GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 1172
TO BE ANSWERED ON 28.07.2025/ *Sravana 6, 1947 (Saka)*

IMPACT OF GOLD PRICE IN CORE RETAIL INFLATION

1172. SHRI S JAGATHRATCHAKAN:

Will the Minister of FINANCE be pleased to state:

(a) whether it is true that elevated gold prices have contributed to nearly 17 per cent of core retail inflation during the last twelve months, as per recent report of Credit Rating Information Services of India Limited (CRISIL);
(b) whether the Government is aware that this trend has disproportionately impacted household budgets in States with high gold dependency;
(c) whether any study has been conducted by the Government or RBI on the impact of sustained gold inflation on the consumption and savings of lower and middle-income families across the country, particularly rural women in Tamil Nadu;
(d) if so, the details thereof; and
(e) whether the Government has observed an increase in informal gold loans, distress sale of jewellery and pawn broking activities across the country due to rising gold inflation and if so, the measures taken by the Government in this regard?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) and (b): Based on the Consumer Price Index (CPI), the average monthly contribution of gold to core inflation (CPI excluding food & beverages and fuel & light) during the last twelve months (July 2024 to June 2025) is about 20 per cent. Gold in India serves a dual role—not only as a consumption item but also as an investment avenue, as it is considered a safe haven asset for hedging against uncertainties. Thus, an increase in gold price positively influences household consumption through the wealth effect, as the notional value of existing gold holdings appreciates. A sustained high gold price may have differential effects across States or population groups, particularly those with greater socio-cultural and economic reliance on gold, where gold purchase is traditionally mandated for social occasions. However, it can also be viewed as a conversion of one asset (cash) into another (gold), with the potential for appreciation in value over time.

(c) and (d): No specific study has been conducted by the Government or the Reserve Bank of India (RBI) in this regard.

(e): The RBI has taken several measures to improve formal credit availability against gold, particularly for small borrowers requiring small value loans, such as raising the maximum Loan-to-Value (LTV) ratio for consumption loans against gold collateral to 85% for loans up to ₹2.5 lakh, and 80% for loans between ₹2.5 lakh and ₹5 lakh, while the previous limit of 75% remains for loans above ₹5 lakh. The earlier cap of ₹4 lakhs on bullet repayment loans (where both principal and interest are due for payment only at the maturity of the loan), applicable to Cooperative Banks and Regional Rural Banks, has been removed. Further, to discourage informal lending practices, RBI has imposed restrictions on extending gold loans in case of ambiguity in the collateral's ownership and the practice of lenders repledging gold/ silver collateral. Additionally, lenders may renew loans upon a formal borrower request, subject to credit assessment, permissible LTV limits, and the loan being classified as 'standard', with bullet repayment loans eligible for renewal upon settlement of accrued interest. Reflecting the combined impact of regulatory efforts and shifting borrower preferences to gold loans due to the relatively higher LTV ratio vis-à-vis other types of collateral, the value of bank loans against gold jewellery increased from ₹1,16,777 crore in May 2024 to ₹2,51,369 crore in May 2025 as per the data published by the RBI.

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