to June 2024, and the gross GNPAs pertaining to gold loan in SCBs have increased by 21.03% during the same period. Further, as on 30.6.2024, gross NPA ratio pertaining to gold loans in SCBs was 0.22 % and that of upper layer and middle layer NBFCs was 2.58 %.

In accordance with extant RBI guidelines, banks and NBFCs are taking several steps to mitigate the risk involved in gold loans and to ensure proper valuation of gold offered as collateral. These include, *inter alia*, the following:

- (a) 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.*
- (b) Empanelment of trained and skilled appraisers to assess the value of gold pledged.
- (c) Valuation of the gold pledged by the borrower is done under CCTV surveillance in the presence of Branch Officials and borrower.
- (d) 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.
- (e) Auctioning of pledged gold is undertaken in case customer failing to repay the loan, while ensuring advance notice is sent to customers giving them sufficient time to clear the liability.

Further, number of steps have been taken by the government and the Reserve Bank of India (RBI) to mitigate the risks of NPAs in the gold loans. Such steps include, *inter alia*, the following:

- (a) The Department of Financial Services, *vide* its communication dated 27.02.2024, 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.
- (b) RBI, on 30.09.24, advised 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. SEs were also advised to closely monitor their gold loan portfolio and to ensure that adequate controls are in place over outsourced activities and third-party service providers.
- (c) To safeguard lenders against risks such as gold price fluctuations, valuation errors, *etc.*, as per the extant RBI instructions, regulated entities including banks and NBFCs are not permitted to extend loans exceeding 75 per cent 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.

- (d) Further, 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.

Further, to support the small borrowers, the aforesaid LTV ratio is not applicable to loans extended by SCBs for agriculture purpose, and in terms of RBI guidelines, lenders are permitted to make cash disbursement up to Rs. 20,000 in case of gold loans.
